IRS Data Security

Employer Conference 2018

State Social Security Administrator

Melanie Helmick

Is Your Data Secure?

Is your data secure?

IRS Security Summit

- 2015: 512,278 taxpayers filed affidavits with the IRS claiming to be a victim of tax fraud.
- 2016: IRS Security Summit.
- The dollar amount of suspect refunds dropped to $239 million in 2016 from $829 million in 2015.

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IRS Security Summit

- **2017 education campaign continued for taxpayers, tax professionals.**
  - Email was full of IRS tax scam alerts.
- **2018 IRS Tax Forum**
  - Focus is cyber security.

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Local Cyber Attacks

This can happen to you!

- **July 28, 2018**
  - City of Valdez computer systems shut down.
  - FBI cyber crimes unit is assisting investigation.

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Local Cyber Attacks

This can happen to you!

- **July 31, 2018**
  - Mat-Su Borough declared a disaster:
    - Called a "terrorist attack" by Mat-Su assembly member,
    - IT Director: "Definitely by an organization that wanted to cause CHAOS in our country",
    - Estimated cost to repair: $750,000,
    - Single file via Outlook email is suspected.

Local Cyber Attacks

This can happen to you!

- **August 17, 2018**
  - Chinese hackers scanned Alaska computers in response to the Governor's trade mission that visited China last March.
    - Department of Natural Resources,
    - Governor's Office,
    - One million Alaska connections made.

Protecting Your Data

- **Protecting taxpayer data is the law,**
  - FTC Safeguards Rule.
- Federal Trade Commission has authority to set and has set data safeguard regulations for financial institutions,
  - "Financial institutions" includes tax preparers.

Government employers **should** follow these industry standards.

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Is Your Data Secure?

Today:

- Understand basic security steps and how to take them,
- Recognize the signs of data theft,
- How to report data theft, and
- Respond and recover from data loss.

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Understanding Basic Security Steps and How to Take Them

Understand and Take Basic Security Steps

- Recognize phishing emails,
- Create a data security plan,
- Use security software,
- Use strong passwords,
- Back up sensitive data to a safe and secure external location,
- Wipe clean or destroy old computers, and
- Limit access to those who need to know.

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Understand and Take Basic Security Steps

Recognize Phishing Emails:

- IRS emails,
- Embedded links,
- Attachments,
- Tax software, and cloud storage providers.

Understand and Take Basic Security Steps

Create a data security plan:

- Talk to your entity's IT personnel,
- If you are the IT personnel, refer to:
  - IRS Publication 4557.
    - Safeguarding Taxpayer Data and Small Business Information Security—The Fundamentals, by the National Institute of Standards and Technology.

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Understand and Take Basic Security Steps

Use Security Software.

- Anti-virus:
  - Prevents bad software from causing damage to a computer.
- Anti-spyware:
  - Prevents software from stealing info that is on a computer or processed through a system (e.g. QuickBooks).

Understand and Take Basic Security Steps

Use Security Software.

- Firewall:
  - Blocks unwanted connections.
- Drive Encryption:
  - Protects information from being read on computers, tablets, lap tops and smartphones if they are lost, stolen, or improperly discarded.

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Understand and Take Basic Security Steps

Use Strong Passwords.

- Minimum of eight characters,
- Use letters, numbers and symbols,
- Avoid personal information or common passwords,
- Change default and temporary passwords,
- Opt for PHRASES,
- Do not reuse passwords,
- Store passwords in a secure location, and
- Don't share your passwords.

The awkward moment when you type your password into the username section and you hope that no one saw it.

Understand and Take Basic Security Steps

More tips:

- Backup Sensitive Data to a safe and secure external location.
- Know your companies Disaster Plan.

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Understand and Take Basic Security Steps

Wipe clean or destroy old computers!

Understand and Take Basic Security Steps

Limit access to those who need to know.

- Limit taxpayer data to individuals who need to know.

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Recognizing Signs of Data Theft

Recognizing Signs of Data Theft

Emails not sent by you:

- Be aware of customers who may get information requests that you did not send.

