After a start-up data security firm applied for a patent for its newly developed encryption algorithm, the company issued a public challenge: it promised to pay $5000 to anyone who could break the algorithm and another $5000 to the person’s favorite charity.

William Russell, an Andersen technology risk manager, accepted the challenge. He is now $5000 richer, his charity is waiting for its money, and the data security firm has run out of business because Russell cracked the supposedly uncrackable code. It took him about 60 hours of work, during which time he developed a program to predict the correct encryption key. His program cracked the code after trying 6120 out of a possible 1,208,925,819,614,629,174,706,176 electronic keys. Clearly, it should not have been as easy as that!

78.1 Assessing Risk

In the course of performing a security risk assessment, auditors or security professionals may learn that cryptographic systems were used to address business risks. However, sometimes the cryptographic systems themselves are not reviewed or assessed—potentially overlooking an area of business risk to the organization.

Russell believes there is a lesson in this for information technology auditors: when it comes to encryption technology, rely on the tried and true. “You want the company to be using well-known, well-tested
algorithms,” Russell says. “Never use private encryption. That goes under the assumption that someone can create something that’s as good as what’s on the market. The reality is that there are only a few hundred people in the world who can do it well. Everyone else is hoping nobody knows their algorithm. That’s a bad assumption.”

Russell recently worked with a client who asked him to look at one of the company’s data systems, which was secured with encryption technology developed in-house. Russell cracked that system’s security application in 11 hours. “If it had been a well-known, well-tested algorithm, something like that would not have been at all likely,” Russell says.

78.2 Encryption’s Number-One Problem: Keeping Keys Secret

Security professionals who use cryptography rely on two factors for the security of the information protected by the cryptographic systems: (1) the rigor of the algorithm against attack and (2) the secrecy of the key that is used to encrypt the sensitive information. Because security professionals advocate well-documented and scrutinized algorithms, they assume that the algorithm used by the cryptographic system has been compromised by an attacker; thus the security professional ultimately relies on the protection of the keys used in the algorithm.

The more information encrypted with a key, the greater the harm if that key is compromised. So it stands to reason that keys must be changed from time to time to mitigate the risk of information compromise. The length of time a key is valid in a crypto-system is referred to as the cryptographic key period and is determined by factors such as the sensitivity of the information, the relative difficulty to “guess” the keys by a known crypto-analysis technique, and the environment in which the crypto-system functions and operates. While changing keys is important, it can be very costly, depending on the type of cryptography used, the storage media of the keying material, and the distribution mechanism of the keying material. It is a business decision on how to effectively balance security risk with cost, performance, and functionality within the business context.

Keys that can be accessed and used by attackers pose a serious security problem, and all aspects of the security program within an enterprise must be considered when addressing this issue. For example, ensure that the keys are not accessible by unauthorized individuals, that appropriate encryption is used to protect the keying material, that audit trails are maintained and protected, and that processes exist to prevent unauthorized modification of the keying material.

While cryptography is a technology subject, effective use of cryptography within a business is not just a technology issue.

78.3 Encryption’s Number-One Rule

According to Mark Wilson, vice president of engineering at Embedics, a data security software and hardware design firm in Columbia, Maryland, “The No. 1 rule is that encryption needs to be based on standards.” You want to follow well-known specifications for algorithms. For public key, you want to use an authenticated key agreement mechanism with associated digital signatures.

“A lot of people are trying new technologies for public key-based schemes. Most of the time they are not using published standards. They’re not open to scrutiny. There are also often interoperability problems.” Interoperability is important because it allows vendors to create cryptographic products that will seamlessly integrate with other applications. For example, vendors planning to develop cryptographic hardware should follow the RSA PKCS #11 standard for cryptographic hardware. If they do, then their product will work with several applications seamlessly, including Lotus Notes.

Russell and Wilson agree that even if a company is using widely tested and accepted encryption technologies, its data can be exposed to prying eyes. One Andersen client encrypted highly sensitive information using an encryption key, but the key was stored on a database that was not properly secured. Consequently, several individuals could have obtained the encryption key and accessed highly sensitive information without being noticed.
“Encryption is an important component of security, but it must be seen as a part of the whole. Encryption by itself doesn’t solve anything, but as part of a system it can give security and confidence,” says Russell.

Auditors also need to evaluate network, physical, and application security, and ask what algorithms the company is using and if they are commonly accepted. For example, Wilson says he often encounters companies that use good encryption technology but do not encrypt every dial-up port. Very important, too, is that while cryptography may be an important component of the technology component of security, process (including policies and procedures) and people (including organization, training) also are key factors in successful security within the enterprise. “A lot of times they have a secure encryptor, but the dial-up port is open,” Wilson says. “They should look at secure modems for dial-in. The problem comes in the actual outside support for networks that have unsecured modems on them.”

78.4 Remember to Encrypt E-Mail

Russell says that, in his view, the most common mistake is in e-mail. “Information is sent all the time internally that is sensitive and accessible,” he says. “Ideas, contracts, product proposals, client lists, all kinds of stuff goes through e-mail, yet nobody considers it as an important area to secure. Nearly all organizations have underestimated the need to encrypt e-mail.”

Most firms are using encryption somewhere within their organization, particularly for secure Web pages. While this protects information at the front end, it does not protect it at the back end, according to Russell. “On the back end, inside the company, somebody could get that information,” he says. He suggests asking who should have access to it and how can it be kept out of everyone else’s hands.

