



New Mexico
Office of the
State Auditor

GAO
Government
Accountability
Office

Risk
Advisory



1-866-OSA-FRAUD
www.saonm.org

State Auditor
Wayne Johnson

Risk Advisory: Government Vendor Invoicing Scam

April 23, 2018

The Office of the State Auditor (OSA) has issued this Risk Advisory to warn governmental agencies in the State of New Mexico of a scam in which finance employees are pressured via e-mail to make immediate payments on invoices from new or unknown vendors.

The OSA was recently made aware of a scam that targeted a New Mexico school system's finance employees. Similar scams have occurred in the state in past years and State Auditor Wayne Johnson wants to make all governmental entities aware of the possibility that their employees may be targeted. Two years ago a county lost \$38,000 and two school districts wired more than \$60,000 combined that they were able to recover. Last year, the City of Albuquerque wired \$400,000 to a fraudulent account, which they were unable to recover, and the Socorro school district lost \$200,000.

In the latest case, perpetrators "spoofed" the e-mail of a superior within the organization, and created a sense of urgency. The perpetrators are knowledgeable and can have an air of authenticity that can cause an employee to trust them.



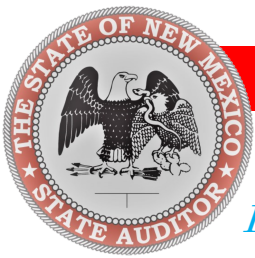
CFO: Please pay this today

The latest scam occurred on April 18, 2018 with an e-mail that appeared to come from the school's chief financial officer (CFO) to the manager of accounts payable. The "CFO" asked the manager to pay a \$26,280.50 invoice immediately and, in a new tactic, even provided a W9 with the invoice. When the accounts payable manager asked for further information and documentation, the fake CFO replied that it was ok to pay the invoice outside of the normal process and that it was critical to pay immediately.

The employee wasn't fooled, and reported the scam to her superiors.

Spoofed E-mail

In this latest scam, the scammer "spoofed" a school district senior level employee's actual e-mail. To the employee who received the e-mail, it looked like a legitimate request from the school district's CFO. The scammer can pose as a senior level official, a fellow employee, or a legitimate vendor. Either way, the sender's e-mail address could appear legitimate.



Bypassing standard internal controls

The scammer attempted to bypass normal internal controls. A purchase order, approved ahead of time, is standard operating procedure. To get around this the scammer, when questioned, provided answers such as, “I will like you to post directly to operating account,” or in a prior e-mail invoicing scam attempt, a scammer wrote, “I don’t have the PO here with me, reference it as CONSULTANCY,” in order to avoid normal internal controls.

A sense of urgency

The scammer attempted to create a sense of urgency. They wrote, “If you are able to complete the task today, it will be appreciated due to it’s urgency,” or in a previous scam attempt, a scammer wrote, “due to time frame, I want the payment sent out immediately.” Deadlines are nothing new in government. However, an “urgent” deadline with no apparent reason should be a red flag.

Poor, non-standard English

In this case, the e-mail contained poor English or typos with phrases such as, “find attach the Invoice & W9,” or in a prior e-mail invoicing scam attempt, an e-mail read, “will send you and invoice for this when sign.” Poor grammar, awkward phrasing, and overly formal language isn’t always a sure-sign of a scam, but is a good indicator that should cause further scrutiny.

Internal Controls

Adherence to established internal controls is important to safeguard public funds. Staff should be properly trained on internal control procedures and should be encouraged to question deviations from policies and procedures.

