



SECURITY and LOSS PREVENTION MANAGEMENT

Raymond C. Ellis, Jr.,
and the Security Committee
of AIH&MA

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EDUCATIONAL INSTITUTE
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Preface

Travelers expect and demand secure and safe experiences at the lodging properties they choose to visit. Owners and investors expect and demand that a property will be operated as efficiently and profitably as possible. A property that implements a security and loss prevention program that fulfills the wishes of these groups of people begins each day with a competitive edge. This textbook looks at several areas that may be of concern to security-conscious managers and employees.

The first point to be made is that the security and loss prevention needs of different properties vary. Recent decades have witnessed a great diversification within the lodging industry. New and different types and styles of lodging properties have been developed, each adding a significant element to the industry's ability to serve its various markets effectively. This diversification, coupled with a rising crime rate, has also resulted in more diversified security needs. Although certain properties' needs may be similar, each property is ultimately unique.

The security function at various lodging properties may be performed by people with many different titles. Smaller properties often assign the security function to a manager with other responsibilities. Larger properties may decide to maintain a full-fledged security department with its own department head. Regardless of who is in charge of the security effort, that person should be considered part of the management team at the property level. Security is a consideration in many of the management team's decisions; direct input from an executive-level security director can improve communications, which may help to increase the effectiveness of the security program.

This textbook is designed to accomplish four main goals: (1) to help a property develop its security program, (2) to serve as a reference for topics and issues to review if a security incident should occur, (3) to help employees become aware of security concerns, and (4) to provide security information to students who are entering the industry. The book is divided into three parts (nine chapters) which address various security and loss prevention issues and three appendixes which supplement some of the information found in the chapters.

Part I looks at initial concerns and concepts relating to security. It traces the recent history of lodging security, outlines the general areas a security program should consider, examines the legal requirements associated with protecting guests and property, and discusses several elements involved in setting up a security program.

Part II looks at security equipment and procedures as they relate to physical security, internal control, and the overall protection of guests and assets.

Security responsibilities are broken down by department, with special attention given to the protection of funds through effective accounting control procedures, credit procedures, and computer security. Part II concludes with a discussion of emergency management.

Part III looks at safety concerns. Safety is a topic having more to do with loss prevention than security. It is also an area where extensive federal legislation exists. Part III looks at general safety issues, then turns to a discussion of many federal safety regulations that apply to lodging properties.

Three appendixes follow that elaborate on some of the legal concepts and issues presented in Parts I and II. Appendix A presents a sample set of innkeepers laws, Appendix B presents room postings from four states, and Appendix C presents and briefly discusses eight legal cases involving the lodging industry.

The importance of security and loss prevention for today's lodging industry should not be overlooked or underestimated. There are too many ways in which a property that is inattentive to such concerns can be victimized. Managers and employees who understand the nature of potential security problems are better able to help protect themselves, their property, and their guests.

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Part I

Preliminary Considerations

1

Security and the Lodging Industry

Lodging property managers have many responsibilities, one of which is security. Providing security in a hotel or motel is the broad task of protecting both people—guests, employees, and others—and assets. Crimes involving the theft of assets usually result in greater losses to lodging properties than crimes against persons, but crimes against persons have a greater effect on public relations (and therefore occupancy) and may generate high legal expenses. Lodging property security efforts may involve such areas of concern as guestroom security, key control, locks, access control, perimeter control, alarm systems, communication systems, lighting, closed-circuit television, safe deposit boxes, inventory control, credit and billing procedures, staffing, pre-employment screening, employee training, the responsible service of alcoholic beverages, emergency procedures, safety procedures, recordkeeping, and more.

It must be remembered, however, that each lodging property is different and has differing security needs. Consequently, although this book will explore and discuss the topic of security in the lodging industry, it should not be construed as recommending any industry standard.

A Growing Concern

The industry's concern with security has increased greatly in recent years as a result of the rising crime rate against both assets and people and the rapidly growing number of lawsuits filed against innkeepers and even individually named employees for failure to provide adequate security. While crimes against guests may raise moral and ethical questions, innkeepers and potential innkeepers do not need a textbook to explain to them that such issues are involved in providing safe and secure accommodations. Rather, it is the legal implications of this fact and the various actual security systems and procedures available that must be studied. Such information is never gained through intuition.

In most states, innkeepers have a legal duty to provide "reasonable care" (which will be discussed later) for the protection of guests and guests' business

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invitees. Innkeepers may be held responsible for injuries to guests caused by their employees in the course of their employment.

Innkeepers sued for negligence in allegedly not providing reasonable care for someone who was injured or victimized on their premises are losing millions of dollars every year in court judgments and out-of-court settlements. Successful litigation against the industry is resulting in increased insurance costs, difficulty in obtaining appropriate public liability insurance protection, and higher deductibles, requiring a company to pay higher initial sums in a claims settlement. After suffering their most disastrous claims losses in history during the 1980s, insurance companies have generally reduced the levels of protection available to innkeepers against a lawsuit. Re-insurance markets—organizations which permit the establishment of higher levels of protection by sharing an insurance company's risks in return for part of the premium—have dried up and the individual property has been limited, in some instances, to one million dollars of coverage or less. The "umbrella coverage" with limits in the multi-million dollar range is becoming rare. Even if financial considerations were the only concern in providing security (which they certainly are not), the urgency of considering a security program if one is not already in place is obvious. The cost of claims has even resulted in the bankruptcy of at least one franchised property in a national chain.

