

The Current Fraud Threat Picture: A Former FBI Agent Tells All



Vic Hartman
J.D., CPA/CFF, CFE
The Hartman Firm, LLC
Atlanta, Georgia



Fraud:

Why?

What?

How?

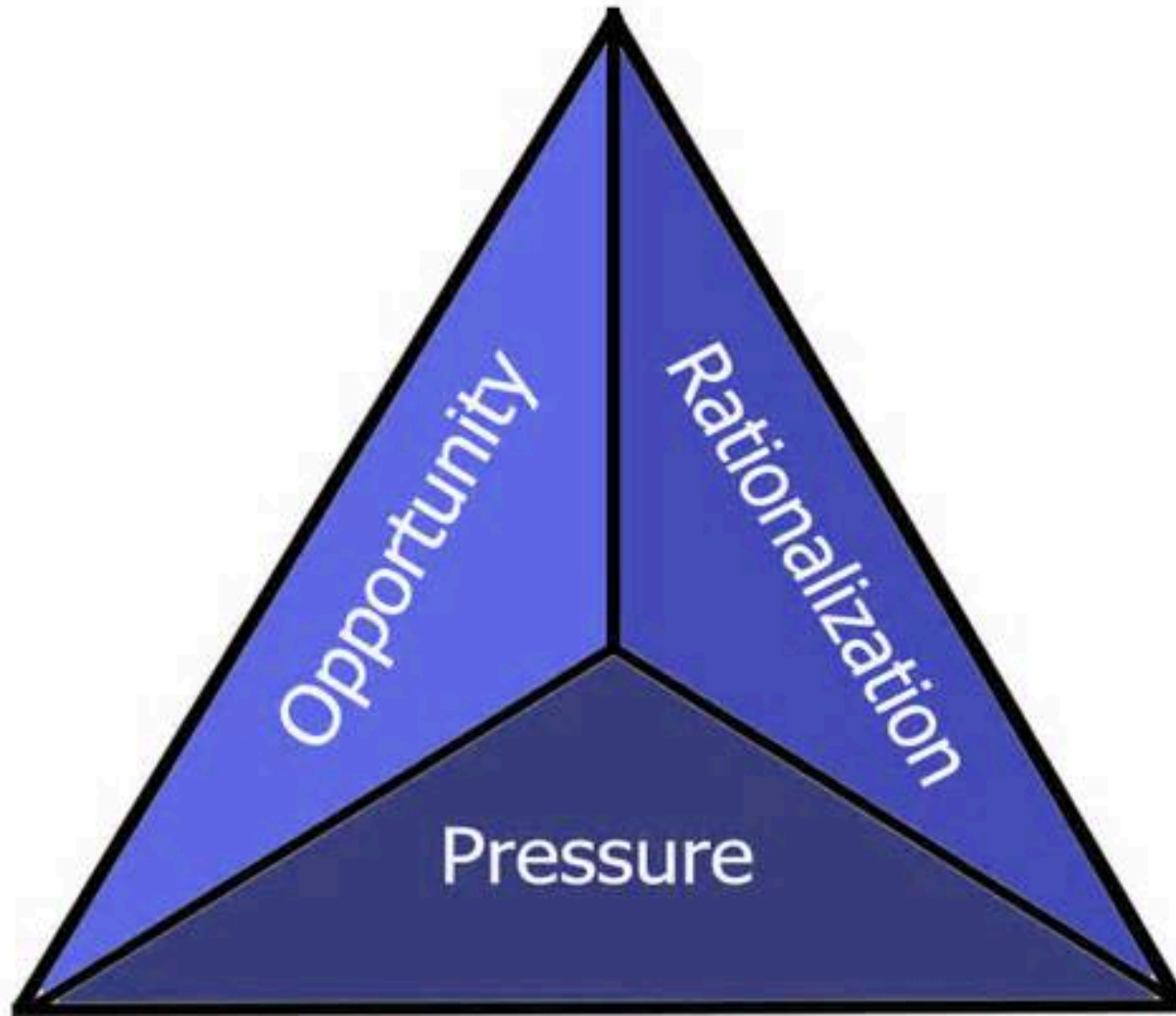
Why Do People Commit Fraud?



