



## THE COUNTER FRAUD CAMPAIGN 2019

### PART 1: IDENTIFYING TRAVEL COMPANIES FRAUD RISKS

Prevention of Fraud in Travel (PROFIT) and the Fraud Intelligence Network (FIN) are working with the City of London Police to reduce fraud in the travel industry. We recognise the increasing threat of fraud and have engaged with experts in the field of fraud prevention to ensure your organisation is in the best place to minimise the threats.

Over the coming weeks we will be producing a free and updated set of our comprehensive advice regarding many of the aspects of fraud that will affect your business. We invite you to feedback on any issues that you are having in relation to fraud via PROFIT and FIN. In PART 1 we are focussing on how to identify the main vulnerabilities that affect travel organisations.

#### 1.0 IDENTIFYING THOSE LIKELY TO COMMIT FRAUD

##### ORGANISED CRIME

- 1.1 The National Crime Agency (The UKs equivalent to the Federal Bureau of Investigation in the United States of America) has identified 4,542 organised crime groups in Britain employing 37,317 criminals. PROFIT has supplied intelligence via the City of London Police for well over a dozen groups that we have identified operating within travel (many are also active in other industry sectors such). We know that there are partially identified and unidentified organised crime groups still operating.
- 1.2 Organised crime can be defined as serious crime (such as fraud, money laundering, or extortion) planned, coordinated and conducted by people working together on a continuing basis. Their motivation is often, but not always, financial gain. Organised Crime Groups may be based in the UK or abroad and be run like a legitimate business. Some will have political motivations, operating to support terrorism or undermine an economy. Other groups operate for financial gain or in order to launder dirty money from other criminal activity whilst another motivation for criminality is to move people, drugs, arms and contraband.
- 1.3 Travel is a particularly useful target to organised crime because it gives ready access to identities, money, information, and travel. Moreover, travel has largely moved online and involves paying respectable sums of money for the promise of a service sometime in the future. The complexity of the supply chain and the dispersed operations make travel vulnerable at multiple points to criminality. For these reasons crime groups continually and covertly test travel company systems, share data on company's counter fraud measures and share compromised personal data about passengers.
- 1.4 Organised crime also infiltrates organisations where lack of preparedness is evident, or they think the pickings are especially rich. To a travel company, any discovered fraud attack will appear to be perpetrated by an individual when in fact the identified criminal is a members of an organised crime group. It is not possible for one organisation, or group of organisations, taking defensive measures or sharing data to readily identify when they have been targeted by organised crime.

##### LONE OPERATORS

- 1.5 The most common type of criminal attacker is the lone operator. Whether a customer, supplier, home worker, credit controller, salesperson or financial director anyone within or interacting with an organisation can be tempted to commit fraud if systems of oversight are weak and opportunities presented. In our experience there are three main reasons why people turn to travel fraud.

##### PERSONAL LIFESTYLE, ORGANISED CRIME, AND OPPORTUNITY

- 1.6 Personal lifestyle issues can arise which act as incentive to commit fraud. A person may commit fraud to:

- pay for a drug, gambling or alcohol addiction;
- stave off violence or intimidation from a controlling third party;
- pay for a penchant for luxury, spending on exotic holidays, expensive cars, high status houses or luxury goods; or
- for leading a false life as something they are not.

1.7 Where a person is part of an organised crime group, they will probably be committing crime to order. Crime groups often operate so that cash being generated by a group member will be used across the organisation and enforced through the threat of intimidation, violence or exposure. Another significant grouping are people that are presented with an opportunity to commit fraud and have identified that there is a low risk of discovery because of weak systems. This group may outwardly be people perfectly respectable and regarded highly within an organisation but become tempted as the rewards outweigh the risks.

## 2.0 IDENTIFYING THE FRAUD RISKS

2.1 Almost every aspect of a business can be the target for a fraud attack. However, many organisations are unaware that they are under attack, sometimes even after an attack has occurred. The reason for this curious state-of-affairs is that people only see what they recognise, and they only recognise what they know. If you don't know that something is occurring, or that something that you are seeing is an indication that a fraud is occurring, then you will not recognise it as a fraud and be at risk.

2.2 In this series we will try and identify some of the most common risks that occur against travel organisations and we are starting by identifying the main fraud types that travel companies are susceptible to that we have come across over the past twenty years. Whilst you may be lucky enough not to be a victim of fraud at all for the entirety of your business operation for most businesses some of the categories below will apply to you at some point in the company lifecycle. Many of these crimes are common everyday occurrences and we see these events on a regular basis.

