

Austin Area Chapter Association of Certified Fraud Examiners

Update of Chapter Activities

Elections – We will be holding elections this year for our officer and board of director positions. Ballots will be sent to you by email in with the March newsletter. If you are interested in having your name on the ballot for the upcoming elections, please contact us at info@austinacfe.com by the time of the lunch meeting on Monday, March 5th, or contact a board member at the upcoming February or March lunch meetings.

Spring Scholarships – Please note that we are accepting scholarship applications through March 31st, and plan to award scholarship winners at the April seminar meeting. Please advise any accounting/criminal justice/business majors you are in contact with to visit our website at austinacfe.com for a scholarship application form.

Community Services Project – The chapter has raised and approved a donation of \$300 to the Bastrop Wildfire victims. Help us meet our \$500 goal on this important campaign. You can still go to our website's homepage and click on the link to the right to donate additional funds.

January lunch meeting – our January lunch meeting was a great success with 62 paid attendees. Hope you can make it to our February 6th lunch meeting, where our speaker will be Mr. Allan Bachman talking about three years worth of effects from the giant Madoff fraud.

Chapter Meeting Schedule

Time: 12:00 p.m. to 1:00 p.m.

Location: Catfish Parlour
4705 E Ben White Blvd

Cost: Luncheon Only:
Members and Non-members \$12.00

Date: February 6, 2012

Speaker: Allan Bachman

Topic: Madoff Three Years Later

**register on line: www.austinacfe.com
or**

call 512-923-8656



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What You Missed

By Mike Garner, CFE, CIA

If you were not able to attend the January 9, 2012 Chapter meeting you missed a presentation on "Managing Risks and the Role of Forensic Investigations in Data Breaches" by Mr. Todd Lester, Managing Director, Disputes and Investigations, Navigant Consulting, LLP and Mr. Jared Jordan, Associate Director, Disputes and Investigations, Navigant Consulting, LLP (Navigant). Navigant has recently been involved in the investigation of Pedernales Electric Cooperative (PEC) (investigative report dated 15 December 2008) and Smart Meter Evaluation (Evaluation of Advanced Metering Systems deployment in Texas; investigation report dated 30 July 2010).

Mr. Lester and Mr. Jordan (Navigant Team) emphasized the importance of protecting valuable data and that the scope of this protection is much bigger and more complicated than most people realize (most only see the tip of the iceberg). One cause is that the amount of data is increasing exponentially. As of 2009, the entire internet was estimated to contain close to 500 exabytes (this is half zettabyte). According to the annual survey of the global digital output by International Data Corporation (IDC), the total amount of global data was expected to pass 1.2 zettabytes (a zettabyte equals a Billion Terabytes) sometime during 2010. According to IDC almost 8 Zettabytes of data will be stored by 2015. Identifying and protecting this data continues to be a growing challenge.

Valuable Data – The valuable data maintained by an organization includes business (pricing information, financial information, mergers and acquisitions, strategic plans, etc.), personal (customer information, employee information, etc.) and intellectual property (copyrights, patents, trademarks, etc). The loss of this valuable information is generally the result of a data breach. Several examples of data breaches identified in the press were briefly mentioned including a data breach at a security firm that was linked to an attack on Lockheed; hackers revealing personal data of 860,000 Statfor subscribers; China hackers stealing emails; hackers nabbing card data from 200,000 Citi customers, and Verizon customers exposed in massive U.S. data breach.

Data Breaches – The Navigant team discussed the current trends in data breaches; assessing risk and management of data breaches; incident management and investigation of data breaches; and a number of case studies relating to data breaches. The fraud risks to an organization include corporate fraud, employee theft, data breaches, and theft of trade secrets.

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AUSTIN AREA CHAPTER OF
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Trends – In the year ending the second quarter of 2011 most of the major data breaches relate to healthcare (over 100); corporations (over 60); education (over 35); and government (about 30); with less than 10 data breaches in other areas. The average number of records per breach ranged from just over 27,000 during the third quarter of 2010 to over 51,000 in the second quarter of 2011. The methods used in the major data breaches included theft, public access, hacking, loss, improper disposal, unauthorized access or use; and viruses. Most of the breaches were by theft and then public access, followed by hacking. The average total cost of a breach ranged from over \$5,000,000 in the third quarter of 2010 to over \$11,000,000 in both the fourth quarter of 2010 and the second quarter of 2011.

Risk Assessment and Management – The current environment includes earnings pressures; increasing IT security and data breaches; the Dodd-Frank Whistleblower Provision (your employees are now potential enemies); and compliance requirements are growing (oversight functions being asked to do more with less and increasing cross-border cooperation). The Organization for Economic Cooperation and Development (OECD) notes that effective internal controls, ethics, and compliance programs or other measures for preventing and detecting fraud should be developed on the basis of a risk assessment addressing the individual circumstances of a company, in particular the specific risks facing the company.

