

# Identity Theft Tax Refund Fraud – Information Sharing and Analysis Center (IDTTRF-ISAC) Partnership

**2018**



# The Identity Theft Threat to Our Nation's Tax System

TLP:WHITE

Over 150 million households file federal and state tax returns each year, amounting to trillions of dollars flowing through the tax ecosystem.



Criminals target the highly sensitive personal information in these returns, threatening the integrity of the nation's tax system.



Nearly 10 billion data records have been lost or stolen since 2013.\* Thieves often use the dark web or initiate pay-offs to secure personal data, including stolen Social Security numbers.

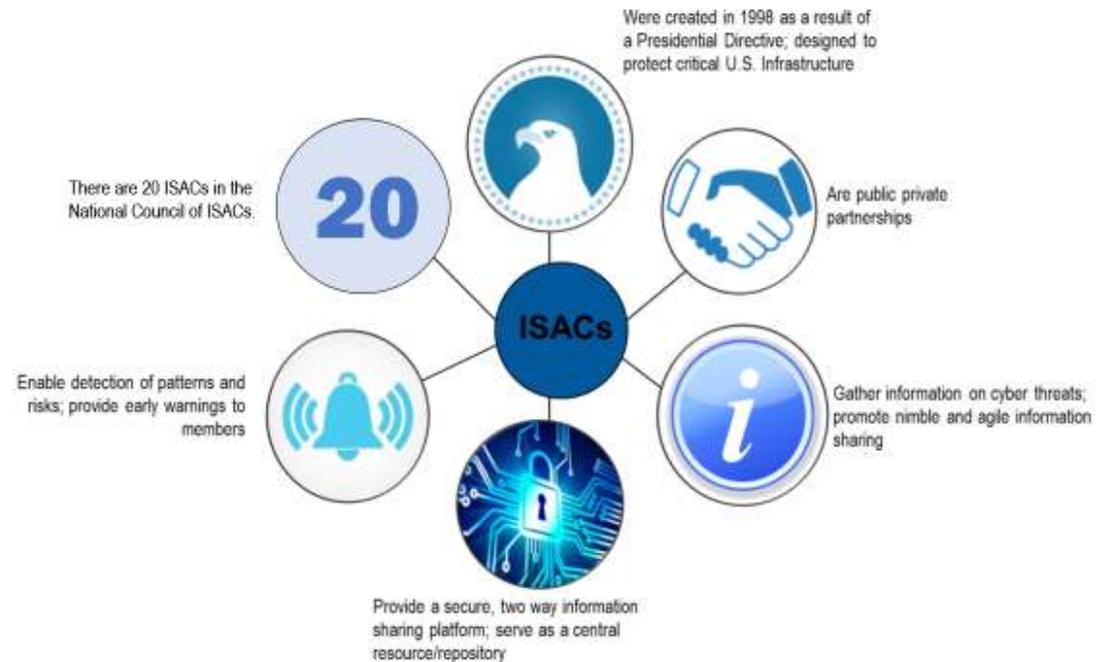
\*<https://breachlevelindex.com/>



# Looking at the Problem Holistically

Recognizing that the IRS could not fix identity theft tax refund fraud alone, IRS convened the first public-private sector Security Summit in March 2015 to identify cooperative and collaborative steps to protect taxpayers and the integrity of the federal and state tax systems. One of the Summit's many initiatives was the recommendation to establish the Identity Theft Tax Refund Fraud - Information Sharing and Analysis Center (IDTTRF-ISAC) – an ideal venue for a public/private partnership to resolve the challenges of sharing critical data among stakeholders.

- ISACs facilitate the sharing of information between two or more parties when it would not necessarily happen otherwise.
- ISACs are designed to motivate the private sector to share information with the public sector without fear that the information will be used against them.
- Some ISACs also provide limited liability protection for private sector organizations who share information.





