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In like a Lion, but out like a Lamb? I don’t think so.

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By Pat McGregor <pat@hayseed.net>

About

It’s that time again. Spring Training, Crocuses, Daffodils, Easter, Passover, and the IRS, all lined up in this year’s batting order.

I like the new commercials for TurboTax®, which encourage average households to do their own taxes this year. I’ve been using it since it was MacInTax®, for which a group of us chipped in to buy a copy back in the late 80’s, and it’s served me well, even with stock options, AMT, Internet start-ups, and divorces. Never had an audit (fingers crossed) or a problem figuring out what to do as long as I had all the forms in hand. (Had an idiot bookkeeper at one point, but that’s not the software’s fault.) [This is neither a commercial nor a dig at Intuit or TurboTax®. Pray read on.]

As usual, the program started by handily digging up all the personal data from my return last year, and asked if there were any changes. No tedious typing in of names, addresses, Social Security Numbers (SSNs), dates of birth, etc. I like that – I can never remember my children’s SSNs, but remembering things is what computers do.

However, this year I was working through the Interview (TurboTax asks you questions, and you fill in the answers from your documents), and got a little weirded out. TurboTax asked me if I wanted it to query my payroll provider for any W-2’s on file for me. I did have to provide the first 2 boxes before it filled in the data, but once I’d done that, all the data neatly filled itself in. It even asked if I had any more W-2s to look for.

Then it asked me if I had a brokerage account from which it could import my investment information. There was an impressive list of participating brokerages and financial institutions, including mine. Since I don’t have an online account with mine, it couldn’t import anything for me. Which I found somewhat comforting, even though I had to find the right boxes on the right
forms and type in the numbers by hand.

No doubt, if I’d “outsourced” my tax return with my shoebox file of records to an accountant or one of the many “We do taxes here!” companies, they’d still have slurped the data up over the net in order to turn my returns around in a pleasing amount of time. Because tax accountants like to see their families occasionally between January and May, anything that saves them time is by definition “good.”

There was encryption over the link that brought my data down. Of course, since the documents also come in the physical mail, clearly high security transport isn’t considered important for them. They’re all labeled “Important Tax Document Enclosed” in large type, so anyone who wants to grab enough material to hijack my identity or accounts can do it pretty easily.

**Who outsources what?**

In October 2001, CIO magazine reported that various tribes of American Indians were handling data entry for the IRS, the Department of the Treasury, and other government agencies (http://www.cio.com/archive/100101/america.html). I thought that was an ingenious solution for outsourcing, keeping the jobs (and money) in the US, avoiding controversial casinos while providing jobs and income for a historically disadvantaged people, and overcoming language and international security problems at the same time.

And some of those folks who answer the 800 numbers for catalogue companies and state travel information are actually inmates in prison, learning customer relations skills rather than making license plates, mattresses, or shivs. Historically and by regulation, Federal prison inmates can only work for federal agencies, but now both state and federal prisons are working for outside businesses. In 2004, USA Today’s Jon Swartz wrote a story about prisoners staffing a whole range of call centers, both inbound (you call them) and outcall (they call you).

Prison officials say the prisoners eligible for such jobs are limited to those who have not committed credit or identity fraud and to those considered minimum risk. Still, Swartz reported the wide range of worries about prisoners being privy to personal and corporate information, including the prospect of inmates sharing the personal information of customers with fellow prisoners, as some did in Utah in 2000. That program was scrapped. (Swartz, Jon. “Inmates vs. Outsourcing,” USA Today. 6 July 2004. http://www.usatoday.com/money/economy/employment/2004-07-06-call-center_x.htm )

In February of 2005, NPR Legal Affairs reporter Laura Sullivan reported that labor unions and some states say they believe it’s too much of a security risk to have prisoners talking to the outside world, even if they’re being closely monitored. Legislators and CEOs complain that the sub-minimum wages prisoners receive is an unfair advantage over law abiding U.S. workers. Private businesses say it’s also a security risk to have prisoners taking down customers’ credit card information (Sullivan, Laura, “Prison Call Centers Put Squeeze on Service Sector,” 23
February 2005. http://www.npr.org/templates/story/story.php?storyId=4505278). Clearly, outsourcing as well as the Internet (“one big, fungible computer,” as a friend calls it) has risks that we haven’t thought about in previous years.

**CPAs outsource, too**


One of the reasons is that the firm can make up to 50% more profit on the preparation of a tax return than when that return is prepared in the US. Another is that the time differences effectively provide a 24-hour workforce – US offices can send materials off at the end of the day, and get results back before they buy their morning latte on the way to the office.

Historically, tax accountants and tax-return companies are expected to provide confidentiality, and we expect them to keep our secrets. What happens when our records and materials get scanned into files and shipped overseas? Should we worry? Will our sales competitor manage to get the data? Or the lawyer for the spouse we’re divorcing? Or will a hacker get it and sell it to identity thieves? We can think of lots of horrible things that might happen.

So can the CPA Journal.

*Most firms that outsource do not take this concern lightly and have taken steps to ensure confidentiality. In order to safeguard the privacy of their clients, accounting firms generally insist that the staff of the outsourcing entity not have printers connected to their computer terminals, nor a means of saving the relevant documentation onto computer discs. They hope that this inability to print or save information will curb the likelihood that outsourcing staff members will use confidential information in inappropriate ways.*

The American CPA Professional Ethics Executive Committee, has revised their standards so that their first rule of ethical conduct requires that any company contracting to use a third-party service must require that the service company “has appropriate procedures in place to prevent the unauthorized release of confidential information to others.” So these firms use encryption, overnight mail, and other precautions, and inspect the procedures used by their contractors.

