

Fraud Prevention Forum 2013

Athens, Greece

November 5, 2013

Human Nature is what IT is in Fraud

Background

- **Dow Chemical - 30 years**
- **IT and Finance career**
- **Chief Audit Executive 2010-13**
 - Corporate Audit Department
 - Corporate Investigations Group
- **ISACA International President 2012-13**
- **Industry engagement: IIA, NACD, FEI**

Human Nature is what is IT is in Fraud



Collaboration

STRONGER, TOGETHER!

- ISACA
- IIA
- ACFE
- Hellenic American Union

**Standards, competence, integrity, ethics,
etc. – a basis of unmatched professionalism**

One Industry – Multiple Disciplines

Human Nature

- **Most people are good and do good things**
- **Organizations are a reflection of society**
 - Society has good and bad people
 - As such, organizations will have some people who do bad things (fraud)
- **Internal controls, policies, monitoring, governance and ethics programs help tremendously.**

Human Nature

- **As a basis of this discussion, significant fraud occurs within complex systems or complex environments**
 - Remote leadership/management (out of sight/out of mind)
 - New systems (lack of knowledge and monitoring)
 - Old systems (complacency)
 - Lean organizations (not enough resources)
 - Outsourced activities
- **Simple environments with trust also allow humans to show their best and worst**

Human Nature is what is IT is in Fraud



Human Nature

Trust is essential – so is monitoring!

Nothing to hide – Nothing to run from

TRUST BUT VERIFY!

Guidelines

- **Have guidelines and procedures**
 - Protect the innocent
 - Protect the guilty
 - Protect the company
 - Remain within legal boundaries; privacy, laws, regs
 - Provides consistency of investigative process
 - Protect the integrity, objectivity and independence of the investigative staff

Verify - Monitor

- The digital age has brought enormous benefits (productivity, connectivity, info)
- The digital age allows for an electronic track record of the data, location points, social media, purchases, etc. (emails, debits/credits, amounts, logs, gps, etc.)

Verify - Monitor

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- **“Forwarding” extrapolates digital retention**

Verify - Monitor

- **Monitoring has to be effective**
- **Organizations struggle with analyzing big data**
- **Organizations struggle with access to out sourced activities and cloud data**

IT Skills / Teamwork

- **Digital age requires use of IT skilled people within the investigative team**
 - IT Forensics
 - IT Certified
 - IT Specialties
 - Protection of evidence standards
 - Communications skills – IT to Business/Legal

- **IT needs to be a part of the TEAM.**

IT Skills / Teamwork

- **IT staff need training on investigative protocols and standards.**
- **CAE roundtable – IT skilled staff are essential in today's investigations.**
- **Audit can also focus on the enhancements to prevent fraud (monitoring, education, reports, analytics, etc.)**

IT Skills / Tools

IT Staff can be expert witnesses, after being qualified by the court, citing their experience, certifications, education and previous cases. Demonstrating professional competence is a strong advantage in court.

IT Staff can be called to testify what they observed or heard (not acting as an expert witness).

Know evidence handling procedures (no tampering, alterations, handling, etc).

IT Skills / Tools

- **Employ various tools, under the appropriate legal protocol.**

- Spector 360 (key logger)
- Clearwell (ediscovery software)
- Ghost
- Backup copies of logs, files, email
- Social connections (linkedin, facebook, etc.)

IT Skills / Tools

- Discussion from roundtables:

- IT audit/staff – found serial number of attached device in the bowels of the system/registry to prove device possession.
- IT audit/staff – planted code to send a message once a “thought to be secured file” was opened. Code captured ID and serial number of machine opening file.
- IT audit/staff – discovered pattern of use of dummy/test accounts that were used between employees to steal equipment (not using their own accounts – but using their own computers/serial numbers).

IT Skills / Tools

- **Humans typically leave a track in life**
- **Investigators can typically find those tracks**
- **IT staff can add tremendous value if tracks enter the digital world.**



Q & A