

May 2007



# Newsletter

**Utah Chapter**

*Our Mission: Provide our members opportunities for career development and networking with peers. Advance and promote the profession by creating awareness of the skills and abilities of IT audit and security Professionals.*

## President's Message

Greetings Utah ISACA Chapter! Everything continues to go smoothly for the chapter. We have had great speakers and networking opportunities the last few months. The Chapter Board always appreciates your feedback on the topics you would like to learn about.

If you haven't registered for the Utah ISACA Spring Seminar you still have a few days. The date is Thursday, May 10th at Thanksgiving Point. We need to have a final count ASAP so don't forget to get in and register and get your payment in. We have excellent topics that will be presented. For all the details go to our chapter site at [www.isaca-ut.org](http://www.isaca-ut.org).

The CISA class is going well, we have many attendees that will benefit from the knowledge they receive. I appreciate the time and effort of our CISA Coordinator and instructors for the class. We also would like to hold a CISM course if there is enough interest for those preparing for the test. Let us know if you or a colleague is interested in participating.

On June 21st we will be holding our Chapter's Annual General Meeting. We would like to thank the current board and welcome the new board members at that time. We would also like you to fill out a short survey to give us your interest level on topics for next year's meetings. Don't forget, the members that register and attend get free lunch at our annual general meeting.

We are gathering the nominations for the board elections for next year. We have nominees for all positions except for the Newsletter Editor. Please let us know if you have interest for running for this position. We need a dedicated individual to take on this responsibility.

Kyle Chugg

## Utah Chapter Spring Seminar

Topics:

- INSIDER THREAT MANAGEMENT
- POLICY DESIGN, DEPLOYMENT, AND ANALYSIS
- IDENTIFYING AND INVESTIGATING SUSPECTED PROBLEMS
- PAYMENT CARD SECURITY & BUILDING A SUSTAINABLE PCI COMPLIANCE PROGRAM

Date: Thursday, May 10, 2007, 8:30 am - 4:30 pm

Location: Thanksgiving Point, Lehi, Utah, Tropical Room; Lunch Buffet provided

Tuition: ISACA members: \$ 300, Non-members: \$ 350

For registration information and further details please see attached brochure.

# Nigerian Fraud Schemes

Alan B. Sternecker

In the past week, MSNBC's Chris Hansen undertook a brave step by exposing the underbelly of a Nigerian fraud network by going undercover to show the means by which these networks function here in the United States, Europe and Africa. In his experience he demonstrated that naïve citizens here in the U.S. accepted purchases made from stolen credit cards and trans-shipping these items to destinations in Africa. Their impetus for doing so was the promise of marriage made by individuals they met on the Internet. Of course the individuals were perfect mates and persons they never met in person. In most cases, they never suspected they were being duped. The business of fraud did not begin in Nigeria but it has been refined to an art form there. Protecting clients and customers from this type of crime is difficult but providing them with qualified information is one of the best forms of professional service.

Over the past twenty years fraudulent activities conducted by organized Nigerian groups have escalated, posing an increasing threat to the financial community and citizens of the United States. Nigerian Criminal Enterprises (NCE's) have been identified as engaging in a myriad of criminal activity for profit: wide spread get-rich quick schemes, personal credit history fraud, credit card frauds, and insurance frauds.

These NCE's are well organized and are usually characterized by loose, fluid cell-like structures. Through mutual relationships, these cells form an intricate web-like network that enables them to engage in criminal activities throughout the world. The thread that they all have in common is that they are all based in Nigeria whether individuals claim origin there or not. These are closely-knit groups that traditionally operate along family or tribal lines. Like many other organized criminal groups, NCE's only place family members and close associates in the most important positions within the organization. Often while traveling, they stay at one another's homes and utilize these residences as bases of operations for criminal activities.

NCE's are successfully able to engage in criminal fraud schemes due to the poor economic conditions in Nigeria, corrupt political and law enforcement officials, and insufficient banking regulations. Even if a Nigerian subject were charged, his/her extradition from Nigeria would be very difficult to obtain considering the chaotic governmental conditions there.

In order to successfully support their crimes, the NCE's establish a series of support entities:

1. Apartment locator services. Used to locate dwellings for NCE members who are new to a geographic area.
2. Check cashing services. Used to cash fraudulent checks and conduct money laundering activities.
3. Financial exchange services. Operated by NCE members who convert illicit proceeds into cashiers checks, money orders, bank drafts, etc.
4. Mail receiving facilities (Mail Drops). NCE members and associates utilize the services of private mail agencies. NCE members also rent private mailboxes to receive fraudulent credit cards, checks, financial documents, etc.
5. Notary Public Services. NCE members have become notaries and have utilized their positions to produce fraudulent documents.

6. Security Services. Used by NCE members to obtain confidential personnel records from the businesses where they work.

The overriding premise of the Nigerian fraud schemes is one of "smaller is better". In place of orchestrating large-scale fraud operations, NCE members usually concentrate on conducting numerous smaller scams. Discipline in this area pays dividends in at least two ways: It enables the perpetrators to take advantage of the many loopholes in the American economic and justice systems. It also allows for little, if any, punishment should an NCE member get arrested for conducting one particular scheme, due to the minimum value of the identified loss.

