

# IN THE NEWS

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## IT Security

Many state and local jurisdictions have set up speed and red light violation cameras for safety and revenue. These cameras are automated and take a picture of the vehicle plate number used to identify the owner of the vehicle. The vehicle owner is then sent a bill for the violation. In Montgomery County Maryland, some students have been making bogus motor vehicle license plates to have speed cameras mail traffic violations to innocent victims [1].

The MD5 hash algorithm has been successfully exploited [2]. Although the focus has been on SSL and PKI applications, other security problems exist. For example, many software products are distributed and a MD5 checksum is posted to show the product has not been tampered with. When using hash algorithms to enhance file transfer security, the most popular algorithms are MH5 and SHA-1 [3]. A rogue could replace a security patch with malicious software that has the same MD5 hash value as the legitimate product.



The RBS Worldpay company had a security breach that exposed approximately 1.1 million social security numbers and around 100 payroll cards used in a fraudulent manner [4]. The company notified law enforcement and regulators around November 10, 2008 but didn't alert victims until December 23, 2008 [5].

There were 33 celebrity's Twitter accounts hacked apparently by one hacker [6]. In other news, U.S. Army and NATO web sites were defaced by hackers using an SQL Injection attack [7]. These on-line vandals protested against Israel's campaign in the Gaza [8]. Other hackers hijacked a web feed at Macworld 2009 and inserted bogus messages [9]. In another highly visible news story, the U.S. attorney's office in Chicago provided a press release for a \$15 million fraud scheme that inadvertently included the names of 25 confidential witnesses [10].



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### Special points of interest:

- U.S. attorney's office in Chicago inadvertently released the names of 25 Confidential Witness
- CEO of India's 4<sup>th</sup> largest software exporter arrested for fraud
- Another 1.1 million Social Security Numbers exposed

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## Economic News

Expect the Congressional hearings over the Madoff failure to be tough with the SEC defending its existence [1]. During the past 16 years, regulators probed Madoff 8 times and never came close to discovering the Ponzi scheme [2]. There are calls to revoke Bernard Mdaoff's bail and have him jailed following the

disclosure that last month, he gave a \$1 million worth of jewelry to family members [3]. With the news surrounding the Madoff Ponzi scheme, the SEC is aggressively targeting like crimes. For example, in Florida, the SEC obtained a court order to shut down a \$23 million Ponzi scheme targeting the

Haitian community [4].

Starting the new year on a sour note, the Fed is predicting a decline in the GDP and increases in unemployment [5]. The latest victim in the global financial crisis was former German billionaire Adolf Merckle who committed suicide [6].

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## IT Security

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Meanwhile, Microsoft is preparing the next security patch for January 13 that will close a hole that hackers could exploit to remotely control the host computer [11]. Finally, the Google developer site may have been used to distribute malicious software (malware) [12].

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3. Perrin, Chad, ZDNet Asia, *Use cryptographic hashes for validation*, De-

cember 23, 2008.

4. Adams, John, American Banker, *"Our Computers Were Compromised...Two Months Ago"*, January 4, 2009.
5. Leyden, John, The Register (UK), *RBS WorldPay breach exposes 1.5 million*, December 29, 2008.
6. Arrington, Michael, Washington Post, *Following The Twitter Hack Trail To DigitalGangster*, January 5, 2009.
7. McMillian, Robert, IDG News Services, *Hackers Deface NATO, US Army Web Sites*, January 9, 2009.
8. Goodin, Dan, The Register (UK), *Pro-Palestine vandals deface Army, NATO sites*, January 10, 2009.
9. SC Magazine, *Hackers hijack Apple speech with prank announcements*, January 9, 2009.
10. Miller, James P., Chicago Tribune, *One World Capital Group execs charged with fraud*, January 8, 2009.
11. Mills, Elinor, Cnet News, *Patch for critical Windows vulnerability coming*, January 8, 2009.
12. Cnet, McAfee: *Google developer site being used to distribute malware*, January 9, 2009.

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*Reality is merely an illusion,  
albeit a very persistent one—*  
*Albert Einstein*

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Readers may recall that the Bank of America (BAC) increased its holdings of the China Construction Bank from 10.8% to 19.1% ownership last November [7]. Now it seems that BAC needs money and will reduce its holdings from 19.1% down to 16.6% [8].

