This report may not be disclosed to anyone other than the auditee except by the Director of Internal Audit, V.I. Water and Power Authority, St. Thomas, US Virgin Islands

Report No. 2019-IA-0004

August 2018
September 18, 2018

Honorable Elizabeth Armstrong  
Chairperson, Governing Board  
Virgin Islands Water and Power Authority  
9720 Estate Thomas  
St. Thomas, VI 00801

Honorable Lawrence Kupfer  
Executive Director (CEO)  
VIWAPA  
9720 Estate Thomas  
St. Thomas, VI 00801

RE: Final Audit Report – Audit of Wire Transfers  (Report No. 2019-IA-0004)

Dear Chairperson Armstrong and CEO Kupfer,

The report contains the results of our final audit of the Authority’s Wire Transfer process. This audit was requested by the Audit/Finance Committee of the Governing Board. We determined the Authority did not maintain sufficient internal controls to safeguard funds transferred electronically. Specifically, (i) there was a lack of internal controls, (ii) wire transfer authorizations were performed by lower level employees, (iii) authentication of wire instructions were not approved by management personnel and (iv) approval level for wire transfers did not follow the same approval process required for checks.

We offered six recommendations and requested a response by August 24, 2018. A request for extension of time was requested and granted. On September 7, 2018, we received the response to our draft audit report (Appendix 2). Basically, management concurred with five recommendations and partially concurred with one. Based on the response, we consider the six recommendations resolved but not implemented. (See Appendix 11)

The revised Internal Audit Division’s Charter requires that we report to the Authority’s Governing Board on all audit, inspection, evaluation and investigation reports issued, action taken to implement our recommendations and recommendations that have not been implemented.
If you have any questions regarding this letter or the subject report, please contact me at (340) 774-3552 ext. 2093 or 715-8009.

Sincerely,

Leslie A. Smith, CIA, CPA, CISA, CFE, CGFM
Director, Audit/Investigations/Revenue Assurance (CAE)

Enclosure

cc: VIWAPA Governing Board Members
    Clinton Hedrington, Chief Operating Officer
    Noel Hodge, Chief Operating Officer
    Lorelei Farrington, General Counsel
    Debra Gottlieb, Chief Financial Officer
# Table of Contents

Results in Brief ................................................................. 1  
Introduction ................................................................. 2  
Objective ................................................................. 2  
Background ............................................................... 2  
Cyber Security ........................................................... 3  
Prior Audit Coverage ...................................................... 4  

Findings ........................................................................ 5  
Interviews ................................................................. 5  
The Process ............................................................... 5  
Checks Disbursed ........................................................ 5  
Wire Transfers ............................................................ 5  
Budget and Cash Manager ............................................. 6  
Budget and Cash Supervisor ........................................... 6  
Treasury Analyst II ......................................................... 7  

Finding A: Internal Controls ............................................. 8  
  VIWAPA Did Not Maintain Sufficient Internal Controls ........ 8  
  Authorization .......................................................... 8  
  Authentication ......................................................... 10  
  Approval Levels ...................................................... 10  
  Management Approval ............................................. 11  
  Automatic Email Reply ............................................ 11  

Finding B: Wire Recall .................................................... 13  
  Background ............................................................ 13  
  VIWAPA Steps to Recall the $810,000 and $1,360,000 Wire Transfers .................. 13  
  Local Bank Steps to Recall the $2,170,000 Wire Transfers ......................... 14  

Conclusion and Recommendations .............................. 16  
  Conclusion ............................................................. 16  
  Recommendations Summary ..................................... 16  

Subsequent Events ......................................................... 19
Table of Contents Cont’d

Appendix 1: Scope and Methodology ................................................................. 20
  Scope .............................................................................................................. 20
  Methodology ............................................................................................... 20

Appendix 2: Executive Director’s Response to the Draft Report .................. 21

Appendix 3: Budget and Cash Supervisor Annual Leave Slip ...................... 37

Appendix 4: Wire Instructions Received from the Fraudster for $810,000 ........ 38

Appendix 5: Completed Wire Details for the $810,000 ............................... 39

Appendix 5: Cont’d: $810,000 Wire Details Approval History ..................... 40

Appendix 6: Wire Instructions Received from the Fraudster for $1,360,000 .... 41

Appendix 7: Completed Wire Details for $1,360,000 ..................................... 42

Appendix 8: Emails from the Fraudster ......................................................... 43

Appendix 9: Wire Instructions Received from the Legitimate Vendor .......... 62

Appendix 10: Emails between APR Treasurer and VI WAPA Personnel .......... 63

Appendix 11: Status of Recommendations ................................................... 66
Results in Brief

The Budget and Cash Department of the Virgin Islands Water and Power Authority operated without proper controls that would have protected its assets. We audited the wire transfer process at the request of the Authority’s Governing Board and found deficiencies that place millions of dollars at risk for fraud, waste, and mismanagement. Particularly, WAPA did not have internal controls over its operations, including written operating policies and procedures for its employees to follow. WAPA’s failure to implement and adhere to a system of internal controls has created an environment where errors flourish. These deficiencies contributed to the issues we found during our fieldwork, which included two wire transfers totaling 2.2 million sent to a fraudulent company.

The Budget and Cash Department of the Authority’s Finance Division engages in the preparation and analysis of budgetary information, the receipt and management of all cash, and the disbursement of all payments. Operating personnel transfers millions of dollars in payments to its vendors through checks and wire transfers. Because of the impact of such payments on the Authority’s cash flow, the Authority should take the appropriate steps to safeguard the funds from misuse and ensure that they are used for their intended purposes. We offered six (6) recommendations that will help improve wire transfer operations and thus safeguard the Authority’s funds.
Introduction

Objective

The objective of the audit was to determine whether the Virgin Islands Water and Power Authority managed its wire transfer process by maintaining sufficient internal controls and timely steps were taken to recoup 2.2 million erroneously transferred.

We performed this audit at the request of the Audit/Finance Committee of the Virgin Islands Water and Power Authority Governing Board.

Background

The Finance Division of the Virgin Islands Water and Power Authority (VIWAPA) is divided into several departments. One of the departments is Budget and Cash which is divided into two sections. Although under the same manager, each section performs different functions. The Budget staff plays an integral role in preparing the Authority's annual budget. Once the budget process is completed and approved by the Governing Board, the staff compare budgeted revenue and expenditures to actual revenues and expenditures, and prepare a variance report.

The Cash Section of Budget and Cash administers the cash management system and processes wire transfers. Wire transfers are an electronic transfer of money, which allows large time-sensitive funds to be rapidly moved to or from the Authority's operating accounts. By sending payments electronically reduces the risk of large checks being lost, stolen or delayed by mail. Wire transfers offer expedient, same-day delivery payment. The most frequent wire transfers are for fuel vendors and debt service payments.

VIWAPA wire transfer starts with an approved vendor invoice by the appropriate Project Manager. The invoice is forwarded to the Accounts Payable Section (A/P) of the Finance Division for processing. A/P ensures all necessary documents and information are correct. Once the invoices are approved for payment, the supporting documents are provided to the Cash Section who initiates the wire transfer into the banking system. The wire transfer process requires three levels of approval. One person enters the wire information, the two other approval levels are performed by two different individuals other than the person who initiated the wire transfer.
CYBER SECURITY

An email communication between an employee of the Authority and a vendor appeared to have been breached in a phishing attack. Phishing is an attempt by an individual to steal valuable information such as corporate secrets, bank accounts information, debit/credit account numbers, passwords, from an individual or organization via an email, text or telephone by masquerading as a known entity such as PayPal, your bank, place of employment etc. This was the method used by the fraudulent individual(s) to enter the email thread and directed the Authority’s personnel to make two payments totaling $2,170,000 to two banks in Hong Kong.

Our audit revealed that on May 16, 2018, a fraudster compromised the email thread between the Authority and APR Energy Inc. The email thread was compromised by using an email address that resembles the legitimate address of Luis Martinez, a representative of APR Energy Inc. (luis.martinez@aprenergy.com to luis.martinez@aprenergy.com). After gaining access to the Information Technology system the fraudster informed the Authority’s Director of Project Management that the company had transitioned to a new accounting system which had presented some challenges. The fraudster also mentioned their bank notified them that their account had been subject to some tight scrutiny by a taxing authority. The Manager of Budget and Cash was on the same email thread and forwarded the email to the Budget and Cash group on the same day. On May 18, 2018, after receiving the email from her Manager, the Treasury Analyst II, who was unaware she was communicating with a fraudster, requested new wire instructions from the fraudster.
Prior IARA Audit Coverage

Neither the Virgin Islands Office of Inspector General nor the U.S. Department of the Interior office of Inspector General nor the Virgin Islands Water and Power Internal Audit Revenue Assurance Division has not performed an audit of wire transfer during the past 5 years.
Findings

VIWAPA did not maintain sufficient internal controls to safeguard assets as evidenced by the $2.2 million erroneously paid to a fraudulent company. Operating without strong internal and cyber security controls placed millions of dollars at risk for fraud, from phishing attacks.

INTERVIEWS

Between June 25, 2018 to July 25, 2018, the Internal Audit Department interviewed the Budget and Cash (B&C) Staff. We interviewed the former Acting Chief Financial Officer, the B&C Manager, Supervisor, and Budget and Treasury Analysts II. We gathered background information on the process of vendor payments that takes place within the department. At the time of the interviews, there were no policies or procedures in place. However, the B&C staff used past practices to conduct the department operations.

The Process

The B&C Department pays vendors through several payment methods. These methods are check disbursements, manual checks, automatic clearing house (ACH), and wire transfers. The initial process of all the payment methods are identical with the fact that the B&C Staff receives invoices from the Accounts Payable (A/P) Department and an Expenditure Approval Listing (EAL) is created and matched against the invoices. Once the EAL is free from errors, the Treasury Analyst II gives it to the Supervisor to approve the grand total. In the event she does not approve the total, the Analyst will adjust the EAL and resubmit a new EAL for approval. Once the new EAL is approved, the Supervisor signs and dates the document.

Checks Disbursed

In regards to vendor payments via disbursement checks, once the EAL is approved, the B&C Staff notifies the Information Technology (IT) Staff that the checks are ready to be printed and initiate which signatory to put in the queue for printing. Once the disbursement checks are printed with the electronic signature, any check in the excess of $10,000, are required to have an additional signature for approval.

Wire Transfers

For those vendors that require or request payment to be paid via wire transfer, B&C staff prepares a wire transfer. Four staff members in the Budget and Cash section had the same access to initiate a wire transfer but, only three are needed to process a wire transaction. The staff logs into the banking system and one employee enters the vendor’s banking information, another verifies and approves the transaction, and the third provides a final approval. Once the wire transfer is completed, a payment confirmation is printed and attached to the invoice and a copy is sent to the vendor and/or project manager.
If a vendor request to change their banking information, the Authority request the vendor to provide the new banking instructions. When the new wire instruction is received and the invoice is ready for payment, B&C Staff enters and approves the wire transaction. There is no form of verification to confirm the change requested. According to the B&C Staff, no one communicates with the vendors via telephone or any other means to collaborate if the information is correct.

Budget and Cash Manager

The Manager of Budget and Cash (B&C) oversees the Authority's cash management process to include checks, wire transfers, money movement and cash forecasting. The Manager is also tasked with preparing the Authority’s annual budget and comparing actual performance to the budgeted number (Budget Variance). Our interview with the Manager was limited to gaining an understanding of the procedures and practices governing wire transfers. During the interview, the Manager told us they had not established any policy and procedure to govern wire transfers. However, after the fraudulent wire transfers, they formulated a draft policy for wire transactions and forwarded it to the Chief Financial Officer (CFO). He stated the CFO sent it back to him and advised the staff to use the guidelines until an official policy is in place.

To understand how changes to an existing vendor’s banking information is made, we asked the Manager to explain the process. He told us once they received the change request, the change is implemented. Based on his statement we asked him what steps, if any, were taken to verify the changes requested were from an authorized official. He stated neither he nor his staff contact the vendor prior to changing the banking information. According to the Manager, when the banking information is received from a vendor, they only review the information to ensure all the information required to transmit a wire is present.

