



**NCDOR**

NORTH  
CAROLINA  
DEPARTMENT  
OF REVENUE

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# **Joint Legislative Oversight Committee for Information Technology**

**December 14, 2017**

## **Fraud detection activities from combined efforts with DOR/GDAC/SAS**

- **Refund Fraud**
- **Identity Theft Refund Fraud**
- **Trust Taxes**
  - **Withholding tax**
  - **Sales tax**
- **Home based businesses**

## Strategy Overview

- **Information Reporting – General Assembly**
- **Leverage Expertise and technology with vendor relationships- SAS/GDAC**
- **Build internal infrastructure with dedicated resources**
- **Implement specialized audit programs within the overall Audit Program**

## Information Reporting

- **NC-3 – G.S. 106-163.7 – real time data**
  - Refund fraud/Identity theft refund fraud
  - Employee inflated withholding
  - Employer non-filer/under-reporter for taxes withheld
- **Alcohol vendor – G.S. 105-251.2 – annually**
  - **Cash Intensive Businesses**
    - Unreported transactions
    - Collection of sales tax without remittance
- **1099K – G. S. 105-251.2 – annually**
  - Unreported taxable transactions
- **Franchisor – needed to aid in detection of unreported transactions**

## **DOR/GDAC/SAS**

- **DOR brings data sources, tax experts, audit strategy**
- **GDAC brings library of additional data sources**
- **SAS brings technology and development of algorithms**
- **Our relationship with GDAC/SAS blends all areas of expertise to streamline the identification of fraud and the audit process enhancing our ability to recover taxes owed to the State**

## Infrastructure

- **Business Intelligence Group – Examination Division**
- **Information Technology Business Intelligence – Information Technology**
- **Auditor Academy – Agile workforce**
- **Specialized Audit Teams – Examination Division**

## Refund Fraud/Identity Theft Refund Fraud

- **FYE 2016 – FYE 2017**
  - **Cases – 43,145**
  - **Tax Savings - \$57,996,769**
- **Attributable to SAS/GDAC for same period**
  - **Cases – 7,484**
  - **Tax Savings - \$11,391,238**
- **18% uptick in cases from SAS/GDAC**
- **20% uptick in Tax Savings SAS/GDAC**

## Cash Intensive Businesses

- **Period July 1, 2017 – October 31, 2017**
  - **Alcohol Vendor Data**
    - **Cases – 23**
    - **Assessments - \$1.2 million**
    - **\$844 return per audit hour**
    - **68 cases currently in progress**
  - **1099K data (Pilot Audit Program)**
    - **Cases – 34**
    - **Assessments - \$1.6 million**
    - **\$714 return per audit hour**



## Home Based Businesses

- **FYE 2016 – FYE 2017**
  - **Cases – 4,082**
  - **Assessments - \$18.1 million**
  - **\$542 Return per audit hour**
- **Period July 1, 2017 – October 31, 2017**
  - **SAS enhancements**
    - **Cases – 914**
    - **Assessments - \$4.1 million**
    - **\$597 Return per audit hour**
    - **10% uptick in Return per audit hour**



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