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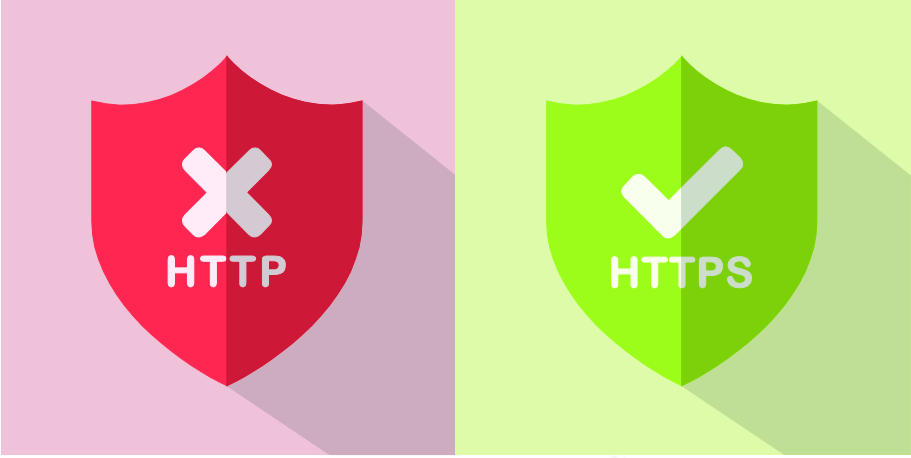
Recognizing Signs of Data Theft

Emails not sent by you:

- **HTTPS,**
  - S = SAFE: safe sites and safe emails.



Recognizing Signs of Data Theft

Other Signs:

- Network computers running slow,
- Cursors moving or changing numbers, and
- Computers locking out employees.

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How to Report Data Theft

How to Report Data Theft

Report client data theft to your local IRS stakeholder liaison.

- Jennifer Macht,
  - Internal Revenue Agent in Seattle, Washington.

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How to Report Data Theft

Contact Information:

- Jennifer Macht:
  - TEGE: FSLG: Group 7254
    ID# 1000212850
  - Attn: M/S W540, J. Macht
    915 2nd Ave
    Seattle, WA 98174
  - Phone: 206-946-3477
  - Fax: 855-241-3935

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How to Report Data Theft

- **Local Police:**
  - File a police report on data breaches.
- **Data Loss with taxpayer info:**
  - StateAlert@taxadmin.org.
- **State Attorney General's Office.**

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Responding to and Recovering from Data Loss

Respond and Recover from Data Loss

Federal Trade Commission Offers Assistance with:

- Form letters to notify clients,
- Review FTC's Data Breach Response guide,
- Provide updates to your IRS Stakeholder Liaison (Jennifer).

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Respond and Recover from Data Loss

Consult with professional insurer.

- Insurance firms can help you recover from data loss,
- Insurance firms may be able to provide security experts to help.

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Respond and Recover from Data Loss

Develop a continuity plan:

- Determine intrusion point and correct it,
- Make full backups as soon as your system is clean,
- Encrypt files that are stored in the Cloud, and
- Use external hard drives.

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Respond and Recover from Data Loss

Comply with FTC Safeguards Rule.

- Financial institutions must ensure the security and confidentiality of consumer information collected.

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Respond and Recover from Data Loss

Comply with FTC Safeguards Rule.

- The rule requires entities to develop a written information security plan.
  - Designate one employee to coordinate security plan.
  - Design, implement, and test plan.
  - Select service providers that can maintain appropriate safeguards.
  - Evaluate and adjust plan.

Respond and Recover from Data Loss

IRS Resources:

- Safeguarding Taxpayer Data – IRS Publication 4557.
- IRS Newsletters.

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IRS Dirty Dozen 2018

1. Phishing
2. Phone Scams
3. Identity Theft
4. Return Preparer Fraud
5. Fake Charities
6. Inflated Refund Claims

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IRS Dirty Dozen 2018

7. **Excessive Claims for Business Credits**
8. **Falsely Padding Deductions on Returns**
9. **Falsifying Income to Claim Credits: Frivolous Tax Arguments:** The penalty for filing a frivolous tax return is $5,000 (IR-2018-58)
10. **Frivolous Tax Arguments**
11. **Abusive Tax Shelters**
12. **Offshore Tax Avoidance**

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Questions

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