



Tax Forum | 2020

IRS Nationwide

*Protect Yourself & Your Clients
Against a New Wave of Criminals*

Director - Jarod Koopman

IRS - Criminal Investigation

Cyber Crimes & Identity Theft

CI Mission

- Investigate criminal violations of the Internal Revenue Code and related financial crimes
- Foster confidence in the tax system and compliance with the law

OBJECTIVES

- Understand & Respond to a Business Email Compromise and/or Data Breach
- Identify What the Dark Web Is and How It Is Utilized for Cybercrime and Identity Theft
- Recognize General Terms and Information Pertaining to Virtual Currency
- Understand the Efforts by IRS-Criminal Investigation to Combat Cyber Criminals and Illicit Activity



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BUSINESS EMAIL COMPROMISE (BEC)

DATA BREACH

PROBLEM

BEC – Business Email Compromise

2019: 23,775 complaints

\$1.7 Billion in adjusted losses

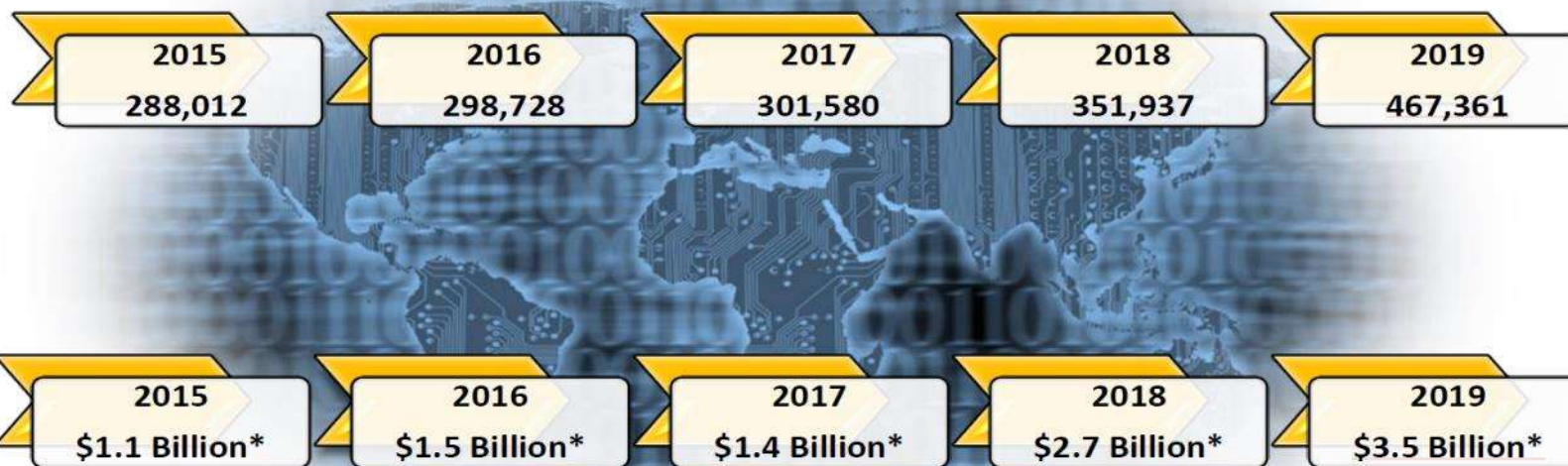
IRS – Reported Data Breach Incidents

146 Incidents Reported; over 118,000 TINs

Over \$15 Million in Revenue Protected

IC3 Complaint Statistics 2015 - 2019

1,707,618 TOTAL COMPLAINTS



\$10.2 Billion TOTAL LOSSES*

Business Email Compromise

- Cybercriminals are able to **identify** chief operating officers, school executives or others in position of authority (Social Engineering).
- Fraudsters mask themselves as executives or people in authoritative positions and send emails to payroll or human resources requesting copies of Forms W-2. (**Grooming**)
- Form W-2 contains the following (**Exchange of Information**)
 - Employment Identification Numbers (EIN)
 - Social Security Numbers
 - Income / Withholdings (Federal, State, Local)
 - Address
 - Retirement Plan
 - Health Benefits Plan



Diane Larson <d.larson@healthyemployee.me>



11:21 AM

Free flu shots for you and your family

Retention Policy Delete Deleted Items after 365 days (1 year)

Expires 01/27/2040

This message was sent with High importance.



Free Flu Shots!

Dear Employees and Contractors,

This year's flu season is almost upon us, and we want you to stay healthy! The agency has partnered with us to provide free on-site clinics to all employees and their immediate family members.

You can view schedules for each site [here](#).

