

# Fraud Prevention Efforts PowerPoint

Franchise Tax Board Meeting

Friday, September 23, 2022

## Slide 1: Fraud Prevention Efforts

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## Slide 2: Fraud / Identity Theft

- PIT refund fraud is the most common fraud seen by FTB
- PIT refund fraud increases due to
  - Corporate phishing
  - Tax preparer takeovers
  - Corporate data breaches
- Refundable tax credits may increase risk of fraud

## Slide 3: Criminal Behavior Fraudsters and Their Victims

Most common types of data breaches

- Tax professionals
- Employers
- Payroll
- Government agencies

## Slide 4: Fraud Process Summary

- Filed returns undergo fraud analytic scoring models and fraud rule hierarchy
- Fraud Modeling Team process
  - Analyze selected returns for the risk of fraud
    - 65% of the returns are allowed
    - 35% result in an initial notice to taxpayer for additional information
- Our objective is to stop imposter returns

## Slide 5: Taxpayer Contact to Resolve Case

- Identity theft notices
  - FTB Form 3904, *Tax Return Filed – Confirmation Required*
    - Allows for phone resolution through enhanced verification
  - FTB Form 4734D, *Tax Information and Document Request*
    - Requests for additional tax information and documents
  - FTB Form 4502, *Additional Documentation Required – Refund Pending*
    - Request for additional documentation

- Promotes fraud prevention and expediting legitimate refunds

## Slide 6: FTB Contact Validation

A screenshot from our website [www.ftb.ca.gov/help/scams/identity-theft.html](http://www.ftb.ca.gov/help/scams/identity-theft.html) displays how to report identity theft to us through mail, phone, or fax.

- We encourage taxpayers to verify the authenticity of a notice from FTB
- Validation methods
  - Form number look-up on [ftb.ca.gov](http://ftb.ca.gov)
  - Provide FTB's main customer service phone number

## Slide 7: Customer Experience

### Process Year to Year Comparison

Average FADS Return Processing Time			
	2021	2020	2019
All Returns That Came To Fraud: Average Days to Process	21 Days	21 Days	20 Days
System/Modeling Team Released Returns: Average Days to Process	7 Days	7 Days	8 Days

## Slide 8: FADS Improper Payments Prevented

### Process Year to Year Comparison

FADS Metrics			
Calendar Year	2021	2020	2019
Total PIT Returns	21,125,102	20,243,317	19,646,703
% Overall Inventory Failed Fraud Rule	5%	5%	5%
Returns Cancelled / Adjusted	101,499	122,674	95,495
Revenue Saved	\$569 Million*	\$188 Million	\$98 Million
*Includes \$31 million in GSS 1 and 2 revenue saved			

## Slide 9: Going Forward

- Fraudulent refund attempts still increasing
- Criminals constantly change their approach
- We will continue to grow and improve our prevention efforts

## Slide 10: Questions?

## Slide 11: Public Comment