NH GOVERNMENT FINANCE OFFICERS ASSOCIATION
ANNUAL CONFERENCE

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What Could Possibly Go Wrong?

Bill Dwyer, NH State Treasurer

Brian Deschenes, IT Manager, NH State Treasury

What Could Possibly Go Wrong?

- Part I – "But they're our bank."
- Part II – "Ever get that feeling…?"
- Q & A

Part I – "But they're our bank."

- Who has time to monitor the financial condition of each bank we could possibly use?
- Who has time to monitor regulatory or enforcement actions taken against our bank?
- There are times when it pays to pay the experts.
- State Treasury utilizes a subscription to a monitoring/rating service for banks in NH.

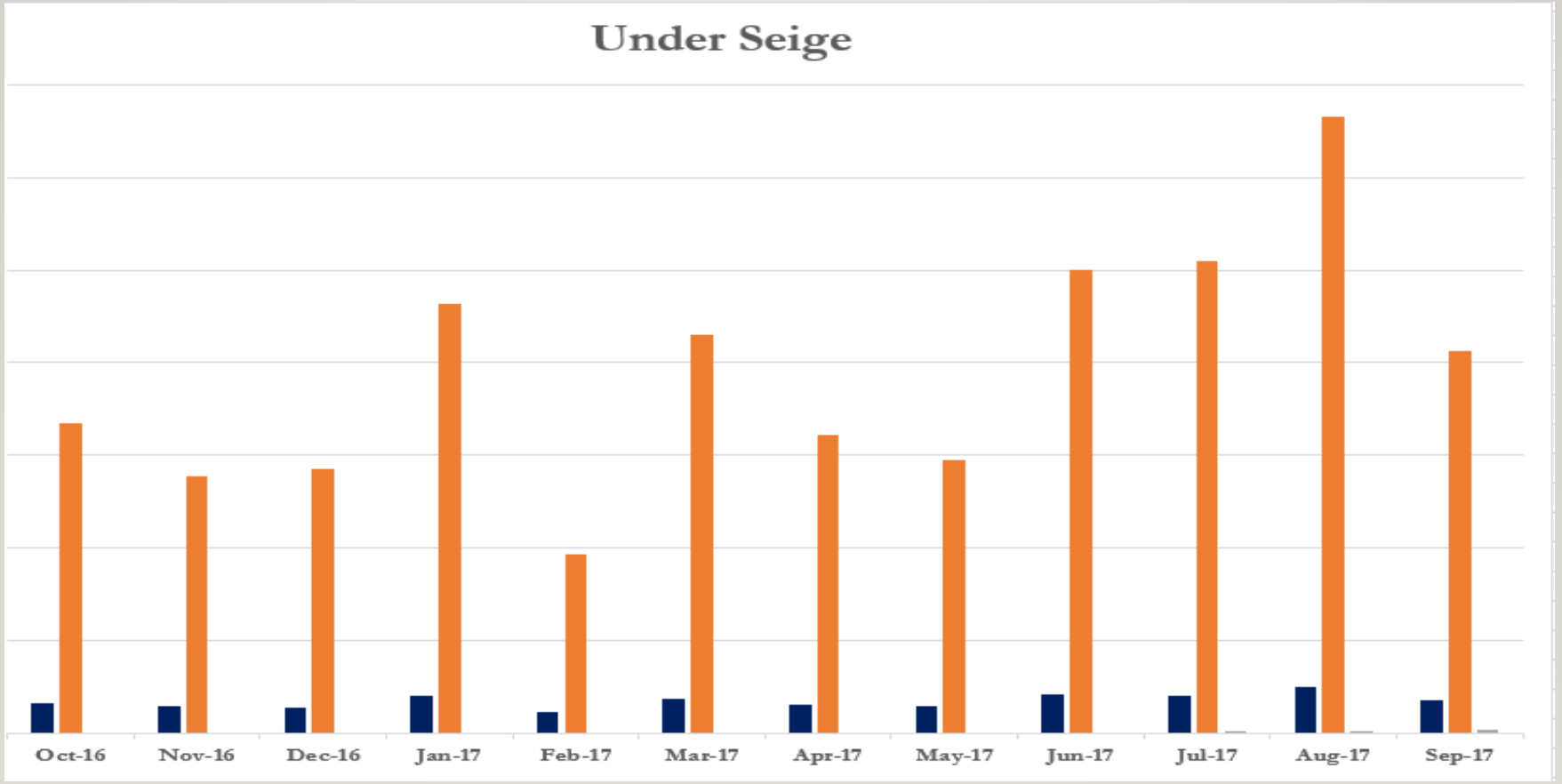
Part I – "But they're our bank."

