

A Deeper Look Into 419 Scams

I recently received an email from Mr. Abodi Ali of the Bank International Du Zambia. An unfortunate client of the bank was killed in a recent plane crash. The client left an unclaimed balance with the bank of \$15.0 million. Mr. Abodi offered me 30% of this sum if I would present myself as the next of kin and offer my bank account to receive the funds. What a deal! Nearly \$5 million dollars for nothing...show me the money!!!

Wouldn't you like to make millions of dollars for doing nothing more than offering your bank account to receive a deposit? It's better than winning the lottery. Remarkably, thousands of people each year fall prey to this time-worn scam that preys on our basic human attraction to easy money.

A Little Background on the Scam

Technically, this is called an Advance Fee Fraud, but it also goes by the name of the Nigerian Letter, the 419 Fraud or the Nigerian Money Offer. The number "419" refers to that part of the Nigerian Criminal Code dealing with fraud. Essentially, the idea is that the victim pays a little money up front in order to receive a much larger sum in return. The basics go back to a 1920's scam called the Spanish Prisoner, where the con man tells the victim that there is a rich prisoner who will share a fabulous treasure with the victim if they would only send money to bribe the guards (or the judge) to secure his release.

The modern scam originated in the early 1980s when the Nigerian economy went into decline. It's likely the world's most pervasive scam. It comes in hundreds of variations with a common theme: a rich Nigerian, or more recently Iraqi, national needs help in spiriting cash out of the country. Victims are convinced that they will earn a large percentage of the millions of dollars by simply allowing the money to be deposited into their bank account as a temporary holding place. Of course, the swindlers never transfer any cash, rather they empty the victim's bank account.

Originally, the scam was local, targeted to businessmen who were interested in shady deals with Nigerian oil companies. From there it spread to businessmen outside the country and from there, with the advent of e-mail, to everyone. Today, the practice has spread into many other African countries, Asia and into Eastern and Western Europe.

Typical 419 Scams

Over the years, the 419 Fraud or the Nigerian Money Offer has taken on slightly different formats and portrayed so-called victims from political families, churches to not viable non-profits. The reported schemes often fall into the following categories:

- Fund Transfers
- Currency Conversion
- Disbursements from wills
- Contract fraud
- Real estate deals

But let's focus on the fund transfer, since they are the most prevalent and successful cases. In this scheme, a company or individual will typically receive an unsolicited letter by mail from a Nigerian claiming to be a senior civil servant. In the letter, the Nigerian will inform the recipient that he is seeking a reputable foreign

company or individual into whose account he can deposit funds that the Nigerian government overpaid on some contract. The sender declares that he is a senior civil servant in one of the Nigerian Ministries. The letters refer to investigations of previous contracts awarded by prior regimes alleging that many contracts were over-invoiced. Rather than return the money to the government, they desire to transfer the money to a foreign account and the recipient is usually offered a commission up to 30 percent for assisting in the transfer.

Often, the victim is instructed to provide company letterhead and pro forma invoicing that will be used to show completion of the contract. One of the reasons is to use the victim's letterhead to forge letters of recommendation to other victim companies. The victim is told that the completed contracts will be submitted for approval to the Central Bank of Nigeria. Upon approval, the funds will be remitted to an account supplied by the intended victim.

The goal of the criminal is to delude the target into thinking that he is being drawn into a very lucrative (although illegal) arrangement. The intended victim must be reassured and confident of the potential success of the deal. He will become the primary supporter of the scheme and willingly contribute a large amount of money when the deal is threatened.

The letter, while appearing transparent and even ridiculous, unfortunately is also convincing to some. It sets the stage and is the opening round of a two-layered scheme or scheme within a scheme. The fraudster will eventually reach someone who, while skeptical, desperately wants the deal to be genuine.

In the next stage, an alleged problem will arise concerning the "inside man." An official will demand an upfront bribe, or an unforeseen tax or fee to the Nigerian government will have to be paid before the money can be transferred. These can include licensing fees, registration fees, and various forms of taxes and attorney fees. Normally each fee paid is described as the very last fee required. Invariably, oversights and errors in the deal are discovered by the Nigerians, necessitating additional payments and allowing the scheme to be stretched out over many months.

Business is a Favorite Target

The bookkeeper for a Michigan Law Firm was taken for \$2.1 million by Nigerian fraudsters. The woman received a fax from one Dr. Mbusi Nelson of the Ministry of Mining in Pretoria South Africa, asking for help in getting \$18 million transferred to the United States. Nelson popped into her life out of nowhere, offering to pay \$4.5 million for her assistance. She was asked to set up a bank account to deposit the money, only to be told that certain administrative fees, taxes and bribes needed to be paid.

Fueled possibly by greed or naivety, the woman wired over \$2.0 million during an 8 month period to accounts in South Africa and Taiwan, which were promptly emptied by the perpetrators.

Due to sorely inadequate internal controls, her employer unwittingly funded the scam from its corporate accounts. They only discovered the problem when a client escrow account check bounced.

Tips to Protect Yourself

In this age of email and spammers, most people are aware of these scams. But, if you are ever in doubt about the credibility make sure you follow these simple rules:

- **Think** - If it sounds too good to be true it usually is.
- **Never reply** to 419 solicitations in any way. Reports of people being harassed and even attacked by agents of these organizations have been reported after they replied to the solicitation.
- You can **report email scams to spam@uce.gov**. The U.S. Federal Trade Commission (FTC) will place your email in a database and use the combined information to track down and prosecute the

scammer/spammers. You can also report the scam to the Internet Fraud Complaint Center. This site is a partnership between the FBI and the National White Collar Crime Center.

- **Review you internal control systems** to ensure that a gullible employee cannot use corporate funds in one of these schemes.
- **Always be cautious**, if for some reason you must do business with a foreign entity:
 - Never expect any help from the government
 - Never think the US government is going to bail you out
 - Never extend credit for any reason
 - Never pay for anything until the product is received

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