Budget and Cash Supervisor

The Budget and Cash Supervisor prepares the Authority’s annual budget and manages cash operations. The Supervisor monitors cash collections on a daily basis and quantify the amount of cash available to pay vendors. Vendor payments are made by checks or wire transfers. According to the Supervisor, the Budget and Cash Manager, two Treasury Analyst II and herself were authorized to approve wire transfers.

The Supervisor told us three of the four individuals listed above must log into the banking system and approve the wire transaction. However, there were no specific sequence for the approvals. For example, a lower level employee could approve a wire transfer initiated by the Budget and Cash Manager or Supervisor (See Finding A: Internal Controls and Appendix 5 cont’d). We also asked the Supervisor to explain the process to send a wire payment to a vendor with an existing bank account and the process to change from an existing bank to another bank. According to the Supervisor, the vendor provides their banking information which the Budget and Cash Staff uses to enter into the banking system. Once the banking information was entered, another staff verifies the information and approves and a third person reviews and give final approval. The Supervisor also told us if a vendor wishes to change to a new banking institution, the vendor provides the following information such as the new account number, ABA number and routing
number (US) or Swift number (international). This information is used to initiate a wire payment in the banking system used by the Authority. We asked the Supervisor what methods of authentication and/or verification are used to ensure a requested bank change is valid. According to the Supervisor, they do not take any steps to substantiate the request made by an authorized representative of the vendor. We also asked the Supervisor if she noticed any flaws with not verifying that the change request was made by someone with the authority to request the change, she responded "no, I think it's an excellent system."

Treasury Analyst II

On June 27, 2018 and July 25, 2018, we interviewed the Treasury Analyst II who works in the cash section of the Budget and Cash Department. The Analyst told us in her capacity she is tasked with the following: assisting with preparing the Authority’s annual budget, initiates the process to run checks, type manual checks and download daily cash information from the banking system. She receives approved invoices from Accounts Payable and compares the invoices to the payment information (vendor number, invoice number, invoice date and the invoice amount) inputted in the Management Information System. Once there are no discrepancies between the two sets of data, the Analyst generates the Expenditure Approval Listing Report (EAL) and gives it to her supervisor. The Analyst also mentioned if the information in the system does not match the information received from Accounts Payable the invoices are returned. She also told us checks for $10,000 or less are printed with an affixed signature. Checks exceeding $10,000 require the printed signature and an additional written signature for approval. She further told us unlike the approval requirement for checks (one or two signatures), there are no similar requirements for wire transfers.
FINDING A - INTERNAL CONTROLS

Proper internal controls were not in place to protect the Authority's wire transfer funds from losses due to negligence, theft or fraud. Specifically, we found on May 18 and June 14, 2018, two wire transfers totaling $2,170,000 were transmitted to a fraudulent vendor.

WAPA DID NOT MAINTAIN SUFFICIENT INTERNAL CONTROLS

Internal controls provide reasonable assurance that a company is meeting the basic objectives of effectiveness, efficiency and safeguarding assets. We found the Authority had not established written policies and procedures to address wire transfers. We also found there were no authorization, authentication and adequate approval levels for wire transfers. The lack of internal controls resulted in two erroneous wire transfers for $810,000 and $1,360,000.

AUTHORIZATION

The Authority did not have a process for verifying changes to a vendor's wire instructions. Without a process for verifying changes to wire instructions, we found the Budget and Cash Manager and Supervisor failed to provide adequate oversight of employees who performed wire transfers. Our review revealed the Treasury Analyst II requested and processed a change to the wire instructions without a signed authorization and telephone verification. This resulted in funds being wired to a fraudulent vendor. We asked the Budget and Cash Supervisor whether a vendor is contacted when a request is made to change their banking information. The Supervisor told the Auditors "no one contacts the vendor. We just change the information received and send the money". Good business practice dictates any change to a customer's banking information should be thoroughly vetted prior to making the change. Vetting should include but not limited to verifying the signature of the person requesting the change, their job title, and a telephone conversation with a known individual.

On May 16, 2018, the Budget and Cash Manager forwarded an email to Budget and Cash personnel. This email came from a fraudster pretending to be one of the Authority's vendor. It stated the company's bank account was subjected to tight scrutiny by a taxing authority; therefore, temporarily payments could not be received to the account on file and advised that a sub/sister company bank account would be issued to replace the current account on file. On May 18, 2018, two days later, the Treasury Analyst II responded to the fraudster email requesting "new wire instructions ASAP." Shortly after the request was made, the fraudster emailed a letter with the new wire instructions (See Appendix 4) which the Treasury Analyst II used to change the banking information. The change was made without the approval of her superiors. A review of the letter showed the document did not include the name, signature or position title of the individual requesting the change.
During an interview with the Budget and Cash Supervisor, she stated that on May 18, 2018, she was away from the office on annual leave (Appendix 3). However, she was able to approve the $810,000 wire transfer on that day. According to operating personnel in Budget and Cash prior to sending a wire transfer, documents used to initiate the wire must be reviewed by the second and third person before their approval.

The Auditors asked the Supervisor, if she was out of the office how was she able to review the documents prior to her approval. The Supervisor stated "[she] did not have the documents in front of her, but knew the amount was correct based on the amount of the previous invoices paid for the rental units. So [she] went ahead and approved the wire." As a result, $810,000 was wired from the Authority’s account to Industrial and Commercial Bank of China (ICBC) in Hong Kong without proper review and not to the intended vendor account.

Moreover, our review showed additional correspondences between the Treasury Analyst II and the fraudster. The fraudster inquired about the payment status and requested the $810,000 be recalled. They also stated a new sub account will be provided for the schedule payments. On June 14, 2018, the Treasury Analyst II emailed the fraudster requesting new wire instructions. The fraudster responded to the Analyst II request and attached new wire instructions. After receiving the instructions, although the issue of the $810,000 was not resolved, the Analyst II initiated another payment for $1,360,000 (See Appendix 6). This second bank account change was requested 12 days after the first change request was made. This request also did not have the name, signature or position title for the individual requesting the change. We asked the Analyst II who instructed her to request new wire instructions from the vendor. She stated a payment was due and she was in communication (via email) with the vendor so she asked for new instructions. We also asked her who instructed her to wire $1,360,000. She stated the Authority was making vendor payments on that day and she was aware of the amount due to APR Energy Inc.

Our review revealed there were no supervisory reviews or approvals for the changes requested. This lack of review and approval by management personnel allowed a lower level employee to unilaterally change the vendor’s banking information. The Authority must establish and implement internal controls requiring senior management to review and approve wire transfer changes.

**Recommendations**

We recommend that the VIWAPA Governing Board direct the Chief Executive Director to:

1. Develop and implement operational policies and procedures to manage wire transfers. The policy and procedure should address authorization.
AUTHENTICATION

Budget and Cash personnel did not have a verification process to ensure that wire instruction changes were requested from a legitimate source. During our interviews, Budget and Cash personnel informed us they did not contact vendors to verify wire transfer changes request. For example, we asked the Budget and Cash Supervisor whether she read the new wire instructions for the $1,360,000 wire transfer prior to granting her approval, and she said yes. The Auditors also asked her if in her opinion it would have been prudent to verify the change requested prior to her approval. The Supervisor stated “we don’t ever verify when a vendor is changing their banking information”.

Not having a strong verification process to authenticate banking change request increases the risk of a wire transfer being sent to a fraudulent individual. If steps were established to determine authorship of the change request had been implemented, the Authority would have saved $2.2 million dollars.

Recommendations

We recommend that the VIWAPA Governing Board direct the Chief Executive Director to:

2. Develop and implement operational policies and procedures to manage wire transfers.

The policy and procedure should address authentication.

APPROVAL LEVELS

We found payments wired on May 18, 2018, for $810,000 and June 14, 2018, for $1,360,000.00 did not have adequate approval levels. Our review revealed the wire transfers were initiated and approved by two Budget and Cash Analysts and their Supervisor.
Management Approval

Neither the B & C Manager nor the CFO nor the CEO were involved in the wire transfer process. During our examination we found the wire transfers were limited to the B & C staff. As mentioned above, a wire transfer requires a three-step process. However, the practice did not define a specific sequence. For example, the Supervisor can be the first approver and her subordinates can approve the transaction (See Appendix 5 cont'd).

During our interviews with operating personnel in Budget and Cash informed us the wire and check approval process mirrors each other. However, our examination revealed that statement was not accurate. For example, checks in excess of $10,000 requires two officers' signatures. Conversely, both wire transfers exceeded $10,000 each but was not approved by the Authority's officers.

Recommendations

We recommend that the VIWAPA Governing Board of Directors direct the Chief Executive Director to:

3. Ensure all wire transfers be approved by the Authority's Officers prior to being process.

4. Discontinue the practice of subordinates approving wire transfer initiated by their superiors.

AUTOMATIC EMAIL REPLY

Implementing an automatic email system may have prevented the $1,360,000 wire transfer. On June 7, 2018, the Treasurer of APR, the company from which the Authority was leasing three generating units emailed the former Acting Chief Financial Officer (CFO) at VIWAPA demanding payment for rental of generating units (Appendix 10). The CFO was out of the country on annual leave and did not respond to the email. She returned to work on June 13, 2018 and on June 14, 2018, forwarded the email to the new Chief Financial Officer, the Budget and Cash Manager and the Budget and Cash Supervisor. Approximately one hour after the Supervisor received the email, she responded by email to the Treasurer and informed him that the Authority had recently sent two payments to the company. Specifically, the Budget and Cash Supervisor informed the Treasurer that on May 18, 2018, $810,000 payment was made and on the same day (June 14,
2018) the Authority wired an additional $1,360,000. She also informed the Treasurer she had received emails from the Administrator and Inventory Coordinator requesting the Authority to wire the funds to a different bank in Hong Kong. The Treasurer informed the Budget and Cash Supervisor the wire instructions received were fraudulent and do not wire any more payment to those accounts. He provided the correct wire instructions showing what a banking change from their company would look like. (See appendix 9) Perhaps, if the former acting CFO had left an automatic out of office email indicating who should be contacted in her absence, the Treasurer would have been able to contact another person at the Authority. The Treasurer would have been informed that an $810,000 payment was made on May 18, 2018. The fact that the vendor did not receive payment would have initiated some sort of investigation. This could have alerted personnel in the Budget and Cash to make some inquiries, thus withholding the $1,360,000 million paid on June 14, 2018.

**Recommendations**

We recommend that the VIWAPA Governing Board direct the Chief Executive Director to:

5. Establish and implement a policy stating when employees are going on leave an automatic reply email be created.

---

1 Automatic Out of Office Email – A reply to senders indicating the recipient is away from the office and a contact person.
FINDING B - WIRE RECALLS

Once it became apparent the two wire transfers totaling $2,170,000.00 were not sent to the intended vendor, both the Authority and the Local Bank attempted to recall the funds.

BACKGROUND

On June 19, 2018, Virgin Islands Water and Power Authority’s Chief Financial Officer, General Counsel and employees of a local bank met to discuss the possibility of recalling $2,170,000.00 payments. The discussion centered around the possibility of recalling the payments erroneously made to two accounts in Hong Kong as a result of the email phishing scheme.

On July 5, 2018, a second meeting was held with the same banking officials and representatives from the Authority’s Finance Department and Internal Audit Revenue Assurance Divisions. The purpose of the meeting was to discuss action taken by the Bank to recall the wire transfers. According to the Bank’s Vice President, during the June 19, 2018 meeting, bank officials requested a letter from the Authority stating the wire transfers were fraudulent and authorizing the bank, on behalf of the Authority, to recall the funds. The Vice President also stated the requested letter was not received. Although the Authority failed to provide the letter, the bank took steps to recall the funds. Subsequently, on July 5, 2018, ten days after the information was requested the Authority’s Chief Financial Officer provided the letter to the bank. During our discussion with the Regional Risk Manager, Vice President explained the process to recall a wire. She stated wire transfers and recalls are communicated through a process referred to as Society for Worldwide Interbank Financial Telecommunication Code (SWIFT). SWIFT is a secured and encrypted network. She told Audit personnel, wire transfers are sent to a correspondent (intermediary) bank and then the funds are forwarded to the beneficiary’s bank. Further the Vice President stated, in this case, the local bank sent recall messages to both the correspondent and the beneficiary’s banks.

