

“There's a sucker born every minute” - P.T. Barnum

Presented by: WIU's Chief Technology Security Officer

According to the FBI U.S. consumers lost more than \$239 million to online fraud in 2007, up from \$198 million in 2006. Knowing what to lookout for and learning from history will go a long way to making us safer cyber citizens. What follows is a sampling of cyber scams or internet-facilitated scams and how to spot them.

- **Auction Fraud** - Auction fraud involves either the misrepresentation of a product advertised for sale through an Internet auction site or the non-delivery of products purchased through an Internet auction site. Internet auction fraud was by far the most reported cyber scam, comprising 44.9% of complaints.

You should never enter into Internet transactions with anyone exhibiting the following behavior:

- The seller posts the auction as if he resides in the United States, then responds to victims with a congratulatory email stating he is outside the United States for business reasons, family emergency, etc. Similarly, beware of sellers who post the auction under one name, and ask for the funds to be transferred to another individual.
- The fraudster requests funds to be wired directly to him/her via Western Union, MoneyGram, or bank-to-bank wire transfer. By using these services, the money is virtually unrecoverable with no recourse for the victim.
- Buyers who ask for the purchase to be shipped using a certain method to avoid customs or taxes inside another country.
- **Romance Fraud** - After meeting someone on a social site, the fraudster tries to gain your trust through false displays of affection. In most cases, the fraudster lives far away, usually in another country. The fraudster expresses a desire to visit, but the fraudster cannot afford to make the trip. The scam is successful when you agree to meet and the fraudster convinces you to send money to cover their travel expenses. Then, invariably, an unforeseen event prevents the fraudster from making the trip. The rounds of false promises and excuses continue until you become suspicious and stops sending money.
- **419 Scams** - Advance Fee Fraud (AFF), known internationally as "4-1-9" fraud after the section of the Nigerian penal code. Basically, someone wealthy has just passed away and being that they had no one to leave their vast fortune to a benevolent government official has picked you out of the 6.7 billion people on earth to pretend to be a long lost relative and claim the inheritance. Of course you will have to pay some upfront fees to “grease the wheels” of government. Just don’t expect the big payoff anytime soon and by the way they are asking you to assist in committing fraud.
- **Reshipping Scams** – It could start as a job (or business) offer or doing a favor for your new girl friend that just happened to find your MySpace profile irresistible. You start receiving packages from a

number of US addresses and are asked to reship them overseas. Just don't wait to be reimbursed for the international shipping charges. Oh, and by the way you have just become part of a distribution channel for goods purchased with stolen credit cards. When the authorities come knocking on your door just show them the picture of your new girl friend. They in turn will connect you with another half dozen guys with equally irresistible MySpace profiles.

- **Fund Transfer Scams** – This is a type of employment or business offer fraud. You are presented with the opportunity to be the sole representative of a foreign agent that engages your services to transfer funds through your bank to a foreign bank account controlled by your employer or business partner. One variation is that you have been unknowingly engaged to launder illegally gained funds, or to facilitate tax evasion or to help move funds in support of terrorism. In another variation, you receive bad checks typically for more than the agreed upon amount, are instructed to deposit them, and then are asked to wire a percentage of the money to a third party. Of course by the time you and your bank realize that the initial payments are counterfeit it is too late. You are left to settle up with your bank.
- **Current Event Scams** – Whether it's a natural disaster, a presidential election, the housing crisis, the [banking crisis](#) or the Cubs winning the series, scams many times will precede upcoming events or follow news worthy events. They are playing on our emotions or taking advantage of when we are most likely to fall for a deception. If they found out that your employer has just laid-off 1000 employees, they will hit you with an employment scam. If California falls off into the ocean, they will hit you with a disaster relief scam followed by a scam to sell you Arizona beach front property. If the Cubs win the series, they will tell you that they and only they can save you from the end of the world (since the Cubs winning it all must certainly single just such an event ;-).
- **Pump and Dump Scams** – For pump and dump scams to work a fraudster must artificially drive up the value of a stock they own and sell off the stock before the value of the stock falls back to its real value. One scenario would involve using SPAM in an attempt to trick you into purchasing the stock. Another scenario would involve tricking you into installing a keylogger and capturing your user id and password for your brokerage account. Then using your authentication information, to sell off your current stock holdings and purchase the stocks of their choice. By the time you discover that something is not quite right the fraudster has sold their stocks. Leaving you holding an unfavorable stock position.
- **Pyramid Schemes** - Be wary of messages that read: "How to Make Big Money from Your Home Computer!!!" These programs attempt to make money solely by recruiting new participants into the program.
- **"Risk Free Fraud"** - Be wary of opportunities that promise spectacular profits or "guaranteed" returns. The only spectacular profits would be for the fraudster if we fall for their scams.
- **Off-shore fraud** - Be careful when considering an investment opportunity that comes from another country, because it's difficult for U.S. law enforcement agencies to investigate and prosecute foreign fraudsters.

The above forms of computer-related crime are not necessarily mutually exclusive and need not occur in isolation. Cyber crime may involve two or more of the generic forms outlined above.

If the subject of cyber scams does not resonate with you, I would say that while I am glad that you have no personal experience in this regard, I suspect that you know someone that has or will be affected by cyber scams.

Regards,

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"Wisdom consists in being able to distinguish among dangers and make a choice of the least harmful." — Niccolo Machiavelli, The Prince