



Economic Crime Council

Winter 2009-2010

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A Note from the ECC Chair

As we close out 2009 and start a new year and decade, it's evident that the prior decade will have a lasting impact. Sept. 11, 2001 will be a monumental milestone for many and will not be forgotten.

Now, as we turn the page on a year marked with exceptional global economic turmoil and some of the largest fraud schemes in history, I'm not discouraged. The ASIS International Economic Crime Council is comprised of extremely tenured professionals tasked with the prevention and investigation of economic crimes and we're up for the challenges that are ahead.

As I take a few moments of reflection, I'm reminded of some age-old adages that seem to ring true as we start this new decade.

- **History tends to repeat itself.**

In 2009, we've seen the discovery and collapse of some of the largest Ponzi schemes in history. The processes surrounding these crimes are all too familiar for economic crime-fighting professionals. As we hear, sometimes first-hand, the victims' cries for justice, we almost want to bottle some of the current turmoil and pain so we can get it out when more prosperous times return to remind CEOs and captains of industry and state of the pain created by unbridled greed, unemployed checks and balances and unenforced controls.

- **Freedom does not come without cost.**

As we take time out of our busy schedules to enjoy holidays with our loved ones, let us not forget the bravery and sacrifices that the men, women and families of the Armed Forces make for our sake.

- **With freedom comes responsibility.**

As we've investigated some of the egregious economic crimes that have become representative of 2009, we can't help but feel dismayed, if not disgusted, by the seemingly limitless greed that abounds. Individual and corporate compasses may need re-tuning in the new decade to better balance prosperity, success and consideration of others.

- **Trust but verify.**

Whether trying to protect our families, finances, identities, businesses or an entire nation, this adage, made famous by President Reagan, is a poignant reminder of the need for constant, if subtle, vigilance.

The increasingly insidious nature of cyber-economic crime requires investment in community and employee education and constant alertness for emerging areas of fraud. Teaching employees the value of awareness, alertness and vigilance will produce dividends.

As we close the books on 2009 and enter a new decade, the professional economic crime battle of wits and wills rages on. As stakes grow higher and resources sometimes grow thin, we won't shrink from our responsibilities. We will confront fraud in its many forms, we will positively affect corporate and governmental ethics and, as a result, we will leave a lasting and positive impact on those around us.

- **Change is Inevitable.**

Change has become the new constant – that one thing we can count on in this next decade. Planning for and embracing it as best as we can will smooth some of the bumps in the road ahead.

Wishing you a happy, healthy, rewarding and prosperous New Year.

- Jon McDowall

The 2009 ASIS International Seminar and Exhibition

The 2009 ASIS International 2009 Seminar and Exhibition was held in September at the Anaheim, California Convention Center. As has been the case in recent years, the Economic Crime Council's booth saw a lot of traffic.

This year, while emphasizing the increasingly global nature of economic crime, the ECC booth recognized the international membership of the council. With the theme "Economic Crime Never Sleeps," the booth attracted visitors on two feet and four (see photos below)!

A number of Economic Crime Council members also provided presentations at the conference.



Cynthia Hetherington, Kim Wood, Edmund "Bud" Miller and Andy Wilson



Andy Wilson and Chief the "drug dog"



Cynthia Hetherington with a conference attendee and Kim Wood riding the Big Thunder roller coaster

The "Perfect Call Service" – Social Engineered Calls in Multiple Languages

By Mike Susong, iSIGHT Partners, Inc.

Key Points:

- A Russian criminal call service called the "Perfect Call Service" offers high quality social engineered calls in multiple languages, including English, German, Spanish, French and Italian at prices of between \$10-14 USD/WMZ per call.
- This service is most useful to criminals at the early stages of the credential collection or monetization phases when the rightful owners/victims become concerned that something is amiss and are seeking reassurance that everything is all right.
- The service claims to be available for scam operations involving "drops, banks, (online) shops, eBay, PayPal, UPS, anything that comes into your head."

