Financial Management Office

Fiscal Administrator's Meeting

Wednesday, January 15, 2020
Business Email Compromise Scams

Presented for the University of Hawaii Fiscal Team
By Brian Ishikawa, SVP & Dir. of Corporate Security
From: CEO
Date:
Subject: Need your help – pls keep it quiet
Message:
Dave,
Can you please wire $56,000 to this company that we are investing in. I’m in a meeting right now, but you don’t need any further approvals.

Your prompt attention to this is critical.

Thanks,
CEO
FBI Statistics for 2015 to 2018:

- Over 78,761 U.S. businesses victimized
- $12.5 billion fraud losses
Three Examples of BEC Attacks

Simple wire request from compromised email account

Faked Vendor Invoice

Elaborate story designed to make it believable
Who to target

And impersonate

Best message

Research Target Business and Person(s)
- General information
- Personal information
- Customers/partners
- Company news
- Funding
- Products/patents
- Travel plans

Compromised Email

Look-a-like Domain
Fraudster sends email posing as CEO

Create look-a-like domain
e.g. …@payrne.com vs.
…@payme.com
(can you see the difference?)
"Please wire funds into an alternate account."

Finance Dept.

Search compromised email for vendor invoices

Wire request

Confirmation

Approval

Fraudster

Bank of Hawaii
Email

From: CEO
To: Dave, Controller
Subject: Need your help – pls keep it quiet

Message:

Dave,

Can you please wire $56,000 to this company. I’m in a meeting right now, but you don’t need any further approvals.

If you have questions, please reply to this email. Your prompt attention to this is critical.

Thanks,
CEO

Email

From: Vendor
To: Finance, Accounts Payable
Subject: Invoice – New Process

Message:

Please find attached our latest invoice for the past billing period.

Also note that we are implementing a new payment process. Instead of how you have previously made payments, please wire the funds directly to our account. Here are the wire instructions:

Routing number: xxxxxxxxxx
Account number: xxxxxxxxxx

Email

From: CEO
To: Dave, Controller
Subject: Confidential – Attorney will call

Message:

Dear Dave,

I would like to bring you in on something very important, but highly confidential. I would appreciate your timely support as well as your discretion, as we are not ready to tell the whole company about this – we are in the process of acquiring a company overseas. This is very strategic to our business.

I’ll be connecting you with a lawyer in London who is brokering this transaction for us. He will provide payment instructions for you.

I’m handing this project to you because I know I can trust you.

I’ll check in with you periodically.

Thanks,
CEO
CASE FILE #1
MANUFACTURER’S DILEMMA

TOP SECRET
A large manufacturing company’s CFO received an email from the CEO.

The email instructed an urgent $7,500 wire transfer to a new vendor to clinch a great opportunity.

The CFO quickly completed the transaction.

Discovery of spoofed email.

Funds lost in China.

Manufacturer’s Dilemma
Case Summary
Manufacturer’s Dilemma
Lessons Learned

• Carefully examine email addresses
• Consider additional validation of email requests
• Cyber security models and strict control governance is crucial
Manufacturer’s Dilemma

Lessons Learned

• Wire transfers are the payment method most impacted by business email compromise (BEC)
• Wires have been increasingly subject to fraudulent activity
CASE FILE #2
INSURANCE NIGHTMARE

TOP SECRET
An insurance company authorized a $475,000 wire transfer to San Diego, CA.
Approx. 17 days later, the company notified BOH of incorrect beneficiary account used on wire.
The beneficiary refused to return the funds.
Discovery of Malware infected system & compromise of company’s email.
Insurance Nightmare
Lessons Learned

• Adopt strong IT security policies & procedures
• Run up-to-date, real-time antivirus software
• Keep systems up-to-date with patches & current operating systems
• Know social engineering techniques a fraudster may use
CASE FILE #3
WASHINGTON RESIDENCE

TOP SECRET
A consumer client authorized a $232,950.65 wire transfer to Bellevue, WA.

Approx. 6 days later, the realtor discovered that his email to the purchaser had been tampered with.

The beneficiary bank returned $207,000.

Discovery of Malware infected system & compromise of company’s email.
Best Practices for Detecting BEC Fraud

- CHECK
- CONFIRM
- COACH
✓ Check for correct email addresses

- ...@.co vs. ...@.com
- ...@greatsuccess.com vs. ...@greatsuccess.s.com
- ...@abc-company vs. ...@abc_company.com
✓ Check for requests for secrecy or urgency
   – Be suspicious of “only use Reply” or “only call me at this number”

✓ Check for consistency with earlier wire payments
   – Does the CEO typically request wire payments via email?
   – Check prior vendor invoices for domain, timing, frequency, beneficiary, ...
✓ Use an alternate communications channel to confirm the request

✓ Ask the CEO. Which would be worse: reconfirming the request or having money stolen?