2.3 The biggest three threat vectors to all travel companies are internal fraud (the least reported to authorities), customer fraud, and organised attacks by crime groups. Our aim is to share free or low-cost methods of reducing your risk to many of the fraud types that we are aware are happening. To start the process, we have set out in the table (below) many of the vulnerabilities that travel companies face.

2.4 Please treat this list of over 150 vulnerabilities as an opportunity to harden your business against crime. In the coming weeks we will show you how to identify many of the vulnerabilities that are listed and give useful tips and tools to help.

TAXONOMY OF CRIME AGAINST TRAVEL ORGANISATIONS				
TYPE	STAGE	TYPE	VULNERABILITY	SUB-CATEGORY
OCCUPATIONAL FRAUD & ABUSE	DURING RECRUITMENT		A.01 Dishonesty about right to work in the UK	
			A.02 Dishonesty about employment history	
			A.03 Dishonesty about previous positions held	
			A.04 Dishonesty about reasons for leaving a previous job	
			A.05 Dishonesty about true name	
			A.06 Dishonesty about qualifications held	
			A.07 Dishonesty about holding a valid driving license	
			A.08 Dishonesty about health issues	
			A.09 Dishonesty about references	
			A.10 Dishonesty about small claims court history	
			A.11 Dishonesty about previous criminal convictions	
			A.12 Dishonesty about being caught in a criminal act but not reported	
	IN EMPLOYMENT	CORRUPTION	A.13 Conflicts of interest	A.13.1 Purchasing schemes
			A.13 Conflicts of interest	A.13.2 Sales schemes
			A.14 Bribery	A.14.1 Bid rigging
			A.14 Bribery	A.14.2 Invoice kickbacks
			A.15 Illegal gratuities	
A.16 Economic extortion				
A.17 Insider dealing				