Sample Services Available

A Russian criminal call service called the "Perfect Call Service" offers multiple languages for high quality social engineering scams of all types. The service can reportedly be used for "drops, banks, (online) shops, eBay, PayPal, UPS," or, as its criminal operator claims, "anything that comes into your head." The actor running the "Perfect Call Service" says that all of his translators are specialists with diplomas and have a great deal of experience. English-language calls cost \$10 USD each. Calls in German, Spanish, French, Italian and earlier, Portuguese, are 13 WMZ each. English-language calls have the highest level of support in this criminal enterprise: six male and three female voices. Prospective clients are told that they can use phone numbers they supply themselves or can use phone numbers provided by the service. The operator further adds:

"We can render linguistic support to your drop-projects, provide correspondence help with [online] dating, localize [your] site to the needed language and so forth."

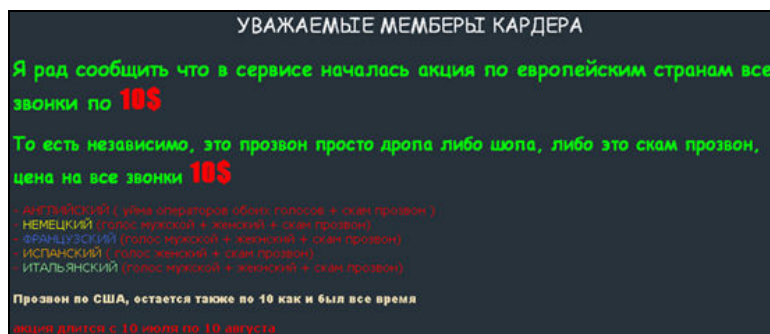
Other services offered include "composing spam letters," developing correspondence for online dating and producing whatever content is needed in a variety of languages.

Comparison with Similar Services

This service is similar to other Russian calling services, but Perfect Call Service is much broader in scope. Another service, called the "Zvonok" (Call) Service, similarly charges \$10 USD per call, a price that is discounted for higher volumes. The "Perfect Call Service" continues to build on the model demonstrated by these previously examined services.

More Gender Offerings in Various Languages

The "Perfect Call Service" has apparently been in operation since at least early June 2008. Steady progress has been noted over time, as the service has enlarged its offerings. By June 30, 2009, the operator of the service announced that, in addition to the two female French speakers, a male French speaker had been added. On Aug. 28, 2009, it was announced that a male Spanish voice was also being added to the service.



July 9, 2009 posting advertising one month of reduced prices for these social engineered phone calls in five languages

A Continuing and Expanding Problem

Criminal call services like the "Perfect Call Service" continue to operate and flourish in the underground. They seem poised to continue to grow and expand their offerings based on the needs of the marketplace. These types of services are probably most useful to criminals in the credential collection and monetization phases of eCrime. It is during those periods that actual or prospective victims may become anxious and need somewhere to call for reassurance that their account information is safe or that some activity they are about to approve online is not a scam, when in reality they are speaking directly to the criminal enterprise itself.

FIFA World Cup 2010 and Crime in South Africa

By Peter Grant, C Risk International (Pty)

Introduction

The FIFA Soccer World Cup tournament will be played from June 11 to July 11, 2010 at ten stadiums in nine cities across The Republic of South Africa (RSA). For more information go to: <http://www.sa2010.gov.za/>.

South Africa is often referred to as one of the world's most crime-ridden countries, and from time to time Johannesburg is given the title of "murder capital of the world." A comparison is made with Ciudad Juarez in Mexico.

This said, crime is a problem in South Africa, and it is a problem that residents have to live with and adapt to. The prevalence of crime (as reported in the media) will most certainly come as a culture shock to foreign visitors.

There is a large population of illegal immigrants in RSA, which the authorities have difficulty in dealing with due to the restraints of the Constitution, confusion over the definition of refugee status and interference by self-professed "human rights" and charitable organizations.

As a result, there are colonies of Chinese, Vietnamese, Zimbabweans, Angolans, Mozambicans and Nigerians in various parts of the country; and in the Cape Town area there are Somalis and various Farsi- and Pushtu-speaking Islamic enclaves. The majority of these people cannot find gainful employment and take to a life of crime. From time to time, the black South Africans (who are very xenophobic) get fed up with being preyed upon and a public affray aimed at foreigners takes place.

