

# IDENTIFYING IDENTITY THEFT TAX

## REFUND FRAUD USING FORENSIC ANALYTICS

parked car. When the vehicle was searched, police found more than \$300,000 in cash and money orders and numerous debit cards. During that incident, while Osula was in a police car and waiting to be questioned, he ate a debit card.

66. **REFUND** (Amount to be sent to you. Subtract Line 65 from Line 57)

30. Refund due you (subtract line 29 from line 26)..... **REFUND**

31. Total amount due the State (line 25 plus line 28) *PAY THIS AMOUNT*..... **PAY THIS AMOUNT**

Direct  
Deposit  
of Refund

CHECKING

SAVINGS

ROUTING NUMBER

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Questions or comments

## Cracking the Code of Identity Theft Tax Refund Fraud

Identity theft tax refund fraud has increased in popularity among fraudsters over the past few decades, beginning in the late 1980's or early 1990's. While diverse strategies of identity theft tax refund fraud exist, the same general outline applies in every case of this type of fraud.

First, the fraudster must obtain personal identification information ("PII"). In general terms, PII is simply any information that someone uses to uniquely identify them. Full names, Social Security Numbers, and Dates of Birth are the most common and all that is really needed to perform identity theft tax refund fraud. This information can be obtained in several ways. Some fraudsters obtain this information through their employment situation. Medical organizations, tax preparation, prisons – any institution that requires people to give out their personal information in order to receive the service – house large amounts of PII. For those working in these settings, the opportunity cost of theft decreases, which explains why so many fraudsters come from these industries. Another common way for fraudsters to obtain this information is to purchase this information from those who have access to it.

Second, the fraudster must use PII to file a false and fraudulent return. Once he or she has the PII, it is a matter of adjusting data on the tax return or manufacturing data, so as to inflate the refund. The go-

Identity theft tax refund fraudsters utilize a variety of methods to engage in their criminal activities, and while different fraudsters prefer different methods, the vast majority of all of identity theft tax refund fraud falls into the following eight categories: inmate, tax preparation, medical information,

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deceptive fraud, deceased, family connections, professional connections, and combination fraud. As will be shown to be obvious in every instance of identity theft tax refund fraud, someone has close access to personal identification information and abuses the lack of or extremely limited controls guarding this sensitive information.

|    | A        | B                               | C        | D      |
|----|----------|---------------------------------|----------|--------|
| 1  | Reporter | State                           | Region   | Counts |
| 2  | USAO     | Alabama                         | Middle   | 3      |
| 3  | USAO     | Alabama                         | Northern | 4      |
| 4  | USAO     | Alaska                          | NA       | 11     |
| 5  | USAO     | Arizona                         | NA       | 1      |
| 6  | USAO     | Arkansas                        | Eastern  | 1      |
| 7  | USAO     | Arkansas                        | Western  | 1      |
| 8  | USAO     | California                      | Central  | 12     |
| 9  | USAO     | California                      | Eastern  | 32     |
| 10 | USAO     | California                      | Northern | 3      |
| 11 | USAO     | Connecticut                     | NA       | 6      |
| 12 | USAO     | District of Columbia            | NA       | 11     |
| 13 | USAO     | Florida                         | Middle   | 72     |
| 14 | USAO     | Florida                         | Northern | 13     |
| 15 | USAO     | Florida                         | Southern | 107    |
| 16 | USAO     | Georgia                         | Middle   | 5      |
| 17 | USAO     | Guam & Northern Mariana Islands | NA       | 1      |
| 18 | USAO     | Idaho                           | NA       | 27     |
| 19 | USAO     | Illinois                        | Northern | 2      |
| 20 | USAO     | Illinois                        | Southern | 2      |
| 21 | USAO     | Indiana                         | Northern | 4      |
| 22 | USAO     | Iowa                            | Northern | 5      |
| 23 | USAO     | Iowa                            | Southern | 1      |
| 24 | USAO     | Kansas                          | NA       | 2      |
| 25 | USAO     | Kentucky                        | Western  | 1      |
| 26 | USAO     | Lousiana                        | Eastern  | 11     |
| 27 | USAO     | Lousiana                        | Middle   | 9      |
| 28 | USAO     | Maine                           | NA       | 5      |
| 29 | USAO     | Maryland                        | NA       | 47     |