



BUREAU OF THE
Fiscal Service
U.S. DEPARTMENT OF THE TREASURY

Bureau of Fiscal Service

Payment Management, Information & Integrity

FSAC
2016

Payment Mgmt helping you Manage Payments

- Payment Management's focus is to assist you with Managing Payments for your entity.
- Our Payment Integrity focus engages from the moment a payment request is received (in motion) until the final disposition of the payment (at rest).
- We use multiple means to support this including; initiation, data quality, element validity, anomaly identification, & reconciliation.
- Payment Management can and wants to do more to help you manage payments.

Payment Integrity Life Cycle

Fiscal Service Tools & Services

Eligibility Verification

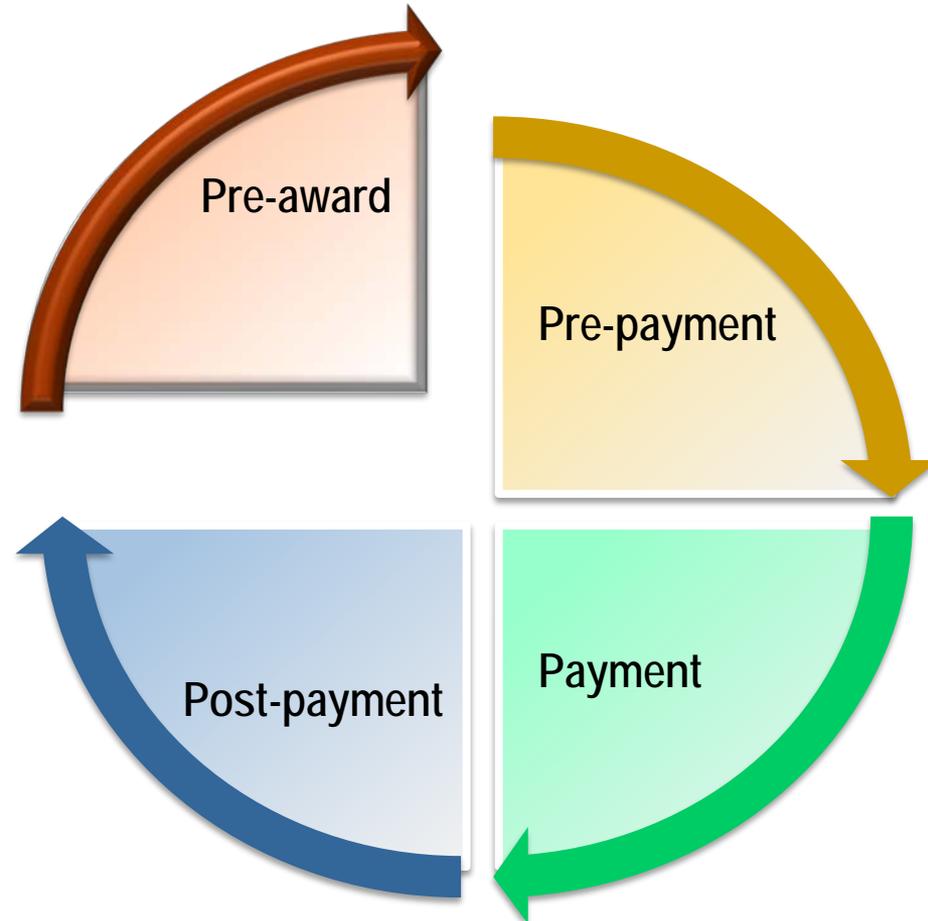
- Improper Payment Prevention data matching for; Benefit providers Procurement, Grant & Loan Mgrs