Organized crime is an offshoot of the above inasmuch as the organizers are either illegal immigrants or they were not properly vetted before entering the country. There are cartels of the following nationalities: Chinese, Italians, Thais, Vietnamese, Zimbabweans, Mozambicans, Nigerians, Somalis and Pakistanis involved in gambling, drug manufacturing and trafficking, people trafficking, prostitution, illegal trade in marine and wild life products, illegal trade in human body parts, fraud, kidnapping, cash heists and receiving stolen property. A great many illegal immigrants are "employed" by organized crime.

For this paper, I list what I consider the relevant crimes. But ALL crime (to some degree or another) could well affect visitors from around the world for the 2010 FIFA World Cup. I am not providing figures on crime trends or statistics. For the official crime statistics in South Africa go to:

http://www.issafrica.org/index.php?link_id=24&slink_id=2489&link_type=12&slink_type=12&tmpl_id=3

General

In general terms, the centers where World Cup matches are due to be played will attract prostitutes, pimps, drug peddlers and criminals not only from other parts of South Africa but, due to the porous state of the borders, also from Zimbabwe, Mozambique, Botswana and farther afield, like Nigeria.

Despite assurances to the contrary, the South African Police Service (SAPS) "master plan" may not cope with the anticipated influx of criminals and approximately half a million visitors. They are under strength, and for additional manpower they may have to draw heavily on police reservists, and (in all probability) they will strip classes out of the police training colleges.

Morale in the SAPS is not good. The Ex SAPS National Commissioner Jacob Sello "Jackie" Selebi is currently on trial for multiple counts of corruption and defeating the ends of justice. White officers are resentful as they are being passed over for promotion by juniors who have little or no qualifications other than party loyalty or the correct ethnic background. There is distrust of Asiatics by other races and amongst the Africans there are strong divisions and distrust on tribal and clan lines. Add to this that the men will be working twelve hour shifts with limited rest days, which as the games progress could lead to heavier than usual absenteeism due to sickness.

Notably, private security companies are now boosting their manpower in event management and other general security products.

Crimes of Violence

Generally speaking, most murders that occur are black on black, but there has been a disturbing trend lately, where excessive violence is used during the commission of less-serious crimes. There are far too many illegal firearms in circulation, and they are readily obtainable if one has the right connections. The weaponry is often stolen from (or lost by) RSA citizens, the armed forces and the SAPS; and weaponry is also smuggled in from Zimbabwe and Mozambique.

In the cities hosting match venues, the expectation is that there will be much more money floating around, which will result in improved cash flow in shops, bars, clubs and so forth. This will mean more cash in transit to the banks, ergo more possible cash-in-transit heists.

Cash in Transit

Cash-in-transit (CIT) heists are generally very bloody and violent affairs; in this respect there are indications that some heists have been carried out by members of the Zimbabwean National Army who have used their Army-issued weaponry and then returned to Zimbabwe with the loot. In general, however, heists are the work of well-organized gangs run by syndicates and carried out with ruthless efficiency.

A sinister development from CIT heists are shopping mall robberies, which are carried out with the same degree of organization and ruthlessness and a complete disregard for casualties amongst bystanders.

Residential

There is an increase in house robbery as opposed to housebreakings. Now these tend to occur when the occupants of the house are awake. Simplistically, the complainant opens the front door in response to a knock only to find them staring down the barrel of a gun. In a recent case, a housewife opened the front door and got a face full of pepper spray. Resistance to these attacks can result in serious consequences. In some cases, occupants of houses have been tortured to reveal the whereabouts of firearms, cash, safe or vehicle keys.

Similarly, more and more housebreakers are carrying guns and/or knives by day and by night, which they will not hesitate to use if they are disturbed during the course of the breaking.

Vehicle Hi-Jacks

Vehicle hi-jacks are a daily occurrence in the larger centers and can be accompanied by senseless violence and murder. Volumes have been written about this crime, but the nuts and bolts are that unless a person drives extremely defensively and refrains from driving a model car that is popular with hijackers, anyone can end up as a hijack victim.

