Using an Identity Confirmation Quiz
Indiana's Journey

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ID Quiz Journey

Agenda

- Background

- 4-year History

- Lessons Learned

- Key Observations

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ID Quiz Journey

2011-2012 Tax Years

- Pre-ID Quiz period
- "Fraud is a cost of doing business"
- Limited efforts to identify and stop fraud
- Little interaction with the taxpayer
- First time filers automatic paper check
- Extensive effort by IT team to make changes
- Refunds in 7-10 days

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Tax Year 2013

- ID Theft via SIRF identified as major problem
- New efforts: Vendor provides ID Confirmation Quiz
  - Right vendor
  - Obtain funding support
  - IT stressors
- **Key: Public Relations Campaign**
- Created workflows for quiz issues: exceptions, failed quizzes, etc.
- Hired Temporary phone staff (15)
- Added 8 full-time <u>fraud analysts</u> to Special Investigation Unit
- Refunds in 10-14 days

ID Quiz Journey

Tax Year 2013

Results:

- ALL taxpayers records (ID) sent to ID verification (3.2 million)
- 135,000 letters sent to take the quiz
- Call center: 32,000
- SIRF Outcome: $88 million in refund claims stopped

Lessons learned:
- New scenarios daily with no process to adjust quickly
- Paper imaging errors lead to false positives
- Began to see crooks migrate to valid identities
- No data analysis of aggregated return data used

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Tax Year 2013

Key Observation #1: Identities Matter!

Key Observation #2: Identities are only part of the fraud equation

Key Observation #3: Trend analysis identifies normal vs. abnormal

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Tax Year 2014

- Continued ID Quiz process
- Added a return evaluation solution from another vendor
  - Creation of filing patterns to combat fraud beyond ID
  - Patterns could be modified in near real time as we learned
- Reorganized: created Taxpayer Risk Investigation Unit (TRIU) with the eight analysts from SIU
  - Principle objective: validate identities in question
  - Secondary objective: process/correct returns
- Daily review meetings
- Refunds in 10-14 days
- Continued extensive PR Campaign

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ID Quiz Journey

Tax Year 2014

Results:

- ALL taxpayers records (ID) sent to ID verification (3.2 million)
- 240,000 letters sent to take the quiz
- Call center: 77,000 calls
- SIRF: $12 million

Lessons Learned:

- Crooks switch to real identities (stolen)
- Crooks tried to pass the quiz before victims received letters!
- Crooks fast at analysis and behavior modification
- Daily meeting critical!

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Tax Year 2014

Key Observation #4: Daily meetings critical

Key Observation #5: $$ and ## fraud stopped can be a misleading indicator! Results plus deterrence!

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Tax Year 2015 (so far)

- Retained two key vendor programs/support

- Began <u>bulk analysis</u> of return data

- Contracted additional help on onsite analysis (2 data analysts)

- One day modifications of patterns

- Data analysis identified fraud by tax preparers

- Focus shift: Confirm good returns and get refunds out the door!

- Refunds in 10-14 days

- Continued extensive PR Campaign

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ID Quiz Journey

Tax Year 2015 (so far)

Results:

- 210,000 quiz letters sent (anticipate same as last year)
- Call center: 55,000
- $4.6 million fraud stopped via SIRF
- Refunds in 10-14 days

Lessons Learned:

- Once the organized crime element of ID fraud is driven away, local fraud is easier to see
- IP address and bank account information is critical
- ID Confirmation Quiz is STILL a deterrent

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Tax Year 2015 (so far)

- Key Observation #6: Geography is important. Addresses, bank accounts, IP addresses combined with others demonstrate fraud not apparent with just ID confirmation

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General Observations:

1. ID Fraud continues

2. Much of it is now using legitimate, established, stolen identities

3. ID Quiz continues to be a valuable deterrent

4. Criminals are getting more sophisticated

5. Look for the little crooks now – most are local

6. Use the right tools and techniques, and you can still issue refunds relatively quickly

   But: Conduct an active and extensive PR Campaign to support your efforts.

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Members of our team will present this same material in greater detail at the FTA Tech Conference in Pittsburgh in August

QUESTIONS?

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