The OSA has the following recommendations which agencies should consider when assessing their internal controls of expenditures and reimbursements:

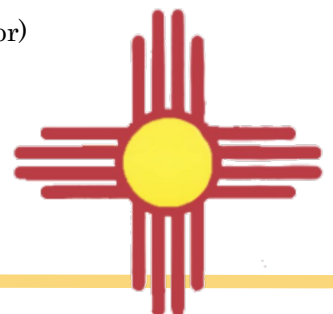
- 1) Require purchase requisitions, purchase orders (PO) and detailed invoices prior to making payments.
- 2) Segregate duties of PO originator, AP recording of the invoice and the person who reviews supporting documentation and makes the payment.
- 3) Require a full set of supporting documents before making transactions with a new vendor.

Upon learning of an attempted or successful scam, agencies should immediately notify their banking institution and report the matter to law enforcement. Any losses must also be reported to the OSA pursuant to NMSA 1978, Section 12-6-6.

(The following 2 pages are examples of a fraudulent invoice and W9 from a fraudulent vendor)

State Auditor
Wayne Johnson

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DECK SERVICESVirginia
U.S.A**INVOICE**

57-9206251

Balance Due
\$26,280.15

Invoice Date : 18 Apr 2018

Terms : Due on Receipt

Due Date : 18 Apr 2018

Bill To

[REDACTED]

#	Item & Description	Qty	Rate	Amount
1	RESEARCH	3.00	8,760.05	26,280.15

Sub Total 26,280.15

Total **\$26,280.15****Balance Due** **\$26,280.15**

Notes

Thanks for your business.

Terms & Conditions

PAYMENT INSTRUCTION:

Direct Deposit Information:

WILLIAM DECK
1916 Blue Bonnet Dr
Virginia Beach, VA 23453
Routing Number
124303162
Account Number
[REDACTED]**EXAMPLE**

Request for Taxpayer Identification Number and Certification

**Give Form to the
requester. Do not
send to the IRS.**

Print or type See Specific Instructions on page 2.	1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank. William E Deck	
	2 Business name/disregarded entity name, if different from above DECK SERVICES	
	3 Check appropriate box for federal tax classification; check only one of the following seven boxes: <input checked="" type="checkbox"/> Individual/sole proprietor or single-member LLC <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶ _____ Note. For a single-member LLC that is disregarded, do not check LLC; check the appropriate box in the line above for the tax classification of the single-member owner. <input type="checkbox"/> Other (see instructions) ▶ _____	
	4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3): Exempt payee code (if any) _____ Exemption from FATCA reporting code (if any) _____ <i>(Applies to accounts maintained outside the U.S.)</i>	
	5 Address (number, street, and apt. or suite no.) 1916 Blue Bonnet Dr	
	6 City, state, and ZIP code Virginia Beach, VA 23453	
	7 List account number(s) here (optional)	
		Requester's name and address (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Note. If the account is in more than one name, see the instructions for line 1 and the chart on page 4 for guidelines on whose number to enter.

Social security number
[REDACTED]- -
or
Employer identification number
- -

Part II Certification

Under penalties of perjury, I certify that:

- The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
- I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
- I am a U.S. citizen or other U.S. person (defined below); and
- The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out items 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 3.

Sign Here	Signature of U.S. person ▶ <i>William Deck</i>	Date ▶ 04/18/2018
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General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.
Future developments. Information about developments affecting Form W-9 (such as legislation enacted after we release it) is at www.irs.gov/fw9.

Purpose of Form

- An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following:
- Form 1099-INT (interest earned or paid)
 - Form 1099-DIV (dividends, including those from stocks or mutual funds)
 - Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
 - Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
 - Form 1099-S (proceeds from real estate transactions)
 - Form 1099-K (merchant card and third party network transactions)

- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
 - Form 1099-C (canceled debt)
 - Form 1099-A (acquisition or abandonment of secured property)
- Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.
- If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See What is backup withholding? on page 2.*
- By signing the filled-out form, you:
- Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
 - Certify that you are not subject to backup withholding, or
 - Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income, and
 - Certify that FATCA code(s) entered on this form (if any) indicating that you are exempt from the FATCA reporting, is correct. See *What is FATCA reporting?* on page 2 for further information.