“Anything you consider sensitive information that you don’t want to get into the wrong hands, you should consider encrypting,” Russell says. “It must be sensitive and potentially accessible. If a computer is locked in a vault and nobody can get to it, it doesn’t need encryption. If that computer is on a network, it becomes vulnerable.”

Russell suggests internal auditors ask the following questions when evaluating security applications.

78.4.1 Does the Vendor Have Credibility in Security Circles?

As security awareness has increased, so has the number of security start-ups. Many of them are unqualified, according to Russell. Look for companies that frequent security conferences, such as RSA Security Inc.’s annual conference. Also look for vendors that are recognized in security journals. Although doing this is not foolproof, it will narrow the field of credible vendors. Depending on the criticality of the system and the intended investment, it may be best to solicit the help of a security consultant.

78.4.2 Does the Product Use Well-Known Cryptographic Algorithms?

The marketing of security applications tends to be an alphabet soup of acronyms. For this reason, it is helpful to know which ones really matter. There are essentially three categories of algorithms: asymmetric key, symmetric key, and hashing. Asymmetric key algorithms are normally used for negotiating a key between two parties. Symmetric key algorithms are normally used for traffic encryption. And hashing is used to create a message digest, which is a number computationally related to the message. It is generally used in relationship with an asymmetric key algorithm to create digital signatures. It also should be noted that although these three categories of algorithms are typical of new systems that are being built today, there exist many legacy applications at larger companies using crypto-systems from the 1970s. Because of the high associated costs, many of these companies have not been retrofitted with the “appropriate” form of cryptography.

The following list represents a few of the more popular algorithms that are tried and true:

- RSA. Named after Rivest, Shamir, and Adleman who created it, this asymmetric key algorithm is used for digital signatures and key exchanges.
- **Triple DES.** This algorithm uses the Data Encryption Standard three times in succession in order to provide 112-bit encryption. If it uses three keys, then sometimes it is referred to as having 168-bit encryption.
- **RC4.** This is a widely used variable-key-size symmetric key encryption algorithm that was created by RSA. The algorithm should be used with 128-bit encryption.
- **AES.** Advanced Encryption Standard is a new symmetric key algorithm also known as Rijndael. This new standard is intended to replace DES for protecting sensitive information.
- **SHA1.** The Secure Hash Algorithm was developed by the U.S. government. This algorithm is used for creating message digests and may be used to create a digital signature.
- **MD5.** Message Digest 5 was created by RSA, and is used to create message digests. It is frequently used with an asymmetric key algorithm to create a digital signature.

### 78.4.3 Does the Product Use SSL v3.0?

Secure Sockets Layer v3.0 is a transport-layer security protocol that is responsible for authenticating one or both parties, negotiating a key exchange, selecting an encryption algorithm, and transferring data securely. Although not every application needs to send information to another computer using this protocol, using it avoids some of the possible pitfalls that may go unnoticed in the development of a proprietary protocol.

### 78.4.4 Does the Company Report and Post Bug Fixes for Security Weaknesses?

No product is ever perfectly secure, but some vendors want you to think they are. When a company posts bug fixes and notices for security weaknesses, this should be considered a strength. This means they are committed to security, regardless of the impression it might give otherwise.

### 78.4.5 Does the Product Use an Accepted Random Number Generator to Create Keys?

Random number generators are notoriously difficult to implement. When they are implemented incorrectly, their output becomes predictable, negating the randomness required. Regardless of the encryption algorithm used, a sensitive message can be compromised if the key protecting it is predictable. RSA is currently developing a standard to address this issue. It will be called PKCS #14.

### 78.4.6 Does the Product Allow for Easy Integration of Hardware Tokens to Store Keys?

Whenever keys are stored as a file on a computer, they are accessible. Often the business case will determine the level of effort used to protect the keys, but the best protection for encryption keys is hardware. Smart cards and PCMCIA cards are often used for this purpose. An application should have the ability to utilize these hardware tokens seamlessly.

### 78.4.7 Has the Product Received a Federal Information Processing Standards (FIPS) 140-1 Verification?

The National Institute of Standards and Technology (NIST) has created a government-approved standard, referred to as FIPS 140-1, for cryptographic modules. NIST created four levels, which correspond to increasing levels of security. Depending on whether the crypto-module is a stand-alone component or one that is embedded in a larger component, and whether the crypto-model is a hardware device or a software implementation, the crypto-module is subjected to varying requirements to achieve...
specific validation levels. Issues such as tamper detection and response are addressed at Level 3 (that is, the ability for the cryptographic module to sense when it is being tampered with and to take appropriate action to zeroize the cryptographic keying material and sensitive unencrypted information within the module at the time of tamper). Level 4 considers the operating environment and requires that the module appropriately handle cryptographic security when the module is exposed to temperatures and voltages that are outside of the normal operating range of the module. Because FIPS 140-1 validation considered both the design and implementation of cryptographic modules, the following 11 components are scrutinized during the validation:

1. Basic design and documentation
2. Module interfaces
3. Roles and services
4. Finite state machine model
5. Physical security
6. Software security
7. Operating system security
8. Key management
9. Cryptographic algorithms
10. Electromagnetic compatibility (EMC/EMI)
11. Self-test

“Although no checklist will help you to avoid every security weakness, asking these questions could help you to avoid making a potentially bad decision,” Russell says.

## 78.5 Resources

2. NIST Cryptographic Module Validation: http://csrc.nist.gov/