It May Not Be The “G” Word

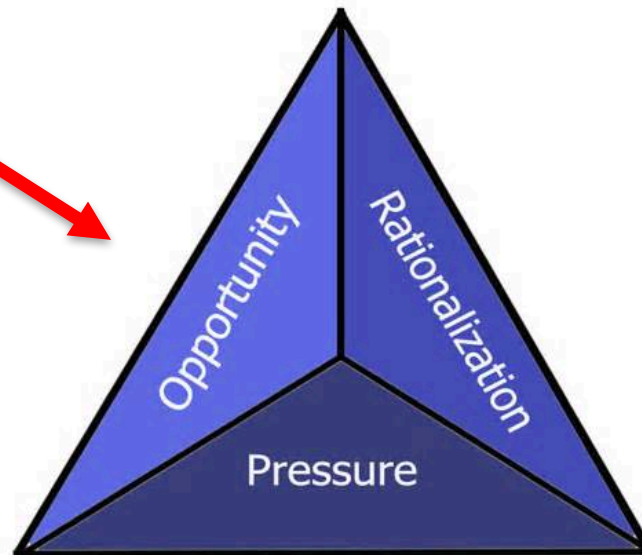
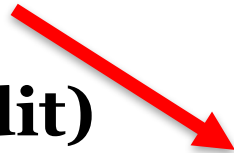


Fraud Triangle

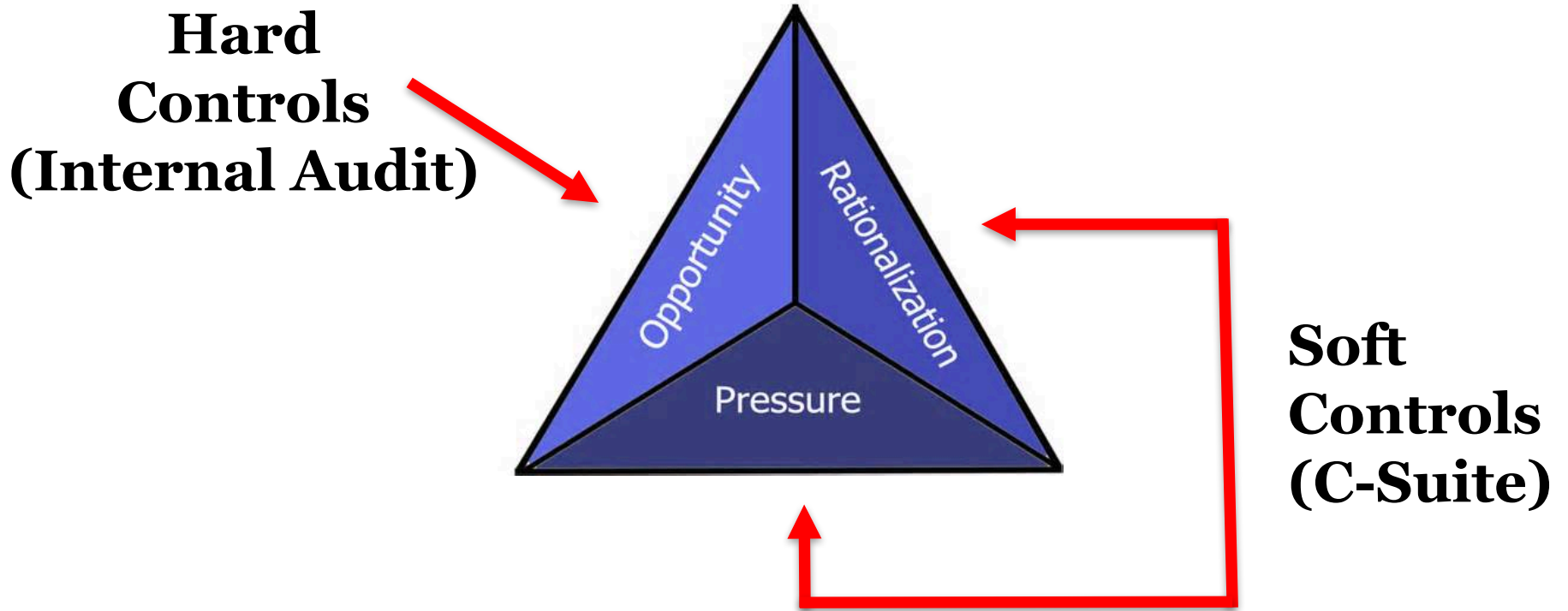


Fraud Triangle

**Hard
Controls
(Internal Audit)**



Fraud Triangle



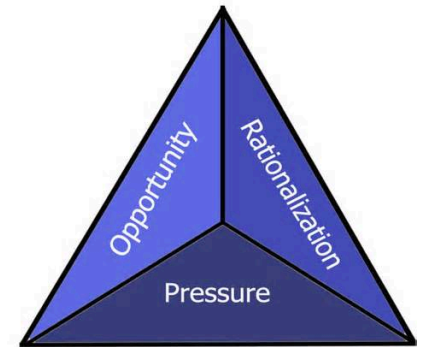
How Do These Frauds Differ?

