



**NASCIO 2017 State IT Recognition Awards**



**Title:** Fraud Management Solution

**Category:** Improving State Government Operations

**State:** Georgia

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**Project Initiation Date:** August 24, 2015

**Project Completion Date:** February 1, 2016

## EXECUTIVE SUMMARY

Tax refund fraud has emerged as a major form of identity theft in recent years.

During the first nine months of 2016, the Internal Revenue Service received 237,750 affidavits from people stating they had been victimized by identity theft. In addition, the IRS confirmed that 787,000 fraudulent tax returns made it into the agency's tax return processing system during the same time period.

In fact, IRS Commissioner John Koskinen described Florida, Georgia and the District of Columbia as “three hotbeds of identity theft.”

The scope of tax refund fraud led to an intensive crackdown by federal and state tax officials in recent years, including the Georgia Department of Revenue (DOR). To strengthen their efforts at combating fraud, DOR leaders implemented the GenTax® Fraud Management Solution (FMS) from Fast Enterprises. FMS was seamlessly incorporated into DOR's Integrated Tax Solution, which consolidates 23 disparate tax systems into a single platform and provides DOR agents with instant access to a taxpayer's total tax picture.

Implementation of the FMS resulted in a 100 percent increase in tax and identity theft detection in the first tax season following its deployment, thereby saving the state \$98 million in fraud prevention.



## CONCEPT

The Georgia Department of Revenue (DOR) initiated its Fraud Management Solution (FMS) project to meet the goal of providing a technically integrated fraud management environment capable of detecting and preventing tax fraud and identity theft. The project team chose the GenTax® FMS because of its cutting-edge, dependable technology and its ability to accommodate DOR's requirements through configuration as opposed to creating or modifying program code. Being able to seamlessly incorporate the GenTax® FMS into DOR's Integrated Tax System constituted a significant advantage.

The GenTax® FMS provides DOR's Fraud Business Team with real-time reporting and analytics, as well as providing the ability to systematically manage fraud rules and statistics, fraud workflow management and data analytics modeling to exponentially improve the efficiency and effectiveness of fraud-management business processes.

**DOR used a formal project-management process to implement the GenTax® FMS.**

**The FMS Project Team included the following stakeholders:**

- FMS Project Lead Team
- Project manager
- Project business owner
- DOR's Executive Team
- DOR's Board of Directors

The FMS Project Lead Team approved the risk management strategy and reviewed all change-management requests. In addition, the project included quality assurance and user acceptance testing. Project costs totaled \$1.2 million.

Implementation was completed by the start of the 2015 tax return season and resulted in a 100 percent increase in tax and identity theft detection, thereby saving the state \$98 million in fraud prevention.



## SIGNIFICANCE

Fraud rules are the criteria used to determine if a tax return should be held on suspicion of fraud. These rules also provide statistical data for cross-year comparisons. Prior to the GenTax® FMS implementation, DOR lacked a systematic



way to score tax returns for tax or identity theft, and DOR's Fraud Business Team was unable to identify tax data for creating effective fraud rules. The team also lacked any software tools to perform fraud rule impact analysis ("what if" results).

Many processes were performed manually and were time-consuming. For example, staff used manual processes to identify possible fraud patterns and to report statistics to DOR's Executive Team. Tax returns flagged for possible fraud had to be manually re-evaluated, and it was possible to detect only one category of fraud for each tax return. Tax returns flagged for potential fraud were inaccessible to other business units until the return was released from Fraud Hold.

The successful implementation of the GenTax® FMS resolved each of these issues and made it possible to identify complex fraud patterns through automated processes



with enhanced scoring and search capabilities. Fraud detection was further strengthened through cloud access to federal, state and other data sources. As a result of these enhancements, individual returns can be evaluated for multiple fraud categories at one time.

Meanwhile, the staff is able to quickly and easily update fraud rules and conduct an impact analysis of the changes, and DOR's Executive Team can rely on the availability of real-time statistical reporting to guide their decision-making.

Through the data analytics modeling made possible by the GenTax® FMS, DOR staff can more accurately predict tax fraud and identity theft.



## IMPACT

The FMS project is a major component of a multi-faceted approach to combat tax refund fraud and identity theft. DOR's approach also involves educating taxpayers and providing tools they can use to strengthen their protection efforts.

For example, DOR encourages Georgia taxpayers to register with the Georgia Tax Center at <https://gtc.dor.ga.gov>. Taxpayers can then check the status of their tax returns and opt in to receive alerts when a tax return has been filed using their Social Security number.

DOR also advises taxpayers to adjust their payroll withholdings so they can receive their earnings benefits throughout the year.

**DOR implemented business-process changes for both individuals and businesses to lessen opportunities for tax refund fraud and identity theft.**

### FOR INDIVIDUALS:



- DOR began processing 2016 individual income tax returns on February 1, 2017.
- It may take more than 90 days from the date of receipt for DOR to process a return and issue a refund.
- All first-time Georgia income tax filers or taxpayers who have not filed in Georgia for at least five years will receive their refund in the form of a paper check.

### FOR BUSINESSES:



- Businesses are now required to file employee W-2 information by January 31 instead of prior years' filing date of February 28.
- Employers who file late may face penalties.

**In concert with these and other changes, the GenTax® FMS accounted for \$98 million in fraud prevention in 2016. While estimating savings for future years is difficult, DOR is confident of its leadership role in combating fraud and providing dramatic cost savings for Georgia's taxpayers.**