



Risk Advisory Government Email Wire Transfer Scams

The Office of the State Auditor (OSA) has issued this Risk Advisory to alert governmental agencies in the State of New Mexico of a pattern of ongoing scams in which employees are asked to make wire transfers based solely on email communication. The OSA strongly advises management and governing bodies to ensure safeguards are in place to prevent and detect inappropriate wire transfer requests, and to establish a “tone at the top” that encourages employees to question payment requests that deviate from standard procedures.

The OSA has received notice of three recent attempted wire transfer schemes specifically targeting local governments in order to steal public money. While one county government and two school districts most recently reported to the OSA, the OSA is aware that other organizations have been observing a pattern of these schemes across the state. In all three incidents reported to the OSA, the administrative staff followed up with questions in outgoing emails and received responses that added to the legitimacy of the wire transfer requests. All three entities processed the wire transfers and subsequently became suspicious enough to contact banking authorities to attempt to reverse the transactions. Two of the three entities were able to prevent the loss of public money. The diagram on the following page uses redacted versions of real emails that government employees received to highlight the indicators of fraud.

Internal Controls

Adherence to established internal controls regardless of the situation is critical to safeguarding public funds. It is critical that staff are properly trained on internal control procedures and that the “tone from the top” allows staff to question deviations from policies and procedures.

The OSA has the following various recommendations that agencies may consider when assessing their internal controls of expenditures and disbursements:

- Requiring purchase requisitions, purchase orders and detailed invoices prior to making payments.
- Segregating duties among the creator of the purchase order, the good recipient and the payment approver.
- Requiring a full set of supporting documents before transactions with a new vendor.

Visit our website at: www.osanm.org/government_accountability_office.

Resources

FBI Internet Crime Complaint Center (IC3)
<http://www.ic3.gov/complaint>

New Mexico Department of Information Technology (DOIT)
www.doit.state.nm.us

Multi-state Information Sharing and Analysis Center
<https://msisac.cisecurity.org/>
U.S. Department of Homeland Security - www.dhs.gov/cyber

National Cyber Security Alliance - www.StaySafeOnline.org



In addition, specifically with respect to email scams, agencies should consider:

- Developing enterprise network and email controls based on industry best practices.
- Training staff to be alert for malicious or suspicious emails and to appropriately report their suspicions.
- Requiring periodic password changes for network and email accounts.
- Working with agency banking partners to take advantage of available banking controls, including those that restrict automated clearinghouse and wire transfers to only specifically listed accounts.

Red Flags in Email Scams

(Excerpts from real emails that government employees received)

Original Message
 Subject: RE: Question
 From: [Redacted]
 Date: 5/17/16 9:09 am
 To: [Redacted]

I dont have the PO here with me, reference it as CONSULTANCY.

Sent from my iPhone

Do you have a PO so I can reference?

Generic Subject

Request to bypass normal internal controls

Kindly go ahead and process the Wire bank transfer to the beneficiary account. Here is the information for the Wire bank transfer:

Account Name : Capnet investments group corp
 Bank Name : TD BANK N.A
 Routine : [Redacted]
 Account Number: [Redacted]
 Beneficiary Address : [Redacted] Hollywood Florida [Redacted]
 Amount : 45,300usd

The payment is for a project we are sponsoring. Process this transfer and reference as Project. Also note there is an incoming transfer, I will let you know when the beneficiary company get in touch with me. I will send you an invoice for this when sign and return to me. Due to time frame, i want the payment sent out immediately. I will send over the invoice when available. Email me the copy of the transfer Slip And also to the Beneficiary email Also ([Redacted]@outlook.com) when done for reference purposes.

Thanks,
 [Redacted]
 Superintendent

Generic payee

Out-of-state payee

Sense of Urgency

Poor or non-standard English

Appears to be from upper management