



Comprehensive Network Security Solution



The Hidden Concerns of Data Outsourcing

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Seattle, Washington

NEbraskaCERT Conference 2004



Why Outsource?

- Organization is not able to establish and support a significant, strategic project
- Organization believes there is an immediate and long-term cost savings in outsourcing key functions
- Efficiencies are ultimately obtained by having an outside organization harness and manage current unwieldy operations
- Organizations are afraid IT or Development holds more control and power over operations than executives



Case Studies

- ❑ Large telecommunications giant out-sources data center operations to Bangalore, India
- ❑ Significant insurance services institution out-sources intrusion detection system and monitoring to national company
- ❑ Major international bank in-sources another country's outsourcing expertise
- ❑ Large philanthropic organization turns over web development and managed services to central phone company partner vendor's for invoicing advantage



Strategic Planning

Executive is hired away from a reputable, international outsourcing firm as the new CIO for one of the United State's leading telecommunication companies, effective April, 2003

In June of 2003, a top-secret presentation was delivered to and approved by CEO, CFO, CSO executives to outsource data center operations involving 200 applications over 600 servers

Announcement was made to employees in October, 2003

Merger is achieved with a competitive telecommunication organization and announce in Feb, 2004



	2002	2001
Net Income From Continuing Ops	(2,205,000)	200,000
Operating Income or Loss	(258,000)	598,000
Net Income	(2,324,000)	(887,000)



PERIOD ENDING	31-Dec-03	31-Dec-02	31-Dec-01
Net Income	442,000	(2,324,000)	(887,000)
Operating Activities, Cash Flows Provided By or Used In			
Depreciation	3,209,000	2,810,000	2,502,000
Adjustments To Net Income	1,426,000	3,124,000	1,806,000
Changes In Accounts Receivables	(629,000)	(612,000)	(739,000)
Changes In Liabilities	99,000	(11,000)	25,000
Changes In Inventories	17,000	31,000	19,000
Changes In Other Operating Activities	(5,000)	(51,000)	(560,000)
Total Cash Flow From Operating Activities	4,559,000	2,967,000	2,166,000



Associated Press

<XXX> Nearly Doubles CEO's Bonus

Monday March 8, 4:57 pm ET

<XXX> Inc. nearly doubled the bonus it paid its top executive last year, to \$1.8 million, according to a regulatory filing.

According to the proxy statement...paid Chairman and Chief Executive... a bonus of just \$905,578 in 2002. His salary in 2003 was virtually unchanged at \$1.1 million, the Securities and Exchange Commission filing said.

The CEO also received a \$1 million restricted stock award.



Strategic Management

Technical Project Manager required in Dec, 2003.

- **Pilot is designed to go into effect the following Monday,.**
- **Previous PM has been fired for empathizing with system administrators tasked to train outsource personnel regarding their duties and skills**
- **Lack of employee cooperation has grounded progress**
- **International outsource personnel have no understanding of technical network and operations consideration**
- **International PM states their strength lies in how they're trained in the "American" service culture**



Insurance Organization

- VISA CISP compliance audit mandates that IDS be installed and monitored on their network
- IT is segmented into a dusty, non-ventilated area where non-technical project managers dictate strategy and deliverables on behalf of executives
- SME required to qualify an appropriate vendor, determine potential managed services benefits, and implement the solution
- Organization has under-cover plans to earn a profit on installation and implementation, however, none of this is communicated



International Bank

- International security mandates, government regulated
- Significant development project underway for a strategic initiative
- Had attempted to facilitate through IBM/IGS
- Selected India development; brought in-house
- States cultural barriers were more readily broken down than with IBM



Phone Company

- “We’re the phone company, we don’t have to care” – Lily Tomlin
- Focus is on sales
- Offers bundled services under one invoice to customers
- Partners with vendors (in my opinion) of sub-standard service delivery, support, and response times
- PBX system hacked, does not provide assistance, research or chain of custody information
- Organizational security officers lean toward “ease of invoicing”



Emerging Realizations

- Inaccurate representations
- Significant infosec, intellectual property concerns
- Poorly negotiated “Master” Agreement, SLAs
- Security Agreement does not meet compliance requirements
- Hostage to an outside organization, difficult to post-mortem
- Low internal morale, characterized as “weasels”
- External work-force can be less motivated
- Cultural comments: “Americans are stupid”
- Cost savings are never fully realized
- Enormous costs to bring back operations
- Significant loss of tribal knowledge - never documented
- Occasionally, though expensive, it relieves a headache of monumental proportion and is considered a success