- Overstating Inventory
- Revenue Recognition Fraud
- Travel Voucher Fraud
- Bogus Credit Card Charges
- Check Forgery by CFO
- Embezzlement
- Point of Sale Theft
- Phantom Vendor Scheme
- Counterfeit Products
- Ransomware
- Insurance Fraud
- Business Email Compromise
- Ponzi Schemes
- Identity Theft
- Phishing Schemes
- Penny Stock Pump & Dump Schemes

Privity of Trust



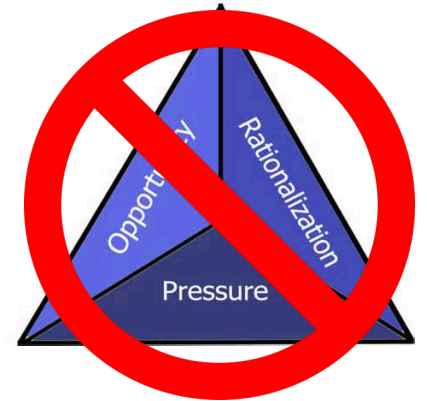
The Fraud Triangle



Predatory Fraudsters



The Fraud Triangle



Predatory vs. Situational



Affects (innate emotions) Drive Fraud

Fear

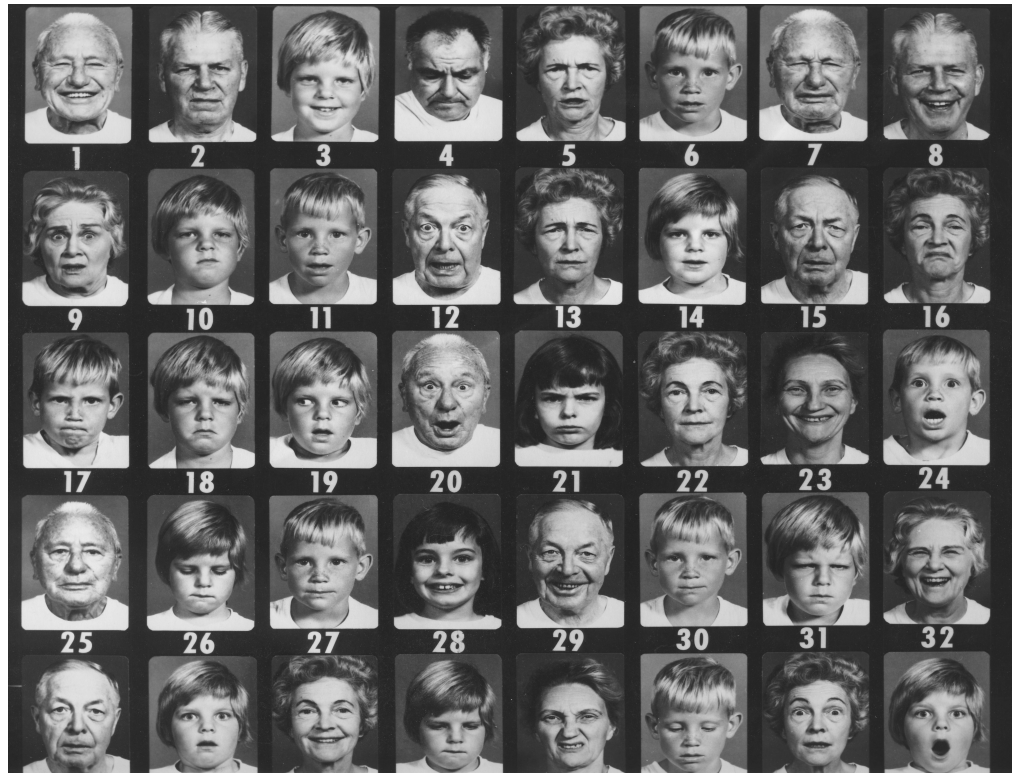
Shame

Enjoyment

Interest

Anger

Distress



Surprise

Contempt

Disgust

Motivations: Business Need

- “Noble Cause”
- Economic downturn
- “Save the company” mentality



Motivations: Ego

- Hyper-competitiveness
- “Dark Triad:
 - Narcissism
 - Machiavellianism
 - Psychopathy
- Self-aggrandizement
- Pride
- Shame



Motivations: Excitement

- Gambling with other people's money
- Financial Services Industry
- Risk Taker



Motivations: Parity

- I deserve better.
- Devoted my entire career here.
- I'm getting cheated.