Diane Larson
Sr. Clinician Manager
DNP, RN, FNP-C
HEALTHIERemployees



Ransomware

- Usually comes in the form of Phishing email and has attachments or links.
- Ransomware is a type of malware that restricts access to infected computers and requires victims to pay a ransom to regain access to their data
- Typical ransoms are in the range of \$100 - \$300, and are often demanded in the form of digital currency, such as Bitcoin

Signs of a Breach – The Victim Experience

- **Electronic Return Rejected (Paper Return)**
- **Verification Letters (5071C or 4883C)**
- **<https://www.irs.gov/individuals/irs-notice-or-letter-for-individual-filers> External**
- **Transcripts**
- **Receipt of US Treasury Refund Check**
- **Receipt of Reloadable Prepaid Card**
- **Receipt of Refund Transfer Company Check**

IRS Security Summit

- The Security Summit has launched a campaign aimed at increasing awareness among tax professionals: Protect Your Clients; Protect Yourself. This is a follow-up effort to the “Taxes. Security. Together.” public awareness campaign



Respond

- Contact IRS Stakeholder Liaison When Compromise Detected
- Follow State Reporting Requirements
- Report Compromise to FBI, US Secret Service, Federal Trade Commission
- Contact Local Experts

Source: IRS Pub 4557; www.nist.gov/cyberframework

Recover

- Ensuring the organization implements Recovery Planning processes and procedures
- Implementing improvements based on lessons learned
- Coordinating communications during recovery activities
- Analyzing effectiveness of response activities

Source: IRS Pub 4557; www.nist.gov/cyberframework



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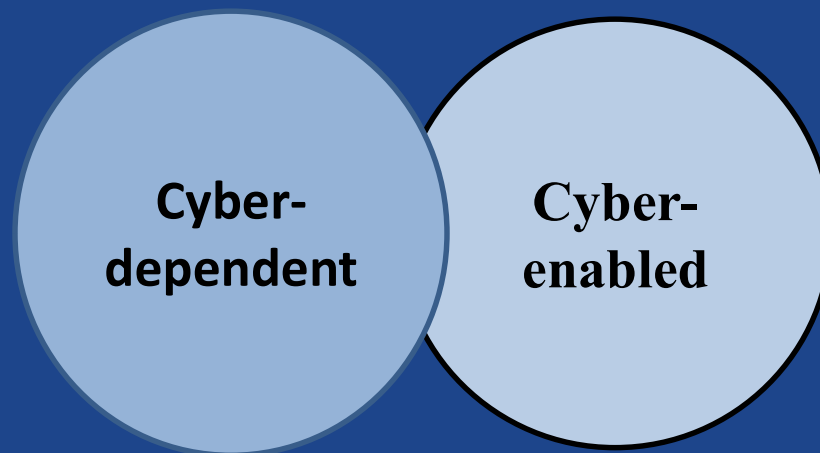
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DARK WEB