Analytics

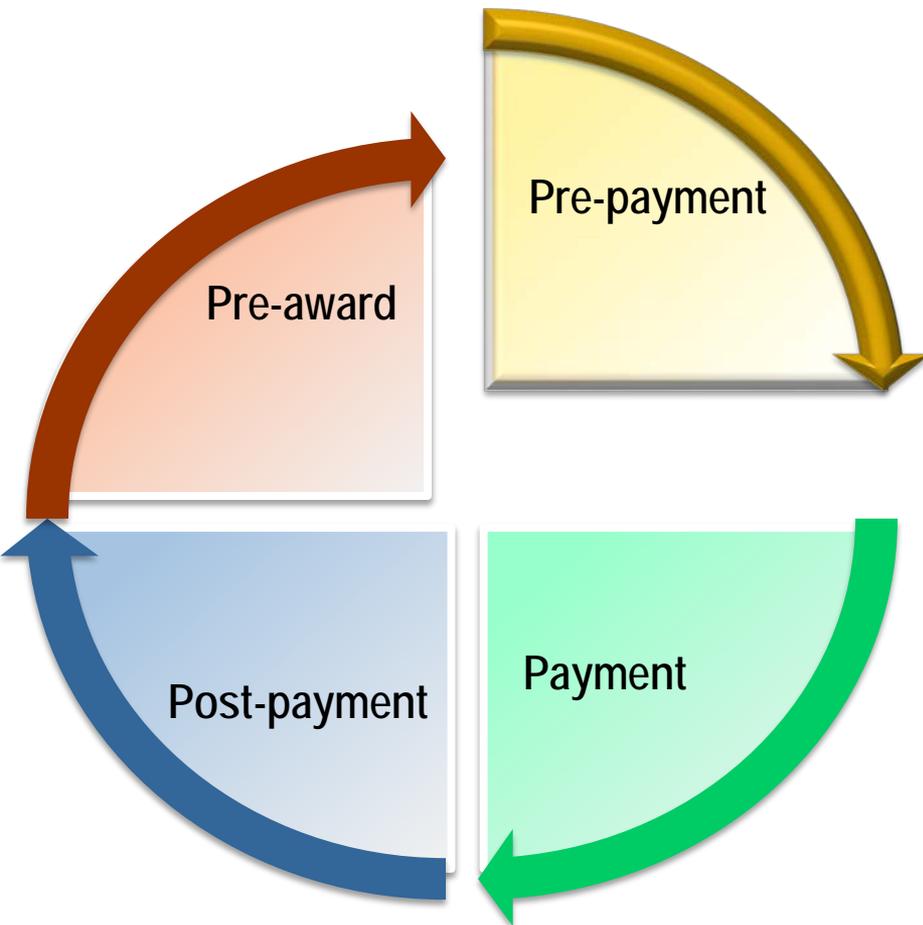
- Improper Payment Prevention
- Insight to strengthen Internal Ctrls
- Data quality, anomaly/outlier detection, pattern & trend analysis, advanced matching techniques

Business Process Analysis

- Insight into strengths & weaknesses of agency payment processes, about eligibility verification / admin errors



Payment Integrity Life Cycle



Fiscal Service Tools & Services

Re-Eligibility Verification

- Improper Payment Prevention data matching for use by:
 - Benefit providers
 - Procurement officials
 - Grant & loan managers
 - Also available to certifying officials if requested

Certification of Payment Request

- Data Quality Check/Verification
- File Format Validation

Payment Integrity Life Cycle



Fiscal Service Tools & Service

- Payment disbursement
- Improper Payment Detection data matching (payment integration)
- Debt collection via payment offset

