

Fraud represents deliberate deception involving false suggestions or suppression of the truth to secure unfair advantage or unlawful gain. So how does one uncover lottery fraud? The deception practiced by lottery fraudsters is to substitute their identities for the identities of the true winners in order to fraudulently collect their winnings.

The first key step in uncovering lottery fraud is to discover the true identity of the person claiming the winnings. The second step is to look for evidence of deception. Patterns of deception by dedicated fraudsters are not obvious because the perpetrators try to hide their relationships. This second key step must convincingly identify non-obvious relationships in the available data.

What data must be available to state and provincial lottery managers? Lottery managers should have historical data collected on winners, and they should also gather data on retailers who sell tickets and help identify winners on behalf of lottery organizations. Some states, for example, require retail employees to register on a web site before they can sell lottery tickets.

By comparing identities between and within these data sources, a lottery organization can see suspicious relationships that occur too frequently to be mere coincidences. Fraudsters will intentionally obfuscate names, addresses, telephone numbers, and other personal characteristics when collecting winnings to throw investigators off the trail. Identity resolution technology must be able to see through such deceptions, match true identities, and uncover hidden relationships that fraudsters are trying to suppress.

## Attack Lottery Fraud with Identity Resolution

A retailer with intent to defraud would suspect that if a single person collects winnings far too often, the lottery organization will probably become very suspicious. Such retailers will obfuscate their name information when filing for winnings and will also use friends, colleagues, and relatives to collect winnings on their behalf. These simple deceptions will work when practiced against procedural methods involving simple database lookups. More powerful identity resolution technology, however, will identify relationships across several degrees of separation and can uncover even elaborate fraud schemes. Identifying and prosecuting fraud has a deterrent effect, so stopping one dishonest retailer and publicizing it can prevent multiple, future fraud attempts.

Often lottery organizations are also required to check for indebtedness of interest to the government before paying out winnings. Examples of such indebtedness might be delinquent taxes, child support arrearages, liens, garnishments, and the like. Identity resolution provides a valuable secondary benefit by rapidly performing cross-database checks to ensure that any indebtedness of government interest is identified before paying out lottery winnings.

## Fraud Numbers

*Canadian police accused a Toronto-area man who claimed a C\$5.7 million (US\$5.7 million) prize in a national lottery of fraud, the first charges in a year-long probe of Ontario lottery-ticket retailers.*

*Hafiz Zulwarnain Malik, 60, of Mississauga, Ontario, was charged with two counts of fraud and one count of theft over C\$5,000 after cashing the winning ticket in January 2005. Police say the ticket actually belonged to a group of four people from the Toronto area who were defrauded out of their winnings.*

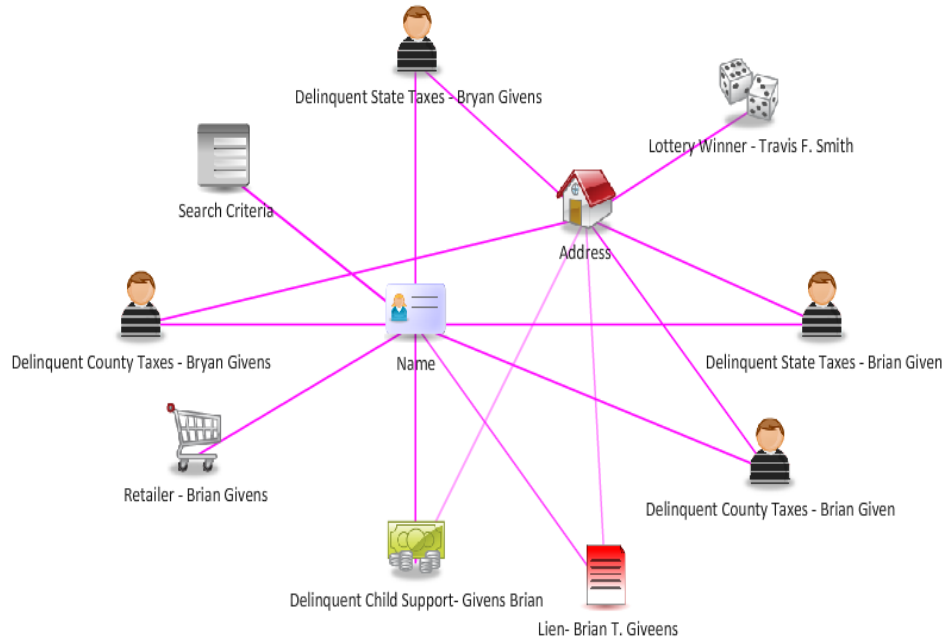
*The investigation was sparked by Canadian Broadcasting Corp.'s "Fifth Estate" program, which reported in October 2006 that Ontario lottery clerks and retailers won prizes exceeding C\$500,000 almost 200 times in seven years, far more often than the 57 victories that might be expected based on odds.*

*Jeffrey Rosenthal, a statistician and author of "Struck by Lightning: The Curious World of Possibilities," told the CBC the odds of 200 such wins among 60,000 lottery retailers over seven years were one in a trillion, trillion, trillion, trillion, or a 1 with 48 zeroes.*

*Some retailers were accused of giving customers a free ticket or a small cash prize, when the ticket actually won a prize in excess of C\$500,000. The ticket retailer, or a family member, would later claim the real prize, CBC reported.*

*Ontario Lottery and Gaming Corp., which runs the provincial lottery system, has changed the rules and now requires ticket buyers to sign their ticket when cashing a prize.*

*Source: Lottery Post  
(www.lotterypost.com) web site,  
Dec. 19, 2007, 12:47pm*



Identity Resolution Engine™ (IRE) 2.2 has a sophisticated relationship-charting function that graphically displays hidden relationships in multiple data sources. The link chart above shows the results of using IRE 2.2 to search for the name “Brian Givens.” It looks at two degrees of separation between entities, and the results reveal the following:

- Brian Givens is a retailer and has delinquent child support, county taxes, and state taxes.
- Brian Givens shares an address with Travis Smith who is a previous lottery winner.
- Brian Givens shares an address and similar name with Bryan Givens who has delinquent county and state taxes.
- Brian Givens shares an address and similar name with Brian T. Giveens who has a lien.

## Detecting Lottery Fraud Requires Special Expertise

With each new revelation of lottery fraud, the urgency of preventing further occurrences intensifies. It’s now a top line issue for lottery commissions because it threatens to significantly decrease revenue. The danger is that the number of consumers feeling at risk about being paid on a winning ticket could reach a tipping point. An affected lottery could see a substantial decrease in revenue almost overnight, and it’s difficult to predict when that tipping point will be reached.

Detecting and preventing lottery fraud requires a specialized combination of experience and technology. In particular, when lottery fraud is committed by retailers, the people defrauding the system are aware of just how the system works, so the solution has to be able to outsmart people who know all the tricks.

Restoring and maintaining confidence in the integrity of the system is crucial to a lottery’s continued success. Commercial, off-the-shelf technology exists today. IRE can ensure compliance by retailers with lottery rules and procedures. IRE 2.2 is the best way, and in many cases the only way, to identify fraudulent activities, restore integrity to the system, and prevent future deception in the lottery and gaming industries.

### Video

Dateline NBC recently presented an excellent story that gives a clear understanding of how lottery fraud by retailers works. For the story, go to [www.infoglide.com/lottery-fraud-video.htm](http://www.infoglide.com/lottery-fraud-video.htm).

### Contact

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