VIWAPA Steps to Recall the $810,000.00 and $1,360,000 Wire Transfers

On May 31, and June 11, 2018, the Budget Analyst II sent a message to the Local Bank indicating the Authority received instructions from a “Luis Martinez”, to return the ($810,000) wire transfer to VIWAPA. No reason was given for this recall. A review of the emails showed the recall was made from the fraudster.

On June 15, 2018, APR Treasurer informed the Budget and Cash Supervisor the monies wired were not deposited into their account. Accordingly, the Supervisor sent a message to the Local Bank’s Cash Management Team requesting the immediate recall of the $810,000.00 and $1,360,000.00. The Supervisor told the Bank’s team the monies transferred were not deposited into the intended vendor’s account. Our review found the funds were wired to two Hong Kong banks while the Vendor’s bank is located in the United States.
In an attempt to recoup the $1,360,000 transferred to Hang Seng Bank Limited, on June 26, 2018, Audit personnel contacted the Fraud Department and spoke with Agent No 2349. The Auditors explained to the Agent that a fraudulent wire transfer was sent to their Bank and inquired about the procedures for recalling the Authority’s funds. The Agent requested copies of the wire transfer documents and the information was emailed to the Bank’s Fraud Department on June 28, 2018. After contacting the Hang Seng Bank to confirm receipt of the requested information, the Bank’s Agent explained to the Auditors that the Authority needed to contact the local police and request their assistance. She also informed us this is a matter for their Fraud Department and the Virgin Islands Police Department.

The Industrial and Commercial Bank of China (ICBC) was the Beneficiary Bank for the $810,000.00 wired on May 18, 2018. On June 26, 2018, the Auditors contacted ICBC and spoke with an employee. The Auditors informed the Bank representative about the fraudulent wire transfer sent to their bank. The representative informed Audit Personnel the originating bank needs to contact their bank through a SWIFT message and provide details of the wire transferred. At this point, in accordance with their internal policies the bank representative refused to have any further conversation with the Auditors.

On July 5, 2018, VIWAPA personnel met with representatives from the Local Bank and informed them about the Hong Kong Banks request. During this meeting the Bank’s Vice President Commercial Lending and Regional Risk Manager stated they made several attempts to contact the Beneficiary Bank and the Correspondent Bank. We requested a copy of the recalls that were made on the Authority’s behalf for the fraudulent wire transfers. However, the Vice President Regional Risk Manager told the Auditors that the Bank does not provide copies of their internal documents, but later agreed to provide information showing the date and messages that were sent. On July 25, 2018, the bank provided us with a copy of the wire transfer recalls attempt made on behalf of the Authority.

On July 5, 2018, Audit personnel met with a Federal Bureau of Investigation (FBI) Detective and he stated this crime needed to be reported and stopped within 48 hours. The Auditors were instructed to file an Internet Crime (IC3) report on the FBI’s website which was done on July 10, 2018. This crime was also reported to the Justice Department and a Special Agent from the White Collar Crimes Division who was assigned to work the case. The Agent and the Auditors have established a working relationship which continues as of the date of this report.

**Local Bank steps to recall the $2,170,000.00 Wire Transfers**

The Local Bank made several attempts to recall the wire transfers for $2,170,000. The first recall for fraud was made on June 15, 2018. The Authority’s Budget and Cash Supervisor, contacted the Local Bank and informed the Management Team and the Vice President about the wire transfer fraud.

On June 15, 2018, the Vice President of Commercial Lending sent recall messages to the Correspondent Bank and the Beneficiary Banks to recall the wire transfers for $810,000.00 and for $1,360,000.00 due to fraudulent activity. The bank sent four SWIFT messages on June 15, 2018 to the Correspondent Bank and the Beneficiary Banks recalling the funds. In addition,
messages were sent between June 18 and 28, 2018, by the Local Bank to recall the funds; however, the funds were not returned. On June 29, 2018, the Correspondent Bank sent a message to the Local Bank advising "they have tried to contact credit party (Beneficiary Bank) on several occasions and requested the return of funds; however, as of June 29, 2018, they had not received a response". The Correspondent Bank recommended that the Local Bank contact the Beneficiary Bank directly. Based on the recall efforts which were provided to Audit by the Local Bank, there was no indication of communication after June 29, 2018.

In conclusion, the Local Bank's Regional Risk Manager stated wire transfers are quick delivery and can be delivered between 24 to 48 hours depending on the destination. Therefore, a wire recall is not a guarantee. More importantly, once the funds are placed in the beneficiary's account the Bank cannot remove the funds without the written consent from the customer, in this case the fraudster. The Vice President also stated if fraud is suspected it must be reported the same day.

**Recommendations**

We recommend that the VIWAPA Governing Board direct the Chief Executive Director to:

6. Continue to pursue the recovery of the $2,170,000.
Conclusion and Recommendations

CONCLUSION

We concluded that the $2.2 Million erroneously transferred by the Authority could have and should have been eschewed if operating personnel in the (Budget and Cash) B&C Office had been more diligent in performing their duties. Although the Authority lacked policies and procedures relating to wire transfers, there were clear signs the request to switch banking institutions were not made by the Authority’s vendor, which should have prompted the B&C staff to inquire about the legitimacy of the banking change requests. For example, among the reasons included in the first banking change request ($810,000) was a statement that the company was experiencing tax related issues with the taxing authorities, and wanted the payments transfer from a New York bank to a Hong Kong bank. The Authority should not be in the business of helping vendors evade their tax obligations. In addition, the letter requesting the change was not signed and did not list the job title of the person requesting the banking change.

Further, the letter requesting the second banking change ($1,360,000) also was not signed by the person making the request and did not list the job title of the person requesting the banking change. Moreover, only 12 days elapsed between the first and second banking change requests. The contents of the letters and items missing from the body of the letters coupled with two banking changes in a short period of time should have prompted the B&C staff to contact the vendor prior to initiating the changes.

Recommendations Summary

We issued our draft version of this report for the Authority’s CEO to review and respond (see Appendix 9).

The Chief Executive Officer concurred with five recommendations and partially concurred with one. We consider the six recommendations resolved and but not implemented. (See Appendix 11)

We recommend that the Virgin Islands Water and Power Authority Board direct the Chief Executive Director to:

Finding A. Internal Controls: WAPA did not maintain Sufficient Internal Controls. Specifically, the Authority had not established written policies and procedures to address wire transfers and there was not authorization, authentication and adequate approval levels for wire transfers.
1. Develop and implement operational policies and procedures to manage wire transfers. The policy should address authorization.

**Authority's Response:** The Authority agrees with the recommendation. The Chief Financial Officer (CFO) is responsible to ensure that standard operating policies and procedures are developed and implemented. Timetable: Ongoing from June 18, 2018, June 20, 2018, and July 18, 2018. The CFO developed and implemented policies and procedures to address wire transfers. See attached WAPA Wire Transactions Guidelines that was disseminated to the Budget and Cash Staff on June 20, 2018 and Updated Budget and Cash Wiring Protocols-SOPs that was disseminated to the Budget and Cash Staff on July 18, 2018. Additionally, the CFO provided direct supervision to the Budget and Cash staff since June 18, 2018. Also, the Director of Treasury was hired on August 23, 2018 and will commence employment with the Authority on September 17, 2018. The Director of Treasury will provide direct supervision of all the finance division managers apart from the Comptroller and will further revise and enhance the Updated Budget and Cash Wiring Protocols SOPs.

**IARA Reply** – We consider this recommendation resolved but not implemented. A draft policy was issued on July 18, 2018. This policy must be approved by the VIWAPA Governing Board. Please provide Internal Audit with a copy of the approved wire transaction policy.

2. Develop and implement operational policies and procedures to manage wire transfers. The policy and procedures should address authentication.

**Authority's Response:** The Authority agrees with the recommendation. The CFO is responsible to ensure that standard operating policies and procedures are developed and implemented. Timetable: June 20, 2018 and July 18, 2018 and ongoing from June 18, 2018. The CFO developed and implemented policies and procedures to address wire transfers and has provided direct supervision of the Budget and Cash Staff during the absence of the Manager, Budget and Cash Management. Additionally, the CFO worked with the Chief Information Officer to provide on-going cyber awareness training to all employees who utilize a computer to conduct Authority business. See attached cybersecurity training proposal that is scheduled to take place during the first half of FY2019.

**IARA Reply** - We consider this recommendation resolved but not implemented. Please provide Internal Audit with a copy of the approved policy.

3. Ensure all wire transfers are approved by the Authority’s Officers prior to being processed.

**Authority’s Response:** The Authority agrees with the recommendation. The CFO is responsible to ensure that standard operating policies and procedures require that an officer of the company approve wire transfers. Timetable: Ongoing since June 18, 2018. Since, June 18, 2018 The CFO has approved all wire transfers and ensured that the WAPA Wire Transactions Guidance and the Updated Budget and Cash Wiring Protocols SOP are
being adhered to. The Chief Executive Director and the CFO are being added as signatories to the Authority's accounts as of September 2018 and the CFO and/or one of the other C-Level Officers will approve all wire transfers.

**IARA Reply** – We consider this resolved but not implemented. Provide Internal Audit with a copy of the document that shows the Authority's Officers were added as signatories for wire transfers.

4. Discontinue the practice of subordinates approving the wire transfer of their superiors.

**Authority's Response:** The Authority agrees with the recommendation. The CFO is responsible to ensure that standard operating policies and procedures indicate that the practice of subordinates approving wire transfers on behalf of their superiors be discontinued. Timetable: Implemented July 18, 2018. See attached Updated Budget and Cash Wiring Protocols-SOPs that have been implemented that abolished that practice of subordinates approving wire transfers on behalf of their superiors.

**IARA Reply** - We consider this recommendation resolved but not implemented. Please provide Internal Audit with a copy of the approved policy.

5. Implement a policy that employees going on leave create an automatic email notification that they are out of the office.

**Authority’s Response:** The Authority partially agrees. Auto email response with forwarding to the immediate supervisor at a certain level and below will be the procedure implemented. Senior management needs to be accessible when out of the office and such a policy will also be implemented. Timetable: On or before September 30, 2018. The Chief Executive Director will implement a Policy providing guidance on this multi-part recommendation by September 30, 2018.

**IARA Reply** – We consider this recommendation resolved but not implemented. Provide Internal Audit with a copy of the approved automatic email and senior management policy.

Finding B, Wire Recalls: WAPA took steps to recall the $810,000 and the $1,360,000 and the Local Bank (First Bank) took steps to recall the $2,170,000: One (1) Recommendation was made.

6. Pursue the recovery of the $2,170,000.

**Authority’s Response:** The Authority agrees. Timetable: On-going since June 15, 2018. The CFO, the General Counsel, the Director of Internal Audit/Revenue Assurance and other staff members have been actively working with the Bank and others to pursue the
recovery of the $2,170,000. In addition, the Authority continues to pursue a claim filed under its crime insurance policy. For the record the Authority is pursuing cyber insurance coverage should an incident of this nature recur.

IARA Reply - We consider this recommendation resolved but not implemented. Provide Internal Audit with a copy of the claim submitted to the insurance company and a copy of the insurance company's response. Also, provide Internal Audit with a copy of the contractual agreement with the vendor who will be providing the cyber awareness training.

SUBSEQUENT EVENTS

On August 31, 2018, two Special Agents from Federal Bureau of Investigations (FBI) Cybersecurity Squad visited the Authority and met with personnel from Internal Audit and the Authority's Chief Information Officer (CIO). The purpose of this meeting was to discuss the IC3 (Internet Crime Complaint) Report that the Internal Audit Department filed on July 10, 2018, pertaining to two fraudulent wire transfers totaling $2.2 million. One of the special agents stated the U.S. Department of Justice plan to pursue the matter and requested additional information from the Authority. The Agent also requested the email logs and headers for the emails. We provided the Agent with a copy of the draft audit report and email chains from the fraudster. The Agent stated if additional information is needed she will make contact with us.
Appendix I: Scope and Methodology

Scope
We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of our examination will be conducted in two phases. Phase one focused on the two wires transferred on May 18, 2018 and June 14, 2018, respectively. Phase two will commenced at a later date and will be a more comprehensive audit of wire transfers and other ACH transactions. We conducted our audit at WAPA's offices in St. Thomas.

