Slide 1: Fraud Prevention Efforts
Presenters' Names: Stacy Smith and Scott Reid – Filing Division
September 23, 2022

Slide 2: Fraud / Identity Theft
• PIT refund fraud is the most common fraud seen by FTB
• PIT refund fraud increases due to
  o Corporate phishing
  o Tax preparer takeovers
  o 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
  o 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
  o FTB Form 3904, Tax Return Filed – Confirmation Required
    ▪ Allows for phone resolution through enhanced verification
  o FTB Form 4734D, Tax Information and Document Request
    ▪ Requests for additional tax information and documents
  o 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
  o Form number look-up on ftb.ca.gov
  o Provide FTB’s main customer service phone number

**Slide 7: Customer Experience**
Process Year to Year Comparison

<table>
<thead>
<tr>
<th>Average FADS Return Processing Time</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Returns That Came To Fraud:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Days to Process</td>
<td>21 Days</td>
<td>21 Days</td>
<td>20 Days</td>
</tr>
<tr>
<td>System/Modeling Team Released</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Returns:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Days to Process</td>
<td>7 Days</td>
<td>7 Days</td>
<td>8 Days</td>
</tr>
</tbody>
</table>

**Slide 8: FADS Improper Payments Prevented**
Process Year to Year Comparison

<table>
<thead>
<tr>
<th>FADS Metrics</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calendar Year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total PIT Returns</td>
<td>21,125,102</td>
<td>20,243,317</td>
<td>19,646,703</td>
</tr>
<tr>
<td>% Overall Inventory Failed Fraud Rule</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Returns Cancelled / Adjusted</td>
<td>101,499</td>
<td>122,674</td>
<td>95,495</td>
</tr>
<tr>
<td>Revenue Saved</td>
<td>$569 Million*</td>
<td>$188 Million</td>
<td>$98 Million</td>
</tr>
</tbody>
</table>

*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**