Smash and Grab

Allied to hijackings are vehicle smash and grab attacks, where the window of a stationary vehicle is smashed so that the criminal can steal handbags, laptops, mobile phones or any other attractive items from the car seats. In some of these cases the complainant has suffered serious injuries trying to protect his or her property.

Street Violence

Victims of street muggings (robberies) are often confronted and sometimes stabbed by knife-wielding criminals, some of whom are as young as nine or ten. The use of such young criminals by "Fagans" has been prompted by the law's failure to mete out appropriate punishment to the so-called "street children" and the activities of "bleeding heart" organizations who maintain that the offender is "more sinned against than sinner."

Soccer Violence

A word needs to be said here concerning organized soccer violence, which seems to be endemic in some areas of Europe. It is a phenomenon that is uncommon in South Africa, although it does occur from time to time. There is a general feeling that should there be an outbreak of this brand of soccer violence between groups of fans/supporters, the SAPS would deal with it as a riot and use rubber bullets, tear gas, police dogs and the lot!

Theft

Thefts can (and do) occur at any time and location. Favored items are mobile phones, laptops, iPods, electronic goods, cash, jewelry, bank and credit cards. Thefts occur when accommodations are left unlocked, one's property is left unattended, items of value are left in plain view in parked motor vehicles, or when individuals become the victim of a pickpocket.

Mobile Phones

Mobile phones and laptops are easily converted to cash. The receivers of these items, who in many cases are Pakistani and known as "The Taliban," use illegal programs that enable them to reformat mobile phones and give them a new identity, and also override password protection on laptops. Bank and credit cards are, of course, as good as money.

Credit Card Fraud

Last, but by no means least, the use of card skimmers and cloning devices has increased dramatically lately. The devices are mainly employed by organized crime syndicates and are rarely used by individual criminals working on their own.

The new generation of card skimmers/cloners are actually smaller than the card itself (see photograph). This makes it very easy for the card to be swiped (usually by the waitstaff) when they take the card to the register or if the card holder is distracted when signing the authorization slip.

During a recent arrest at a restaurant at Cape Town International Airport, police found a "state-of-the-art" skimming device on one of the suspects, which could hold details of up to 500 cards. They have been able to link it to fraudulent withdrawals from accounts totalling about \$15,000 USD. Similarly, a Bulgarian waitress in Johannesburg was arrested with a skimming device in her possession. When full of stolen information, the device was sent to Europe where (on the strength of the duplication in Johannesburg) fake cards were manufactured.

In conclusion, following are some views expressed by personnel currently employed by security companies in South Africa:

"In SA many a security business and 'wanna be security businesses' lick their lips for this event. But, the security business that is serious about customer service and long term relationships will realise that the security threat during the 2010 WC stretches beyond the stadiums, the hotels and busses."

It is about the threat against their current clients, especially business and residential areas, and the threat to the operational capabilities of security companies.

The risk is four-fold or more:

- On the one hand, will the security companies working for the World Cup event lure away existing security officers from reputable security companies with lucrative cash offers to get involved in temporary jobs relating to the World Cup security?
- A second risk is that staff would have difficulty getting to and from work with existing public transportation, and logistical supply to security companies could be hampered due to the transportation system.
- Third, is the desire by all South Africans to watch the games, even if only on television, which could result in probable alcohol abuse before work, late arrival for work or even plain absenteeism due to alcohol abuse or the desire to watch a specific game.
- The fourth and most dangerous risk, against the background of the three aforementioned risks, is intensified criminal activity against business and residential areas while the focus is on World Cup protection, and the other areas are "neglected."

A proper risk assessment at the beginning of 2010, followed by regular monitoring of the South American risk profile, or specific business areas linked to a detailed plan, would be essential.

It is evident that the World Cup could cost business and residential areas more in terms of security, placing more security officers at probable higher "WC Rates," improving electronic security at businesses, and improved response services could be the order of the day.