Methodology
To accomplish our audit objectives, we reviewed applicable laws, rules, regulations and practices; WAPA's internal files related to wire transfers; wire transfer recalls provided by a local bank and email correspondence between the fraudster, bank representatives and VIWAPA personnel.

In addition to interviewing WAPA's personnel, we interviewed and had discussions with officials at:

- First Bank Virgin Islands
- APR Energy
- Virgin Islands Department of Justice
- U.S. Department of Justice, Federal Bureau of Investigation St. Thomas and San Juan Divisions
- Industrial and Commercial Bank of China (ICBC) - Hong Kong
- Hang Seng Bank Ltd. - Hong Kong

We also determine whether the Budget and Cash Department had written procedures in place. As noted in our report, the Authority did not establish policies and procedures for basic operations, put sufficient systems in place to control and prevent wire transfer discrepancies or create proper segregation of duties over funds transfers.
Appendix 2: Executive Director's Response to the Draft Report

The Executive Director's response begins on page 22.
The Virgin Islands Water and Power Authority's ("VIWAPA" or the "Authority") Response to the Draft Report "Audit of Wire Transfers Virgin Islands Water and Power Authority Report No. 2019-IAD-0804, August 2018."

**Background Facts:** The management and supervision of the Authority's Budget and Cash Management Department was dysfunctional inasmuch as: 1) the Budget and Cash Management Manager was frequently absent on-site, 2) provided limited direct management and supervision of the staff, 3) did not ensure that written policies and procedures were developed and/or implemented, and 4) did not ensure that the staff received any cybersecurity training. Executive management was aware that the Budget and Cash Management Department was remotely and loosely supervised, that the Budget and Cash Management Department did not have written policies and procedures; and that the rank and file employees in the Budget and Cash Management Department did not receive any cybersecurity training.

**Finding A, Internal Controls:** VIWAPA did not maintain sufficient internal controls. Specifically, the Authority had not established written policies and procedures to address wire transfers and there was no authorization, authentication and adequate approval levels for wire transfers.

**Authorization:** Recommendation: VIWAPA Governing Board of Directors to direct the Chief Executive Director to develop and implement operational policies and procedures to manage wire transfers. The policy should address authorization.

**The Authority agrees with the recommendation.** The Chief Financial Officer (CFO) is responsible to ensure that standard operating policies and procedures are developed and implemented. **Timetable: Ongoing from June 18, 2018, June 20, 2018, and July 18, 2018.** The CFO developed and implemented policies and procedures to address wire transfers. See attached WAPA Wire Transactions Guidelines that was disseminated to the Budget and Cash Staff on June 20, 2018 and Updated Budget and Cash Wiring Protocols-SOPs that was disseminated to the Budget and Cash Staff on July 18, 2018. Additionally, the CFO provided direct supervision to the Budget and Cash staff since June 18, 2018. Also, the Director of Treasury was hired on August 23, 2018 and will commence employment with the Authority on September 17, 2018. The Director of Treasury will provide direct supervision of all the finance division managers apart from the Comptroller and will further revise and enhance the Updated Budget and Cash Wiring Protocols-SOPs.

**Authentication:** Recommendation: VIWAPA Governing Board of Directors to direct the Chief Executive Director to develop and implement operational policies and procedures to manage wire transfers. The policy and procedures should address authentication.
Draft Response to Draft Audit Report
"Audit of Wire Transfers"
Page 2

The Authority agrees with the Recommendation. The CFO is responsible to ensure that standard operating policies and procedures are developed and implemented. Timetable: June 20, 2018 and July 18, 2018 and ongoing from June 18, 2018. The CFO developed and implemented policies and procedures to address wire transfers and has provided direct supervision of the Budget and Cash Staff during the absence of the Manager, Budget and Cash Management. Additionally, the CFO worked with the Chief Information Officer to provide on-going cyber awareness training to all employees who utilize a computer to conduct Authority business. See attached cybersecurity training proposal that is scheduled to take place during the first half of FY 2019.

Approval Levels: Recommendation: VIWAPA Governing Board of Directors to direct the Chief Executive Director to direct that all wire transfers be approved by the Authority’s Officers prior to being processed.

The Authority agrees with the Recommendation. The CFO is responsible to ensure that standard operating policies and procedures require that an officer of the company approve wire transfers. Timetable: Ongoing since June 18, 2018. Since, June 18, 2018 The CFO has approved all wire transfers and ensured that the WAPA Wire Transactions Guidance and the Updated Budget and Cash Wiring Protocols SOP are being adhered to. The Chief Executive Director and the CFO are being added as signatories to the Authority’s accounts as of September 2018 and the CFO and/or one of the other C-Level Officers will approve all wire transfers.

Approval Levels: Recommendation: VIWAPA Governing Board of Directors to direct the Chief Executive Director to discontinue the practice of subordinates approving the wire transfer of their superiors.

The Authority agrees with the Recommendation. The CFO is responsible to ensure that standard operating policies and procedures indicate that the practice of subordinates approving wire transfers on behalf of their superiors be discontinued. Timetable: Implemented July 18, 2018. See attached Updated Budget and Cash Wiring Protocols-SOPs that have been implemented that abolished that practice of subordinates approving wire transfers on behalf of their superiors.

Automatic Email Reply: Recommendation: VIWAPA Governing Board of Directors to direct the Chief Executive Director to implement a policy that employees going out on leave create an automatic email notification that they are out of the office.

The Authority partially agrees with the Recommendation. Auto email response with forwarding to the immediate supervisor at a certain level and below will be the procedure implemented. Senior management needs to be accessible when out of the office and such a policy will also be implemented. Timetable: On or before September 30, 2018. The Chief Executive Director will implement a Policy providing guidance on this multi-part recommendation by September 30, 2018.
Draft Response to Draft Audit Report
“Audit of Wire Transfers”
Page 3

Finding B. Wire Recall: WAPA took steps to Recall the $810,000 and the $1,360,000 and the
Local Bank (First Bank) took steps to Recall the $2,170,000: One (1) Recommendation was made.

Wire Recall: Auditor Recommendation: That VIWAPA Governing Board of Directors direct
the Chief Executive Director to Continue to pursue the recovery of the $2,170,000.

The CFO, the General Counsel, the Director of Internal Audit/Revenue Assurance and other staff
members have been actively working with the Bank and others to pursue the recovery of the
$2,170,000. In addition, the Authority continues to pursue a claim filed under its crime insurance
policy. For the record the Authority is pursuing cyber insurance coverage should an incident of
this nature recur.

Conclusion

VIWAPA is committed to providing the appropriate management, supervision and training of staff
to ensure that the necessary policies and procedures are developed and implemented to safeguard
the financial and other resources of the Authority. Accordingly, the necessary key management
personnel are in the process of being replaced, recruited, hired, and onboarded to manage, supervise and train staff and to develop and implement standard operating policies and procedures
in accordance with industry best business policies and practices.

Respectfully submitted:

Lawrence J. Kupfer
Chief Executive Officer CFO

cc: VIWAPA Governing Board
Chief Operating Officer, Electric System
Chief Operating Officer, Water System
Chief Financial Officer
General Counsel
General Requirements

- The Authority will no longer wire funds to non-US Banks without the written approval of the CFO and/or the CEO.
- Wire transfers will only be used when the situation requires the immediate acquisition of goods or services to address an exigent situation.
- If a more inexpensive mechanism can be utilized to effect payment of the obligation (i.e. Paper check or ACH) the Director of Treasury shall reserve the right to effect payment with a more inexpensive mechanism. All other policies and procedures in relation to the purchase of goods and services must be adhered to.
- All EFT payments will be coordinated and submitted through the Director of Treasury.
- The Director of Treasury will approve all new and changes to electronic funds transfer requests ensuring that the payment via wire is necessary, all required documentation is provided and appropriately approved, and that the request and banking account information is accurate and valid.
- The Director of Treasury is responsible for initiating release of EFT’s on behalf of the Authority.
- The Director of Treasury also has the responsibility to confirm EFT instructions with specific companies and authorized individuals if there is any question as to the validity of the EFT request.
- Two separate individuals are required to initiate and release EFT payments through the Authority’s banking partners’ computer based system and the relationship between the two individuals must be hierarchical in nature, i.e. lower rank to higher rank.
- All wire transfers over $5,000 require the approval of the Director of Treasury.
- Wiring protocols must be more rigorous and stringent than the paper check protocol.
- Fraud and Misuse of Funds Training will be provided to the Budget and Cash staff semi-annually.
- Bank balances should be monitored daily for unusual or unexpected transactions.
- Established protocols will be reviewed semi-annually by the Director of Treasury and updated as needed.
- Revised protocols/SOPs must be approved by the CFO in writing.

Specific Requirements

- Budget and Cash Personnel will no longer initiate or approve wire transfers remotely, unless approved by the Director of Treasury.
- Budget and Cash Personnel will no longer wire funds without utilizing a previously approved template.
- Budget and Cash Personnel will no longer wire funds to any new vendors without the expressed written approval of the CFO and/or CEO.
- Budget and Cash Personnel will not wire funds without the review and/or approval of the
Manager, Budget and Cash and/or the Director of Treasury.

Budget and Cash Personnel will not wire funds to any vendor requesting the change of wiring instructions without the prior written approval of two authorized signatures of the vendor and the written approval of the CFO and/or CEO.

The wiring approval protocol must be hierarchical in nature, i.e. from lower rank of personnel to higher rank of personnel.

The procedure to initiate a wire transfer is subject to the same financial policies, procedures and controls that govern the disbursement by any other payment mechanism.

Wire transfers will not be made without proper authorization of affected parties in accordance with federal and local statute and accepted business practices.

Authentication of new Wire Transfer instructions and changes to existing Wire Transfers are required prior to the transaction being input into the computer-based banking system and includes the following steps:

1. Double-validation of all new electronic payment instruction requests received even if the request is internal.
2. Contacting the supplier or requestor directly by video teleconference to confirm any requests for payment method or payment instruction changes. Do not use the contact information provided on the request to change payment method or payment instructions. Do use contact information known to be genuine such as the contact information in your master supplier file or information collected from the original contract. Have the contact confirm existing payment instructions on file prior to making changes to those instructions (i.e., current bank account and routing number provided in original instructions).
3. Verifying the new information provided on the payment instructions provided with the known contact and the bank (i.e. contact bank to confirm correct account name, number and routing information).
4. Documenting the verification process that was followed to validate payment instructions. The person responsible for entering/updating wire instructions and the person approving new/updated wire instructions must approve the record of verification. A record of the verification must be maintained in accordance with record retention policies.
5. When wire payments are approved, they must be set up as a template in the computer-based banking system and cannot be altered by those assigned to use it. The set-up and modifications to these templates requires two authorized Authority signatories (i.e., the CFO, COO or CEO) authorizing the bank to modify the template.

NOTE: UNTIL THE DIRECTOR OF TREASURY IS ON THE JOB, THE CFO WILL PERFORM ALL FUNCTIONS DELEGATED TO THE DIRECTOR OF TREASURY.
The Virgin Islands Water and Power Authority is now accepting applications for the following position in the Finance Administration Department in ST. THOMAS.

DIRECTOR OF TREASURY

This position reports to the Chief Financial Officer and interacts with other functional areas of Treasury, Accounting, Budgeting, Grants Management, Pricing and Rates, Collections and Customer Service. The candidate must have strong communication skills, oral and written, with the ability to lead a team of Treasury professionals and cross-functional teams. Candidate must be analytical and possess strong interpersonal and leadership skills.

Because the Authority has a primary responsibility to serve the public 24 hours a day, an employee in this class is expected to work overtime as conditions demand and on short notice during emergency conditions.

Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

ESSENTIAL DUTIES AND RESPONSIBILITIES

Oversees all treasury operations and policies and ensures that appropriate controls exist with the treasury management functions.

Supervises the Budget and Cash Manager, the Pricing and Rates Manager, the Grants Manager, the Collections Manager and Customer Service Manager(s) and ensuring the management and staff are adequately performing their job responsibilities and meeting their goals.

Manages all cash management functions including cash concentration, wires, account funding, forecasting, collections, disbursement, and interest rate management. Ensures adequate liquidity for working needs and invests short term excess cash. Manages inter-company cash, including inter-company lending, dividends, and capital injections.

