

SOCIAL ENGINEERING FRAUD LOSS EXAMPLES

Consider Some Examples Of Social Engineering Fraud Losses:

1 VENDOR IMPERSONATION FRAUD

An employee of ABC Manufacturing receives an email from a long standing vendor advising them that they have recently changed banks and sends the correct form to change the wire instructions. The employee updates the file. Several months later the vendor advises ABC's accounts payable department that they have missed the last three payments and are over \$100,000 in arrears.

When ABC advises that all payments have been made and the vendor confirms they never received them, red flags go up.

During the review it is discovered that the email with the wire change instruction was fraudulent – two letters were inverted and the employee did not notice. The police are called and the new wire information leads them to a bank in Asia. No proceeds were recovered.

2 EXECUTIVE IMPERSONATION FRAUD

A mid-level employee, John, in the finance department, received an email from the CEO in which he says he is overseas on business and in urgent need of getting a payment out to a new IT vendor quickly to avoid missing a key deadline. The CEO said he was told by the head of finance that John was the person "that could get it done". The CEO provided an invoice for some IT consulting work in the amount of \$47,500 and advised it had to be paid by the end of the day. The CEO thanked him in advance for helping the company avoid "looking foolish", noted he would get confirmation from the IT firm once payment was received and commented that John had a bright future with the company, noting the head of finance had "lots of good things to say about him".

John promptly wired the funds and left for the day feeling good!

During the next review the audit team contacted John as they were unable to locate the matching invoice. It was only when he forwarded the CEO's email that it was discovered the CEO's email address had been hacked and the instructions were fraudulent.

No proceeds were recovered.

3 CLIENT IMPERSONATION FRAUD

The CFO of a relatively new client of the Insured, a service provider, calls and advises that they have lost a key contract, their usual contact person had been laid-off and they need to cancel their agreement with the Insured. The client makes an emotional appeal, advising that unless they're able to recover some of the money they had paid up front for the contract, the company might go bankrupt. They explained they were embarrassed and having to call many of their service providers; gratefully most were agreeing to help them out. They'd also moved offices to downsize and lessen their rent payments. The Insured considered the contract to be pretty small and agreed as a good gesture to refund the \$17,000 that was unearned on the contract to the client.

Within a few weeks, the Insured starts to get complaints from the client that service calls were going unanswered. Shocked that their contract had been cancelled, the client shows up at the Insured's office and it is then that the fraud is uncovered. They had never moved offices and were in excellent financial shape. By then, the \$17,000 cheque had been cashed and the PO Box which was used as the 'new office' had been vacated. An investigation is still ongoing but it was discovered that the PO Box was rented with a fraudulent ID.

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