Motivation: Reciprocity

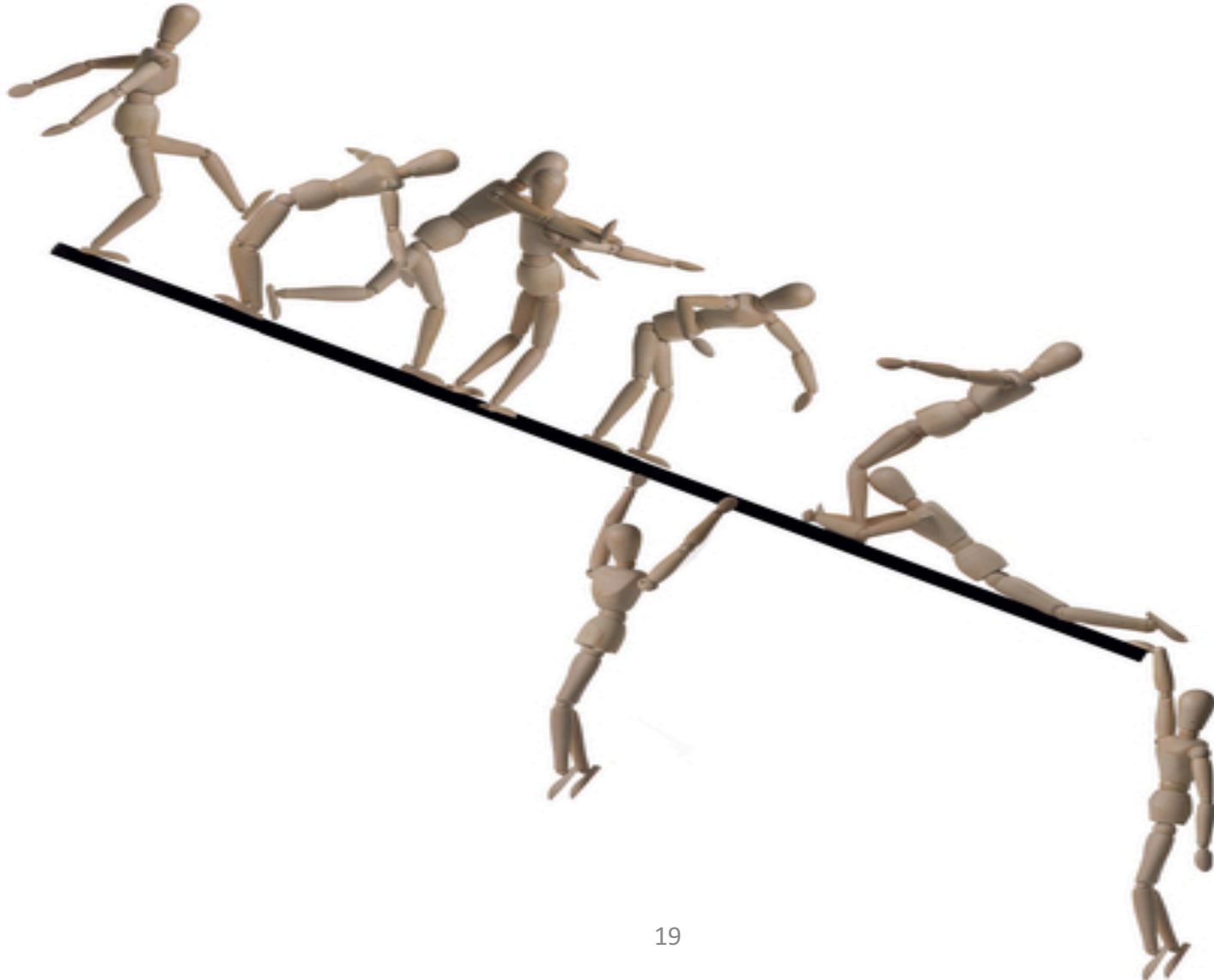
Social Compact of Reciprocity:
humans are in a web of give-and-take
relations; the behavior has survival value