The Need for Effective Management

Providing appropriate security for any lodging establishment is a never-ending activity. In a climate of increased crime against guests, employees, lodging properties, and the assets of each, management is continually challenged to develop and support an effective security program. Without continuous awareness at the management level, a property's security may suffer. In the development of security guidelines for an individual property, all members of the management and supervisory team of the property should be involved. The special needs of the particular hotel or motel must be incorporated in the procedures. While in draft, the materials should be reviewed by legal counsel. Upon approval, the information should be provided to all employees. If prepared for each individual department, the data can be provided on a job-by-job basis. There is a greater likelihood that employees will review the material if the format addresses specific assignments without detailing the total security operations of the property. Turnover and changes in job assignments necessitate a regular review program to keep all employees aware of their security responsibilities.

While recognizing the need for protection of the guests, the employees, and the assets of each, management must also recognize that guests and employees may themselves create security problems by stealing property and services from the hotel or motel.

Security should be recognized and used as a management tool. Whether the size of the property requires a large security staff or allows for the security function to be assigned to one or several on-premises supervisory personnel, the security role should be clearly defined and implemented. The protection of

guests, employees, and assets requires managers (and, indeed, all employees) to be constantly alert to possible security breaches.

Security Requirements

Unfortunately, providing adequate security has become more difficult in recent years. Since World War II, there has been a sharp increase not only in the crime rate, but also in the number of lodging establishments throughout the United States. The growth of the automobile industry and the mobility of the American people have brought lodging facilities to the highways in the form of motor courts, inns, and lodges. In addition, resorts, resort condominiums, conference centers, and all-suite and airport properties have proliferated. Each new concept or expansion of a successful format for serving the traveling public has added to both the variety of lodging properties and the variety of communities in which lodging properties are located. Such diversity is clearly one of the strengths of the lodging industry, but it also provides some of the industry's profoundest challenges. This is perhaps nowhere truer or more evident than in the area of hotel and motel security.

No two hotels or motels have identical security requirements. National security standards are not feasible for such a varied industry. The ever-growing diversity of lodging operations, locations, layout, staff, function, and clientele makes it impossible to develop any standard that could reasonably apply to all properties. Because each property is different, something which is a required security procedure for one property may or may not be of value to another.

Occasionally, organizations, agencies, and schools attempt to introduce plans for the initiation of security standards for the lodging industry. While such efforts are undoubtedly well-intentioned, the lodging industry quite reasonably tends to view them as unrealistic and ultimately counterproductive. Neither the American Hotel & Motel Association nor its Educational Institute is a standards-making organization. Instead of offering a series of fairly arbitrary and unworkable standards, this book attempts to outline those aspects of security that may need to be considered by lodging properties as they develop their own individual security programs. It is highly unlikely that any single property would ever have to implement every security procedure or use every device that we will discuss. Rather, as you read and study this book, note those items that are applicable to your property and then consider how to correct any of your property's existing or potential security exposures. If necessary, seek outside assistance from local law enforcement agencies or a qualified lodging industry security consultant. This book will also explore some recent legal cases and related court and jury decisions, dram shop laws (under which a hotel or motel may be held liable for an accident caused by an intoxicated individual who was served by the hotel or motel), safety requirements, and the effect of these factors upon the lodging industry.¹

Some Important Points

Some important points relating to the development of a security program need to be made at the outset. First, a security program should stress the prevention of security problems. It is far more desirable to keep security

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incidents from occurring than it is to catch a criminal after a crime. Certain actions and procedures, properly implemented, may help to prevent or discourage such incidents. Nonetheless, it must be recognized that *not all crime is preventable*.

A facility's security program, therefore, should be designed to train its staff to prevent the preventable security incidents and to react whenever possible to any unpreventable security incidents quickly, appropriately, and effectively.

Each property should continually review its security procedures. Whenever necessary, the property should update its procedures to meet its changing security needs. The following list indicates general areas that should be considered for inclusion in a property's security program:

- Locks and key control
- Guestroom security
- Control of persons on premises
- Perimeter control
- Protection of assets (money on hand, guest's assets, equipment, inventories)
- Emergency procedures
- Communications
- Security records

In addition, a property's design and layout can greatly affect its security program. For lodging establishments still at the planning stage, security concerns should be considered at the architectural level.

Areas of Vulnerability

As stated earlier, following World War II, a more mobile America and a growing crime rate combined to create new security problems for hotels and motels. Earlier, the security problem had related essentially to room thefts; assaults or rapes were almost unheard of. In recent years, however, hotels and motels have gained an unfortunate visibility with regard to criminal incidents that can include assault, arson, and armed robbery. Crimes against the guest, even if few in number, can generate adverse publicity, can seriously damage the reputation of the property, and may be extremely costly during subsequent litigation. One problem in designing a security program to deal with such crimes is that the security effort must take into consideration the property's image. The lodging industry is, after all, a service industry. A hotel or motel markets an image of hospitality as its main product. Security procedures that virtually invoke martial law may be good for security, but they will probably be bad for hospitality. Poorly thought out security procedures may offend or inconvenience guests and drive them away.

