New details released in cyber attack that defrauded Adventist Church of half a million U.S. dollars

Sophisticated online scammers hacked email account used to conduct church business

New details have been released in the ongoing investigation of a sophisticated cyber theft that defrauded the Seventh-day Adventist Church of approximately US$500,000 during the span of a four-week period late last year.

Church leaders say a compromised password appears to have allowed online scammers to hack into the Gmail account of a church employee authorized to initiate instructions for money transfers. Impersonating the employee—and unbeknownst to him—the scammers sent emails to financial personnel at Adventist world church headquarters, approving the transfer of funds on behalf of a denominational entity. An elaborate filtration system set up by the scammers marked all responses from headquarters as “read” and “deleted,” thus bypassing the employee’s inbox.

Meanwhile, the scammers laundered funds from 16 fraudulent transactions through the personal bank accounts of five apparently unwitting victims, church financial officers said.

“We have modified procedures to do our best to prevent anything like this from happening again,” said Robert E. Lemon, treasurer of the Adventist world church.

Lemon said incidences of fraud in which scammers troll the Internet for emails giving instructions to “pay, transfer or send” funds are growing in occurrence. In such cases, scammers carefully study the account holder’s emails so they can send transaction requests that closely mirror the tone and content of legitimate emails. Some hackers may even include personal comments—
often work or family details gleaned from actual emails—to make the transaction requests appear more genuine.

“We urge church employees and members to exercise extreme caution when acting on instructions for handling funds that come through an email without a second independent verification through another means, such as phone call, text message or fax,” Lemon said.

At headquarters, internal controls were in place that church leaders said should have alerted financial personnel of a problem with the first transaction, but several key employees who would have questioned the transactions were traveling or were otherwise out of the office at the time, Lemon said. Additionally, the transfer amounts and explanations were “within the normal scope” for the denominational entity in question, he said.

Church financial personnel discovered the fraud after growing suspicious of the high rate of transaction requests and an alert from one of the banks involved. The scammers quickly discontinued fraudulent activity associated with both the email account and the linked bank accounts.

While the church was able to recover some of the funds that were still in the bank accounts before they were frozen, Adventist financial officers said they’re unsure whether the remaining losses are recoverable. Cooperation with U.S. Federal authorities in the ongoing investigation is expected to continue, they said.

“There is no indication that any employees were involved in unethical behavior, and no church email servers or bank accounts were accessed or compromised in the scheme,” Lemon said.

“Having something like this happen on our watch is very difficult for those of us in treasury,” Lemon added. “We would like to thank each church member for their faithfulness and solicit their prayers that God will help us guard His funds in an ever-changing landscape of online fraud.”

RHPA Board votes smaller, leaner profile for publishing house

*Workflow and personnel changes to save $1.5 million within a year*

The Board of Directors of the Review and Herald Publishing Association moved swiftly Sunday, April 6, to stabilize the financial health of the 165-year old publishing house at a specially-called Executive session after year-end reports showed a nearly $943,000 loss for 2013 and continued weakness in the first quarter of the current year. RHPA Board chair Delbert Baker said that the directors were responding to recommendations from management, executive and finance committees, calling for quick and efficient action to turn around the finances of the Seventh-day Adventist Church’s oldest institution.

In a series of coordinated steps, Board members voted to affirm a “solvency plan,” authorizing RHPA leadership to take immediate steps to control costs and lay the foundation for stronger sales performance in the second half of 2014. The special session occurred less than three weeks
ahead of the regularly scheduled meeting of the 30-member Board on April 24. That meeting will focus on broader strategic directions for the publishing house, including a potential role for the North American Division in shaping literature ministry in the U.S., Canada, and Bermuda.

Key items voted by the RHPA Board included streamlining production processes to eliminate redundancies in several departments of the publishing house; reducing the number of book titles planned for release in 2015; and trimming the editorial and production staff of some RHPA-produced journals. A reduction-in-force of 26 current employees was also authorized by the Board of Directors, with nearly half of the total being achieved through collaborative retirement agreements with eligible employees. The savings to the publishing house from the workforce reductions are anticipated to reach $1 million in 2014, and more than $1.5 million in 2015.

Review and Herald leadership also sought and received permission from the Board of directors to lease up to 60,000 square feet of the large Hagerstown, Maryland facility in order to decrease the operational footprint of the publishing house and achieve needed rental income.

Board members listened to several policy change requests formulated by the administration and the executive and finance committees, and referred those actions on to General Conference and NAD committees. RHPA administrators are hoping to build a vigorous online sales portal for products produced by the publishing house. A request was also forwarded to reduce RHPA funding of the church's retirement program to match the level required of the Church's educational institutions.

"Right-sizing the RHPA has been a difficult but necessary process," said RHPA president Mark Thomas following the Sunday afternoon meeting. "No faith-based employer ever wants to lose even one employee, but we have a greater mission to continue serving the publishing and printing needs of the worldwide Seventh-day Adventist Church. Keeping that mission in focus required us to take these hard steps to secure this organization and reposition it for renewed growth."

**ADRA part of relief efforts following earthquake in Chile**

Food, water part of initial response

The Adventist Development and Relief Agency in Chile is preparing a response to last week’s 8.2-magnitude earthquake that left seven people dead and disrupted power in and around the city of Iquique.

ADRA Chile Director Jorge Alé arrived in Iquique Friday to help assess the situation and bring water purifiers to local residents living in tents.

Alé met with officials of the Chile Humanitarian Network at Land of Champions Stadium, which is functioning as headquarters for relief operations.

Many people are still jittery following a 7.3-magnitude aftershock that struck on April 3, a day after the first quake struck and triggered a six-foot tsunami.
ADRA is present in Alto Hospicio and is considering a project for the region, which was heavily impacted. Some residents are sleeping in tents—either their homes have been damaged or as a precautionary measure against aftershocks. An ADRA truck delivered food and water to the region over the weekend.

Chile, located on a fault line between the Nazca and South American tectonic plates, is prone to frequent earthquakes. In 2010, an 8.8-magnitude quake shook a region 200 miles south of the capital of Santiago, killing hundreds and destroying hundreds of thousands of homes.