Gateway Drug to Corruption



Motivation: Slippery Slope

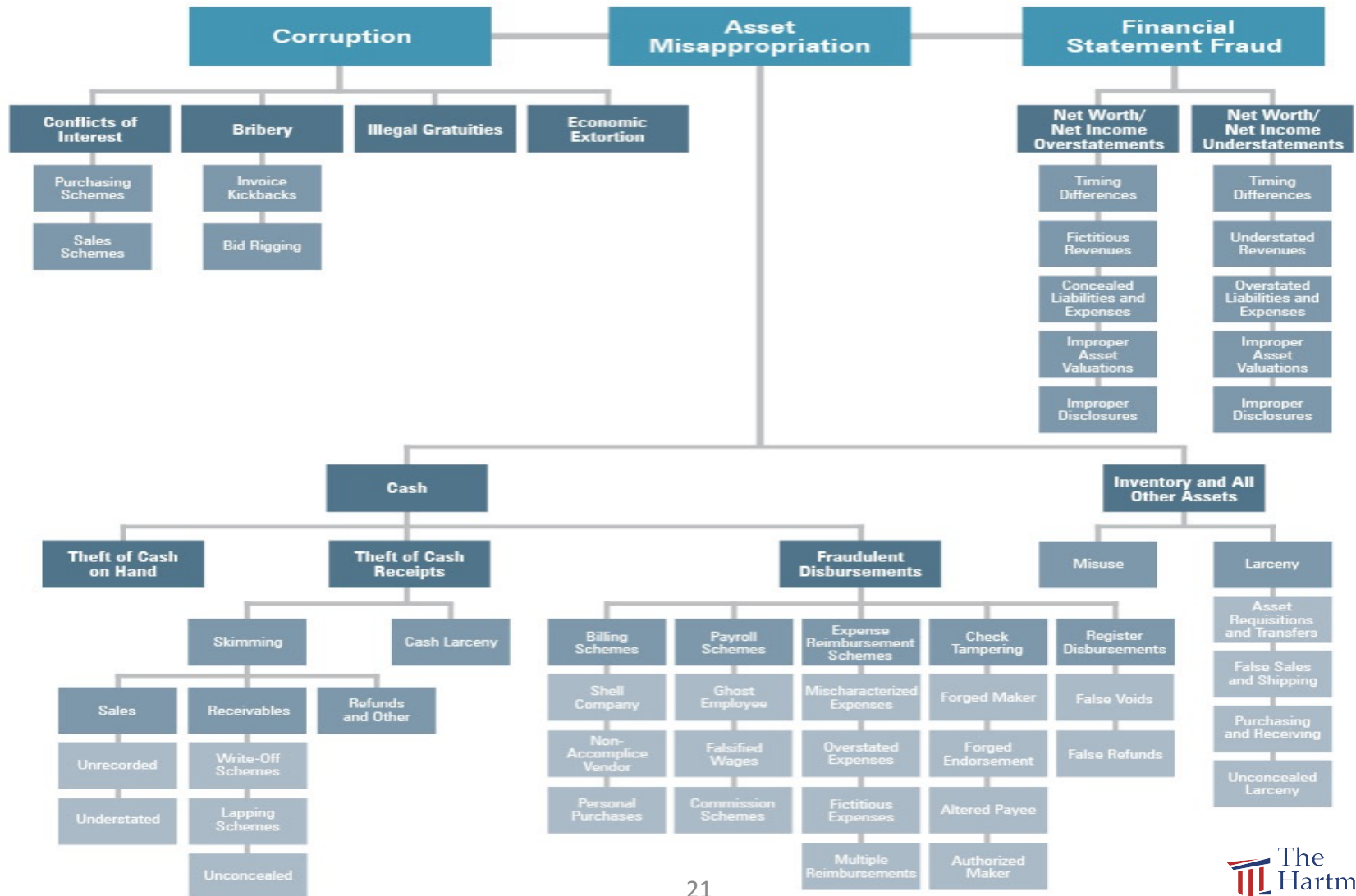


Motivations: Status

- Save my status: Fear based
 - Lose job
 - Alcohol & Drug addiction
 - Bankruptcy
 - Divorce
- Increase my status: Greed based
 - Status symbols
 - Clothes, Neighborhood, Automobile