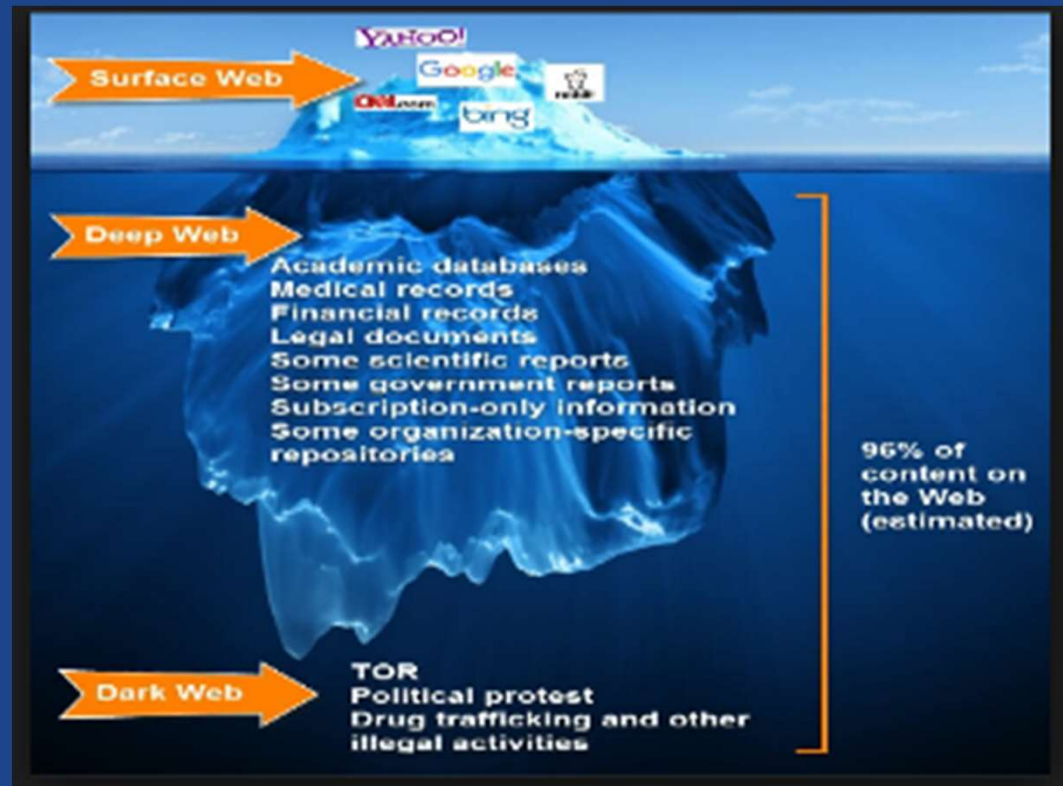
Cyber Crimes & Identity Theft

Types of Cybercrimes



But for the internet,
these crimes would
not exist

What is the Dark Web?



Dark Web



Accessing the Dark Web

- Requires software running on computer
 - The Onion Router (Tor) is most popular
 - Others include: I2P and Freenet
- Uses encryption and proxies/relays to conceal a user's location and usage
 - More than 2.5 million daily users



The remainder of the presentation will focus on Tor; however, the same concepts apply to the others.



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Tor Browser

EXAMPLES OF MARKETS

silk road

alphabay

agora

evolution

sale

drugs

market

ship

utopia

black

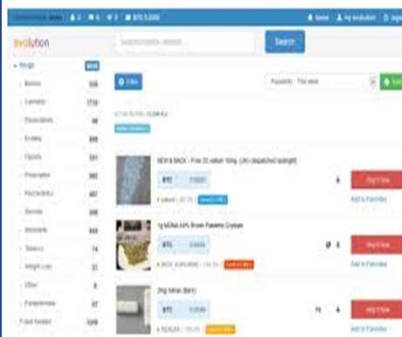
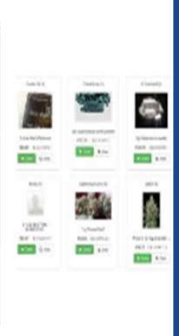
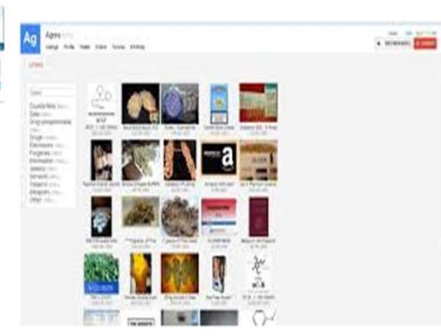
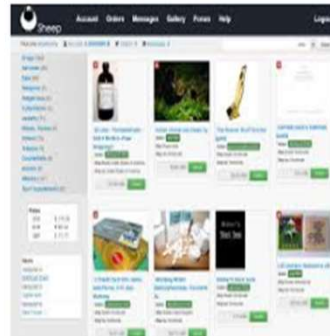
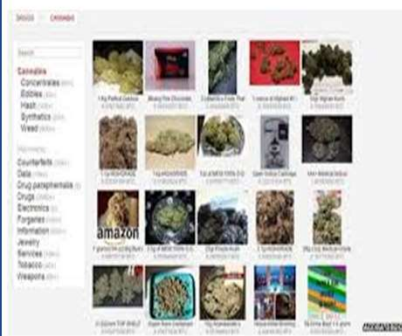
hansa

usd

silkroad

stolen

agora marketplace



1609 x 885 - dailydot.com



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Dark Web

Settings
Logout

US 71.251
 Florida, Tampa | ZIP: 33601
 Verizon FiOS

Checked	Uptime
06.02.2017	06 Hours

1333.00\$

Windows 7 | x64 | EN
 AMD A10-5800K APU with Radeon(tm) HD...
 Ram: 7.19 GB | CPU Cores: 4

24.87 Mbit/s 18.9 Mbit/s

Check IP-Score (0.20\$)

Admin Privilege: **Yes**
 Direct IP: **No**
 Antivirus: **Unknown**
 Browsers:
 Blacklist: **0 / 5**
 Opened Ports: **No**
 Virtual: **No**
 Ransomware: **No**

Payment Systems

1. chaseonline.chase.com
2. chase.com
3. suntrust.com
4. wells Fargo.com
5. paypal.com

Poker Systems

Not Found.