Pension plans went from a surplus of \$60 billion in 2007 to a \$409 billion deficit in 2008 [9]. In other news, the Swiss bank UBS, announced it will no longer offer offshore accounts, that were used to evade taxes, for its US clients [10].

The economic news continues to be negative with the most jobs lost since the end of World War 2 [11]. The current rate of unemployed is 7.2% the highest since January 1993 [12].

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Ian, Bloomberg, *SEC Must 'Defend Its Existence' After Madoff Lapses*, January 5, 2009.

2. Reuters, *Regulators probed Madoff eight times over 16 years: report*, January 5, 2009.
3. Berenson, Alex, New York Times, *Bid to Revoke Madoff's Bail Cites His Gifts*, January 5, 2009.
4. Younglai, Rachele, Reuters, *SEC halts alleged \$23 million Ponzi scheme*, December 30, 2008.
5. Isidore, Chris, CNN Money, *Fed predicts economy will get worse*, January 6, 2009.
6. Wilson, James, Financial Times, *Billionaire Merckle commits suicide*, January 6, 2009.
7. Gelsi, Steve, Market Watch, *Bank of America increasing stake in China Construction Bank*, November 17, 2008.
8. McDonald, Joe, AP, *Bank of America sells shares in Chinese bank*, January 7, 2009.
9. Stempel, Jonathan, Reuters, *U.S. companies face \$409 billion pension deficit: study*, January 7, 2009.
10. Jucca, Lisa, Reuters, *UBS closing U.S. clients' offshore accounts*, January 9, 2009.
11. Chandra, Shobhana, Bloomberg, *U.S. Economy: 2008 Payrolls Drop Biggest Since 1945*, January 9, 2009.
12. Simon, Ellen, AP, *Melt-down 101: Unemployment by the numbers*, January 9, 2009.

# Counterfeit

Counterfeiting is typically associated with products and currency. Bogus products can be any goods such as pharmaceuticals and name brand products. During 2008, \$270 million in counterfeit goods, 81% of which came from China, were seized [1]. As more American companies rely on China for manufacturing goods, the ability to fake products increases.

Much of our commerce still relies on paper documents. The advances in computer technology increases the ability to make high quality fakes. Arguably, the most difficult paper document to fake is paper currency. If fake money can be made, then any paper document, such as checks, birth certificates, mortgages, awards, and the like can be faked.

man bought expensive electronic equipment with the bogus bills and later returned the equipment for cash [6]. Taking a \$5 bill, bleaching it to remove all ink, then printing a fake \$100 bill was the same approach used by a Safe-

counterfeiting technology today, authentication is provided using a 3<sup>rd</sup> party tamper resistant container with a registered paper money guaranty. How will other paper documents be protected as counterfeiting technology



way employee in California [7]. If merchants have difficulty in detecting fake currency, the counterfeiting must be reasonably good. Case in

increases? Expect to see more cases of fraud using computer doctored documents.

1. AP, *More than \$270 million in counterfeit goods seized*, January 8, 2009.
2. Cornell, Kate, WLKY, *Two Face Counterfeiting Charges*, January 8, 2009.
3. Donatelli, Elizabeth, WAVE, *Men arrested in counterfeiting operation; thousands in fake bills made*, January 8, 2009.
4. Minneapolis Star Tribune, *Minneapolis man pleads guilty to counterfeiting*, January 9, 2009.
5. KSTP, *Mpls. man pleads guilty to making fake bills*, January 9, 2009.
6. KARE, *Minneapolis man admits to turning \$5 bills into \$100 bills*, January 9, 2009.
7. The Monterey County Herald, *Third suspect arrested in counterfeit scheme*, January 9, 2009.
8. Mid-Hudson News, *More counterfeit bills being passed*, January 9, 2009.

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*It is more honorable to repair  
a wrong than to persist in it—  
Thomas Jefferson*

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**US \$500 enclosed in third party tamper resistant container**

During the current hard times, some people are looking to make money (read counterfeiting). For example, in Kentucky, 2 suspects were arrested with \$2,000 in bogus bills [2]. Authorities believe up to \$15,000 in bogus \$20 bills are in circulation from the Kentucky counterfeiter [3].