IT Security/ Data Risk – Seventy six percent of global energy companies have suffered one or more data breaches during the past 12 months and two-thirds of the IT staff in utility and energy companies believe their data networks will be breached in the next 12 months. To help address these risks make IT security a strategic initiative in the organization; comply with industry security standards; develop and implement a cyber security risk mitigation plan; and develop and implement an incident response and management plan.

Location of Valuable Data – The Navigant team showed a very complex diagram of data storage points within an organization and asked, those in attendance, where the valuable data was located. They emphasized that this is always one of their biggest challenges when entering an organization is to find out the location of the sensitive and valuable data. Usually no one person knows where all this data is located and how it is secured. Therefore the Navigant team will talk with a number of employees and then will continue to happen on data that they and management did not know existed.

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In many cases there are whole systems that were developed for specific purposes that are unknown to organization management. The team also emphasized that you must also secure data that has been provided to sources outside the organization. They provided examples of an offsite back-up location. Although there was excellent security at both the organization and the back-up location, the security was weak in the area of transporting that data to the back-up location.

Identifying Data Leaks – Data leaks can be internal or external and intentional (disgruntled employees, hackers, and unsecured websites) or accidental (lost devices or inadvertent publication of data, vendors, and subcontractors). The majority of breaches involve a system unknown to the organization; a system storing data that the organization did not know existed; a system that had unknown network connections or accessibility; and a system that had unknown accounts or privileges. The Verizon Data Breach Investigation Report referred to these recurring situations as “unknown unknowns” and they appear to be a weakness in the data protection efforts of every organization. To address identifying data leaks you want to maintain compliance with industry security standards; monitor and improve (dynamic) compliance programs; create a framework to monitor internal (benchmarking, internal audit, legal, security, procurement, etc.) and external (regulatory trends, changes in laws, etc.) events; and plan and implement reactions to negative events including triage, response plan, disciplinary action, disclosure, etc.

Conduct Investigation – In order to conduct an investigation you must first stop the attack and secure the crime scene. Once this is completed, assemble an experienced team to assist; review information technology systems to identify affected data storage areas; block malicious traffic with existing security devices; and preserve data for forensic analysis. Identify what was lost, stolen, or affected and how it was likely compromised; identify a timeline of business events; survey infrastructure for other vulnerabilities; and monitor host and network for signs of subsequent compromise.

Results of an Investigation – The goals of an investigation include maintaining or sectoring business continuity; creating a clear picture of what happened, when, where, how, and why; determine what data was compromised and who was involved; showing the critical path of the data from access to theft to usage and map events to business events to help determine intent; establishing a list of those that may need to be notified due to the breach; and defending against and deterring future attacks.

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Case Studies – In closing the Navigant Team discussed a number of real life case studies. In these case studies they identified who committed the breach; what they were looking for; why they were doing it; and how to best track them. The case studies the Navigant Team discussed or were prepared to discuss included cases related to the Russian Business Network; Mpack (a PHP-based malware kit produced by Russian crackers) and the English and Chinese Interface; Insider Trading; Industrial Espionage; and Identity Theft.

Speaker Bio

ALLAN BACHMAN, CFE
Education Manager
Association of Certified Fraud Examiners
Austin, TX

Allan Bachman, CFE has been Education Manager for the Association of Certified Fraud Examiners in Austin Texas since 2006. In his role he is responsible for seminar development and the educational content of all conferences and online learning.

Most recently Allan worked in Higher Education as director of an audit unit and was project manager on several IT implementations specializing in information and access security. His largest fraud investigation, for over \$1.5 million, was conducted during his tenure at this organization.

Previously Allan has worked in or has consulted for retail, real estate, manufacturing and has done extensive small to medium business consulting where he has actively worked hundreds of fraud cases of every size and complexity.

Allan has conducted training sessions at the IIA International Conference, the ACFE Asia-Pacific Conference, various ACFE Chapters and other national organizations. He has also taught college courses in accounting, auditing, information systems and computer security.

Allan's fraud investigation experience extends back to the mid- 70's and has continued throughout today. He obtained a MBA in information systems and became a Certified Fraud Examiner in 1993.

The Spotlight's On You!

A special feature focusing on members of the Austin Area Chapter of ACFEs

Leslie Simpson has been a member of the
Chapter

for the past 2 years.

But maybe you didn't know



Job Description:

I am Director of Membership for the ACFE. My position oversees our Member Services, Certification, Chapter Relations, and Higher Education areas.

What I'm working on now:

Several things but I am redesigning our communication preferences page, putting together a *CFE Exam Prep Course* promotion targeting individuals who have purchased the Prep Course but who have not become a CFE, and finalizing some details for the ACFE's new Corporate Alliance Program.

