CURIE 2018

Phishing Incident at MacEwan University

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Today’s Presentation

- What Happened
- Response
- Education and awareness
- Bringing closure
- What did we learn
- Questions

Context – MacEwan in August 2017

- New president
- New board of governors
- Auditor general on site
- Major building project at substantial completion, set to open to students for first day of class

In the Media
August 31, 2017

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US & Canada

Canadian university loses $10m in phishing scam

31 August 2017 Share

What happened?

Key Facts

- An accounts payable email address, available on MacEwan's website, is targeted with request to change banking information for Clark Builders.
- MacEwan is engaged in a project with Clark Builders with large payments pending. This project is featured on Clark's website.
- Payments totaling $11.9 M are made to the account through EFT over a 9 day period in August 2016.
- The error was discovered 4 days after the last payment.

Immediate Impacts

- A clear message from government that no funding would be provided to offset loss
- Increased attention from auditor general
- Potential for negative exposure for a new president
- Internal morale and trust issues emerge
- Reputation is put at risk
- Significant political fallout

Financial Impact

- Immediate loss of $11.9 M from the operating budget
- Requirement to pay Clark Builders
- No impact on university operations
- Legal fees and other costs totaled $250K
- $50K Social Engineering Fraud (aka CEO Fraud, Payment Instruction, Fraudulent Transfer Inducement or Business Email Compromise) endorsement insurable limit to our crime policy

Response

Comprehensive Response

- Response team formed
- Edmonton Police Service notified
- IT led the forensic investigation
- Immediate Internal Audit investigation and recommendations on interim controls
- General Counsel immediately started legal action in Montreal and Hong Kong to seize funds
- Communications with Board and Ministry, and public disclosure
- Task force formed and contracted external firm to review the incident

Internal Audit Report

Internal Audit expedited a review of the incident and found:

- Inadequate controls were in place for this specific business process
- No segregation of duties between adding or amending supplier information and approval of the change
- No requirement for a manager to review or sign off a master file change in the system
- Employees did not phone or contact the vendor in any way to confirm that the change in banking information was valid.

Education and Awareness

Education and Awareness

- Open and candid lessons-learned workshops with staff
- Fraud awareness and safe disclosure training
- Scams, data protection, IT security/phishing campaign
- Share learnings with the post-secondary sector
- Mandatory training on phishing, online scams and information security

