ACE Hardware

Retail Loss Prevention Publications

Gift Card Fraud – Internal

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The retail gift card concept has been around for many years, providing the consumer with a means to give a gift with absolutely no risk of the recipient not liking it and taking it back for a refund. It's also been a boon to the retailer, as it created a new source of sales, again without the typical percentage of refunds. So it's been a win-win for both retailers and customers.

The retailer, however, has had to develop policies and procedures to prevent dishonest associates from taking advantage of the gift card sales and activation procedure. Like any process that depends on a combination of electronic and human controls for protection, there are opportunities for the dishonest associate to abuse the system if the retailer is not aware of the risks, or fails to take those steps necessary to implement and enforce the required controls.

If your Epicor POS system has been modified to accommodate gift card activations on the monitor or a signature capture device, along with the integrated POS process for ringing the actual sale of the gift card, there are minimal risks of abuse during the purchase and activation of the gift card beyond those associated with all other types of transactions (see article titled *POS Controls*).

However, the Epicor POS system does have certain **OPTIONS** related to the gift card activation process that should be configured, as recommended below, in order to provide appropriate features and increased security.

- **SECURITY BIT 669 – *ALLOW ACCESS TO WINPOS GIFT CARD MENU FUNCTIONS.*** Recommend this be set to NO. If this Security Bit is not set to NO, a cashier could manually activate a gift card without processing a POS sale transaction for that gift card.

- **SECURITY BIT 672 – *ALLOW GIFT CARD CASH-OUT GREATER THAN THRESHOLD.*** Recommend this be set to NO, thus prohibiting a cashier from independently allowing the cash-out of the balance of a gift card.

- **SECURITY BIT 758 – (MO) *GIFT/CASH CARD-ABILITY TO CANCEL OUT OF GIFT CARD ACTIVATION.*** Recommend this be set to NO, thus requiring a manager override in order to cancel out of the activation process for gift cards. (NOTE: ALSO SEE OPTION 5980.)

- **OPTION 3336 (ALERT) – *RECORD "GIFT CARD ACTIVATION" ALERTS.*** Recommend this be set to YES. Set to YES to have an alert issued when a gift card is activated. Considering the history of gift card sales abuse (both by associates and customers) and the fact that there are not that many gift cards actually sold, it is wise to review all such sales for **RED FLAGS**.

- **OPTION 5980–FORCE GIFT/CASH CARD ACTIVATION** – This process streamlines the activation when selling/ activating an Ace Gift Card at point of sale. Setting this option to YES forces the cashier to activate the Ace Gift Card immediately after completing the transaction.

- **OPTION 5981–*GIFT/CASH CARD – PRINT AMOUNT REMAINING ON POS RECEIPTS/INVOICES*** – Setting this option to YES will show the customer the amount remaining on their Ace Gift Card if payment was by gift card.

- **OPTION 5982-RECORD "GIFT CARD ACTIVATION ABORTED" ALERT** – Setting this option to YES triggers an alert if the automatic activation of an Ace Gift Card has been aborted. These occurrences and explanations display by accessing the Alerts feature from the Eagle Browser main menu.

If your POS system *does not* have the capability to swipe credit cards and gift cards internally (using a swipe device on the monitor or the signature capture pad), and instead you use the VERIFONE OMNI stand-alone credit card terminal (or one similar to it) to activate gift cards and process credit card payments, it is important that you understand that since this device is not connected to or interfaced with your POS system, there is the risk that **a gift card can be activated with no corresponding sale being recorded on the POS**. And since gift card activations are not reflected on the end-of-day printout from this device, the only way to detect this crime is to periodically access the record of your store's gift card sales via ACENET, or carefully examine your bank statement, and compare the gift card activation data against relevant sales data in the POS. If there is record of a gift card activation, but there is no evidence of a corresponding sale on the POS, this is credible evidence that a crime has been committed. Immediate action should be taken to research all pertinent documents and, if available, CCTV footage. All CCTV evidence should be immediately archived to CD/DVD. Likewise, the store where the gift card was redeemed should be contacted and all available information, as well as CCTV footage, should be secured. Local law enforcement authorities should be contacted and a complaint submitted.

If you do have the capability to swipe cards on your POS hardware, but keep the stand-alone device plugged in for use when/if POS communications go down, it is suggested that you consider deactivating the stand-alone device and securing it until actually needed.

ACENET > ACE WAY OF RETAILING (AWOR) > STORE OPERATIONS > POINT OF SALE contains a *New Quick Reference* link to a 10-page PDF document that contains detailed instructions for activating and redeeming gift cards on both the Epicor POS system and the stand-alone credit card terminal.

Detailed gift card activation and redemption reports are available at **ACENET > REPORTS > ADW REPORTS > PRODUCT**, and include the capability to obtain a listing of gift card sales and redemption by store, gift card number and date, as well as specific gift card lookups. These reports can take up to two days to generate. If a time-sensitive matter requires immediate information, contact the *Ace Retailer Care Center* at 800-777-6797.

> *Ace Hardware Retail Loss Prevention can assist in your investigation and, if appropriate, recommend a professional investigative firm to conduct an on-site investigation and prepare the case for presentation to law enforcement. Please contact Retail Loss Prevention at 630-972-2670 or info@acelossprevention.com.*

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