Oversees cash management banking and financial institution relationships, negotiates bank and service fees and ensures compliance with all lender agreements including the required reporting on a timely basis.

Implements new bank technologies, products and services to improve cash cycle and simplify company operations.

Forecasts interest expense and income and supervises daily investment activity.

Ensures compliance with internal controls, policies and procedures and develops and monitors treasury operational policies. Ensures efficiency within treasury and initiates and participates in any effort to generate revenues and reduce costs.

Establishes processes for risk identification, risk measurement and risk mitigation strategies for financial risks.

Supports leasing analysis and pricing and rates development.
Generates the annual budget and weekly and monthly forecasts and reports of revenues, expenditures and the authority's financial position for senior management.

EDUCATION AND EXPERIENCE

Graduate of an accredited college or university with a Master of Business Administration (MBA) and a minimum of ten (10) years of overall experience in cash management, pension management, capital markets, and/or corporate finance in a corporate or a banking environment. Strong analytical, financial and systems skills are required.

OTHER SKILLS AND ABILITIES

Considerable knowledge of budgeting and accounting principles and practices especially as they relate to utility activities.

Knowledge of the principles of supervision and modern business administration.

Ability to apply research methods and techniques to complex problems of public finance.

Ability to plan, outline and review the work of professional and administrative personnel engaged in financial and administrative activities.

Ability to present problems or results of studies and investigations effectively in written, oral or graphic form.

Ability to supervise and evaluate the activities of professional and administrative personnel.

Ability to lead, build and support effective teams to deliver company objectives.

Ability to design and implement strategies to optimize the Authority's financial position.

Ability to achieve results not by self and others, meets timelines and demonstrates enthusiasm, persistence and tenacity.

Ability to effectively meet internal and external customer needs and commit to delivering optimal customer solutions.

Ability to present problems or results of studies and investigations effectively in written, oral or graphic form.

Existing Employees wishing to be considered for this role must submit applications by 7/30/2018
US Virgin Islands Water and Power Authority: Cybersecurity Training and IT Assessment
June 2019 (3 week engagement)

<table>
<thead>
<tr>
<th>Description</th>
<th>Hours</th>
<th>Rate</th>
<th>Total Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Action Analysis and Engagement Plan</td>
<td>10</td>
<td>790.99</td>
<td>7,909.90</td>
</tr>
<tr>
<td>- Initial Site Visit/Labor</td>
<td>9</td>
<td>790.99</td>
<td>6,142.67</td>
</tr>
<tr>
<td>Physical Asset Cybersecurity Training and Assessment</td>
<td>200</td>
<td>50</td>
<td>10,000.00</td>
</tr>
<tr>
<td>- GSI/Labor</td>
<td>100</td>
<td>50</td>
<td>5,000.00</td>
</tr>
<tr>
<td>- Software/Network Engineer Labor</td>
<td>100</td>
<td>50</td>
<td>5,000.00</td>
</tr>
<tr>
<td>- Power and Heat Engineer (sic)</td>
<td>100</td>
<td>50</td>
<td>5,000.00</td>
</tr>
<tr>
<td>Preparation and Delivery of Cybersecurity Training Videos &amp; IT Assessment Garnishment</td>
<td>24</td>
<td>50</td>
<td>1,200.00</td>
</tr>
<tr>
<td>- GSI/Labor</td>
<td>24</td>
<td>50</td>
<td>1,200.00</td>
</tr>
<tr>
<td>WPAA Cybersecurity Information Portal - Subscriptions - 1 year</td>
<td>1</td>
<td>7,770.00</td>
<td>7,770.00</td>
</tr>
<tr>
<td>WPAA Basic Penetration Testing - Subscription - 1 year</td>
<td>1</td>
<td>2,000.00</td>
<td>2,000.00</td>
</tr>
<tr>
<td>Total Fees for Engagement (plus GST included)</td>
<td>305.29</td>
<td>78,117.08</td>
<td></td>
</tr>
</tbody>
</table>

Note: Any additional work will be billed at standard labor rates.

<table>
<thead>
<tr>
<th>Description</th>
<th>Hours</th>
<th>Rate</th>
<th>Total Price</th>
</tr>
</thead>
</table>
| [Additional Table]

29
Utility IT Assessment

Statement of Work

VIRGIN ISLANDS WATER AND POWER AUTHORITY

July 20, 2018
## Contents

1. Introduction ................................................................. 3
2. Statement of Work .......................................................... 3
   Assessment Scope ......................................................... 3
   Process / Work Plan ..................................................... 4
   Deliverables ............................................................... 4
   Other Considerations ................................................... 5
   Timeline ................................................................. 5
Virgin Islands Water and Power Authority  Statement of Work

1. INTRODUCTION

Easton Utilities IT Professional Services (ITPS) is genuinely excited about a new partnership with Virgin Islands Water and Power Authority (WAPA). ITPS has been providing quality IT solutions to our colleagues in the utilities industry since 2005. Our service offerings include a broad range of specialties from business intelligence portals and dashboards to IT Assessments and Master Plans. We have working relationships with over 50 public utility clients throughout North America and the Caribbean. As a public utility providing water, wastewater, electric, and natural gas for over 100 years, Easton Utilities enjoys a unique perspective among solution providers in that we not only understand the utility business, it is who we are each and every day. We truly enjoy partnering with our fellow utilities. We believe it makes us all stronger.

2. STATEMENT OF WORK

ASSESSMENT SCOPE

Easton Utilities ITPS will perform a formal Utility IT Assessment of WAPA’s current network and server infrastructure as well as the software and applications used to run their utility business. Cybersecurity will be the main focus of the network and server assessment. The software portion of the assessment will encompass all operational and customer-facing software applications utilized at WAPA except for the CIS/Billing software.

The assessment will also analyze all business processes and workflows directly and indirectly dependent on WAPA software applications. This will include the following:

- Customer Service
  - Call center
  - Phone system integration / Screen pops
- Billing
  - Mailed and paperless
  - Budget / level billing
  - Rate creation / management
  - Community Solar
  - Distributed generation / net billing
- Meter reading (AMR/AMI)
- Collections
- Accounting and Finance
- Customer Portal / My Account
  - Native (iOS/Android) mobile apps
  - Web pay
    - eChecks/Credit cards
- Payment processing
  - Auto pay
  - Over-the-counter

Page 3 | 5
VIRGIN ISLANDS WATER AND POWER AUTHORITY

Statement of Work

- Phone
- Kiosk
- Mail
- Prepay systems
- Energy assistance programs
- Business Intelligence / Reporting
  - Utility Business Portal
  - Key Performance Indicators
  - Report generator
  - Dashboard / scoreboards
- Outage Management System
  - APPA Reliability Tracker Interface
- GIS Mapping
- Customer communications
  - Notifications
    - Text
    - Email
    - Voice
  - CRM – conversation history
- Key Accounts Management
- Mobile work order processing
- Maintenance and fleet management

The Assessment document will provide identification of current risk and recommendations for future improvements siting utility industry best practices and standards.

PROCESS / WORK PLAN

The Utility IT Assessment project is to be broken into the three phases below.

1. Kickoff Meeting to mold the project plan
2. On-site study of WAPA's IT infrastructure and all supporting applications and processes
   a. Interview management and front-line personnel/stakeholders
   b. Attend working sessions with WAPA IT Department personnel
3. Preparation of IT Assessment Document

DELIVERABLES
The Utility Software Assessment project will produce the following deliverables:

1. A format IT Assessment Document for WAPA
2. Ongoing partnership between Easton Utilities and WAPA to work through the post-Assessment process

OTHER CONSIDERATIONS

During the site visit, ITPS personnel may discover other issues that WAPA may wish to have addressed in the Assessment. Based on previous engagements, this would likely include the following:

- System monitoring and notification
- Disaster recovery / business continuity
- Software licensing / maintenance costs
- Database management and tuning
- Disparate system management
- PCI Compliance
- Workflow improvements / process automation
- Cybersecurity training for employees

TIMELINE

We estimate that the IT Assessment project can be completed comfortably in 8-8 weeks. A project plan/schedule will be decided upon at the kickoff meeting.

The project will be broken into the following segments:

1. Kickoff meeting / project plan (1 day)
2. Preparation & planning for onsite assessment (1 week)
3. On-site assessment / interviews (2-3 week)
4. Preparation and delivery of Assessment document (3-4 weeks)
5. Conclusion - next steps / action items
WAPA Wire Transfer Guidelines to Prevent Fraudulent Transactions

A. How Criminals Obtain Sensitive Information

1. Email Compromise. This usually involves the hacking of public domain email accounts (i.e., Gmail, Hotmail, Yahoo, etc.) or the creation of a similarly named account through which the criminal may communicate (i.e., aduke@zyxeorp.com versus aduke@zyxeorp.com).

   a. For example in our case... luis.martinez@aprenergy.com versus luis.martinez@aprenergy.com

2. Malware. The term is short for malicious software, and includes computer viruses, spyware and adware placed on a computer without the user's consent. One purpose of malware is to steal a computer user's personal or business information, such as passwords and financial information.

B. Wire Transfer Red Flags

1. A rush request due to an emergency, or other demand that the transfer take place immediately.

2. An inability to reach the person requesting funds by phone.

3. Awkward phrasing, poor grammar, incorrect punctuation or odd capitalization in written communication.

4. A request that is out of the ordinary or not in keeping with established practice for the person or business requesting funds.

5. An incorrect email address.

C. Best Practices to Prevent Wire Transfer Fraud

1. Requests for changes, immediate action, or lack of availability by phone should be met with intense scrutiny.

2. Implement a two-step verification process for all wire transfer communications.

3. Require that employees verify wiring instructions by phone with an identified person on the other side of the wire transfer prior to initiating the wire.
i. Ex. CFO and/or Accounting Manager

4. Use repetitive wire templates to eliminate manual intervention and manipulation.
   i. Vendors whose payments are remitted via wires should all be set up with templates in the system to avoid any mishap with entering of information.

5. Do not email wiring instructions. Use regular mail, phone or fax instead.
   i. Keep in mind this will take time therefore requests will have to be made from the initial account set up or in advance to payment request.

6. Scrutinize all email correspondence regarding wiring funds.

7. Do not use public domain email accounts for business purposes. Establish company domain email accounts instead.

8. Use encrypted email for correspondence of sensitive information.

9. Be careful of what is posted to social media, both on behalf of the business, and the individual employees of a company. Think twice before providing details on out-of-office replies, job descriptions and organizational chart information.

10. Delete unsolicited spam email. Do not open spam email or click on links provided in suspicious emails.

11. Know your customers, their reasons for initiating or requesting wire transfers, and their habits regarding such wire transfers.

D. Immediate Action if Fraud is Suspected

1. If the Authority they are the victim of wire transfer fraud the following should take place:
   i. Contact your financial institution immediately, and request that it contact the financial institution to which the subject wire transfer was sent.
   ii. If financial institution declines to contact the recipient, the Authority should contact the recipient institution, notify it of the suspected fraud, and request that it not further transfer the funds. Although it’s extremely rare, in some cases funds wired fraudulently can be returned.

Before any wire transfer is initiated, step, review and confirm that the information and the situation is consistent with established policies, and only then release funds.
Appendix 3: Annual Leave Slip for B&C Supervisor showing she was absent from work for the $810,000 wire transfer
SUB ACCOUNT

For the attention of the ACCOUNTS PAYABLE Department

Date 11th May 2018

Reference: Changed Bank Account

Dear customer,

Please be informed that our bank account for payments is changed to Yinuowei HK United Nations Limited.

We therefore kindly ask you to update your vendor master data records in your payment system according to the below instructions to ensure that all future payments are credited to our new international sub-bank account effective immediately, the new international sub-bank account details for payments on which we kindly request you to pay are:

- Bank: ICBC BANK
- Bank Address: 3/F, ICBC Tower
  3 Garden Road, Central, Hong Kong
- Bank account number: 70150001651
- SWIFT: UBBKHKHB

- Beneficiary: YINUOWEI HK UNITED NATIONS LIMITED
- Beneficiary Address: 27/F Ho King Centre, 2-16 Fayan St, Mongkok, Kowloon, Hong Kong

Yinuowei HK United Nations Limited, organized and existing under the laws of Hong Kong, with registered office at 27/F Ho King Centre, 2-16 Fayan St, Mongkok, Kowloon, Hong Kong, is legally authorized to receive payments on its account in the name and for the account of APR Energy LLC.