		ASSET MISAPPROPRIATION	A.18 Theft of cash	
			A.19 Theft of cash receipts	A.19.1 Cash theft
			A.20 Theft of cash receipts skimming	A.20.1 Sales
			A.20 Theft of cash receipts skimming	A.20.2 Unrecorded
			A.20 Theft of cash receipts skimming	A.20.3 Understated
			A.20 Theft of cash receipts skimming	A.20.4 Receivables
			A.20 Theft of cash receipts skimming	A.20.5 Write off schemes
			A.20 Theft of cash receipts skimming	A.20.6 Lapping schemes
			A.20 Theft of cash receipts skimming	A.20.7 Diverted bookings
			A.21 Refunds	A.21.1 To self
		A.21 Refunds	A.21.2 To confederates	
		FRAUDULENT DISBURSEMENTS	A.22 Billing schemes	A.22.1 Shell company
			A.22 Billing schemes	A.22.2 Non-accomplice vendor
			A.22 Billing schemes	A.22.3 Personal purchases
			A.23 Payroll schemes	A.23.1 Ghost employees
			A.23 Payroll schemes	A.23.2 Falsified wages
			A.23 Payroll schemes	A.23.3 Commission schemes
			A.24 Expenses reimbursement schemes	A.24.1 Mischaracterised expenses
			A.24 Expenses reimbursement schemes	A.24.2 Overstated expenses
			A.24 Expenses reimbursement schemes	A.24.3 Fictitious expense
			A.24 Expenses reimbursement schemes	A.24.4 Multiple reimbursements
			A.25 Cheque Tampering	A25.1 Forged maker
			A.25 Cheque Tampering	A25.2 Forged endorsement
			A.25 Cheque Tampering	A25.3 Altered Payee
			A.25 Cheque Tampering	A.25.4 Authorised maker
		A.26 Register Disbursements	A26.1 False Voids	
		A.26 Register Disbursements	A26.1 False Refunds	
		INVENT ORY AND OTHER ASSETS	A.27 Misuse	
			A.28 Theft	A.28.1 Misappropriation of funds
			A.28 Theft	A.28.2 Asset requisitions and transfer
			A.28 Theft	A.28.3 False sales and shipping
		A.28 Theft	A.28.4 Purchasing and receiving	
		FINACIAL STATEMENT FRAUD	A.29 Net worth/net income overstatements	A.29.1 Timing differences
			A.29 Net worth/net income overstatements	A.29.2 Fictitious revenues
			A.29 Net worth/net income overstatements	A.29.3 Concealed liabilities and expenses
			A.29 Net worth/net income overstatements	A.29.4 Improper asset valuations
			A.29 Net worth/net income overstatements	A.29.5 Improper disclosures
			A.30 Net worth/net income understatements	A.30.1 Timing differences
			A.30 Net worth/net income understatements	A.30.2 Understated revenues
			A.30 Net worth/net income understatements	A.30.3 Overstated liabilities and expenses
A.30 Net worth/net income understatements	A.30.4 Improper asset valuations			
A.30 Net worth/net income understatements	A.30.5 Improper disclosures			
3 <sup>rd</sup> PARTY FRAUD	CUSTOMER FRAUD	SHOP TRANSACTIONS	A.31 Payment cards	A.31.1 Lost cards (with no chip or pin)
			A.31 Payment cards	A.31.2 Stolen cards (with no chip or pin)
			A.31 Payment cards	A.31.3 Lost cards (compromised security features)
			A.31 Payment cards	A.31.4 Stolen cards (compromised security features)
			A.31 Payment cards	A.31.5 Card ID theft (Account takeover)
			A.31 Payment cards	A.31.6 Card ID theft (Application fraud)
			A.32 Cheque fraud	A.32.1 Counterfeit cheques
			A.32 Cheque fraud	A.32.2 Forged cheques
			A.32 Cheque fraud	A.32.3 Fraudulently altered cheques
			A.33 Money laundering	A.33.1 Converting proceeds into travel arrangements
		A.33 Money laundering	A.33.2 Converting proceeds into payment cards	
		A.33 Money laundering	A.33.3 Converting proceeds into foreign currency	
		ONLINE TRANSACTIONS	A.34 Payment cards	A.34.1 Lost cards (compromised security features)
			A.34 Payment cards	A.34.2 Stolen cards (compromised security features)
			A.34 Payment cards	A.34.3 Card ID theft (account takeover)
	A.34 Payment cards		A.31.4 Card ID theft (application fraud)	
	A.35 Money laundering		A.35.1 Converting proceeds into travel arrangements	
	A.36 Conspiracy with staff		A.36.1 Diverted bookings	
	A.37 Chargebacks		A.37.1 False section 75 claims	
	A.37 Chargebacks		A.37.2 Bogus group 'clean skin' bookings	
	A.37 Chargebacks		A.37.3 Multiple claims (with insurance and directly)	
	COMPENSATION		A.38 Health	A.38.1 Bogus claims – accident (slips and trips)
		A.38 Health	A.38.2 Bogus claims - illness	
		A.38 Health	A.38.3 Bogus claims - disabled access not provided	
		A.39 Delays	A.39.1 Bogus claims – statutorily compensated delay	
		A.39 Delays	A.39.2 Bogus claims – contractually compensated delay	
		A.40 Insurance	A.40.1 Multiple claims (with chargebacks and directly)	
		A.41 Service provision	A.41.1 Bogus claims - non delivery of part/whole of service	
		A.41 Service provision	A.41.2 Bogus claims – non-compliance with PTRs	
		A.42 Conspiracy with staff	A.42.1 Diverted refunds	
A.43 Dishonest compensation claim		A.43.1 Dishonestly claiming compensation under PTRs		
A.43 Dishonest compensation claim	A.43.2 Dishonestly claiming compensation under airline delay rules			
CONTRACTORS & CONSULTANT	CREDIBILITY	A.44 Dishonesty about right to work in the UK		
		A.45 Dishonesty about qualifications		
		A.46 Dishonesty about claimed skills		
		A.47 Dishonesty about claimed security clearance		
		A.48 Dishonesty about claimed membership of professional body		
		A.49 Dishonesty about work history		

