



George E. Pataki
Governor

NEW YORK STATE
OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE
40 NORTH PEARL STREET
ALBANY, NY 12243-0001

Robert Doar
Commissioner

Administrative Directive

Section 1

Transmittal:	06-ADM-02
To:	Local District Commissioners
Issuing Division/Office:	Division of Employment and Transitional Supports
Date:	March 2, 2006
Subject:	Temporary Assistance: Income Eligibility Verification System (IEVS) 1099 Processing
Suggested Distribution:	Temporary Assistance Directors Food Stamp Directors Medicaid Directors TOP/CAP Coordinators Staff Development Coordinators WMS Coordinators Fair Hearing Staff
Contact Person(s):	Temporary Assistance (TA) Bureau at 1-800-343-8859; extension 4-9344; Medicaid Liaison : Bureau of Local District Support Upstate (518) 474-8216 or NYC (212) 268-6855
Attachments:	Attachment A - OTDA-4852A: Bank/Financial Verification Inquiry Cover Letter and Bank/Financial Verification Response Form: Attachment B - OTDA-4852B: Income/Assets Verification Inquiry Cover Letter and Income/Assets Verification Response Form
Attachment Available On – Line:	<input checked="" type="checkbox"/>

Filing References

Previous ADMs/INFs	Releases Cancelled	Dept. Regs.	Soc. Serv. Law & Other Legal Ref.	Manual Ref.	Misc. Ref.
01 LCM-6; 87 ADM-37; 04 INF-20; 90 INF-37; 88 INF-72					01MQI/AQC001

Section 2

I. Summary

- This release describes the operational process involved in the resumption of 1099 federal tax information (FTI) computer matching and processing for Temporary and Assistance to Needy Families (TANF) cases as required under the Income Eligibility Verification System (IEVS) requirements of section 1137 of the Social Security Act.
- The new computer matching process being established will be distinctly different than the previous operational process that was in place in November of 2000 when 1099 processing was suspended in this State. The new process will be much more limited in scope applying filters to eliminate those computer matches that are not likely to impact Temporary Assistance eligibility.
- In addition, to limit the cost and operational implications posed by security constraints, the verification of federal tax information will be conducted in a secure room in Albany by State staff rather than local district staff.
- District responsibilities will be much more limited under the new process than under the previous process. Initially, districts will need to provide a contact person for whom information can be forwarded for case action and follow-up. Districts must also have an understanding of the penalties associated with misuse of FTI in case any federal tax data is inadvertently returned to them and establish procedures for processing those verified matches that have been confirmed by the State and forwarded to the district.
- While the new process is going into effect right away, actual matches will not begin being made until the summer of 2006.
- This process was reviewed with districts at regional meetings in the spring of 2005 and anticipated operational impact was assessed as minor.

II. Purpose

The purpose of this release is to inform districts that New York State will once again start receiving federal tax information (FTI) from the Internal Revenue Service (IRS) and detail the impact this resumption will have upon local districts.

III. Background

In November 2000, the Office of Temporary and Disability Assistance (OTDA) suspended the use of Internal Revenue Service (IRS) provided 1099 unearned income data that had been provided to districts through the Resource File Integration (RFI) system on WMS. This computer matching process was suspended based on a federal audit that noted a number of deficiencies in the manner that New York State safeguarded the information it receives. The mandates contained within the IRS audit would have imposed unacceptable operational difficulties and prohibitively burdensome costs on New York State and local social services districts.

However, federal regulations mandate each state have a 1099 unearned income computer-matching component of the Income Eligibility Verification System for the Temporary Assistance to Needy Families program. Therefore discussions continued with the federal government regarding possible cost effective alternatives to 1099 data matching. However, the State was informed in July 2004 that a \$43 million TANF sanction was being imposed for noncompliance with IEVS.