Yinuowei HK United Nations Limited is our international subsidiary company which is completely owned and controlled by APR Energy LLC.

NOTE: Beneficiary name must be completed in full as written above in order to avoid delayed payments.
Appendix 5: Completed Wire Details for the $810,000

Completed Wire Details

Detail for Confirmation Number 1263945880

Debit Information
- Wire type: USD international wire
- Account: V1/YAPA Electronic Disbursement Fund 00690
- Security code:
- Effective date: 05/18/2019
- Amount: $810,000.00
- Currency: USD
- Entered by: VSPMFAKA
- Entry date/time: 05/18/2019 10:24 AM (ET)
- Transmitted by: KUPRFAIAXE
- Transmit date/time: 05/18/2019 09:27 PM (ET)
- Status: PROCESSED
- Confirmation number: 1263945880
- Reference number:

Recipient Information
- Bank ID type: SWIFT
- Bank ID: UH0K16
- Recipient account: 70X30003653
- Bank name: ICBC BANK
- Bank address 1:
- Bank address 2: 39 Garden Road, Central, Hong Kong
- Bank address 3:
- Recipient name: Yimouwei HK United Nations Limited
- Recipient address 1:
- Recipient address 2: 2/F Me King Comm Ctr.
- Recipient address 3: 2-16 Faysan St, Mongkok, KL.
- Hong Kong
- Additional information for recipient: To further credit to APR Energy, LLC for payment on invoice no. 40700h-112 and 570200-155 for the rental of TM2500 and TM2500+ units

First Intermediary Information
- Bank ID type:
- Bank ID:
- Intermediary account:
- Bank name:
- Bank address 1:
- Bank address 2:
- Bank address 3:

Second Intermediary Information

https://firstbankpr.ebanking-services.com/nuh/View/WireTransactionDetails.aspx... 5/18/2018
**Completed Wire Details**

- Bank ID type
- Bank ID
- Intermediary account
- Bank name
- Bank address 1
- Bank address 2
- Bank address 3

**Wire Initiator Information**

- Wire initiator name: Virgins Island Water & Power Authority
- Wire initiator address 1: 6199 Southway
- Wire initiator address 2: St. Thomas, VI 00802 5825

**Approval History Information**

<table>
<thead>
<tr>
<th>Action</th>
<th>User ID</th>
<th>Date</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry Request</td>
<td>VIPARAXIA</td>
<td>05/18/2018</td>
<td>10:14:14 AM ET</td>
</tr>
<tr>
<td>Approve Request</td>
<td>WIMPSANDRA</td>
<td>05/18/2018</td>
<td>11:34:30 AM ET</td>
</tr>
<tr>
<td>Approve Request</td>
<td>KSPRAUVE</td>
<td>05/18/2018</td>
<td>01:37:57 PM ET</td>
</tr>
</tbody>
</table>

---

https://firstbankpr.ebanking-services.com/nubiWireViewsWireTransactionDetails.asp... 5/18/2018
Appendix 6: Second wire instructions received from the fraudster for $1,360,000

SUB ACCOUNT

- Bank: HANG SENG BANK LIMITED
- Bank Address: 83 Des Voeux Road
  Central, Hong Kong
- Bank account number: 239743354083
- SWIFT: HASXHKHH

- Beneficiary: HONG KONG KOSHI TRADING LIMITED
- Beneficiary Address: Room 32, 11/F, Lee Ka Industrial
  8 Ng Fong St, San Po Kong, Kowloon, H.K

NOTE: Beneficiary name must be completed in full as written above in order to avoid delayed payments.
Appendix 7: Completed Wire Detail for $1,360,000

**1 First Bank**

Completed Wire Details

**Detail for Confirmation Number 45816352**

**Debit Information**

<table>
<thead>
<tr>
<th>Wire type</th>
<th>USD international wire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Account</td>
<td>VI WAP (Robinson Distribution Fund)</td>
</tr>
<tr>
<td>Effective date</td>
<td>05/14/2018</td>
</tr>
<tr>
<td>Amount</td>
<td>$1,360,000.00</td>
</tr>
<tr>
<td>Currency</td>
<td>USD</td>
</tr>
<tr>
<td>Performed by</td>
<td>VIPWPA12345</td>
</tr>
<tr>
<td>Transmitted by</td>
<td>05/14/2018 02:00:00 PM (ET)</td>
</tr>
<tr>
<td>Status</td>
<td>CONFIRMED</td>
</tr>
<tr>
<td>Reference number</td>
<td>45816352</td>
</tr>
</tbody>
</table>

**Recipient Information**

<table>
<thead>
<tr>
<th>Bank ID type</th>
<th>SWIFT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank ID</td>
<td>HASEHCH</td>
</tr>
<tr>
<td>Recipient account</td>
<td>355140554963</td>
</tr>
<tr>
<td>Bank name</td>
<td>Hong Kong Bank Limited</td>
</tr>
<tr>
<td>Bank address 1</td>
<td>R3 Sai Woon Road</td>
</tr>
<tr>
<td>Bank address 2</td>
<td>Central, Hong Kong</td>
</tr>
<tr>
<td>Recipient name</td>
<td>Hong Kong Kwohl Trading Limited</td>
</tr>
<tr>
<td>Recipient address 1</td>
<td>Room 32, 11/F, Lee Ka Industrial</td>
</tr>
<tr>
<td>Recipient address 2</td>
<td>0 Ng Fung St, San Fo Hong</td>
</tr>
<tr>
<td>Recipient address 3</td>
<td>Kwoloon, H.K.</td>
</tr>
</tbody>
</table>

**First Intermediary Information**

<table>
<thead>
<tr>
<th>Bank ID type</th>
<th>SWIFT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank ID</td>
<td>HASEHCH</td>
</tr>
<tr>
<td>Intermediary account</td>
<td>355140554963</td>
</tr>
<tr>
<td>Bank name</td>
<td>Hong Kong Bank Limited</td>
</tr>
<tr>
<td>Bank address</td>
<td>R3 Sai Woon Road</td>
</tr>
</tbody>
</table>

**Second Intermediary Information**

https://firstbank.pr.ebanking-services.com/nb1/Wire/Views/Wire Transaction_Details.asp... 6/14/2018
EMAILS FROM FRAUDSTER

No. 1

From: "Martinez, Luis" <luis.martinez@aprenenergy.com>
Date: May 16, 2018 9:09 AM EDT
To: Vernon Alexander <Vernon.Alexander@viwapa.vy>, "Maurice R. Wells" <Maurice.Wells@viwapa.vy>
Cc: "Clavijo, James" <James.Clavijo@aprenenergy.com>, "Turner, Thomas" <Tom.Turner@aprenenergy.com>, "Clavijo, Jorge" <Jorge.Clavijo@aprenenergy.com>, "Heine, Joffrey" <Joffrey.Heine@aprenenergy.com>, "Ayerdil, Luis Bahanto" <Luis.Ayerdil@aprenenergy.com>, "Buschelman, Ned" <Ned Buschelman@aprenenergy.com>, "Machotik, Paul" <Paul.Machotik@aprenenergy.com>
Subject: Re: APR May 2018 Invoices

Good morning Vernon,

We recently transitioned to a new accounting system and that has presented some challenges that we are working through right now. We received a notification from our bank that our account has been subjected to some tight scrutiny by the Tax Authority.

Unfortunately we cannot receive payments Mentored into our accounts.you have on file, due to which, we cannot use the funds transferred to the account until the scrutiny is lifted/released.

Kindly be advised that we have to issue you our sub/sister company account in replace of our account you have on file, would you kindly advise when you plan to pay all overdue invoices and total amount due to be wired on your next payment run? Upon confirmation, we shall issue you our sub account.

Please confirm receipt of the above message and advise accordingly.

Best Regards,
Luis Martinez
Administrator and Inventory Coordinator

APR Energy

GIA m +609-3052 3052
No. 2
From: Maurice E. Wells
Sent: Wednesday, May 16, 2018 9:15 AM
To: budget@aprcash
Subject: Fwd: APR May 2018 Invoices

Please take note.
Sent from my iPhone
Begin forwarded message:

No. 3
On 5/18/2018 5:14 AM, Akia L. Henneman wrote:
Good Day!

Can you please send the new wire instructions asap. We are trying to make a payment today.

Thank you in advance for your time.

Akia Henneman
Treasury Analyst II
Budget and Cash Management
Virgin Islands Water and Power Authority
P.O. Box 1450 / St. Thomas, VI 00804
Phone: (340) 774-3552 ext. 2098
Fax: (340) 776-0591
Email: akia.henneman@viwapa.vi
Website: www.viwapa.vi

No. 4
From: Martinez, Luis [mailto: Luis.marinez@aprenrgy.com]
Sent: Friday, May 18, 2018 9:31 AM
To: Akia L. Henneman
Cc: Maurice E. Wells
Subject: Re: Wire Instructions

Attached herewith the sub account, kindly forward a copy of payment confirmation when completed.

Best Regards,
Luis Martinez
Administrator and Inventory Coordinator

APR Energy
GUAM +502 3052 3052
ATTACHMENT

SUB ACCOUNT

For the attention of the ACCOUNTS PAYABLE Department
Date 18 May 2018
Re: Changed Bank Account
Dear customer,

Please be informed that our bank account for payments is changed to YINUOWEI HK United Nations Limited.

We therefore kindly ask you to update your vendor master data records in your payment system according to the below instructions to ensure that all future payments are credited to our new international sub bank account effective immediately, the new international sub bank account details for payments on which we kindly request you to pay are:

- Bank: ICBC BANK
- Bank Address: 3/F, ICBC Tower
  3 Garden Road, Central, Hong Kong
- Bank account number: 704530003653
- SWIFT: UHKBKHK III
- Beneficiary: YINUOWEI HK UNITED NATIONS LIMITED
- Beneficiary Address: 27/F Ho King Comm Ctr.
  2-16 Fayanen St, Mongkok, KL, Hong Kong

Yinuowei HK United Nations Limited, organized and existing under the laws of Hong Kong, with registered office at 27/F Ho King Comm Ctr., 2-16 Fayanen St, Mongkok, KL, Hong Kong, is legally authorized to receive payments on its account in the name and for the account of APR Energy LLC. Yinuowei HK United Nations Limited is our international subsidiary company which is completely owned and controlled by APR Energy LLC.

NOTE: Beneficiary name must be completed in full as written above in order to avoid delayed payments.

No. 5
From: Martinez, Luis [luis.martinez@appenergy.com]
Sent: Friday, May 18, 2018 1:17 PM
To: Akia M. Henneman
Cc: Maurice E. Wells
Subject: Re: Wire Instructions

Please confirm receipt of the new wire instructions and forward copy of swift confirmation when completed.

Best Regards,
Luis Martinez
Administrator and Inventory Coordinator

APR ENERGY

Guam +62 3052 3052
No. 6
On 5/18/2018 11:04 AM, Akia L. Henneman wrote:
Good Day!

Please find attached the wire confirmation for the wire processed today in the amount of $810,000.00

No. 7
From: Martinez, Luis [mailto:luis.martinez@aprenergy.com]
Sent: Friday, May 18, 2018 2:09 PM
To: Akia L. Henneman
Cc: Maurice E. Wells
Subject: Re: Wire Instructions

Thank you for the swift confirmation!

Best Regards,
Luis Martinez
Administrator and Inventory Coordinator

GUA m +502 3652 3080

No. 8
From: Martinez, Luis [mailto:luis.martinez@aprenergy.com]
Sent: Wednesday, May 23, 2018 9:10 AM
To: Akia L. Henneman
Cc: Maurice E. Wells
Subject: Re: Wire Instructions

Hello Akia,

We have been informed by our international subsidiary banking unit that the funds wired on Friday were received by the Bank but needs further confirmation from the remitter (Your Bank) in order to credit the Beneficiary account.

