Software Vendor Compliance Steps and Use of Ultimate Bank Account Data

Presented by
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Indiana’s Philosophy

1. Collaborative effort with vendors essential to impact problem – leverage their resources

2. Requires multiple third party vendors with unique strengths – no magic bullets

3. Dynamic environment requires agility and adaptive responses – constant communication

4. Measure results and hold vendors accountable
Key Indiana Fraud Vendors

1. Lexus Nexis – ID validation
2. Revenue Solutions, Inc. (RSI) – pre-filter
3. SAP HANA – data & trend analytics
4. Supplemented by our own team and collaboration with states and IRS
Indiana’s Process

“Houston – we have a problem!”
Indiana’s Process

1. Identify outside vendor resource (LexisNexis)
   * Easy & quick implementation
   * National database access
   * Confirmation quiz

2. Set-up a “pre-filter” tool (RSI)
   * Defines parameters
   * Flexible and agile
   * Incorporates case management
Indiana’s Process

3. Communicate with taxpayers (PR)
4. Recruit right staff
5. Integrate into normal business process
6. Execute formal agreements and reporting with software vendors
7. Currently working on SAP HANNA
Quiz Survey

How severe is the problem of identity theft in Indiana?

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not a problem/a small problem</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>I’m not sure</td>
<td>62%</td>
<td>50%</td>
</tr>
<tr>
<td>A big problem/an epidemic</td>
<td>28%</td>
<td>42%</td>
</tr>
</tbody>
</table>
## Year over Year

<table>
<thead>
<tr>
<th></th>
<th>CY2014</th>
<th>CY2015 (a/o June 12)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quiz Letters Sent</td>
<td>130,438</td>
<td>231,626</td>
</tr>
<tr>
<td>Online Quiz Success</td>
<td>71%</td>
<td>74%</td>
</tr>
<tr>
<td>Quiz Never Attempted</td>
<td>44,030</td>
<td>29,421</td>
</tr>
<tr>
<td>Confirmed Stolen IDs</td>
<td>~5,000</td>
<td>7,304</td>
</tr>
<tr>
<td>Fraud Returns Confirmed</td>
<td>78,218</td>
<td>3,976</td>
</tr>
<tr>
<td>Confirmed Fraud Stopped</td>
<td>$92,728,805</td>
<td>$11,418,954</td>
</tr>
<tr>
<td>Credit fraud detected</td>
<td>N/A</td>
<td>$23,544,000</td>
</tr>
</tbody>
</table>
## Refund Fraud – Last Year

<table>
<thead>
<tr>
<th></th>
<th>Number</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refunds processed</td>
<td>2,146,844</td>
<td>$703,957,000</td>
</tr>
<tr>
<td>Refund fraud suspected</td>
<td>78,218</td>
<td>$88,000,000</td>
</tr>
<tr>
<td>Percent</td>
<td>3.5%</td>
<td>12.5%</td>
</tr>
</tbody>
</table>
## Refund Fraud – Current Year

**Preliminary Estimate**

<table>
<thead>
<tr>
<th>Number</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 Returns:</td>
<td></td>
</tr>
<tr>
<td>Refunds processed</td>
<td>1,986,423  $604,363,000</td>
</tr>
<tr>
<td>Refund fraud suspected</td>
<td>33,397  $38,000,000</td>
</tr>
<tr>
<td>Percent</td>
<td>1.7%  6.3%</td>
</tr>
</tbody>
</table>

6/18/15

INDIANA DEPARTMENT OF REVENUE
Not Just the Money

End of CY2013: more than 43,000 identity fraud work items remaining

End of CY2014: 26,000 identity fraud work items remaining

Today: less than 18,000 identity fraud backlog (including 2014!)
Vendor Product Grading Matrix

1. Fraud & Validation:
   * Number of returns suspected of fraud
   * Percent of returns suspected of fraud
   * Percent of state only returns
   * Bonus – proactive in identifying and reporting fraud

2. Preparedness & Accuracy
   * Forms approved timely
   * Testing success
   * Overall accuracy
   * Number of mistakes found after certification
   * Speed of responses for problem fixes
   * Percent of returns rejected

3. Qualitative
   * Supports device ID
   * Supports all required returns and schedules
   * Volume of returns
   * Supports INfreefile
   * Bonus points for cooperation and innovativeness
Vendor Product Grading Matrix

2015 Results

39 vendor products evaluated

Maximum Score 112 Points
High Score 82 points
Low Score 46 points
Average 60.6 points
Using Ultimate Bank Account Data

1. Tracking ABA direct deposit info can be very powerful – particularly identifying changing number

2. Sharing of “BAD” ABA numbers great & easy tool among states, vendors, and IRS

3. Subpoenaing bank account data is good starting point in investigatory path

4. Use of stolen ID information at multiple levels and use of debit cards continues to be most vexing problem
Protect the Innocent and Take the Criminals Away