



INDIANA DEPARTMENT OF REVENUE

Software Vendor Compliance Steps and Use of Ultimate Bank Account Data

Presented by
Mike Alley, Indiana Department of Revenue
June 17, 2015

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?

	2014	2015
Not a problem/ a small problem	10%	8%
I'm not sure	62%	50%
A big problem/an epidemic	28%	42%



Year over Year

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



Refund Fraud – Last Year

	Number	Value
2014 Returns:		
Refunds processed	2,146,844	\$703,957,000
Refund fraud suspected	78,218	\$88,000,000
Percent	3.5%	12.5%



Refund Fraud – Current Year

Preliminary Estimate

	Number	Value
2015 Returns:		
Refunds processed	1,986,423	\$604,363,000
Refund fraud suspected	33,397	\$38,000,000
Percent	1.7%	6.3%



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