In order to avoid this sanction, New York State had to submit a Corrective Action Plan to the Department of Health and Human Services and receive federal approval to once again start receiving federal tax information (FTI) through the 1099 computer match process. OTDA has recently reestablished a Computer Matching Agreement with the federal government to begin receiving 1099 federal tax data for the federal tax year 2005.

IV. Program Implications

The reinstated 1099 computer match process will be very distinct from the system which was previously operational in the State. This is necessary to limit the cost and operational implications for the State and local social services districts.

The new system design will involve only Temporary Assistance to Needy Families (TANF) cases (Family Assistance - case type 11 and Federally Participating Safety Net Assistance – case type 12) being matched with the IRS 1099 file to identify cases with FTI. The results of this match will then be forwarded to the State on a magnetic cartridge to OTDA personnel staffing an office in Albany which meets strict IRS security guidelines. This “secure” room will be limited in access to staff involved with processing FTI.

In the secure room, additional screening filters will be applied on the IEVS Tracking System (ITS) to screen out those cases with 1099 income that are unlikely to have an impact on current financial eligibility including:

- Financial Income Recipient Match (FIRM) income
- Total unearned income of less than \$100 annually

- Negative amount(s) of income
- Prior year tax return income
- Unemployment Insurance Benefits (UIB)
- Social Security Benefits
- Lottery prize and gambling winnings income

State 1099 IEVS staff will access the FTI via the stand-alone ITS system. When an appropriate match passes the filters, State 1099 IEVS staff will be alerted and one of two third party collateral verification forms (see Attachments A - Bank/Financial Verification Inquiry Cover Letter and Bank/Financial Verification Response Form and Attachment B - OTDA-4852B: Income/Assets Verification Inquiry Cover Letter and Income/Assets Verification Response Form) will be sent to the source of the 1099 to obtain primary verification of the FTI. Once the source has completed the part of the form directed (the response page), that page of the form will be sent back to OTDA in a return - addressed return envelope. Information completed by the source of the FTI and provided back to the State on the response form as directed is no longer considered federal tax information. At that point, this information is normal non-FTI primary documentation of income and resources. While great care still must be exercised in safeguarding its confidentiality, the returned documentation no longer falls under the security constraints of FTI.

Returned documentation will be assessed by State 1099 IEVS staff to determine if it has any potential impact on eligibility and forwarded (normally by email but also on occasion by fax or mail) to local district contacts for further follow-up. Districts must follow-up on this documentation including reviewing the case record, contacting the recipient or initiating action to reduce or discontinue assistance as appropriate. However, it is essential that districts follow-up on the non-FTI documentation promptly. Districts will be expected (see bullet two below under IV Required Action) to provide a program contact to whom email can be sent.

Note that information received through the 1099 process that does not require district case action will not be sent to districts.

Because of the filters involved in screening, it is anticipated that the documentation forwarded to districts will much more frequently impact TA eligibility than previous 1099 RFI matches that districts processed. However, it is also anticipated that far fewer matches will be processed by the State and subsequently less documentation forwarded to districts for necessary action.

However, it must be noted that initial expectations as to the number of 1099 federal tax data matches passing the State's "filters" are not entirely clear since the new system is significant in its redesign from the previous method and data from other states is not entirely analogous to New York State. Care will be taken, however, to monitor the number of matches in the event that modifications are required to the Corrective Action Plan filters or notification procedures for districts.

This process was reviewed with district staff in detail at the Spring 2005 Bureau of Temporary Assistance regional meetings. Feedback was favorable regarding the new process and anticipated operational impact was assessed as minor.