			A.50 Motivation	A.50.1 Infiltration for financial crime		
			A.50 Motivation	A.50.2 Infiltration for data theft		
			A.50 Motivation	A.50.3 Infiltration – industrial espionage		
			A.50 Motivation	A.50.4 Infiltration – key staff recruitment		
<b>CRIMINALS</b>	<b>CYBER CRIME</b>		A.51 Website	A.51.1 Clone of a legitimate company's website		
			A.51 Website	A.51.2 Bogus travel site to 'sell' airline tickets		
			A.51 Website	A.51.3 Bogus travel site to 'bust out'		
			A.51 Website	A.51.4 Denial of service attack		
			A.51 Website	A.51.5 Scrape/steal offers		
			A.52 Email	A.52.1 Phishing attack		
			A.52 Email	A.52.2 Spyware attack		
			A.52 Email	A.52.3 Virus attack		
			A.52 Email	A.52.4 Worm attack		
			A.52 Email	A.52.5 Trojan attack		
			A.52 Email	A.52.6 Data theft		
			A.52 Email	A.52.7 Bombing		
			A.52 Email	A.52.8 Spoofing		
			A.52 Email	A.52.9 Spreading malicious code		
			A.53 Account takeover	A.53.1 Data theft		
			A.53 Account takeover	A.53.2 'CEO' fraud		
			A.53 Account takeover	A.53.3 Supplier invoice redirection		
			A.53 Account takeover	A.53.4 Client spoofing		
			A.54 Hacking	A.54.1 Computer hack		
			A.54 Hacking	A.54.2 Email hack		
			A.54 Hacking	A.54.3 Network hack		
			A.54 Hacking	A.54.4 Password hack		
			A.55 Cyber terrorism	A.55.1 Extortion		
			A.55 Cyber terrorism	A.55.2 Harassment		
			A.55 Cyber terrorism	A.55.3 Vandalism		
			A.56 Cyber theft	A.56.1 Image theft		
			A.56 Cyber theft	A.56.2 Membership logos and account numbers theft		
			A.56 Cyber theft	A.56.3 Product theft		
		<b>SUPPLIERS</b>			A.57 False declarations	A.57.1 Falsely claiming valid and adequate insurance
					A.57 False declarations	A.57.2 Falsely claiming to hold required local permits
	A.57 False declarations			A.57.3 Falsely		
	A.57 False declarations			A.57.4 Failure to hold required health and safety certificates		
	A.57 False declarations			A.57.5 Illegally sub-contracting service		
	A.58 Other criminality			A.58.1 Use of 'modern slaves' to fulfil contract		
	A.58 Other criminality			A.58.2 Failure to declare data breach affecting your customers		
	A.58 Other criminality			A.58.3 Money laundering		
	A.58 Other criminality			A.58.4 Invoice fraud		
	A.58 Other criminality			A.58.5 Contract fraud		
	A.58 Other criminality			A.58.6 Insolvency practitioner conspiracy		
	A.58 Other criminality			A.58.7 Solicitor conspiracy		
	A.58 Other criminality			A.58.8 Solicitor conspiracy		
<b>BONDS, INSURANCE &amp; TRUST FUNDS</b>	<b>APPLICANTS &amp; MEMBERS</b>			<b>MEMBERSHIP FRAUD</b>	B.1 Membership	B.1.1 Falsely claiming to be a member of a scheme
					B.1 Membership	B.1.2 Falsely declaring assets
					B.1 Membership	B.1.3 Falsely declaring experience
		B.1 Membership	B.1.4 Failure to declare bank accounts			
		B.1.Membership	B.1.5 Failing to declare previous involvement in a fraud			
		B.1.Membership	B.1.6 Failure to disclose a criminal conviction			
		B.1.Membership	B.1.7 Failing to declare confederates that have been involved in fraud			
		B.1.Membership	B.1.8 Failure to declare have been rejected by another membership body			
		B.1.Membership	B.1.9 Failure to declare a person that has ultimate control			
		B.1.Membership	B.1.10 Cross trading without proper records			
		B.1.Membership	B.1.11 Trust fund diversion			
		B.1.Membership	B.1.12 Ghost bookings			
		B.1.Membership	B.1.13 False accounting			
		B.1.Membership	B.1.14 Falsely claiming to hold insurance as customer protection against insolvency			
		B.1.Membership	B.1.15 Not collecting or passing on the ATOL levy			
		B.1.Membership	B.1.16 Hidden change of ownership			
		B.1 Membership	B.1.17 Hidden change of asset ownership			
		B.1 Membership	B.1.18 Ghost operating			
		B.1 Membership	B.1.19 'Bust Out'			

PROFIT is the only official travel industry counter fraud body. We work on your behalf to carry out analysis and research, disseminate best practice and disrupt crime. Find out how you can join the fight against crime. Contact via: [contactus@profit.uk.com](mailto:contactus@profit.uk.com)

**Next Week: Part 2 Recruitment Fraud In Travel**