



Identity Theft – Is Your Office the Next “Goldmine?”

From a Practitioner’s Perspective

Larry L. Gray, CPA, CGMA

Recent Cyber Attacks

- David Lyons, CPA
 - Cyberattack
- CPA hard drive
 - For sale on Dark Net
- Firms with stolen EFINs
 - No Direction from IRS
- Software clients hacked
 - Refund routing changed
- Panama Papers
 - Tax fraud?
- Botnets
 - Financial sector
- Retail CC Accts
 - >100 million stolen
- N. Korean attack
 - Sony Pictures
- Ukrainian electric
 - Multi-pronged attack

“Identity theft costs more than all other crimes.”

Ken Corbin, W&I Return Integrity & Compliance Services



Recent Press Release

Allegra Tepper, "How Much Data Is Created Every Minute?" Mashable, 6/22/2012

Definitions

- Hack – to gain unauthorized access to general information
- Identity Theft – to fraudulently gain and use a person’s private information
- Breach – violation of law
- Malware – software intended to infiltrate & damage or disable computers
 - Trojan – hides in computer to steal information
 - Ransomware – data kidnapping
- Phishing – legitimate looking email typically asking to update personal or financial information
- Spoofing – pretends to be someone else through email, caller ID, URL or IP address
- Skimming – collecting data from credit, debit, or ATM card

Identity Theft Opportunities...

Your Office

Income Email
Working From Home
Client's QuickBooks
Accounting Software
Paperless Office
Janitor
Employees
Cloud Storage
Wifi
Security
Tax Software
Phishing Emails
Client's Payroll Software
Malware
Back-up Drives
A Disgruntled Employee



The "Goldmine"

Your Client's Information



Investment Accounts

Bank Statements

Driver's License

1120s

Community

1099-INT

Preparer Notes

Medical Records

Ledgers

Kids Information

Addresses

1099-DIV

Social Security Card

1040s

Contracts

Birthdays

How Many Years of Info?

The Dark Net

- Works on the Tor browser
- Masks your location and activity
- Designed by Naval Research Lab
 - Receives 60% of its funding from the State Dept. and Dept. of Defense
 - Secure network for gov't agencies
- Dark Net “Google” >>> Grams

Sale of “Fullz”

(personal data “packages” on Dark Net)

- Name
- Address
- SSN
- DOB
- Workplace addresses
- Driver’s License #
- Bank account & Routing #s
- Mother’s maiden name
- Email address
- Other logins & passwords
- ❖ Fullz worth more bitcoin if...
 - Credit card info is usable
 - Higher credit card limit

Know The Law...Are You Subject to?

- Gramm-Leach-Bliley Act?
 - Requires financial institutions take steps to insure the security and confidentiality of customers' personal information
- Commission's Privacy Policy §313.3(k)(viii)
- Federal Trade Commission Financial Privacy & Safeguards Rule?

Know The Law, Cont.

- “An accountant or other tax preparation service that is in the business of completing income tax returns is a financial institution because tax preparation services is a financial activity listed in 12 CFR 225.28(b)(6)(vi) and referenced in section 4(k)(4)(G) of the Bank Holding Company Act.”

Commission’s Privacy Policy §313.3(k)(viii)

Know The Law, Cont.

- Financial Privacy Rule
 - Privacy notices
 - Information collection and sharing practices

- Safeguards Rule
 - Develop, implement and maintain an Information Security Program
 - Administrative
 - Technical
 - Physical

Know The Law, Cont.

- Who must comply?

“...all businesses regardless of size, that are “significantly engaged” in providing financial products or services...

- ...professional tax preparers...”

FTC, Financial Institutions and Customer Information: Complying with the Safeguards Rule

- How to comply?

- Required to develop a **written** information security plan

A Written Information Security Plan

- What
 - Minimum requirements based on your risks
 - Be able to identify IDT attempts

- When
 - To act and how
 - Timing and communication are critical

- Who
 - Designated chain of command
 - Designated responsibilities

Identity Theft Security Summit

- Began
 - March 2015
- Purpose
 - To address identity theft and refund fraud
- Brings together
 - IRS, States and Industry

“...as the criminals steal more and more personal data, they can do an even better job of making a tax return look legitimate...In short, identity thieves are evolving and so must we.”

IDT Security Summit, Cont.

- Passwords 8-digit

- 20 Data Elements - Examples
 - 16-digit characters on W-2s
 - Driver's License

- Direction of bad guys
 - F
 - I
 - B

The Expect of Security

Surely my _____

- bank
- Drs. Office
- online shopping sites
- tax preparer
- credit card companies
- government
- software provider
- malware/virus protection
- password & encryption
- employees

will keep my _____ safe.

- money
- personal information
- electronic information
- electronic information
- electronic information
- YOUR OFFICE

Secure Your Office

- Identify your most valuable processes and assets
- Have specific plans to secure them in order to minimize damage
 - Physically
 - Financially
 - Reputationally

Best Practice

Secure Client Information

- Understand and use security software
 - Allow security software to update automatically
 - Hire a network security professional if necessary
- Encrypt and password protect your wireless network
- Look for the “s” for encrypted “https” websites
- Encrypt electronically stored taxpayer data
 - **Never** email unencrypted personal information
- Avoid installing software unless properly trained

“Identity theft is the fastest growing crime in America.”

Written Information Security Plan

- “A plan to minimize response and recovery lags by describing the basics of who does **what**, **when**, and **who** reports to whom when a cyber incident happens.”

Deputy Secretary Sarah Bloom Raskin, Cybersecurity Docket's Incident Response Forum 2016

- Update Plan regularly
- Practice the plan
 - Small drills periodically
 - Large drill annually

Best Practice

Educate Your Staff

- Know your customer
 - It's mandated
- Pub 4557, *Safeguarding Taxpayer Data*
- Check your identification numbers
 - Monthly during tax season
 - Periodically off season
- Use strong passwords
 - Change them periodically

Educate Your Clients

- Unless you know them, NEVER give out personal info over the phone, text or email
 - Don't rely on caller ID
- Get on the Do Not Call List
- Opt out of pre-approved credit card offers
- Put a freeze on your credit report
- Protect your personal data
 - **Treat it like cash**

Available at the NATP Booth

TAKE BACK TO YOUR OFFICE THE TOOLS TO:

- Secure Your Office and Your Clients' Information
- Educate Your Staff
- Educate Your Clients

Passcode	Length of Time to Break It	
	By Computer	By Hand
4 number	7 minutes	4 hours
6 number	11 hours	17 days
4-character alphanumeric	19 hours	29 days
4-character alphanumeric and case sensitive	7 days	8 months
6-character alphanumeric	33 months	103 years
6-character alphanumeric and case sensitive	72 years	2700 years

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“When it comes to this type of crime, the main line of defense is not technology, it is you.”

John Koskinen, IRS Commissioner

Remember...

“...90% of information security problems would go away if people stopped clicking on links in email.”

Jason Thomas, Chief of Innovation, Thomson Reuters Special Services

IMPORTANT BECAUSE,

If THEY get the “Goldmine”

YOU get the!

Contact Information

Larry L Gray, CPA, CGMA

219 W. State Route 72

Rolla, MO 65401

Larry@agccpa.com

573-364-1700