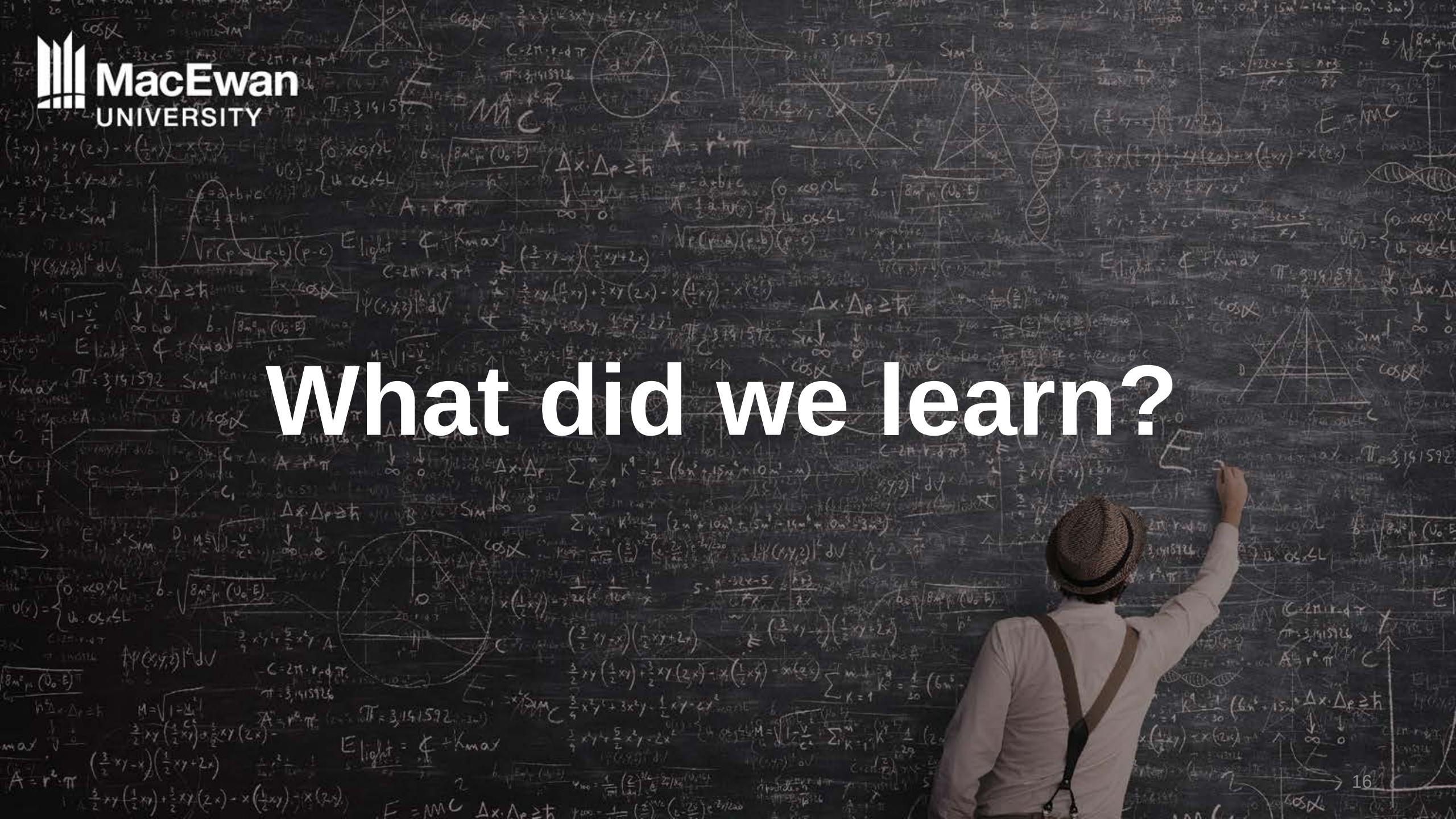
Bringing Closure

Bringing Closure

- External report to the Task Force, March 2018
- Final report to minister, April 2018
- Final report of the Task Force, May 2018
- All legal proceedings completed by March 2018
- April 3, 2018, final report to the minister, stating that the university recovered $10.92 million of the $11.8 million
- April 4, 2018, press release, internal communications, and social media announcement on recovery of funds
- Social Engineering Fraud endorsement insurable limit raised to $250K

MacEwan UNIVERSITY

What did we learn?



Lessons Learned

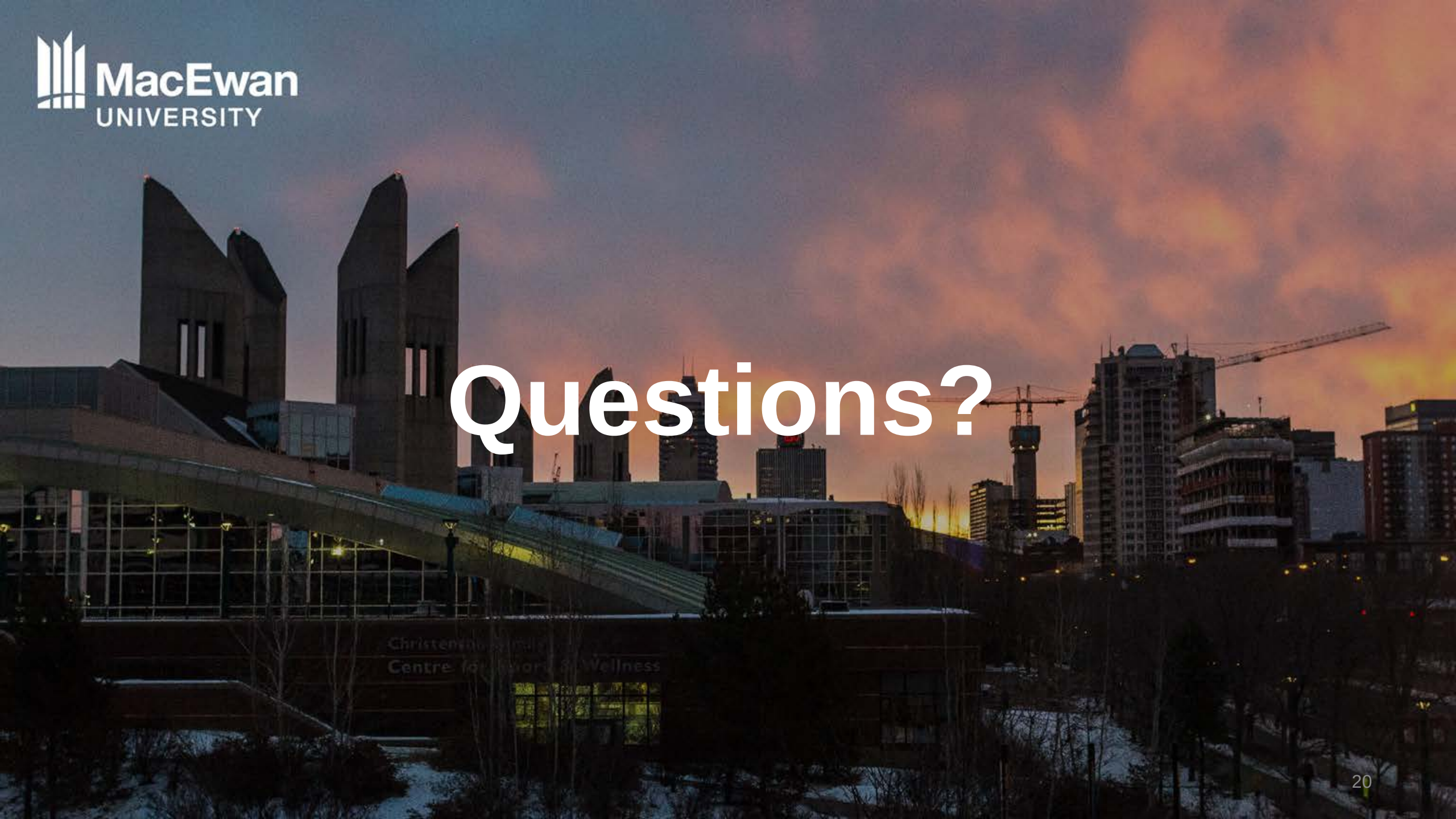
- A better understanding about the roles of legal counsel, auditors, IT and finance
- Crisis planning and management
- Change control as part of the control environment (data, IT, process)
- Immediate response

Lessons Learned

- Maintain and preserve evidence
- The role of key stakeholders in a crisis
- Communications planning
- Engaging Human Resources
- Confidentiality
- Develop a proactive approach to information security and fraud awareness and training

Lessons Learned

- Ensure staff in the Finance department are properly classified
- Effective communications between Finance and other departments
- Insurance coverage evaluation
- Ongoing risk assessments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Questions?