NCE members seem to be well organized in that "schools" have been established to provide instruction relative to the methods and means by which frauds may be done, in the United States and elsewhere. Seized documents revealed instructions to NCE members in the manner in which fraudulent identification cards, social security cards and birth certificates could be obtained. Also, instructions were available relative to the steps which could be taken in committing credit card and bank fraud.

### **Credit Card Fraud**

Based on information developed by law enforcement agencies around the world, NCE's are conducting credit card fraud on a global scale. Utilizing different techniques, NCE's obtain credit cards by applying under the names used on fraudulent identification documents (which they have manufactured or stolen). The NCE's have implemented fraudulent answering services to verify the NCE members' annual salary and employment information. Through mail theft; bribery of postal employees; false change of address cards for legitimate cardholders, and by producing the credit cards themselves, the NCE members engage in credit card fraud.

After receiving the credit cards, they often obtain cash advances from banks and other financial institutions, or begin to purchase expensive merchandise from mail order or Internet companies. Of course, these purchases meet or exceed the credit limits of the cards and are paid in full by fraudulent checks temporarily providing full credit to their accounts. Before the checks are discovered to be fraudulent, the cardholder begins his/her credit purchases anew, allowing the NCE member to reach the maximum credit limit again. By the time the credit card companies discover that fraud has been committed, it is usually too late to recover the merchandise or the money. The investigator is often left with a trail of bogus checks, bogus credit cards and bogus mail drops.

Also NCE members actively engage in Internet chat rooms that exchange stolen identities, stolen credit card information and business entities that accept them.

### **Obtaining Personal Information/Credit Histories**

Adjunct to the credit card frauds, are the frauds involving personal and credit histories. The NCE's have established elaborate methods for obtaining personal and financial information from unsuspecting victims that result in that person's credit history being compromised.

NCE members are often well educated, and accept low-level jobs as payroll clerks, security guards, janitors, etc. In these roles, they gain access to confidential personnel records in the businesses where they are employed. With this information, they establish credit lines in the names they have stolen.

Investigations conducted in Georgia and Texas revealed that NCE members had paid bribes to private citizens in order to obtain actual credit cards. Each credit card number netted the citizen \$100 from the NCE member.

## **Insurance Fraud**

Various investigations have indicated that NCE members committed several types of insurance fraud, including submitting fraudulent claims for automobile accidents, personal injuries, residential thefts, lost baggage, and life insurance policies.

Most of these scams are obvious, however, in the matter of the life insurance; a life insurance policy takes on a fictitious "relative". After a short time, the policy holder files a claim stating the insured was killed in Nigeria, and promptly provides a fraudulent death certificate.

## **Fraudulent Letter Scams**

Individuals and businesses, around the world, are receiving fraudulent letters from entities located in Nigeria offering a variety of get-rich-quick business schemes. The authors of these letters usually claim to be directors or operating officers for petroleum or other industries. They state that they want to utilize the bank account of the letter's recipient claiming they are in the possession of millions of dollars which must be transferred from the country. The text of the letters lead the reader to believe this is a routine manner of doing business in Nigeria.

According to the letter, the recipient would receive a substantial portion of the Nigerian money for participating in the transaction. The letter only requests that the recipient allow the Nigerians to transfer money from Nigeria to this waiting bank account. If the letter's recipient replies, the Nigerian will attempt to defraud them directly in the form of advance fees, usually disguised as tariffs or taxes. Often the authors request the recipients to forward airfare for a face-to-face meeting or state that the businesses must pay an "economic recovery tax, supposedly required under Nigerian law before the funds may be transferred.

The truth of the matter is this: The letters sent to the recipient are fraudulent, as well as are the names of the Nigerian officials. The multi-million dollar transfers never occur, and the recipients are defrauded of the monies they send to Nigeria.

## **Conclusion**

One of the key elements in the protection of customers is the vigilance of their accounts. Where there is unusual withdrawal activity it is possible they might be engaged in NCE related activity and a frank conversation may persuade them from further ruin. Also, alert financial officers might notify authorities of unlawful activities in a timely fashion.

Alan B. Sternecker, CISA, CISM, CISSP, CFE, is a consultant and the author of Critical Incident Management, ISBN: 084930010X, published by CRC Press. He has written numerous articles and regularly lectures regarding fraud and computer systems security auditing. He can be contacted at [absterneckert@yahoo.com](mailto:absterneckert@yahoo.com).

## **Journal Update**

The Information Systems Control Journal is seeking articles for volume 5, 2007, to be issued in September 2007. The copy deadline for volume 5 is 24 May 2007, and the theme is **Value and Performance in IT**. For more information, please view the 2007 editorial calendar at [www.isaca.org/journal](http://www.isaca.org/journal) or e-mail [jblader@isaca.org](mailto:jblader@isaca.org).



## Upcoming ISACA Training Weeks

Training Week events include in-depth coverage of the most important industry topics by world-renowned presenters, networking opportunities and valuable continuing professional education hours.

Upcoming Training Week courses will include the following:

- Fundamentals of IT Auditing
- Information Security Management
- Introduction to Information Security

Next USA Location: 11-15 June 2007 – Seattle, WA

Please visit [www.isaca.org/trainingweek](http://www.isaca.org/trainingweek) for more information on future Training Week events.

### Board of Directors and Officers

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