Threat Picture: Fraud Tree



Aggregate Threat Picture

- Fraud Tree:
 - Financial Statement Fraud
 - Corruption
 - Asset Misappropriation
- Cyber Scams
- Investment Frauds
- Insurance Frauds
- Government Fraud



Business Email Compromise

- “Vendor” to Employee
 - Phone
 - Fax
 - Spoofed email
- “Employee” to Employee
 - Spoofed or hacked email
- “Employee” to Customers
 - Hacked email



Ransomware



The screenshot shows the Wana Decrypt0r 2.0 ransomware interface. The window title is "Wana Decrypt0r 2.0". The main heading is "Ooops, your files have been encrypted!". On the left, there is a large padlock icon. Below it, two countdown timers are displayed: "Payment will be raised on 5/16/2017 00:47:55" with a time left of "02:23:57:37", and "Your files will be lost on 5/20/2017 00:47:55" with a time left of "06:23:57:37". The main text area contains sections: "What Happened to My Computer?", "Can I Recover My Files?", and "How Do I Pay?". At the bottom, there is a Bitcoin logo with "ACCEPTED HERE", a text box containing the address "12t9YDPgwueZ9NyMgw519p7AA8isjr6SMw", and buttons for "Check Payment" and "Decrypt". A "Copy" button is next to the address. A "11 hours ago" timestamp is visible in the bottom right corner of the window.

Wana Decrypt0r 2.0

Ooops, your files have been encrypted! English

What Happened to My Computer?

Your important files are encrypted. Many of your documents, photos, videos, databases and other files are no longer accessible because they have been encrypted. Maybe you are busy looking for a way to recover your files, but do not waste your time. Nobody can recover your files without our decryption service.

Can I Recover My Files?

Sure. We guarantee that you can recover all your files safely and easily. But you have not so enough time. You can decrypt some of your files for free. Try now by clicking <Decrypt>. But if you want to decrypt all your files, you need to pay. You only have 3 days to submit the payment. After that the price will be doubled. Also, if you don't pay in 7 days, you won't be able to recover your files forever. We will have free events for users who are so poor that they couldn't pay in 6 months.

How Do I Pay?

Payment is accepted in Bitcoin only. For more information, click <About bitcoin>. Please check the current price of Bitcoin and buy some bitcoins. For more information, click <How to buy bitcoins>. And send the correct amount to the address specified in this window. After your payment, click <Check Payment>. Best time to check: 9:00am - 11:00am GMT from Monday to Friday.

Payment will be raised on 5/16/2017 00:47:55
Time Left 02:23:57:37

Your files will be lost on 5/20/2017 00:47:55
Time Left 06:23:57:37

[About bitcoin](#)
[How to buy bitcoins?](#)
[Contact Us](#)

Send \$300 worth of bitcoin to this address:
12t9YDPgwueZ9NyMgw519p7AA8isjr6SMw Copy

Check Payment Decrypt

11 hours ago

Bank Account Takeovers

- Social Engineering
- Steal Credentials
- Setup Parallel Accounts
- Transfer Funds
- Cyber Hygiene
- Stand-alone Computer
- Freeze Your Credit
- Monitor Your Accounts
- Antiviral Software
- Strong Password
- Dual Factor Authentication
- Alerts for high \$\$ activity

FBI Fraud Priorities

- Public Corruption
- Health Care Fraud
- Financial Institution Fraud
- Corporate Fraud
- Securities Fraud / Investment Frauds
- Money Laundering
- Foreign Corrupt Practices Act
- Cyber Crime



SEC Enforcement Priorities

- Financial Reporting
- Foreign Corrupt Practices Act
- Cyber Security
- Insider Trading
- Whistleblower Tips
- Gatekeepers: Attorneys & Accountants