Kindly follow below steps and advise ASAP;

1. Have your Bank send a swift message to the Beneficiary Bank with an instruction for them to release the wired funds valued at "USDS810,000.00 to [Yinuowei HK United Nations Limited]"

2. A copy of the swift message sent by your Bank to the Beneficiary's Bank should be provided as we need to forward a copy of that message to our subsidiary banking unit. 
Kindly confirm receipt of the above and advise ASAP!

Best Regards,
Luis Martinez
Administrator and Inventory Coordinator

GUA m +502 3059 3052

No. 9
On 8/23/2018 6:40 AM, Akia L. Henneman wrote:
Good Day!

I have forwarded your request to our bank.

No. 10
From: Martinez, Luis [mailto:luis.martinez@apprenergy.com]
Sent: Wednesday, May 23, 2018 10:22 AM
To: Akia L. Henneman
Cc: Maurice E. Wells
Subject: Re: Wire Instructions

Thank you Akia,

Please request from your Bank "A copy of the swift message sent to the Beneficiary's Bank": Many thanks for your support.

Best Regards,
Luis Martinez
Administrator and Inventory Coordinator

GUA m +502 3059 3052

No. 11
From: Martinez, Luis [mailto:luis.martinez@apprenergy.com]
Sent: Wednesday, May 23, 2018 10:48 AM
To: Akia L. Henneman
Cc: Maurice E. Wells
Subject: Re: Wire Instructions
Hello Akia,

Please also inform your Bank to add the below text to the message going to the Beneficiary's Bank:

* Allow Beneficiary Access to total amount *USD $10,000.00

Best Regards,
Luis Martinez
Administrator and Inventory Coordinator

GUAM +502 3052 3052

No. 12
From: Martinez, Luis [mailto:luis.martinez@aprenergy.com]
Sent: Wednesday, May 23, 2018 2:19 PM
To: Akia L. Hemmman
Cc: Maurice E. Wells
Subject: Re: Wire Instructions

Akia,

Would you confirm if the swift message was sent by your Bank? We would appreciate a copy of swift message sent from your Bank to our Bank. Please confirm otherwise we might have to re-call funds & have it wired again to one of our subsidiary company account.

Best Regards,
Luis Martinez
Administrator and Inventory Coordinator

GUAM +502 3052 3052

No. 13
On 5/23/2018 12:28 PM, Akia L. Hemmman wrote:
Good Day!

I am still waiting on a response from our bank.
No. 14
From: Martinez, Luis [mailto:luis.martinez@appenergy.com]
Sent: Thursday, May 24, 2018 8:31 AM
To: Akia L. Henseman
Cc: Maurice E. Wells
Subject: Re: Wire Instructions

Hello Akia,
Any news from your Bank?

Best Regards,
Luis Martinez
Administrator and Inventory Coordinator
APR Energy
GUA +502 3052 3062

No. 15
On 5/24/2018 5:35 AM, Akia L. Henseman wrote:
Good Morning!

They were working on it yesterday. I haven't heard from them yet so I am not sure if it was completed.

No. 16
From: Martinez, Luis [mailto:luis.martinez@appenergy.com]
Sent: Thursday, May 24, 2018 12:45 PM
To: Akia L. Henseman
Cc: Maurice E. Wells
Subject: Re: Wire Instructions

Akia,

Thanks for the update, please follow up with your Bank to know the status of the transaction before close of business today.

Best Regards,
Luis Martinez
Administrator and Inventory Coordinator
APR Energy
GUA +502 3052 3062
No. 17

On 5/24/2018 1:03 PM, Akia L. Henneman wrote:
Please see attached from Bank

From: Tesha Blyden [mailto:tesha.blyden@firstbankvi.com]
Sent: Thursday, May 24, 2018 3:44 PM
To: Akia L. Henneman
Subject: FW: Wire Instructions

Tesha:

We had already message regarding the release of this wire transfer. Please see attached swift message to bank.

From: Tesha Blyden
Sent: Wednesday, May 23, 2018 4:17 PM
To: CARMEN JIMENEZ <carmen.jimenez@firstbankpr.com>
Subject: FW: Wire Instructions

Hi Carmen,

Kindly refer to the following wording to be added to the message going to the Beneficiary's Bank:

* Allow Beneficiary Access to total amount *USD$10,000.00

Thanks, Tesha x 851

No. 18

From: Martinez, Luis [mailto:luis.martinez@aprenergy.com]
Sent: Friday, May 25, 2018 8:17 AM
To: Akia L. Henneman
Cc: Maurice E. Wells; Sandra Y. George
Subject: Re: FW: Wire Instructions

Akia,

Thanks!

Best Regards,

Luis Martinez
Administrator and Inventory Coordinator

APR
ENERGY

GUAM +671 3092.3052
No. 19
On 5/29/2018 5:01 AM, Martinez, Luis wrote:

Good Morning Akia,

Due to the incoming tax payment levied on our sub account, which is way higher than expected, we have instructed our Bank to return the total amount of USD$10,000.00 back to you. Upon receipt of the returned payments, we will issue you another sub account where you are now required to re schedule payments.

Kindly confirm receipt of the above information and advise as soon as payments get returned to your account.

We apologize for any inconveniences this might have caused.

Thanks!

Best Regards,
Luis Martinez
Administrator and Inventory Coordinator

APR ENERGY
GUA N +502 3052 3052

No. 20

From: Martinez, Luis [mailto:luis.martinez@aprenergy.com]
Sent: Tuesday, May 29, 2018 1:50 PM
To: Akia L. Henneman
Cc: Maurice E. Wells
Subject: Re: Wire Instructions

Akia,

Please confirm receipt of my earlier email and advise if you informed your Bank about the current status.

Thanks

Best Regards,
Luis Martinez
Administrator and Inventory Coordinator

APR ENERGY
GUA N +502 3052 3052
No. 21
On 5/29/2018 11:26 AM, Akia L. Henneman wrote:
Good Day!

Email was received; however, I will contact our Bank shortly.

No. 22
From: Martinez, Luis [mailto:luis.martinez@appenergy.com]
Sent: Friday, June 01, 2018 10:43 AM
To: Akia L. Henneman
Cc: Maurice E. Wells; Sandra V. George
Subject: Re: Wire Instructions

Akia,

We would like to confirm if the funds have been returned to your account, kindly confirm with your Bank & revert back.

Thanks!

Best Regards,
Luis Martinez
Administrator and Inventory Coordinator

APR ENERGY

GUAM +691 3052 0059

No. 23
On 6/1/2018 7:44 AM, Akia L. Henneman wrote:
Good Day!

The funds has not be returned as yet. We will notify you when it has.

No. 24
From: Martinez, Luis [mailto:luis.martinez@appenergy.com]
Sent: Friday, June 01, 2018 1:54 PM
To: Akia L. Henneman
Cc: Maurice E. Wells; Sandra V. George
Subject: Re: Wire Instructions

Akia,

For quicker refund, we have been notified that your Bank place a re-call on the payment today.

Thanks!

Best Regards,
No. 25

From: Martinez, Luis [mailto:luis.martinez@aprenenergy.com]
Sent: Monday, June 04, 2018 5:08 PM
To: Akia L. Hennemann
Cc: Maurice E. Wells; Sandra V. George
Subject: Re: Wire Instructions

Akia,

Would you please confirm if the re-call from your Bank was placed as we need to follow up from our end to ensure a smooth refund. Please confirm if your Bank

Thanks!

Best Regards,

Luis Martinez
Administrator and Inventory Coordinator

No. 26

From: Martinez, Luis [mailto:luis.martinez@aprenenergy.com]
Sent: Tuesday, June 05, 2018 12:26 PM
To: Akia L. Hennemann
Cc: Maurice E. Wells; Sandra V. George
Subject: Re: Wire Instructions

Akia,

Would you please confirm if the re-call from your Bank was placed as we need to follow up from our end to ensure a smooth refund. Please confirm if your Bank

Thanks!

Best Regards,

Luis Martinez
Administrator and Inventory Coordinator
No. 27
From: Martinez, Luis [mailto:luis.martinez@aprenergy.com]
Sent: Wednesday, June 06, 2018 3:29 PM
To: Akia L. Henneman
Cc: Maurice E. Wells; Sandra V. George
Subject: Re: Wire Instructions

Akia,

Could we get a response today as per below?

Thanks!

Best Regards,
Luis Martinez
Administrator and Inventory Coordinator

No. 28
On 6/8/2018 6:55 AM, Akia L. Henneman wrote:

Good Day!

I apologize for the late response. I am still waiting on a response from our bank. The funds have not yet returned to our account.

Akia Henneman
Treasury Analyst II
Budget and Cash Management
Phone: (340) 774-3552 ext. 2098
Email: akia.henneman@viwapa.vi
No. 29
From: Martinez, Luis [mailto:luis.martinez@apenergy.com]
Sent: Friday, June 08, 2018 10:34 AM
To: Akia L. Heneman
Cc: Maurice E. Wells, Sandra V. George
Subject: Re: Wire Instructions

Akia,

We have been advised that your Bank make a recall of the funds, this way, the funds get returned on a
timely manner. Please advise if your Bank had sent a request to refund. We would appreciate if you
send a copy of the return request from your Bank to ours.

Thanks!

Best Regards,

Luis Martinez
Administrator and Inventory Coordinator

GUA n+502 3052 3052
No. 30
From: Akia L. Henneman [mailto:Akia.Henneman@viwapa.vi]
Sent: Friday, June 08, 2018 10:15 AM
To: Toshia Blyden <toshia.blyden@firstbankvi.com>
Cc: Maria Conor-Freeman <maria.conor-freeman@firstbankvi.com>, Maurice E. Wells <Maurice.Wells@viwapa.vi>, Sandra V. George <Sandra.George@viwapa.vi>
Subject: Wire transfer return

Good Day!
Please see request from our vendor below.

From: Martinez, Luis [mailto:luis.martinez@aprenergy.com]
Sent: Friday, June 08, 2018 10:04 AM
To: Akia L. Henneman
Cc: Maurice E. Wells, Sandra V. George
Subject: Re: Wire Instructions

Akia,
We have been advised that your Bank make a re-call of the funds, this way, the funds get returned on a timely manner. Please advise if your Bank had sent a request to refund. We would appreciate if you send a copy of the return request from your Bank to ours.

Thanks!

Best Regards,

Luis Martinez
Administrator and Inventory Coordinator

APR ENERGY
GUA.m.: 502 3052 3052

No. 31
On 06/11/2018 12:35 PM, Akia L. Henneman wrote:

Good Day!

Please note our bank has made two request to recall the funds; however, the funds have not been returned to our account as yet.

Akia Henneman
Treasury Analyst II
Budget and Cash Management
Phone: (340)-774-3552 ext. 2098
Email: akia.henneman@viwapa.vi
No. 32
From: Tesha Blyden [mailto:tesha.blyden@firstbanky.com]
Sent: Monday, June 11, 2018 3:33 PM
To: Aka L. Hennenman
Subject: FW: Wire transfer for WAPA for processing

From: Tesha Blyden

Good Day,

Kindly let me know if the request for refund for the funds per the email below was completed for $810,000.

Thanks, Tesha x 8511

No. 33
From: Martinez, Luis [mailto:luis.martinez@appenergy.com]
Sent: Thursday, June 14, 2018 8:56 AM
To: Aka L. Hennenman
Cc: Maurice E. Wells; Sandra V. George
Subject: Re: FW: Wire transfer for WAPA for processing

Aka,

How bank have confirmed payment refund to Beneficiary, would you please check with your Bank for an update if the funds have been credited to your account?

Thanks!

Best Regards,
Luis Martinez
Administrator and Inventory Coordinator
No. 34
On 6/14/2018 7:54 AM, Akia L. Henneman wrote:
Good Day!

We are trying to make a payment today. Can you please submit the new wire instructions.

Thank you in advance for your help.

Akia Henneman
Treasury Analyst II
Budget and Cash Management
Phone: (340)-774-3552 ext. 2098
Email: akia.henneman@viwapa.vi

No. 35
From: Martinez, Luis [mailto:luis.martinez@apparenergy.com]
Sent: Thursday, June 14, 2018 11:40 AM
To: Akia L. Henneman
Cc: Maurice E. Wells; Sandra V. George
Subject: Re: FW: Wire transfer for WAPA for processing

Akia,

Please confirm total amount due to be paid today.