- In the interest of objectivity, the monitoring service will not be identified or promoted here.
- However
  - If you really must know, feel free to contact your State Treasurer (email & phone on last slide).
  - In researching multiple services, a reasonable annual cost for a quarterly publication is about $200.
  - Select a service that monitors banks chartered in NH or federally chartered with a branch in NH.
- Like the credit rating agencies, each monitoring service will use its own designations.
  - Pink hearts, yellow stars, and green clovers don't matter.
  - Pay attention to how the banks are evaluated relative to one another.

Part I – "But they're our bank."

- Use the relative ratings to decide where to deposit funds when the interest rates are similar.
- Establish a "rating" criteria below which you will not deposit funds with a bank.
  - The monitoring service should assign financial metrics to each designation it uses.
  - Whenever you have concerns or reservations, express them to your banker.
- Enforcement actions are important and can inform your decisions, however…
  - It seems that at one time or another, some large federally-chartered banks run afoul of regulators.
  - If you decide to pick one fight, be prepared to pick them all (Wells Fargo example).
  - The severity of any violation is in the eye of the beholder, so be consistent and objective.

Part II – "Ever get that feeling..."



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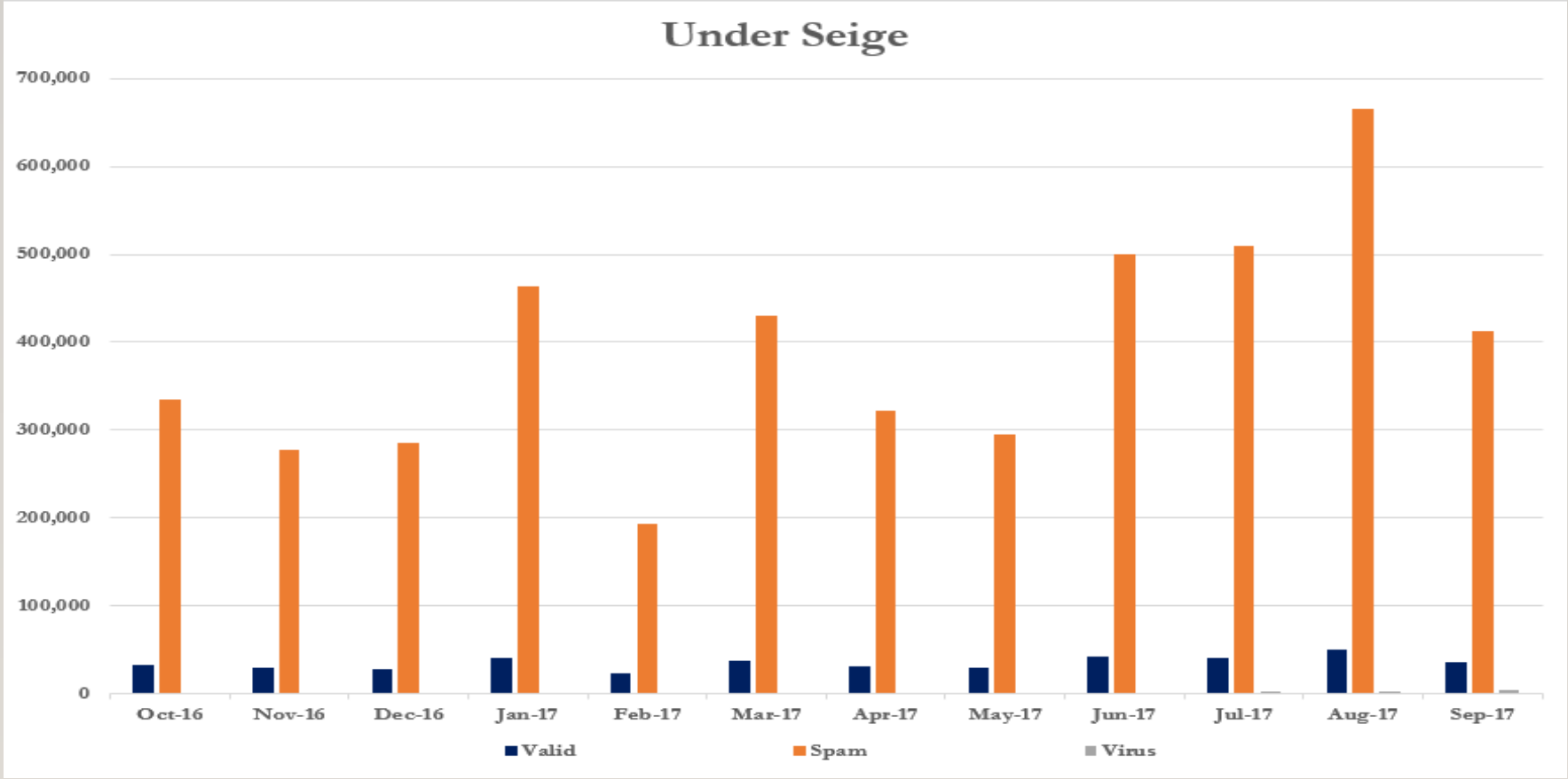