In Minneapolis, a man pleaded guilty to turning \$5 bills into \$100 bills [4]. Authorities believe between \$10,000 and \$30,000 counterfeit bills were made [5]. The

point, in Newburg, New York, police are warning of fake \$20 and \$50 bills, which have only one of three serial numbers [8].

New currency includes more tamper protection making counterfeiting more difficult. However, what happens to the older currency still in circulation? Consider the U.S. once circulated currency larger than \$100 bills. This page illustrates the front and back of a 1934 series \$500 bill with William McKinley on it. Given the

## Asian News

India charged Pakistan with allowing some terrorist groups to continue activities unimpeded [1]. The Indian Government asserts that Pakistan must have supported the terrorists [2]. If India truly believes this, the question is not if there will be a war but rather when and how extensive. India indicated it has not exhausted all options if Pakistan does not bring the Mumbai attack plotters to justice [3]. Meanwhile, Pakistan Prime Minister Yousaf Raza Gilani is questioning why there is so much discussion about Mumbai [4]. Perhaps India is waiting on its response until January 20<sup>th</sup> or shortly thereafter when the US is distracted by the changing administrations. In the interim, one report suggests some elements inside Pakistan are planning an attack on Indian computer networks [5]. Many American business use India for software development which brings us to the next newsworthy item. The chairman of the 4<sup>th</sup> largest

software exporter, Satyam Computer Services Ltd. was arrested in a \$1 billion fraud scheme, on charges including forgery, breach of trust and criminal conspiracy [6]. Indian regulators took action including dissolving the company's board of directors [7]. Several of the Satyam investors are considering suing PricewaterhouseCoopers LLC for failing to detect the fraud [8].

On the economic front, China may cut back on buying American debt [9]. In a further sign of its emerging role, China is sending an envoy to the Middle East to push for an end to the fighting between Israel and Hamas [10].

1. Sengupta, Somini, New York Times, *India Accuses Pakistani 'Agencies'*, January 6, 2009.
2. Sharma, Ashok, AP, *India: Pakistanis 'must have' backed Mumbai attack*, January 6, 2009.
3. Majumdar, Bappa, Reuters (India), *India says not reached end of road on*

*Mumbai attacks*, January 10, 2009.

4. The Times of India, *Why is there 'so much noise' about Mumbai: Gilani*, January 10, 2009.
5. Daily Times Monitor (Pakistan), *Pak hackers planning attack on Indian cyber networks: Intel*, January 7, 2009.
6. Arakali, Harichandan, and Goyal, Kartik, Bloomberg, *Satyam's Raju Arrested, Board Sacked, in Fraud Probe*, January 10, 2009.
7. Farooq, Omer, AP, *Indian regulators dump Satyam board after fraud*, January 10, 2009.
8. Farooq, Omer, AP, *Former Satyam chairman, managing director arrested*, January 9, 2009.
9. Bradsher, Keith, International Herald Tribune, *U.S. debt is losing its appeal in China*, January 8, 2009.
10. AP, *China sends envoy to Middle East to ease tensions*, January 10, 2009.

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*India conquered and dominated China culturally for 20 centuries without ever having to send a single soldier across her border—Hu Shih (former Ambassador of China to USA)*

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## Crime Report

High dollar fraud continues to dominate the news. For example, in Chicago, Federal agents arrested 2 people who operated a fraud scheme at One World Capital Group that cost investors \$15 million [1]. Meanwhile, in Richmond, Virginia, a former chief operating officer of Investment Properties of America pleaded guilty to a \$132 million fraud scheme [2]. In Missouri, a man pleaded guilty for his part in a \$12.6 mortgage fraud scheme [3].

Sometimes a contract dispute spills over into nefarious activity. For example, in Bellevue, Washington the CEO of a Web development company pleaded guilty to an illegal computer intrusion against a former client [4].

1. Miller, James P., Chicago Tribune, *One World Capital Group execs charged with fraud*, January 8, 2009.
2. FBI, *Former Chief Operating Officer pleads guilty in*

*\$132 million scheme to defraud clients of funds allegedly held in trust*, January 6, 2009.

3. Kansas City Star, *Gladstone man admits role in Southland mortgage fraud case*, January 8, 2009.
4. FBI, *Bellevue Web development company, CEO and programmer plead guilty to computer intrusion*, January 8, 2009.