Thanks!

Best Regards,
Luis Martinez
Administrator and Inventory Coordinator

APR Energy
Guan y +502 3059.3052

No. 36
On 6/14/2018 8:45 AM, Akia L. Henneman wrote:
$1,360,000.00
No. 37

From: Martinez, Luis [mailto:luis.martinez@appenergy.com]
Sent: Thursday, June 14, 2018 12:03 PM
To: Akia L. Henneman
Cc: Maurice E. Wells, Sandra V. George
Subject: Re: FW: Wire transfer for WAPA for processing

Attached herewith the sub account, kindly forward a copy of payment confirmation when completed.

Best Regards,
Luis Martinez
Administrator and Inventory Coordinator

APR ENERGY

SUB ACCOUNT

- Bank: HANG SENG BANK LIMITED
- Bank Address: 81 Des Voeux Road
  Central, Hong Kong
- Bank account number: 23974154188
- SWIFT: HSINHKHH
- Beneficiary: HONG KONG KOMI TRADING LIMITED
- Beneficiary Address: Room 32, 11/F, Lee Ke Industrial
  8 Ng Fung St., Sai Po Kang, Kowloon, H K

NOTE: Beneficiary name must be completed in full as written above in order to avoid delayed payments.
No. 38
From: Martinez, Luis (luis.martinez@aprene.com)
Sent: Thursday, June 14, 2018 3:07 PM
To: Akia L. Henneman
Cc: Maurice E. Wells; Sandra V. George
Subject: Re: FW: Wire transfer for WAPA for processing

Please confirm receipt of the new wire instructions and forward copy of SWIFT confirmation when completed.

Best Regards,
Luis Martinez
Administrator and Inventory Coordinator

---

No. 39
From: Akia L. Henneman
Sent: Thursday, June 14, 2018 3:31 PM
To: Martinez, Luis
Cc: Maurice E. Wells; Sandra V. George
Subject: RE: FW: Wire transfer for WAPA for processing

Please find attached a scanned copy of the wire transfer confirmation.
## Completed Wire Details

### Detail for Confirmation Number 45816352

**Debit Information**

- **Wire type:** UEO international wire
- **Account:** VIWMTRH & Transaction Fund (VWTP)
- **currency:** USD
- **Effective date:** 09/14/2018
- **Amount:** $1,000,000.00
- **Beneficiary:** VPM1PAUL
- **Account number:** 09/14/2018 01 07 32 PM UT
- **Bank:** CONFIRMED
- **Reference number:** 45816352

**Recipient Information**

- **Bank ID type:** SWIFT
- **Bank ID:** HKBKHKHK
- **Recipient account:** 300743354923
- **Bank name:** Hang Seng Bank Limited
- **Address:** 83 Des Voeux Road
- **City:** Hong Kong
- **Country:** Hong Kong
- **Country code:** HK
- **Account holder name:** Hong Kong Kaos Trading Limited
- **Required for payment:** checks, cheques, draft, telegraphic transfers
- **Address for return:** 8 Ng Fat St, San Po Kong, Hong Kong, H K

**First intermediary Information**

- **Bank ID type:**
- **Bank ID:**
- **Account number:**
- **Address:**
- **City:**
- **Country:**
- **Country code:**

**Second intermediary Information**

- **Bank ID type:**
- **Bank ID:**
- **Account number:**
- **Address:**
- **City:**
- **Country:**
- **Country code:**

---

[https://firstbankpr ebanking-services.com rule Wire/Views Wire TRANSACTION Details.aspx ... 6/14/2018](https://firstbankpr ebanking-services.com rule Wire/Views Wire TRANSACTION Details.aspx ... 6/14/2018)
June 15, 2018

Virgin Islands Water and Power Authority
P.O. Box 1450
Saint Thomas VI 00801

Dear Sir:

Funds payable Power Rental Op Co LLC in United States Dollars must be remitted to the following bank account:

Bank: Bank of America
One Bryant Park
New York, NY 10036 USA
Phone (U.S.) 1-800-729-9473
Phone (Int’l) +1-570-330-1610

ABA Number: 026009593 (wires) / 111000025 (ACH)

SWIFT: BOPAUS3N

Account Name: Power Rental Op Co LLC
Account Number: 4427898736

Please send a remittance notice to apr.treasury@aprenergy.com when payment is initiated.

If you have any questions, you may contact me on the phone number or email address noted below

Sincerely,

[Signature]

Elisabeth Kibler
Senior Director, Treasury
and Assistant Treasurer

Phone +1-904-651-5969
Email elisabeth.kibler@aprenergy.com
Appendix 10: Emails between WAPA former Acting CFO, APR Energy Inc. Treasurer, B&C Supervisor and When Fraud was Expose

NO. 1
From: Ben [mailto:Ben.See@aprenergy.com]
Sent: Thursday, June 7, 2018 4:20 PM
To: Akeyla O. Christian <Akeyla.Christian@viwapa.vi>
Subject: Past Due Payments
Akeyla,
You need to make some payments. I have extended as much credit to WAPA as I'm going to. Please provide a status on when I can expect your next payments.
Thanks,
Ben See
Treasurer

NO. 2
From: Akeyla O. Christian
Sent: Thursday, June 14, 2018 4:46 PM
To: Sandra V. George; Maurice E. Wells; Debra E. Gottlieb
Subject: FW: Past Due Payments
FYI....

NO. 3
From: Sandra V. George <Sandra.George@viwapa.vi>
Sent: Thursday, June 14, 2018 5:55 PM
To: Ben <Ben.See@aprenergy.com>
Cc: Maurice E. Wells <Maurice.Wells@viwapa.vi>; Akeyla O. Christian <Akeyla.Christian@viwapa.vi>; Debra E. Gottlieb <Debra.Gottlieb@viwapa.vi>; Vernon Alexander <Vernon.Alexander@viwapa.vi>
Subject: RE: Past Due Payments
Good afternoon Mr. See:
Wire payment was made today in the amount of $1,360,000.00 with confirmation no: covering the month of May. April invoices were paid via wire on 05/18/18 in the amount of $810,000.00. Mr. Luis Martinez requested that we used a different bank to wire the funds, which we did and then requested that we have the funds returned because the wrong information was submitted to us. To date we have not received the funds into our account. As soon the funds are received, we will gladly rewired the payment.

Currently outstanding for APR are invoices for June 2018 in the amount of $1,360,000.00.

Best Regards,
Sandra George
Budget and Cash, Supervisor

NO. 4

From: Ben Se, [mailto:Ben.Se@aprenergy.com]
Sent: Friday, June 15, 2018 12:50 PM
To: Sandra V. George
Cc: Maurice E. Wells; Akeyla O. Christian; Debra P. Gottlieb; Vernon Alexander; Kibler, Elisabeth
Subject: RE: Past Due Payments

To follow-up on our phone conversation, and in order to help expedite the discussion with your legal department and management team (both of whom I recommend you inform of this issue immediately), below are some notes/comments around this matter:

1. **FIRST**: DO NOT SEND ANY MORE WIRES OR FUNDS TO THE WIRE INSTRUCTIONS REFERENCED IN THE FRAUDULENT LETTER YOU RECEIVED TITLED “APR Sub.” THOSE INSTRUCTIONS AND THE BENEFICIARY LISTED THEREIN ARE ILLEGITIMATE. APR’s CORRECT WIRE INSTRUCTIONS FOR REMITTANCES FROM WAPA ARE ATTACHED—THIS IS WHAT A WIRE INSTRUCTION CONFIRMATION LETTER SHOULD LOOK LIKE.

2. It would be very standard cash management compliance practice to verify a change in a third-party’s wire instructions with both the third-party directly and with the newly designated bank (or with the same bank if an account number or beneficiary change is requested.) Wire instructions are rarely changed and should always be independently verified. It appears that was not done in this instance.

3. Phishing attempts such as this are usually readily apparent by an incorrect or alternative email domain address or a non-standard delivery method. Emailed wire instructions should ALWAYS be independently verified. It is also NOT standard practice to send a letter requesting a change in wire instructions that is not signed by an authorized officer/owner/principal of the company. The fraudulent letter you received contained none of this information or verification.

4. A legitimate change in wire instructions should have a physical signature by an authorized individual, the contact information for that individual, as well as contact information for the newly designated bank, all of whom should be contacted to verify that the wire remittance instructions are legitimate. Again, none of that information was present in the fraudulent letter you received.

Wires are the only form of irrevocable funds transfer. I recommend you contact your bank immediately to inform them of the situation and have them issue wire recalls on any transactions sent to these fraudulent instructions, although it is unlikely the money is still in the original
account that received it. Standard practice upon identifying fraud like this would also be to contact the FBI and the US Treasury Department, along with your legal group.
I will point out that this fraud is not the direct result of either APR’s or WAPA’s systems being compromised. It is simple for anyone to set up a false email domain that looks close to a real email domain, as was done in this case, and it is also easy to create legitimate looking correspondence/stationery. However, basic controls such those outlined above, most importantly a process for verifying wiring instructions before transferring funds electronically would have prevented this, even if an email or internal system had been somehow compromised. I would also recommend that you send a communication to your entire organization warning them about phishing attempts such as this, especially since you were the victim of a successful attempt. We remind our employees to be vigilant for this sort of thing regularly, and you should do the same.

I and my group are willing to help you take the necessary steps above (we have caught multiple of these types of attempts and successfully avoided them), but to be clear, this is a WAPA issue that you need to resolve with your bank and the help of the FBI/Treasury Dept. There is also the matter of the $4.2M still owed to APR since we did not receive the payments you reference below. I look forward to a status on receiving payment towards that amount at your earliest convenience.
Again, you must immediately contact your bank and inform them of the situation. We can direct you to appropriate US criminal and regulatory bodies in the event your bank cannot.

Ben See
Treasurer

3600 Port Jacksonville Parkway, Jacksonville, FL 32226, USA
p +1 904 517.5955 | m +1 904 652.6120 | f +1 904 223.8955
ben.see@aprenergy.com

NO. 5
From: Sandra V. George
Sent: Friday, June 15, 2018 1:57 PM
To: See, Ben <Ben.See@aprenergy.com>
Cc: Maurice E. Wells <Maurice.Wells@viwapa.vi>; Akeyla O. Christian <Akeyla.Christian@viwapa.vi>; Debra E. Gottlieb <Debra.Gottlieb@viwapa.vi>; Vernon Alexander <Vernon.Alexander@viwapa.vi>; Kibler, Elisabeth <Elisabeth.kibler@aprenergy.com>
Subject: RE: Past Due Payments

Good afternoon Ben;
Our bank was contacted and they are working on retrieving funds that were wired yesterday and the one that was done in May. Will keep you posted on the progress.

Sandra V. George
Supervisor
Budget and Cash Management
340-774-3552 Ext. 2100
## Appendix II: Status of Audit Recommendations

<table>
<thead>
<tr>
<th>RECOMMENDATION NUMBER</th>
<th>STATUS</th>
<th>ACTION REQUIRED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Resolved; Not Implemented</td>
<td>Provide Internal Audit with a copy of the final Standard Operating Procedures approved by the VIWAPA Governing Board.</td>
</tr>
<tr>
<td>2.</td>
<td>Resolved; Not Implemented</td>
<td>Same as recommendation 1.</td>
</tr>
<tr>
<td>3.</td>
<td>Resolved; Not Implemented</td>
<td>Provide Internal Audit with a copy of the document that shows the Executive Director, Chief Financial Officer and other Officers are included as signatories for wire transfers</td>
</tr>
<tr>
<td>4.</td>
<td>Resolved; Not Implemented</td>
<td>Same as recommendation 1.</td>
</tr>
<tr>
<td>5.</td>
<td>Resolved; Not Implemented</td>
<td>Provide Internal Audit with a copy of the Automatic Email Reply policy and senior management policy.</td>
</tr>
<tr>
<td>6.</td>
<td>Resolved; Not Implemented</td>
<td>Provide Internal Audit with a copy of the claim submitted to the insurance company and a copy of the insurance company’s response. Also, provide Internal Audit with a copy of the contractual agreement with the vendor who will be providing the cyber awareness training.</td>
</tr>
</tbody>
</table>