

# GAO Highlights

Highlights of [GAO-18-20](#), a report to congressional committees

## Why GAO Did This Study

IRS estimates that fraudsters attempted at least \$14.5 billion in IDT tax refund fraud in tax year 2015. Since 2015, GAO's High-Risk List has included IRS's efforts to address IDT refund fraud. Starting with its March 2015 Security Summit, IRS has partnered with state tax administrators and tax preparation companies, among others, on initiatives aimed at better preventing and detecting IDT refund fraud.

GAO was asked to examine IRS's efforts to collaborate with these partners. This report, among other things, (1) describes actions taken to implement the ISAC and RRT, (2) evaluates the extent to which the ISAC pilot aligns with leading practices for pilot design, and (3) identifies actions, if any, that IRS could take to improve the ISAC pilot.

GAO reviewed planning and other documents on the initiatives. It interviewed IRS and state officials and industry and trade organization representatives, among others involved in the ISAC and RRT. GAO also conducted four non-generalizable focus groups with state and industry partners.

## What GAO Recommends

GAO recommends IRS ensure (1) the ISAC better aligns with leading practices for effective pilot design, and (2) the ISAC Partnership develops an outreach plan to expand membership and improve understanding of the ISAC's benefits. IRS and the ISAC Board state and industry co-chairs agreed with the recommendations.

View [GAO-18-20](#). For more information, contact Jessica Lucas-Judy at (202) 512-9110 or [lucasjudj@gao.gov](mailto:lucasjudj@gao.gov).

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## IDENTITY THEFT

### Improved Collaboration Could Increase Success of IRS Initiatives to Prevent Refund Fraud

## What GAO Found

The Internal Revenue Service (IRS) launched an Identity Theft Tax Refund Fraud Information Sharing and Analysis Center (ISAC) pilot for the 2017 filing season. It aims to allow IRS, states, and tax preparation industry partners to quickly share information on identity theft (IDT) refund fraud. The ISAC pilot includes two components: an online platform run by IRS to communicate data on suspected fraud, and an ISAC Partnership, a collaborative organization comprised of IRS, states, and industry, which is intended to be the governance structure. As of November 2017, the ISAC had 48 members: 31 states (including full members and those receiving alerts only), 14 tax preparation companies, and 3 financial institutions. In addition, IRS is using a Rapid Response Team (RRT) in partnership with states and industry members to coordinate responses to IDT refund fraud incidents that pose a significant threat within 24 to 72 hours of being discovered. IRS deployed the RRT for six incidents in 2016 and once in 2017.

GAO found that the ISAC pilot aligns with key aspects of all five leading practices for effective pilot design GAO previously identified, but none fully. For example, IRS has worked to incorporate stakeholder input, but its message about the ISAC's benefits has not fully reached states. Further, IRS does not have criteria for assessing whether the pilot's objectives have been met. Without this assessment and better alignment with leading practices, IRS, its partners, and Congress will have difficulty determining the effectiveness of the pilot and whether to implement it more broadly.

Leading practice	GAO assessment
<b>STAKEHOLDER COMMUNICATION</b>	mostly aligned 
<b>OBJECTIVES</b>	mostly aligned 
<b>SCALABILITY</b>	partially aligned 
<b>ASSESSMENT</b>	minimally aligned 
<b>DATA-ANALYSIS PLAN</b>	minimally aligned 

Source: GAO assessment of ISAC pilot alignment with leading practices. | GAO-18-20

IRS has taken actions to improve the ISAC pilot, but the ISAC Partnership does not have an outreach plan. While the ISAC Senior Executive Board limited industry participation to partners who participated in its Security Summit, the ISAC has obtained support from trade organizations. However, officials from almost all states represented in our focus groups noted that they either had not used, or were unfamiliar with, the ISAC-specific resources. While the ISAC Board has taken steps to engage stakeholders, the ISAC Partnership does not have an outreach plan to increase membership and improve states' and industry partners' understanding of the ISAC's benefits. Without such a plan, less effective collaboration is likely among stakeholders and opportunities to prevent IDT refund fraud may be missed.