Payment Integrity Life Cycle

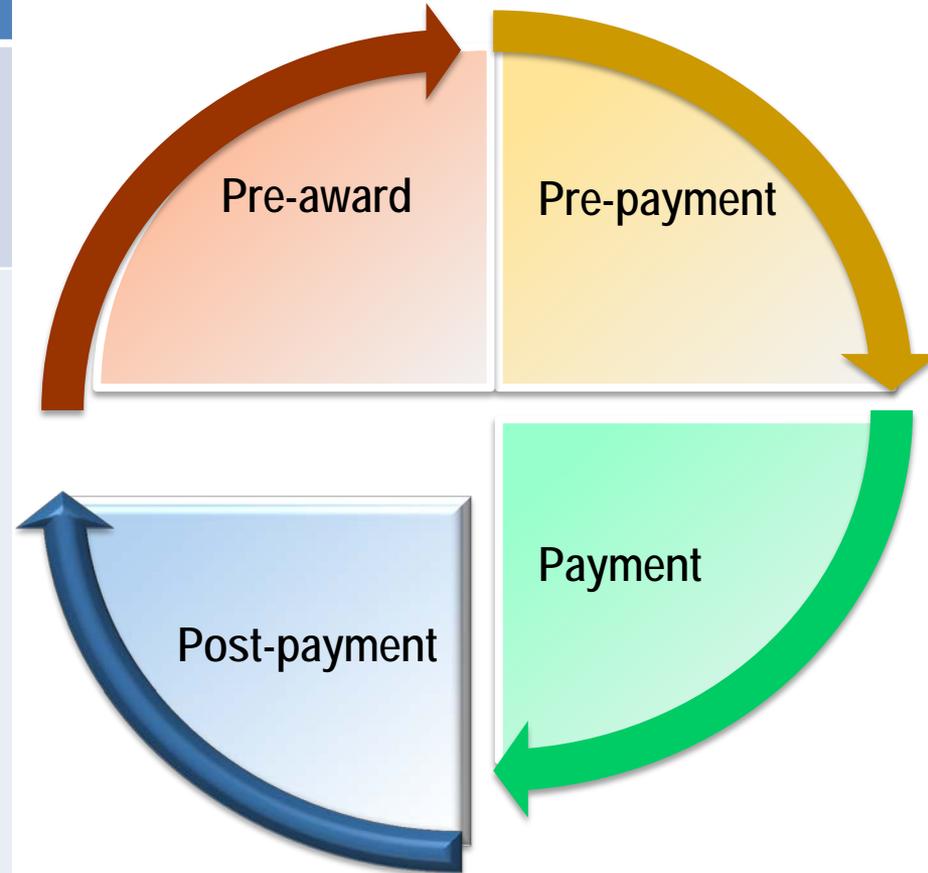
Fiscal Service Tools & Services

Exception Detection & Assurance

- Inquiries, claims, returns, reclamation
- Funds Recovery

Analysis

- Payment Exceptions (not the right place, amount, person, or means)
- Anomalies with Recoveries
- Fraud Analytics
 - Proactive – initiated by PFC
 - Reactive – with law enforcement
- Improper Payment Detection with agency information and processes



Enhancing Tools & Services

Capabilities & Services from Payment Management to assist with your agencies Managing Payments

Support for Agencies to better manage their payments through detection of broken payments, recovery of funds, and analysis & information about payments made by Payment Management



Central repository of data sources managed by knowledgeable and skilled staff, with Business Insight into Managing Payments



Tailor information to the needs of the end users



Perform analysis on Federal payment data, lending insights from Post Payment, Industry, & Cross Governmental views