Internet Shops

1. verizon.com
2. sprint.com
3. officedepot.com
4. verizonwireless.com
5. capitalone.com
6. sears.com
7. qvc.com
8. lowes.com
9. target.com
10. bhphotovideo.com
11. ebay.com
12. amazon.com
13. walmart.com
14. bestbuy.com

Dating Sites

1. match.com

LAST CHECK*	SELLER
06.03.2017	canonxp
07.03.2017	Obama
06.02.2017	sigaj

<ol style="list-style-type: none">1. chaseonline.chess.com2. chase.com3. suntrust.com4. wellsfargo.com5. paypal.com	<p>Not Found.</p>
<p>Internet Shops</p> <ol style="list-style-type: none">1. verizon.com2. spirit.com3. officedepot.com4. verizonwireless.com5. capitalone.com6. sears.com7. qvc.com8. lowes.com9. target.com10. bhphotovideo.com11. ebay.com12. amazon.com13. walmart.com14. bestbuy.com	<p>Dating Sites</p> <ol style="list-style-type: none">1. match.com
<p>Other Files</p> <ol style="list-style-type: none">1. UltraTax 20152. UltraTax 20143. UltraTax 20134. UltraTax 20125. 500 Records	<p>Other Sites</p> <ol style="list-style-type: none">1. ups.com2. skype.com3. hotmail.com4. indeed.com5. gmail.com6. yahoo.com
<p>Cancel Check for Blacklist Buy</p>	



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VIRTUAL CURRENCY

Bitcoin



- Date Started: 1/3/2009
- Max Supply: 21,000,000
- Current Value: Approx. \$10,425 (07/27/20)
- Market Cap: \$192.3B
- Address: 25-36 characters beginning with a 1 or a 3
- Ether - \$35B; XRP - \$9.7B
- [Coinmarketcap.com](https://www.coinmarketcap.com)



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ICO Issues

- Can be used for fraud
- Pump and Dump
- Banned advertisements
- High Risk
- Lack of trust by Financial Industry

ICO Failures

- Onecoin - \$350M MLM Ponzi scheme promoting own coin
– CI led investigation out of our Newark Field Office
- Enigma
- Droplex
- Coindash
- Veritaseum
- Parity











Cryptocurrency

- Currently, there are over 5,000 Cryptocurrencies in circulation with a market value of approx. \$260B
- 26% of cryptoasset founders are located in US



From coinmarketcap.com

Top 10 Cryptocurrencies

1	 Bitcoin	\$131,098,882,129	\$7,407.48
2	 Ethereum	\$20,561,557,985	\$193.88
3	 XRP	\$13,596,442,290	\$0.322701
4	 Bitcoin Cash	\$6,492,139,751	\$365.14
5	 Litecoin	\$5,416,939,483	\$87.72
6	 EOS	\$5,003,829,002	\$5.49
7	 Binance Coin	\$3,289,580,589	\$23.30
8	 Tether	\$2,796,057,992	\$1.01
9	 Stellar	\$1,935,799,709	\$0.100903
10	 Cardano	\$1,903,262,601	\$0.073408

coinmarketcap.com

Virtual Currency Kiosks



Coinatmradar.com

Virtual Currency Kiosks

Bitcoin ATMs in United States. 🇺🇸

Total number of Bitcoin ATMs / Tellers in United States: 4190



Who Accepts Bitcoin?



Approximately 100,000 businesses, including:



Why Use Bitcoins?

- Speed
- Globally Mobile
- Inexpensive
- Secure
- No Inflation, but Market Volatility
- Anonymity



General Treatment

- Virtual currency is recognized as property (not currency)
- Gain or loss on sale is treated similar to sale or exchange of securities
- Virtual currency payments are subject to information reporting
- Receipt of virtual currency as payment for goods or services is includible in income at its fair market value at the date of receipt

TC MEMO 2020-82



- STRASHNY v CIR – Tax Court Case



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IRS-Criminal Investigation

Efforts to Combat

CI Cyber Presence

- Cyber Crimes Unit Established
- Headquarters Section in DC
- Cyber Crimes Coordinators
- CIS Agents & Electronic Crimes Analysts

IRS-CI – Enforcement Efforts

- Investigation & Prosecution
- Leading Agency/Country on the J5
- Direct Involvement in the NCFTA and Europol

THIS DOMAIN HAS BEEN SEIZED

The domain for

xDedic

has been seized by the Federal Bureau of Investigation pursuant to a seizure warrant issued by the United States District Court for the Middle District of Florida under the authority of 18 U.S.C. § 981(b) as part of coordinated law enforcement action by:



federal
prosecutor's
office



SUMMARY

- <https://www.youtube.com/watch?v=IEZrN2ThoB4>