Another area of asset vulnerability results from the use of inadequate procedures for checking and giving credit. Such procedures may lead to losses by permitting the unauthorized or fraudulent use of credit cards, personal checks, and travelers checks. This type of incident is less visible to the general

public than personal crime and is therefore less likely to greatly affect public relations efforts. Nonetheless, when establishing credit procedures to protect a property from incurring losses through bad debts, care must again be taken to avoid offending one's guests.

A high degree of vulnerability exists in the protection of the physical assets of a lodging establishment. All too often, these expenses are ignored and written off as a cost of doing business. Very little effort may be spent in trying to control the loss of tableware, ash trays, linens, and towels—to name but a few of the items whose theft results in a monetary loss to the organization. Of course, when an organized crime team is concentrating on stealing color television sets from the rooms of a hotel or motel, the extent of the dollar loss becomes immediately evident. Whether dealing with an organized crime effort or with the theft of assets by guests or employees, management has a responsibility to take preventive action.

Studies by the U.S. Small Business Administration have indicated that business failures can often be directly related to employee theft. Employee theft may appear in numerous forms within the hotel or motel and these various losses may combine to constitute a major concern. Many of these employee-related losses will be considered in greater detail in later chapters. However, a brief listing will indicate the comprehensive and pervasive nature of the problem.

1. Are employees in various departments or employees and vendors involved in criminal collusion affecting the bottom line of the corporation?
2. Are employees using cleaning and laundry facilities or long-distance lines without authorization? What about unauthorized meals, etc.?
3. Are supplies being stolen?
4. Are cash handling programs preventing theft by employees?
5. Are there effective controls on the purchasing function?
6. Is there a receiving program that ensures controlled receipt of all orders?
7. Is there an inventory control program in operation?
8. Is there a controlled employee entrance?
9. Is the security facility and function operating properly?
10. Are employees misusing a time clock or other recordkeeping system to steal time from the organization?

Security and the Law

Every state has its own statutes and court rulings on innkeepers laws. These laws deal with the rights and responsibilities of innkeepers in the state and can be fairly extensive. Although such laws almost invariably deal with the same general topics, they can differ from state to state. Because of their length, we cannot include every state's innkeepers statutory laws and court decisions in

this text. We have, however, included the laws of one state—Florida—as Appendix A to serve as an example of the issues such laws typically address.

Lodging management and security personnel should read the innkeepers statutory laws of their state. The understanding gained from this information can contribute to the development of a more effective security program.

Also, in determining what elements might be included in a particular security program, it may be wise to review some recent court and jury decisions that deal with hotel and motel security matters. Many recent cases have addressed one or more of the following issues: locking systems, key control, security personnel on the premises, lighting, door viewports, police liaison, security efforts tailored to the needs of a specific property, and the involvement of employees as the hotel or motel's "eyes and ears" with regard to the security function. These areas of concern are frequently stressed in depositions by expert witnesses for the plaintiff. These experts, who have influenced some court and jury decisions affecting the industry, have generally had experience with lodging properties. Some (but only some) have been directly involved in security responsibilities for the lodging industry.

Several significant cases dealing with hospitality industry security are presented in Appendix C and throughout the text. Before we examine any cases, however, it is important to gain a basic understanding of the workings of the American legal system. In *Understanding Hotel/Motel Law*, Jack P. Jefferies provides a brief explanation of this system:

The laws governing hotels and motels in the United States are myriad. They include many common law rules that have evolved from early English judicial decisions and social customs. The common law system was developed in England during the Middle Ages as courts sought to resolve disputes between individuals by applying generally accepted rules and principles of justice. As society developed from the feudal to the industrial era, courts under the common law system continued to apply many of the rules and principles enunciated by courts in earlier, similar cases. Within this developing common law system, special common law rules regarding the rights and liabilities of innkeepers and their guests also evolved. This special body of rules applicable to innkeepers under the common law resulted from the public nature of the occupation. . . .

Examples of old common law rules uniquely applicable to innkeepers are: (i) innkeepers as operators of public places must as a general rule provide available accommodations to travelers who are willing and able to pay for such accommodations, and (ii) an innkeeper under common law would be liable as an insurer for the loss of guests' property brought to the inn, with certain exceptions.

Throughout the years, the common law rules governing innkeepers [in all states except Louisiana, where the Louisiana Civil Code is based on the Code Napoleon] have, however, been refined by court decisions, and modified by federal, state, and municipal legislation and administrative agency rules and regulations, which, in turn, have then been further defined by federal, state, and municipal court decisions and administrative agency rulings.

In addition, hotels and motels today are subject to numerous federal, state, and municipal statutes and administrative rules and regulations governing a multitude of subjects never covered by common law. These governing statutes,