# Formation of the IDTTRF-ISAC

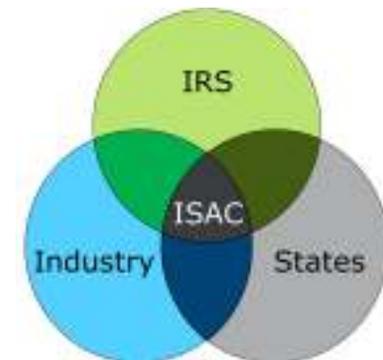


## Mission

The mission of the Identity Theft Tax Refund Fraud Information Sharing and Analysis Center is to provide a secure platform via a sustainable public/private partnership, to facilitate information sharing consistent with applicable law, and analytics necessary to detect, prevent, and deter activities related to stolen identity refund fraud.

## Vision

Our vision, as a public/private partnership, is a tax ecosystem where taxpayers can confidently file their taxes safely and securely.



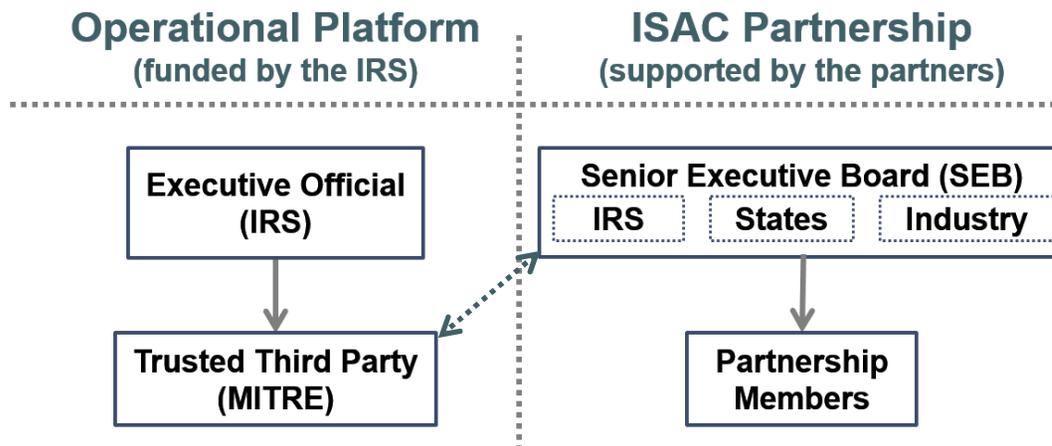
**Glossary:** American Coalition of Taxpayer Rights (ACTR), Council for Electronic Revenue Communication Advancement (CERCA), FreeFile Alliance (FFA), Federation of Tax Administrators (FTA)



# How the IDTTRF-ISAC Works

The IDTTRF-ISAC consists of two parts that operate independently:

- The **ISAC Operational Platform**, managed by the IRS and operated by MITRE, the Trusted Third Party (TTP), provides the technological mechanism for the ISAC partnership to share information and obtain analysis. The TTP serves as the connecting point between the Operational Platform and the Partnership.
- The **ISAC Partnership** is managed by the Senior Executive Board which consists of equal representation (five members each) from across IRS, States, and the tax industry.



*While the technology and analytical services for the ISAC are provided by the TTP and sponsored by the IRS, the Partnership is independent.*

*The purpose of the Partnership is to be a vehicle for collaboration among the members of the tax ecosystem to improve our collective ability to prevent identity theft tax refund fraud at the federal, state and local levels.*



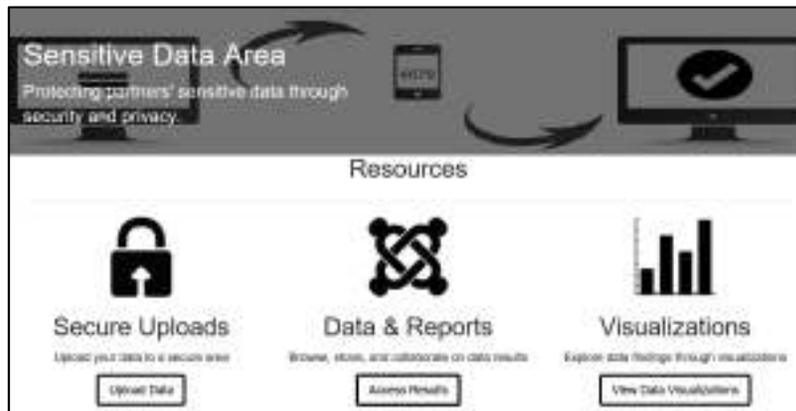
# What the ISAC Offers

Post, read and respond to **alerts** – reports of any tax ecosystem threats – in near-real-time within the ISAC’s secure\* environment.

