PBMares
CPAs and Consultants

Cybersecurity & Control Risk

CASE STUDY: Not-for-Profit Organization Overcomes a Financial Hack and Comes Back Stronger

OVERVIEW:

Diane is the executive director of a small Virginia nonprofit that works to improve the lives of families and children, particularly those that have not yet entered school. Most of their resources go to support their work, so operational budgets are limited. While they thought they were doing all the right things in terms of cybersecurity, cyber insurance and safety, it wasn't enough to avoid the damage from a hacker that knew how to manipulate their weak points.

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"We simply didn't know what we didn't know. Unfortunately, we found out the hard way."

~ Diane,
Executive Director of a Not-for-Profit Organization in Virginia

CHALLENGE:

"It all started when a new user suddenly showed up in our system," Diane shared.

The new user log-in was quickly removed, but then staff and external partners started getting phishing emails. They informed their outsourced IT company and new layers of security were added. The final straw was when an email was sent to an administrator that looked like it was from a supervisor, asking to change the bank account for an employee's payroll deposit. Because it looked legitimate, the change was made. The employee, who had no idea that this change was made, received an email asking if she would be "ok" if her pay was delayed a few days from the same person posing as her supervisor. She immediately phoned her supervisor to ask if she had sent the email, and that is when they discovered something was very wrong. **Unfortunately, the organization was unable to stop the deposit from going through, and their bank couldn't do much to help either.**

Even though they had general, umbrella, and directors and officers liability (D&O) insurance policies, these had exclusions for phishing attacks, business interruptions and email compromises, which is incredibly common for many policies.

SOLUTION:

One of the organization's Board Committee members, Bo Garner, is a Partner and the Not-for-Profit Team Leader at PBMares. When the phishing issue arose, Bo was Diane's first call, having previously learned of the firm's cybersecurity services. He put her in touch with Nina McAvoy, PBMares' Senior Manager of the firm's Cybersecurity & Control Risk Services team. Even though it was 10 pm on a Thursday, Nina responded and provided Diane with a checklist of things to do immediately – including changing passwords and setting up multifactor authentication – to mitigate the damage and prevent any more losses from occurring. The next morning, they started addressing what needed to happen to prevent this sort of action in the future.

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Many organizations think hackers won't target them because they are small and don't have millions of dollars. The opposite is true. Large corporations have big budgets to create the protection they need, so hackers avoid them in most cases. It is the small and mid-sized companies with weak protections where most hackers focus.

SOLUTION (continued):

- **Insurance:** Nina reviewed their current policy and advised Diane who was working with their broker. Nina provided specific details for the organization to seek so it would be sufficiently covered. When no underwriter would take on the policy, Nina found an insurance company that would not only take on the organization's policy, but also provide a low deductible option that worked for their budget.

- **People:** They had to address the biggest cybersecurity risk for any organization or business – people. Even the savviest employees can be tricked by a smart hacker, so training is vital. Nina set them up with TechGuard to provide monthly security awareness training and regular phishing simulations. Each employee gets "phished" regularly now, and those that fall prey to the scheme receive additional training.

- **Policies and Practice:** In addition, PBMares' cybersecurity experts wrote a more comprehensive set of policies with standards of practice. Doing this safeguards the organization going forward, since there are benchmarks to meet on a regular basis that serve as the manual for employee practice in the future.

- **Additional Actions:** New resources were added to their system to help create a safe environment. This included changing all passwords and using multifactor authentication throughout the organization. They added a firewall, new server, VPN and other security add-ons to protect their data. Internal controls, security protocols and cybersecurity policies were added, particularly around payment transactions. The organization also now knows what to ask from its outsourced IT vendor and third party vendors in terms of their cybersecurity.

GOING FORWARD:

"We are in a better place now, and much of it is thanks to the help that Nina and PBMares provided to us," Diane said. With better security, systems, training and insurance in place, the organization's leaders are less worried and more aware of what can happen. They also know they are not alone; most non-profits and businesses are in the same boat and just as vulnerable.

> "The people at PBMares really 'know their stuff'! They were able to look at my situation from a variety of angles so we could mitigate and plan. Additionally, they helped us get where we needed to be with no judgement and lots of patience, making us less at risk and safer now than we have ever been.
>
> *~ Diane,*
> *Executive Director of*
> *Not-for-Profit Organization*
> *in Virginia*

About PBMares

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