The Use of Peer Grouping in Data Mining

by Bobbi Kleffman & Denise Scheppler, RN

Peer grouping is the practice of identifying similarities or commonalities within a population, be it elementary school children, mutual funds, breeds of dogs, or healthcare providers, and classifying each group based on that premise of sameness. It's a concept that is familiar to all of us from our early learning days, when we were tasked to identify within a group of images the one that was "not like the others" (in other words, the outlier), or to circle all of the items with wheels or all of those that start with the letter A.

The focus of peer grouping in fraud detection is to utilize the identification of the similar in order to pinpoint the non-similar and then determine the cause of the dissimilarity: it looks like a duck and it walks like a duck, so why doesn't it fly?

Peer groups can be created systematically with a data mining software that compares results in your data and groups together entities with like results, such as providers with greater than \$X paid, greater than 35% new patients, patients who received more than three spinal injections in a six-month period, or a combination of two or more results, such as pharmacies that have a low average day's supply and a high number of claims per patient, or an ambulance service that always bills for advanced life support on Sundays. Clearly, there is value in being able to see the various types of providers that are exhibiting one or more of these behaviors, and pinpointing those for whom the behavior(s) are unexpected. The great thing about systematic peer grouping lies in the fact that a data mining application with peer grouping capabilities can buzz through terabytes of data (or more) and produce peer groups in much less time than you could by manually wading through it.

Be aware of the drawbacks, however. Data applications read data and find patterns in the data, but the applications draw no conclusions and cannot make distinctions between good and bad, significant or insignificant. Systematic peer grouping performed by a data mining application could actually camouflage outliers by placing them all in one group, where they compare well with their peers and don't appear to be outliers at all. Careful analysis of the results is required, and it's critical that you have an understanding of those results; you must be able to explain the peer groups and understand what caused the records in a given group to be selected as peers. While data mining applications can process inconceivable amounts of data in nearly the blink of an eye, and they can identify anomalies and patterns in the data that might not have been obvious otherwise, the fact is that no one understands data better than those who work with it every day. Plus, data applications don't necessarily know the industry to which they are being applied, or the exceptions to every rule that apply to that industry. The human factor can never be discounted.

An example of why it's important to know and understand the data can be illustrated by the example of analyzing prescriber patterns utilizing pharmacy claims data. Prescriber identifiers are submitted by the pharmacies submitting the prescription claim. As this identifier does not affect the payment of the claim, the staff filling the prescription may not see the value in expending time and effort to submit correct prescriber identifiers with the claim. This affects the accuracy of prescriber peer groups, and the results must be analyzed with that knowledge in mind.

It's equally valuable to formulate peer groups manually, to personally define the "apple" to which other "apples" will be compared. Healthcare payers, for example, may begin with peer groups based on provider specialty and state. They might then refine that by creating peer groups within a specific specialty based on zip code, average patient age and total dollars billed. There might then be a desire to go outside the limitation of provider specialty and create peer groups of providers based on a range of procedure and/or diagnosis codes, and further refine that by average patient age, zip code and patient gender. As long as there is a clear definition as to what makes record A the peer of records B, C and D, there are no limits. Any and all combinations of data fields can, and should, be used to define peer groups, in order to find the unknown and the truly unexpected. Continual study and analysis of the effectiveness of the peer groupings is an essential part of maximizing the usage of any data mining software.

A constant issue in healthcare is billing for services not rendered. In pharmacy, the claim is submitted on the profile of a member without their knowledge or consent and billed to the insurance company or government program by the pharmacy. False billings will change the statistics of a normal pharmacy.

Generally, false billings will:

- Raise the average prescriptions per member
- Raise the average ingredient cost (average cost of the prescription)

These changes can cause false billing pharmacies to become outliers within peer groups of pharmacies with similar characteristics. Peer group analysis is an essential tool for detecting potential fraud. It can shine a light on significant outliers as well as serve as a guide to fraudulent behavior that is not so obvious. A diverse and knowledgeable team to define the peer groups and analyze the results will maximize the benefits of the data mining software used.

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Bobbi Kleffman is a senior analyst for Program Integrity at Express Scripts, which is headquartered in St. Louis, MO. Denise Scheppler is a Registered Nurse and is Senior Manager of one of Express Scripts' Special Investigations Units, which investigates pharmacy fraud.



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