The government takes this seriously, too. The Gramm-Leach-Bliley Act of 1999 (the one that requires all those extra notices in your bank statements) defines tax preparation firms as financial institutions covered by the Act. This means that if you have your taxes done by someone else, they must give you a privacy notice that explains their information collection and sharing practices and give you a chance to opt-out. That is, in the contract you sign, there is a clause that will let you chose whether your information is processed outside the company. As your mama always
told you, don’t sign anything you haven’t read.

**What do we do now?**

As we’ve said before, privacy protection requires informed decisions about risk and healthy skepticism. Recent data shows it may be safer to use online financial management than paper records.

The 2005 Identity Fraud Survey Report was released by the Better Business Bureau and Javelin Strategy & Research in January, and its findings run counter to many of the dire predictions about Internet-related crime. In fact, it says that “that most cases of identity theft occurred through the theft of a checkbook or other offline methods.” (Abika Personal Research News, [http://www.abika.com/help/news.htm](http://www.abika.com/help/news.htm))

The report says that when the victim knows the identity and method used by the criminal, these crimes are more frequently committed offline than online. In fact, Internet-related fraud problems were found to be less severe and less costly as have been feared. As the Internet experts have said, there are very few instances of Internet-aided identity theft.

Watching your accounts online may actually be beneficial. According to this news story, the report says:

...those who access accounts online can provide earlier detection of crime than those who rely only upon mailed monthly paper statements. By managing their financial activities online, consumers can reduce access to personal information on paper bills and statements that may be used to commit identity theft and fraud. Victims of identity theft who detected the crime by monitoring accounts online experienced financial losses that were less than one-eighth of those who detected the crime via paper statements. (Average $551 in losses when detected online vs. average $4,543 when detected from paper statements). “Our numbers show that fears about online identity fraud may be out of proportion to the relative risk, causing consumers to ignore the most glaring issues,” says James Van Dyke, Javelin’s founder and principal analyst. “Indeed, most instances of identity fraud occur through traditional channels and are paper-based, not Internet-based.”

The smart money always says to do your research and make the best decision you can based on the evidence you find. For me, that means trusting for now that Intuit, my payroll processor, my broker, and my bank are working in my best interest (because it’s actually enlightened self-interest). I will continue to do my banking online, check my accounts every day or so, pay my bills electronically, and check my credit report regularly. And I’ll keep a sharp eye out for research that says I shouldn’t do so.

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16 THOUGHTS ON "IN LIKE A LION, BUT OUT LIKE A LAMB? I DON’T THINK SO."

**best skateboard wheels**  
on **February 2, 2014 at 9:46 AM** said:

Hello it’s me, I am also visiting this web page  
on a regular basis, this web site is genuinely fastidious and the visitors are truly sharing  
good thoughts.

**biometric gun safe reviews**  
on **February 2, 2014 at 11:22 PM** said:

Wow that was odd. I just wrote an incredibly long comment  
buts after I clicked submit my comment didn’t appear.  
Grrrr… well I’m not writing all that over again.  
Anyway, just wanted to say excellent blog!

**best vacuum sealer**  
on **February 3, 2014 at 8:24 PM** said:

I’m gone to say to my little brother, that he should also go to  
see this web site on regular basis to take updated from most recent gossip.

**clothes steamer reviews**  
on **February 3, 2014 at 11:47 PM** said:

I’m now not sure the place you are getting your info, however great topic.  
I must spend some time studying more or understanding more.  
Thanks for excellent info I used to be on the lookout for this information  
for my mission.
**best induction cooktop**

on **February 4, 2014 at 12:24 AM** said:

Your method of explaining everything in this paragraph is really nice, all be capable of easily know it, Thanks a lot.

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on **February 4, 2014 at 1:12 AM** said:

This paragraph presents clear idea for the new users of blogging, that really how to do blogging.

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on **February 4, 2014 at 1:29 AM** said:

I think this is one of the most significant information for me. And i am glad reading your article. But want to remark on some general things, The website style is perfect, the articles is really great :
D.
Good job, cheers

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on **February 4, 2014 at 4:58 AM** said:

Just desire to say your article is as amazing. The clarity for your post is just nice and i could assume you’re knowledgeable in this subject. Fine along with your permission allow me to take hold of your RSS feed to keep up to date with imminent post. Thank you a million and please keep up the gratifying work.
best infrared grill
on February 4, 2014 at 5:17 AM said:

Stunning story there. What happened after? Take care!

nigeria
on February 4, 2014 at 10:19 AM said:

Hurrah, that is certainly what I was searching for, what a information! supply here at this website, thanks admin of this website.

nigeria entertainment news
on February 4, 2014 at 10:30 AM said:

I also agree with you. i feel that there are lots of lessons being learned from this book. By not reading the book, we miss out on some points that are a positive impact to our life. However, I do believe you need to be a certain maturity so that you can get from this book what you need

nigeria entertainment news
on February 4, 2014 at 10:40 AM said:

your attendees and take in pictures.

best espresso machine
on February 4, 2014 at 9:01 PM said:

For most up-to-date news you have to visit the web and on the web I found this site as a most excellent web site for most up-to-date updates.
Alyssa Delfs  
on February 5, 2014 at 8:27 PM said:

Hoop dat jullie zijn een geweldig stel mensen! Ik zal proberen te helpen waar en wanneer ik kan!

ways to make money fast  
on February 6, 2014 at 12:04 AM said:

Here are just a few great ideas on how to get lots of money fast.

These are discretionary items like a coke or a pack of gum, or eating out at restaurant. You only need to join as a seller and products to sell.

Elizabeth Popoff  
on February 6, 2014 at 8:16 AM said:

Good day! Would you mind if I share your blog with my twitter group? There’s a lot of folks that I think would really enjoy your content.

Please let me know. Many thanks