



State of Connecticut

SENATOR JOHN McKINNEY

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December 6, 2013

Denise Nappier, Treasurer
Office of the State Treasurer
55 Elm Street
Hartford, CT 60106

Kevin Sullivan, Commissioner
Department of Revenue Services
25 Sigourney Street
Hartford, CT 06106

Dear Treasurer Nappier and Commissioner Sullivan,

In light of recent reports that JP Morgan Chase (JPMC) allowed the personal information of more than 14,000 Connecticut residents, including social security numbers, bank account numbers, and home and e-mail addresses, to be exposed to computer hackers, I am writing to request information regarding the state's contract with JPMC. As I understand it, nearly 7,000 of the effected persons were taxpayers who received their Connecticut tax refunds on a debit card.

As you know, when news that Connecticut had entered into a contract with JPMC to provide tax refunds via debit cards first broke two years ago, I raised numerous questions and concerns. Among other things, I was concerned that the state, with no input from the public or the legislature, would hand over the personal information of hundreds of thousands of Connecticut residents to a bank with such a checkered consumer history. In fact, at the same time the state was signing its contract with JPMC, the United States government was investigating the bank for large scale fraud in its sale of toxic mortgage backed securities. As Attorney General Eric Holder has stated, JPMC, "played a direct role in the biggest financial crisis since the great depression." Even a cursory review of recent news articles reveals that JPMC has been forced to settle numerous fraud cases involving (1) manipulation of benchmark interest rates, (2) charging veterans hidden fees in mortgage refinancing, (3) manipulating overdraft fees to increase fee revenue by \$500 million a year, and (4) improperly generating higher credit card fees by boosting minimum payments.

With this history in mind, I would like answers to the following questions as well as copies of any and all related documents:

- (1) Why did JPMC wait over two months before informing the state of the breach and why has it not yet informed the effected card holders?
- (2) Does the contract require JPMC to immediately inform the state and card holders of security breaches and if so, did JPMC breach the contract by delaying notice?
- (3) When was the contract last renewed and was it put out for bid to allow other entities to compete?
- (4) Was a financial and/or performance audit conducted prior to the last renewal and, if so, what were the findings?
- (5) Does the contract require JPMC to report to the state on the amount of fees collected from cardholders, including but not limited to (i) ATM cash withdrawal fees, (ii) balance inquiry fees, (iii) balance transfer fees, (iv) card replacement fees, and (v) inactive account/dormancy fees?
- (6) Is JPMC required to make all records relating to its administration of the contract public, including its collection of fees as well as any fees charged to card holders by other banks?
- (7) Commissioner Sullivan indicated at the time that the contract would save the state \$290,000 a year. Has this savings been achieved and verified?
- (8) Do we know whether the total amount of fees collected from card holders by JPMC as well as other banks is less than \$290,000 in order to determine whether taxpayers have, in fact, saved any money?

I find it unacceptable that JPMC waited to inform the state until it was likely too late for the state to change providers for the upcoming tax season. Also, given JPMC's history of inflating fees and imposing hidden costs, I believe it is imperative that the state obtain a complete accounting of the fees and charges JPMC has collected from card holders. At the end of the day, I think it is possible that the only entity to save money on this contract is DRS itself. We have an obligation to determine whether cardholders, who are after all taxpayers, have paid JPMC and other banks as much or more than DRS saved in its budget. With 360,000 debit cards issued, if the average in total fees and charges was even 80 cents, then taxpayers lost.

In return for what may be a paper savings, we have turned over the personal information of hundreds of thousands of Connecticut residents without their permission to an entity know for consumer fraud and abuse. It seems to me that there must have been a better way to encourage taxpayers to use direct deposit.

I look forward to your response.

Sincerely,



John McKinney
Senate Minority Leader