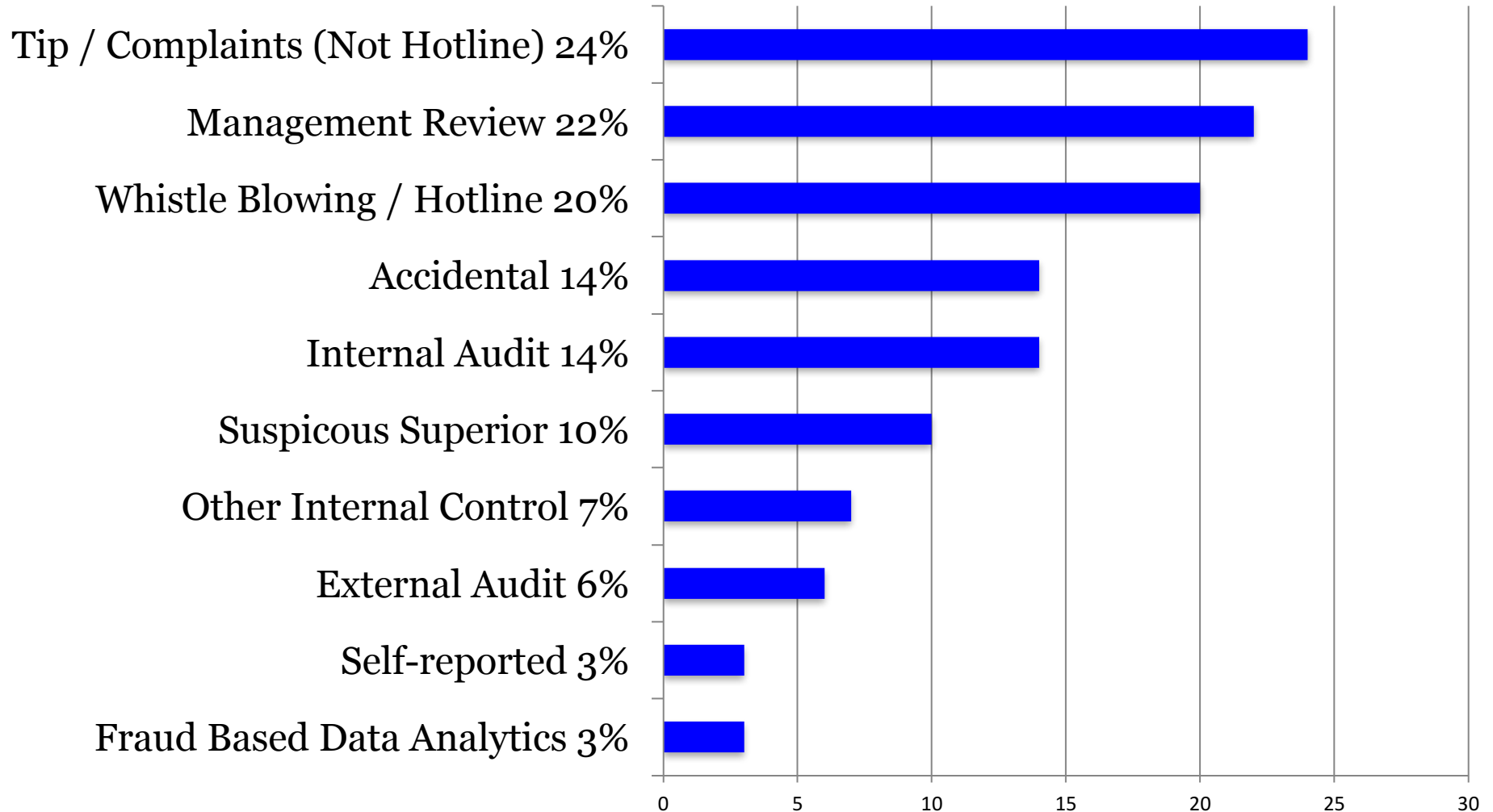


Fraud Life Cycle

- Prevention
- **Detection**
- Investigation
- Remediation
- Mitigation



How Frauds Are Detected*



Finding the Fraudster



Culture:



Ethical Culture Indicator

Tone at the Top



Questions



Vic Hartman

J.D., CPA/CFF, CFE

The Hartman Firm, LLC

Twitter: @vichartman

vic@hartmanfirm.com

Mobile: (404) 574-0807



Prevention

- Fraud Risk Assessment
- Policies:
 - Code of Conduct
 - Conflicts of Interest Policy
 - Fraud Policy
- Fraud Risk Assessment
- Culture Assessment
- Training

Threat Picture: Cyber Crime

- Financial Hacker:
 - Insider
 - Outsider
- Nation State & Espionage
- Terrorism
- Hacktivist (Social & Political)
- Script Kiddie



Thinking Outside The Box

We know
what we
know.

We know
what we
don't know.

We don't
know
what we do
know.

We don't
know
what we
don't' know.