Part II – "Ever get that feeling..."

- **Email Spoofing** - the creation of email messages with a "forged" sender address.
- **Email Phishing** - a form of social engineering that uses email to trick the user into disclosing sensitive info (i.e., login credentials, account numbers, or other confidential data).
- **Spear Phishing/Whaling** - similar to phishing but a more targeted form of social engineering directed at an individual, organization, or business; similar to Spear Phishing, Whaling attempts stalk the "bigger fish" (i.e., executives, politicians, or high-profile individuals).

Part II – "Ever get that feeling..."

- In 2017 alone, damaging phishing attacks demonstrated that anyone can fall victim to this type of fraud tactic.
  - March 17th, 2017 – 205 Organizations reported successful Phishing attacks targeting W-2 records, subjecting more than 120,000 taxpayers to identity fraud/theft[1].
  - April 27th 2017 – Google and Facebook were out over $100 million when an attacker used a Phishing email to trick employees into wiring money to the fraudster over a two year span[2].

Sources: [1] https://www.databreaches.net/victim-of-w-2-scams-2017-list/
[2] http://fortune.com/2017/04/27/facebook-google-rimasauskas/

Part II – "Ever get that feeling..."

- Be vigilant when it comes to email – It's always better to err on the side of caution and assume that if it doesn't look right, it probably isn't (poor grammar was a classic giveaway).

- Not sure if it's Phishing? Call the Person/Coworker or Company directly to confirm the communication (don't use the contact info in the questionable email).

- Make sure you are running the latest and up-to-date versions of your Internet Browser, Operating System, Office applications and Endpoint Security Software (set automatic updating for all your software).

Part II – "Ever get that feeling..."

- Vendor/Supplier and Procurement Fraud – Be mindful of scams to divert payments to cybercriminals.
  - Emails requesting bank account changes for particular vendors you conduct business with.
  - Urgent Phone calls from someone asking to change electronic payment instructions or the mailing address for checks.
  - Fake invoices through email, fax, or mailed directly to your office.

Part II – "Ever get that feeling..."

- User and Administration of Financial Partners' Online Systems.
  - Dual controls of online banking administration.
  - Reduced function online banking administrators – Banks typically default system administrators to possess all functional accesses within online banking applications.
  - In a multi-user online banking environment, account signers should avoid serving as banking system administrators.
  - Consider pushing user administration back to the bank, particularly if staffing resources are limited.
  - All of these measures reduce exposure to internal fraud risk.

Part II – "Ever get that feeling..."

- Cybersecurity Awareness Training & Culture – Continuous reminders of the everyday threats, minimum annual training, sharing stories, etc.
- Risk Assessments – Perform annual risk assessments to identify weaknesses and reduce risk. Review of 3rd party SSAE18/SOC Reports.
- Penetration Testing - Include social engineering tactics (test the "human firewall").
- Information Classification Matrix - Identify where your sensitive data resides, then organize and classify the information based on regulation and compliance.

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Bill Dwyer

NH State Treasurer

(603) 271-2624

bdwyer@treasury.state.nh.us

Brian Deschenes

NH State Treasury IT Manager

(603) 271-8413

bdeschenes@treasury.state.nh.us