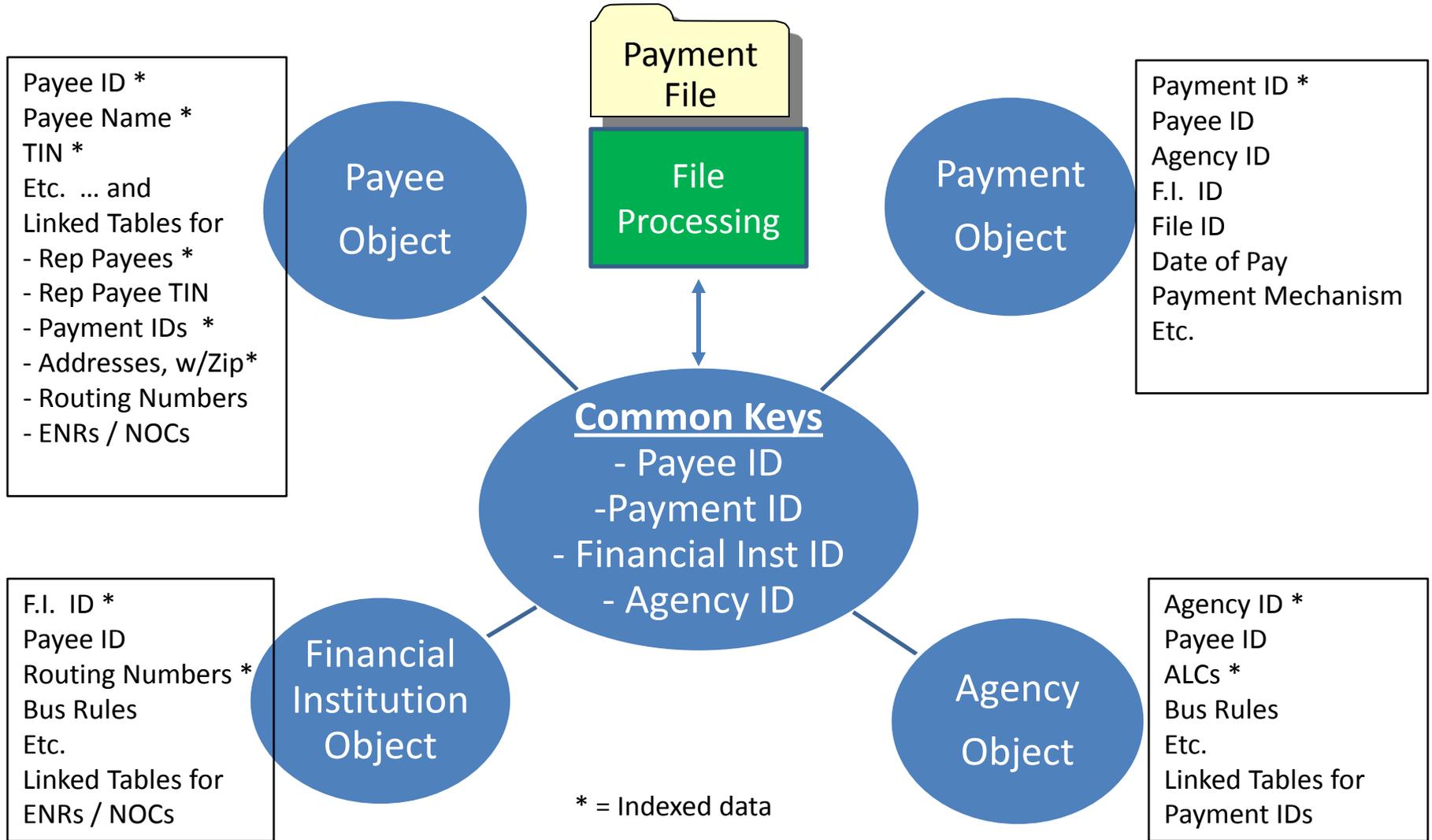
Flexible, scalable, & rapid technology solutions that can adapt to customer needs (PPS and underlying capabilities).



Support for Inspector General criminal investigation



Available Data Elements



Supporting Efforts for Inspectors General

Bureau of the Fiscal Service provides valuable data, insight, & tools to protect integrity of Gov't payments.

Audit	Investigations
<ul style="list-style-type: none">• Access to the Do Not Pay data sources and data matching functionalities / services for prevention of improper pymts• Analytics to support improper payment prevention and strengthening internal controls• Insight into Agency processes to strengthen internal controls	<ul style="list-style-type: none">• Analysis or data sharing based upon a law enforcement entity request in support of a criminal investigation• Proactive development of criminal investigation packages and/or leads based upon identified trends, patterns and anomalies

Specialized Services for Law Enforcement

The Bureau of the Fiscal Service protects payment integrity via exception identification, detection verification, reconciliation activities, and analysis of Payment Management data.

