



KING & SPALDING

# **Avoiding Fraud And Cyber Risk From Inside and Outside Your Nonprofit**

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## **Mission of Pro Bono Partnership of Atlanta:**

*To provide free legal assistance to community-based nonprofits that serve low-income or disadvantaged individuals. We match eligible organizations with volunteer lawyers from the leading corporations and law firms in Atlanta who can assist nonprofits with their business law matters.*

## Pro Bono Partnership of Atlanta Eligibility & Other Information

- In order to be a client of Pro Bono Partnership of Atlanta, an organization must:
  - ✓ Be a 501(c)(3) nonprofit.
  - ✓ Be located in or serve the greater Atlanta area.
  - ✓ Serve low-income or disadvantaged individuals.
  - ✓ Be unable to afford legal services.
- *Visit us on the web at [www.pbpatl.org](http://www.pbpatl.org)*
- We host free monthly webinars on legal topics for nonprofits
  - ✓ To view upcoming webinars or workshops, visit the [Workshops Page](#) on our website
  - ✓ Join our mailing list by emailing [rla@pbpatl.org](mailto:rla@pbpatl.org)

## Legal Information

This webinar presents general guidelines for Georgia nonprofit organizations and should not be construed as legal advice. Always consult an attorney to address your organization's particular situation.

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## Why Worry About Fraud?

- Loss of funds (via BEC, fraudulent transfer)
- Operational costs (time and resources spent investigating, responding, and recovering)
- Reputational costs (relationship with donors and others)



UTAH  
FOOD  
BANK

10,000 donors' PII

**K**ars 4 **K**ids

Thousands of donors' PII



**Save the Children**®

\$1 million BEC

## Nonprofits Increasingly Targeted

“Scarlet Widow”: a Nigeria-based scam ring targeting nonprofits for Business Email Compromise

- Has gathered information on 30k individuals with 13k organizations since Nov. 2017 – 73% in U.S.
- Targets include Salvation Army and the Boy Scouts.
- Scam requests iTunes or Google Play gift cards, which cannot be reversed.

2018 UK study: 73% of charities with annual incomes over £5 million had suffered a cyber attack over the preceding year

## Nonprofits Are Attractive Targets

- 59% of nonprofits do not provide cybersecurity training
- 39% do not have a cybersecurity risk / data privacy policy
- 68% lack an incident response policy

November 2018 NTEN & Microsoft State of Nonprofit Cybersecurity Report





## Risk Factors for Nonprofits

Do you:

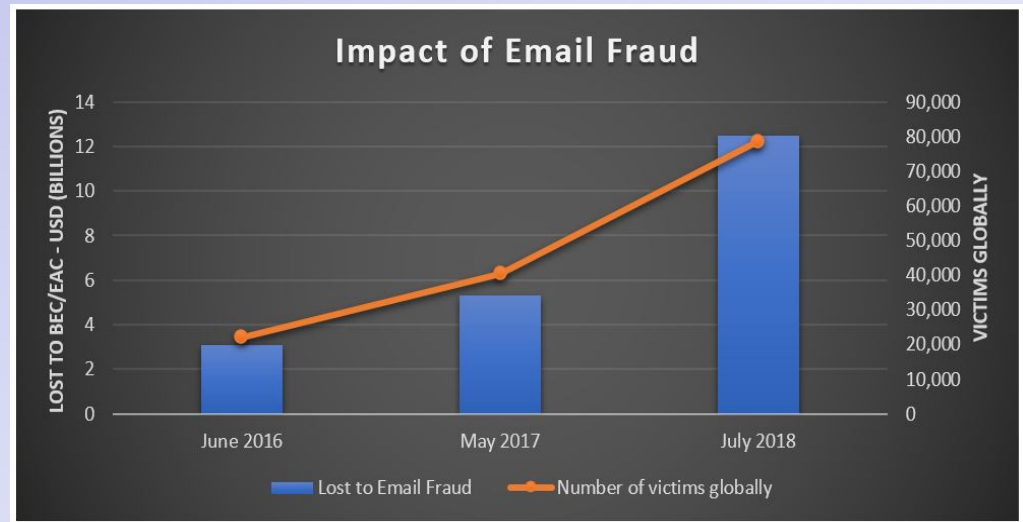
- Have access to funds?
- Conduct e-commerce on your website (donations or event registrations)?
- Store or process “personally identifiable information,” such as SSNs or financial information?
- Collect information about preferences of donors or patrons?








## BEC: What's Old is New Again


- TrendMicro reports 46% jump in BEC in 2018.
- IC3: 20,373 BEC complaints in 2018 with losses of \$1.2B
- Median cost of a BEC: \$24,439


















































Delete

Archive

Reply

Reply All

Forward

Quick Steps

Move

Mark Unread

Categorize

Follow Up

Translate

Read Aloud

Zoom

Save Attachments

Where Filed

Properties

Delete

Archive

Reply

Reply All

Forward

Quick Steps

Move

Mark Unread

Categorize

Follow Up

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Zoom

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Properties

DS

Thu 8/16/2018 3:10 PM

Re: July Invoice

To: [REDACTED]

 Subsidiary Instruction [REDACTED].pdf  
104 KB

From: [REDACTED]

Sent: Friday, August 10, 2018 9:34 AM

To: [REDACTED]

Subject: Re: July Invoice

We recently transitioned to a new accounting system and that has presented some challenges that we are working through right now. We received a notification from our bank that our account has been subjected to some tight scrutiny by the TAX authority. Unfortunately we cannot receive payments temporarily to our "Bank of [REDACTED]" you have on file, due to which, we cannot use the funds transferred to the account until the scrutiny is lifted/released.