This is like a neighborhood listserv for the tax ecosystem, with immediate reports of breaches, compromised identification numbers, or other suspect data.

Share knowledge, best practices and concerns related to the detection and prevention of IDTTTF through the **Analysts’ Community of Practice (ACoP)**.

The ACoP is an active forum of analysts who meet to share techniques and findings in a trusted environment.



Receive **analytics** daily that are tailored to the partner’s organization, delivered in digestible formats and easily viewed through visualization tools.

The ISAC conducts analytics on numerous datasets looking for suspicious activity. One dataset is **industry leads** – reports of IDTTTF patterns, suspicious activity, and suspected fraud – which the ISAC aggregates and anonymizes. Dashboard metrics are updated on a live basis as data flows into the ISAC.

\*NIST 800-53 and IRS Publication 4812 compliant - two-factor authentication



# How Members Use the ISAC

## 1. Obtaining analyzed leads and alerts

Members download analytics including aggregated data (leads, alerts and other sources). They are notified immediately when an ISAC partner posts an alert on the portal reporting known or suspicious fraudulent activity.

*“We’ve been able to set more flags based on what we’ve learned. We usually haven’t looked at zero refund returns, but learned from other states these could be compromised, with the fraudster setting up accounts so they could come back later asking for large refunds.”*

*“It was gratifying to get a lot of responses to a posted alert. It just always makes you feel good that you’ve contributed.”*

## 2. Validating fraud detection filters

Members compare leads data to their own to see if their filters are catching the same issues and whether refinements are needed.

## 3. Collaborating and sharing information

Members view the ISAC as an opportunity to expand their network while sharing knowledge and best practices in a trusted environment.

*“Its unique value is allowing us to engage with other states and industry and see what they’re doing. We can share common points of view as well as differing ones, which helps us think outside the box of what we’re currently doing.”*



# Measuring Success of the First Year

From the proof of concept in 2016 to its operational pilot in 2017, the ISAC’s key accomplishments are highlighted across three measures:

- Levels of industry and state participation in the ISAC
- Volume and quality of alert and data contributions that identify ecosystem threats
- Volume and quality of ISAC’s data analysis to identify suspected fraud

## >400% increase in membership since January 2017

**A Total of 68 Participating Organizations with 434 Users**

Organizations	Users
45 States*	250
14 Industry	70
3 Financial Institutions	16
5 Endorsing Organizations	10
IRS	80

\*30 States have joined as full participants – sharing and receiving alerts as well as sharing and receiving data and analytics  
 15 States have joined the Collaboration Site – sharing and receiving alerts.

	2018 (January – June)	2017 (January – December)
<b>Alerts Posted</b>	93	71
<b>Industry Leads Submitted</b>	1.3M	2M

**During the 2018 filing season, partner organizations accessed datasets analyzed by the ISAC more than 700 times.**



# Looking Ahead

- **Grow breadth and depth of membership and participation**  
The ISAC will continue to grow member participation from private sector and other government agencies, and provide opportunities to deepen members' participation with clear guidelines and an easy-to-use system.
- **Build member capabilities and deepen engagement**  
The ISAC will develop more opportunities through the Analysts' Community of Practice to teach fraud analysts new methods of fighting fraud and how to improve their own analysis.
- **Improve technical capabilities**  
The ISAC will continue building analytical capabilities within the ISAC portal, improve ease of use, and create a full circle of feedback for members.
- **Partner with other entities that identify ecosystem threats**  
The ISAC will investigate new opportunities for partnership and build engagement with other threat-monitoring organizations to deepen threat intelligence.
- **Improve threat identification and sharing**  
Legal and regulatory developments may increase the ISAC's capability to seamlessly share aggregated information.