

OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

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| LOCAL COMMISSIONERS MEMORANDUM |
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OTDA-4037EL (Rev. 11/98)

Transmittal No: 01 LCM-6

Date: May 15, 2001

Division: PSQI

TO: Local District Commissioners

SUBJECT: IRS - 1099 Match

ATTACHMENTS: -IRS Publication 1075 - "Tax Information Security
Guidelines for Federal, State and Local Agencies"

-Penalty Provisions Under the Internal Revenue Code
and User Agreement

The purpose of this memorandum is to follow up on GIS message 01MQI/AQC001 (1/8/01), which notified local districts of the suspension of the IRS-1099 match, as well as, steps that should be taken to either properly secure or dispose of Federal Tax Information (FTI).

Background

Administrative Directive 87 ADM-37 (9/16/87) introduced local districts to the IRS-1099 (Unearned Income) computer match. Further guidance regarding the proper processing and handling of unearned income information was provided in 88 INF-72 (11/16/88) and 90 INF-37 (7/31/90). Along with other resource matches, such as Wage Reporting and Unemployment Insurance Benefits, this information is used in determining eligibility for Public Assistance.

Both the state and local departments of social services have always had to comply with stringent safeguard requirements, since IRS-1099 hits are derived from information contained on federal tax returns. A recent IRS review noted a number of deficiencies in the way that NYS safeguards the information it receives.

Previous Delivery System

When this match first began, hard copy reports were transmitted directly to local district commissioners. This method was employed in an effort to maintain control and ensure confidentiality of the information. As the match grew, it was decided that hits could be processed more quickly and efficiently if workers received them on-line. Therefore, the IRS-1099 match was included with other income/resource matches already part of Resource File Integration (RFI). However, wide spread access to IRS-1099 information, including storage in case files, presents a number of problems in terms of security. This is because the source of the FTI is always the IRS and, as such, it must be protected as described in IRS Publication 1075.

Current Match Status

Effective November 2000, OTDA suspended requesting FTI from the IRS. Remaining IRS-1099 hits that were still accessible on-line were removed from RFI with the system migration of March 19, 2001.

Course of Action

The necessary steps that should be taken will depend on whether or not districts choose to retain IRS-1099 hit information that is stored in case folders or elsewhere. In addition to RIFE screen prints, FTI includes such things as verification letters, internal data input forms and case notes where IRS is the source of the information. If an individual or a third party provides the information from their own source, on a separate document, then it is not considered to be FIT.

Districts that choose to remove and destroy all FTI in their possession should follow steps outlined in IRS Pub. 1075 - Section 8. Removal can be accomplished either as a single undertaking or systematically at the next case recertification. Regardless of the method chosen, all FTI must be adequately secured (i.e., in a double barrier environment) until it can be properly disposed of. Destruction of FTI must be recorded in a log and maintained for review.

If districts wish to retain FTI (for e.g., as part of a case record), Minimum Protection Standards (MPS) must be adhered to in order to properly protect the data (Refer to IRS Pub. 1075 - Section 4). Access to FTI that remains in local districts must be restricted only to those employees whose duties or responsibilities require access (Refer to IRS Pub. 1075 - Section 5.1 - 5.3). Furthermore, employees who have access must be made aware of FTI safeguard requirements, including disclosure restrictions and associated penalties (Refer to IRS Pub. 1075 - Section 6 and Exhibits 1-4).

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Future Direction

Regardless of what course of action local districts choose to pursue, OUTDO will follow this release with a Security Assessment Questionnaire (SAQ). Please have the appropriate staff complete and return the SAQ. This information is necessary for us to keep the IRS informed of our progress in responding to their audit findings.

With regard to the suspension of the IRS Unearned Income Match, OTDA is currently exploring alternative methods of providing similar information to local districts.

Questions

If there are any questions with regard to this release, please contact either Dave Bosco at 1-800-343-8859, ext. 402-0025 or (518-402-0025) or Wendell Dinehart at ext. 402-0029.

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