✓ Implement dual controls
✓ Coach your employees
✓ Coach your executives to encourage and support employees double checking wire requests
✓ Be conscious of how information on website and social media can be used
✓ Trust your financial institution
Thank you!
Financial Management Office

Clearing Accounts

Presented by
Karen Morimoto, Director of General Accounting and Capital Asset Accounting
Presentation Instructions

• Questions can be submitted to:
  ▫ uhgalc@hawaii.edu for non extramural accounts
  ▫ orscomp@hawaii.edu for extramural accounts and cost share pseudo source accounts

• Presentation will be posted to UH FMO website:
  ▫ http://www.fmo.hawaii.edu
Agenda

- Overview of clearing accounts
- Monitoring of clearing accounts
Purpose of a Clearing Accounts

- Accounting general ledger accounts that are used to temporarily hold financial transactions while the permanent accounting treatment is being determined. Balances may need to be allocated or transferred as a result of an automated or manual process.
Two Main Types of Clearing Accounts in KFS

- **Continuation Clearing Accounts** – Used to receive transactions initially coded to an expired account. Frequently needed for extramural project accounts because the accounts are period specific and have expiration dates. AP 8.650 Continuation Accounts provides guidance for continuation accounts.

- **General Clearing Accounts** – Accounts established to accept posting from automated or manual processes when the target account or object code is invalid, not yet determined or not yet ready for posting. (Examples include: Banner Clearing, D-71 Clearing, A/R Clearing, C/S Source “Clearing” accounts, P/R Overpayment, Tax Set Off Holding) Pending new AP
Identification of Clearing Accounts

- “CLEARING” in account name
- Account purpose text should adequately describe reason for account
  - CLEARING ACCOUNT FEDERAL FUNDS
  - DESTINY NON-CR TEMP CLEARING ACCT
- Account Type Code – CL
- Additional requirements for continuation clearing accounts see AP 8.650
## Clearing Account Examples

<table>
<thead>
<tr>
<th>Account Description</th>
<th>Transaction Description</th>
<th>Reconciliation/Clearing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuation Clearing Account</td>
<td>Transactions initially coded to an expired account</td>
<td>Clear transactions to appropriate account within 30 days or as otherwise specified by AP 8.650</td>
</tr>
<tr>
<td>Banner Clearing</td>
<td>Transactions are posted in KFS via Banner daily feeds</td>
<td>FA to work with Banner team to correct outstanding balances</td>
</tr>
</tbody>
</table>
# Clearing Account Examples

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<tr>
<td>D-71 Clearing</td>
<td>Transaction posted via ST eDoc</td>
<td>Balances reclassified monthly by GAO via generated report</td>
</tr>
<tr>
<td>A/R Clearing</td>
<td>Transactions posted via KFS-AR payment processing</td>
<td>Process corrections for un-cleared balances. June 30 balance should be $0</td>
</tr>
</tbody>
</table>
## Clearing Account Examples

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<tbody>
<tr>
<td>Cost Share Source “Clearing” Account</td>
<td>From FA DIs for cost share to CS001 subaccount</td>
<td>Correction needed for un-cleared transactions</td>
</tr>
<tr>
<td>P/R Overpayment</td>
<td>Amounts due from employees due to overpayment situation</td>
<td>Detail of outstanding balance items need to agree to account balance</td>
</tr>
<tr>
<td>Tax Set Off</td>
<td>Amounts intercepted from individual tax refunds to settle debt owed to UH</td>
<td>Detail of unapplied balance by individual needs to agree to account balance</td>
</tr>
</tbody>
</table>
Documentation for Clearing Account Transactions

- Automated process
- Manual eDocs shall include documentation to support the clearing transaction in the notes and attachments section of the eDoc
Monitoring of Clearing Accounts – FA Responsibilities

- Clearing accounts should be monitored on a monthly basis by the assigned FA.
- Transactions should be cleared to the appropriate operating account or reconciled if pending additional information on a timely basis – generally within 30 days of posting.
  - Prior to award close out
  - Prior to fiscal year end
- FA shall monitor clearing accounts and update responsible individuals in the event of staffing changes.
Monitoring of Clearing Accounts – Campus Responsibilities

• Chart managers shall monitor new clearing account creation and account modifications to ensure that appropriate attributes are assigned to the accounts

• Campus level chart managers shall monitor respective continuation and clearing accounts to ensure that respective FA are in compliance with clearing account policy
Monitoring of Clearing Accounts – System Level Responsibilities

• Periodic reviews shall be performed by central offices
  ▫ ORS is responsible for extramural accounts and cost share pseudo source accounts
  ▫ GAO is responsible for non-extramural accounts

• Periodic reminders and communication of clearing account requirements
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Thank you for viewing this presentation