- Forensic analysis of physical components of Treasury checks including: signature, multiple endorsements, altered and counterfeit, magnetic ink character recognition, etc. and applicable certification therein (~ 600 processed per month)
- Address inbound data requests for investigative entities / agencies, to aid in prosecution of active cases (~ 30 - 40 data requests completed per month)
- Detect and send actionable referrals for investigative entities, where fraud is highly suspected (~ 15 - 20 referrals sent per month)
- Expert / fact witness testimony as to the authenticity of U.S. Treasury check & ACH payments, & processes comprising Payment Lifecycle



Structure of Treasury OIG

Inspector General (IG Eric Thorson)

Assistant Inspectors General

- **Office of Investigations (AIG-I John L. Phillips)**

Conducts investigations of criminal activity and employee misconduct

- **Office of Audit (AIG-A Marla Freeman)**

Independently reviews Departmental programs for effectiveness and efficiency

- **Office of Management (AIG-M Tricia Hollis)**

Supports Treasury OIG through management of resources

ID Theft linked to Treasury Payments



Bad Guy



ID Stolen



Stolen ID and fraudulent info submitted to IRS or to FPA
Causing redirection of benefits



Authorizing Agency



Issues Payments



Drop Address for checks & Direct Express cards;
Accounts for ACH payment



Bad Guy

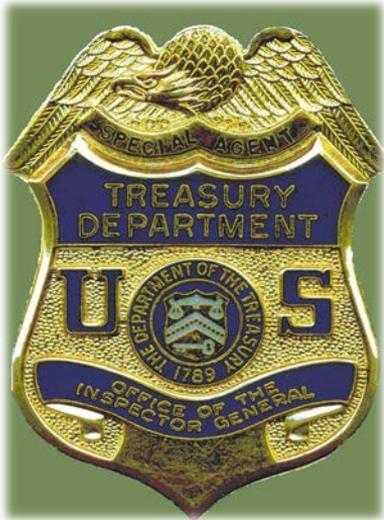
Steals Check/Payment

LEAD · TRANSFORM · DELIVER



FI or Money Service Business





TOIG

Concerned with Payment Fraud

- Treasury Checks
- ACH Payments
- Debit Card Payment

Joint Investigations with Authorizing Agencies

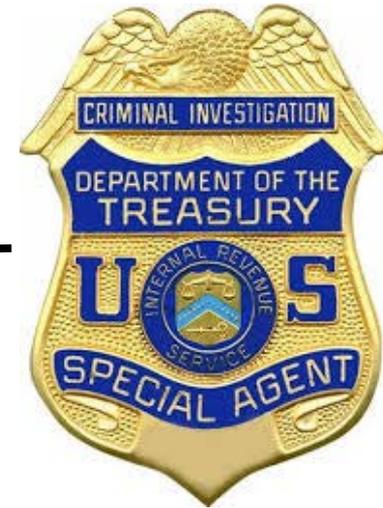
- SSA-OIG, VA-OIG
- IRS-CI TIGTA
- DOE-OIG OPM-OIG



Promote the **financial integrity** and operational efficiency of the U.S. government through exceptional Accounting, Financing, Collections and **Payments**.

BFS is in a unique position to ID payment issues

- MSB or Bank
- Payee location



IRS-CI

Concerned with Tax Fraud (SIRF)

Other agencies that participate in these investigations include:

- U.S. Secret Service
- U.S. Postal Inspection Service
- FBI
- Homeland Security Investigations
- Local & State Police Agencies

Money Service Business (MSB), Case Stud

Two MSB branches operating in PA

2011 - **BFS-QDB informed TOIG** of multiple 1133 claims linked to PA MSB - approximately 30 Treasury checks= \$160,000.

2011 – **BFS address research** revealed 1200 additional Treasury checks. 33 of the 1200 Treasury were linked to PA MSB. 33 Treasury checks = approximately \$175,000.

Money Service Business Case (cont)

2011 – 2012 TOIG obtained Treasury checks linked to the MSB's from various sources, USSS, IRS-CI, etc.

