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Study Finds Rise in Computer Crime

By MATT RICHTEL 

Major corporations and government agencies are reporting that computer crime and security breaches are on the rise, and a growing number of them suspect competitors — both foreign and domestic — as the likely source of future attacks.

A study released officially on Wednesday by the Computer Security Institute and the FBI's International Crime Squad found that 64 percent of more than 500 organizations report a computer security breach within the past 12 months. That is a marked increase over 48 percent who reported breaches a year ago, and 22 percent the year before.

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Richard Power, editorial director,
Computer Security Institute

by officials "the most organized and systematic attack the Pentagon has seen to date."

More than half of the companies said they could not quantify the costs from the unauthorized access to network computer systems. However, 42 percent of the companies and agencies put the combined cost of their breaches at \$136 million.

Richard Power, editorial director of the San Francisco-based institute, said the survey shows that companies may be aware of their vulnerabilities, but are not acting to address them.

"Crime is different in information age and corporate world has yet to really adjust," Power said. "They are still thinking of crime in industrial age terms."

The study's release comes on the heels of an alleged cracker attack by two Northern California high school students into the Pentagon computer system. The FBI raided the homes of the pair last week, seizing computer equipment said to have been used to break into a nonclassified Pentagon computer system, an attack called

Following the raid, one of the two Cloverdale High School sophomores told the Internet publication AntiOnline that he hacked into the Pentagon for "power, dude, you know, power." In a further development, Netdex Internet Inc., the Santa Rosa Internet service provider that helped the government find the two young men, was the victim of a cracker attack. The cracker, apparently acting in retaliation to the FBI crackdown, wrote on the Web page, "I hacked this site in order to make things right."

But Power, from the Computer Security Institute, said corporations have much more to fear from their own employees and competitors using "professional" hackers than they do from teen-agers toting modems. The study shows that the greatest cost to companies comes from employees and other company insiders. Other major losses were caused by telecommunications fraud and financial fraud perpetrated by computer.

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Power said that one noteworthy aspect to the study is that companies increasingly suspect one another of being the source of computer-related industrial espionage. Nearly 50 percent of companies report that U.S. competitors are a "likely source of attack." The number is even higher for high-tech firms, 72 percent of which said they feared their competitors will seek to steal intellectual property.

Naomi Fine, president of Pro-Tec Data in Oakland, Calif., said companies may not have as much to fear as they think. Fine, whose company helps organizations protect data and intellectual property, said her impression is that major corporations go to great lengths to make sure their behavior is ethical and they strongly discourage breaking into competitor systems.

"Companies as a practice are not only not allowing hacking, but they are taking proactive steps to make sure employees don't cross ethical lines, let alone legal lines," Fine said.

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