Kindly be advised that we have to issue you one of our international sub/sister company account in replace of our account you have on file, **would you please advise on your exact payment date?** Upon confirmation, we shall issue you our sub account.

Please confirm receipt of the above message and advise accordingly.

## The Classic BEC Scheme

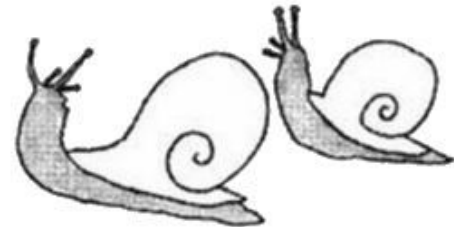
- Frequently targeted to organizations that perform wire transfers.
- Transferee network may be compromised. Phishing emails or telephone calls target company officials using harvested info.
- Victim conducts what appears to be a legitimate business transaction.
- Funds are transferred to account controlled by criminals.



Perpetrators increasingly are using detailed social media harvesting to personalize the scheme.

## Case Study: Nonprofit Wire Transfer

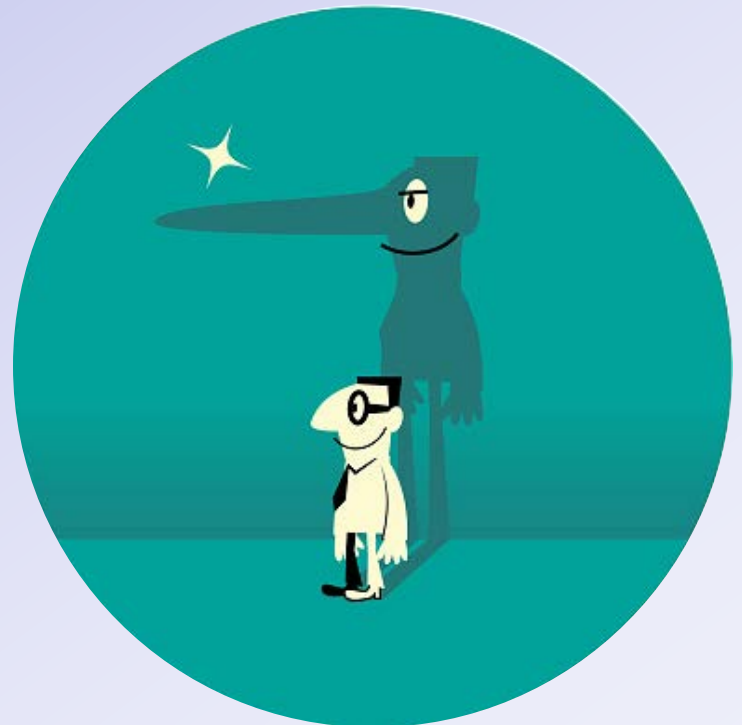
- Executive Director of nonprofit approved \$28k transfer to an account at another bank in January 2018
- Fooled by spoofed email from colleague
- Bank verified transfer with another person (not the originator) due to its policy



*"I don't care if she is a tape dispenser.  
I love her."*

## BEC Variations

- Invoice Scheme
- Lawyer Scheme
- Romance Scheme
- CEO/CFO Scheme\*



## **Case Study: Save the Children**

- \$1 million BEC scam in 2018
- Attacker compromised an employee's email account and sent fake invoices for real operational costs
- Nonprofit recovered all but \$112,000 thanks to its insurance policy



## Social Media Harvesting

### ***Education***

***Bachelors of Science in  
Computer Science (GT) and a  
MBA (Emory)***

***SOURCE - Company Website***

### ***Personal Life***

***Married with three boys.  
Friends & Family information  
Upcoming Family Vacation***

***SOURCE - Facebook***



### ***Job Experience***

***Director of IT for a regional  
bank (1 year)***

***VP of Operations for a private  
equity firm (2 years)***

***CEO of international finance  
company (2 years)***

***SOURCE - LinkedIn***



## **Deterrence and Prevention**

- Scrutinize all e-mail addresses and requests for wire transfers.
- Confirm wire transfer instructions with requestor and/or another party—don't use email.
- Provide specific and updated training to individuals with authority to transfer funds or who have access to bank account information.
- Use discretion when posting on social media and company Web sites. Digital footprints matter.
- Register all company domains that are slightly different than the actual organization's domain.

## **Deterrence and Prevention (cont'd)**

- Make periodic Public Service Announcements and conduct tests and audits
- Be vigilant during the holidays, summer vacations
- Question variations to typical business practices
- Consider private sector resources that combat BEC – Business Analytics, Analysis, Machine Learning, AI
- Consider cyber insurance



## Non-Cyber Fraud Risks

- Insider fraud
- Expense reimbursement schemes
- Fake vendors & service provider fraud
- Theft of donation items
- Skimming



2019 criminal case filed over insider theft of \$750k by employees working with third-party accomplices

## Mitigating Non-Cyber Fraud Risks

- Implement:
  - ✓ Detailed & specific policies, including expense policy
  - ✓ Tip hotline
  - ✓ Neutral auditing process
- Set tone at the top with clear ethical boundaries & consequences
- If fraud or breach occurs, call your lawyer and law enforcement. Investigate before confronting suspect.

## QUESTIONS FOR OUR PRESENTERS ?



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## **For More Information:**

If you would like more information about the services of Pro Bono Partnership of Atlanta, contact us at:

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(404) 618-0900