Best part of my job:

The people. Everyone from my co-workers to the members I talk to. You meet so many people from so many different walks of life and once you've met an ACFE member there's a connection that stands so that when you see them again it is like running into an old friend. Also, working in downtown Austin in an office with a window that opens isn't too shabby either.

Ambition and/or Goals:

I want to make a difference professionally and to continue to strive to improve. I want to raise two boys who are happy and who strive for excellence.

Years in audit field:

I am not an auditor but I've worked at the ACFE on and off for most of my professional career, but this time around I've been here more than 10 years. I started in marketing, then moved to events and now I'm in member services.

My first job:

My first job out of college was for JCP Media, a subsidiary of JCPenney. I was a copywriter in

their catalog department and wrote about fireplaces, furniture and baby furniture. I had to learn to be very creative and concise when I would write descriptions, which if you know me, was a huge challenge.

Hobbies:

I've been cycling for almost a year now. I love it and recently rode 60 miles in the Wurst Ride (and with 30 mph headwinds, it really was the worst ride) and am planning to ride the MS 150 this spring. I also love going to the movies and playing soccer with my boys.

Favorite Movie:

How do you narrow it down, I loved *The Notebook*, but I'm also sucker for cheesy comedy *Wedding Crashers* or anything with Jim Carrey. I probably shouldn't admit this, but I have seen all the movies in the Twilight Saga (and managed to get tickets to the premier when the latest movie came out last November).

Last books I read:

I'm currently reading *Boys Should be Boys* (I am from a family of all girls and was blessed to have two young boys. It has been a learning experience to say the least.); when I'm finished with that book I'm starting the *Girl with a Dragon Tattoo*.

Favorite foods:

I'm a born and raised Texas girl so I do love some great BBQ, but Mexican food comes in a very close second.

Favorite Restaurants:

ZTejas, Rudy's and my new favorite Mexican food joint, Morelia's in Cedar Park.

My pet(s):

I have a 10 year old English springer spaniel named Dudley, a Bearded Dragon named Fugie

Foogie, and a beta fish named Rango. I will only take responsibility for naming the dog.

It's a good day when:

When the weather is sunny, temps in the 70s, cedar/mold counts are low so that I can open the window in my office. Sure makes the day fly by.

Pet Peeves:

People who don't merge properly into traffic and Austin Traffic in general.

What I would do with a surprise afternoon off:

I would probably shop or run errands. Any time I can go without two little boys tugging at my pants is very productive so I try to take advantage of it. That said, I've been wanting to get out for a movie by myself.

I'm most proud of:

I've worked for the ACFE for nearly half my life and I have seen this company come so far. I feel proud to have been a part of it. It is refreshing to work for an organization that not only cares tremendously about its employees but about its membership. Everything we do is with our membership in mind, in fact, a common question we ask ourselves is "how will this benefit our members." Sure makes it easy to come to work every day.

Most people probably don't realize:

Most of our members probably don't realize that I am Jim Ratley's daughter.



Fraud in the News

Price-y Prescriptions



In a settlement with the FTC, CVS Caremark Corporation [will pay \\$5 million to settle charges](#) that it misrepresented the prices of certain Medicare Part D prescription drugs — including drugs to treat symptoms accompanying advanced breast cancer and epilepsy — at CVS and Walgreens pharmacies. In some cases, the actual prices were as much as 10 times more than posted prices. As a result, many seniors and disabled consumers paid a lot more for drugs and found themselves pushed into the “donut hole” of Part D coverage — the gap where drug costs are not reimbursed — sooner than they expected. The \$5 million will be used to pay back affected Part D participants.

Here a Debit, There a Debit



A payment processing operation that [tried to debit millions of dollars](#) from people’s bank accounts without their permission has settled FTC charges. Under the settlement, Landmark Clearing, Inc., and principals Larry Wubbena and Eric Loehr, are banned from using “remotely created payment orders” — a way to process electronic payments that the defendants used to give merchants access to people’s bank accounts. According to the FTC, in many cases the people whose accounts were debited had never heard of Landmark or its clients, and some merchants had as many as 80 percent of their debits rejected by people and their banks. As a result of the debits, many people faced overdraft and bounced check fees after the money disappeared from their accounts.

Phony Fuel-Saving Claims

Marketers [who made phony claims](#) about the so-called “Hydro-Assist Fuel Cell” — including that it could turn water into “water gas” with five times the potential energy of gasoline, boost gas mileage by at least 50 percent and “turn any vehicle into a hybrid” — have been stopped, thanks to a settlement with the FTC. The settlement bans the marketers from selling fuel economy products.

“Free Trials” Cost Marketers

Phoenix-based Central Coast Nutraceuticals, Inc., an operation that — according to the FTC — marketed acai berry supplements, “colon cleansers,” and other products with misleading free trial offers and phony endorsements from A-list celebrities [will pay \\$1.5 million](#) as part of a settlement with the FTC. The money will be used to provide refunds.