Information Source	# of T-Checks	Amount
BFS	63	\$ 335,000.00
USSS	26	\$ 177,000.00
IRS-CI	158	\$ 1,032,400.00
Other Sources	92	\$ 553,000.00
	339	\$ 2,097,400.00

2012 – 2015 TOIG reviewed records, conducted interviews and developed the case with IRS-CI:

- 1600 Treasury checks identified = \$8,000,000 approximately

Identified Fraud Trend/Pattern:

- Treasury checks issued to payees in NY, NJ, CT, MA, VA and FL
- High Percentage of Treasury checks issued to payees with PR SSN's

Money Service Business Case (cont)

Search Warrant Affidavit development: BFS continued to play a critical role:

- 2014 - Searched over 1600 Treasury check numbers & identified
69, 1133 claim forms = 2015 \$360,000 approximately
- 2015 - BFS identified 5, 1133 claim forms = \$29,300 approximately

Investigation Result:

- Search Warrant executed at two MSB locations in October 2015
- Case development continuing

Case Study #3

Stolen Identify Refund Fraud (SIRF) Barber Shop case

August 2010 - Bank account identified receiving a large number of Treasury checks (Tax refund payments) - 13 addresses associated with the checks





- Initial request: **BFS identifies 568 checks sent to 13 addresses**
- Investigation: **BFS helps to identify 130+ subjects involved in a massive scheme filing 12,000+ false tax returns for \$42+ million.**
- Adjudication: **BFS assistance helps identified 430+ addresses used to receive fraudulently obtained tax refund checks.**

Barbershop Case (continued)

- Some identity theft victims whose identifying information was used on fraudulent federal income tax returns to include:
- The elderly; patients living in assisted living (including Alzheimer's patients and the disabled, including amputees) from a nursing home in the District of Columbia
- Youth victims whose information was stolen from the District of Columbia's Department of Youth Rehabilitation Services (DYRS)
- Drug addicts ... Incarcerated prisoners ... Deceased persons
- Children whose parents sold their child's name, date of birth, and social security number to be utilized as "dependents" in the scheme were also utilized.
- In addition, a large number of individuals willingly provided their personal history information to the organized group, allowing a fraudulent tax return be submitted to the IRS so that they could share in the illicit proceeds of fraudulent tax refund.

Barbershop Case (continued)

- The stolen identity refund fraud (SIRF) conspiracy investigation also identified the following:
- Bank tellers and managers who assisted in opening accounts and fraudulently negotiating Treasury tax refund checks in those accounts
- Postal carriers who conspired to provide vacant addresses and steal Treasury tax refund checks from the mail for the organized group
- Tellers and owners of money service businesses (MSBs) who assisted in the negotiation of large amount of Treasury tax refund checks.

Barbershop Case (continued)

- Joint investigation has so far resulted in arrest of 33 subjects, {28 pled guilty}. 9 defendants have been sentenced to date.
- ABC News Channel 7 in Washington D.C. did a follow up story on the case detailing the recent plea of subject who worked at District of Columbia, Dept of Youth Rehabilitation Services.
- Subject stole at 645+ names & PII, used to file thousands of tax returns (\$4+ million in claims). IRS issued \$2.4+ million in refunds for those stolen names to subjects of investigation.
- TOIG has worked this case for 5+ years and it will take a few more to finish the prosecution of additional subjects.
- TOIG has led / participated in multiple law enforcement ops in this case including 25+ search & arrest warrants & conducted mult. undercover ops using cooperating witnesses/subjects.
- <http://wjla.com/news/local/massive-tax-fraud-scheme-steals-identities-of-645-people>

Fraud Case Study

- Detect: A series of non-receipt ACH claims prompted initiating cross-governmental, diagnostic analytics. Identified several collections of payments viewed as “suspect”.
- Adjudicate: Within the subsets, the Payment Data ‘Payee Object’ was leveraged to identify that a group of payments going to suspicious {in this case single} mailing addresses.
- Analyze: Analysis & research found address to likely be a non-legitimate destination.
- Deter: Based on payment data, built a package of ‘evidence’ from ‘Payee & Payment Object’ info & Financial Institution inputs.
- Lead to: Agency confirmed the misdirected payments & ID theft ring using the house for deliveries

Result of Research:

Detected ~20 suspicious payments, valued at \$35K, that were sent to different payees (many to one), at this address. See picture below ...



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