V. Required Action

District staff have several responsibilities with respect to the newly established 1099 process detailed above:

- First, district staff need to have a general awareness of the process by which OTDA will be obtaining verification of 1099 data in order to address recipient inquiries. Staff also need to be aware that there are significant criminal and civil penalties involved with the misuse of federal tax information. This is necessary, even though OTDA will be forwarding non-FTI to districts, since it is possible that inadvertently third party sources or OTDA itself may mistakenly share FTI with districts. The penalties associated with FTI misuse are:

IRC Sections 7213 and 7431 (see also IRS publication 1075)

“Unauthorized disclosure of Federal tax information is a felony punishable by a fine in any amount not to exceed \$5,000, or imprisonment of not more than 5 years, or both, together with the cost of prosecution. Unauthorized inspection of Federal tax information is a misdemeanor punishable by a fine not to exceed \$1,000, or imprisonment of not more than 1 year, or both, together with the costs of prosecution. Those convicted of either unauthorized inspection or disclosure would also be subject to civil penalties, which would be the greater of \$1,000 for each act, or the sum of the actual damages sustained by the plaintiff, plus punitive damages and the cost of the civil action.”

FTI that is inadvertently received by a district should be immediately faxed to the State OTDA secure room attention of the IEVS 1099 Coordinator at (518) 408-3111. The inadvertently received FTI must then be shredded.

- Second, districts need to provide a 1099 contact person to whom emails or faxes can be sent when federal tax information is confirmed and the district must follow-up to determine if case action is necessary.

Contact name and email addresses may be sent to the following:

Terri.Wade@otda.state.ny.us

Or faxed to:

Terri Wade
Fax: (518) 473-0511 Phone (518) 474-4231
Temporary Assistance Bureau
OTDA
40 North Pearl St.
Albany, NY 12243

Please send contact name and email addresses no later than March 31, 2006.

- Third, districts must promptly review non-FTI documentation received from OTDA and follow up on this as to determine the necessary case action after reviewing the case record, contacting the recipient or initiating action to reduce or discontinue assistance as appropriate following normal notification procedures.

VI. Medicaid Implications

At this time, Medicaid is not participating in the IEVS 1099 process. However, if non-FTI documentation from OTDA is received and the individual is in receipt of or applying for Medicaid/Family Health Plus, the documentation must be reviewed for a possible impact on the individual's Medicaid/Family Health Plus eligibility.

VII. Systems Implications

None.

VIII. Effective Date

This directive is effective immediately. The actual start up of 1099 computer matching for federal tax year 2005 data will begin in July 2006.

Issued By _____

Name: Russell Sykes
Title: Deputy Commissioner
Division/Office: Employment and Transitional Supports

BANK/FINANCIAL VERIFICATION INQUIRY COVER LETTER

Date:

Financial Institution Name and Address:

Dear Sir/ Madam:

This Office is conducting a review of public assistance benefits being received by the individual listed below in order to reassess eligibility.

Your cooperation is needed in providing the information requested.

Please report all information you have concerning the closed and active bank accounts, loans, investments and services for the individual listed. You can do this by completing the enclosed OTDA-4852A: "Bank/Financial Verification Response Form" and enclosing it in the stamped pre-addressed return envelope. **After you complete the enclosed "Bank/Financial Verification Response Form", please destroy (shred) this cover letter as it contains confidential information.**

The information contained in this letter and obtained on the attached form is confidential under state and federal regulations, including Section 136 of the Social Service Law (New York State) and 26 U.S.C. 6103 of the Internal Revenue Code. This information will not be released except as permitted or required by law or with the written consent of the participant.

DO NOT RETURN THIS COVER LETTER TO US. RETURN ONLY THE ENCLOSURE TO US. All information given will be considered confidential. THE INDIVIDUAL NOTED ABOVE HAS GIVEN FULL CONSENT WHEN APPLYING FOR BENEFITS PER THE PRIVACY ACT. This request is made pursuant to Article I, Section 4 of this N.Y.S. Banking Law, and Section 144-a of the Social Services Law. This section requires all banking organizations to furnish information to authorized representatives of the N.Y.S. Office of Temporary and Disability Assistance when the subject of the request is an applicant for or recipient of any assistance, care or services authorized by the Social Services Law.

If you have any questions, please phone contact the New York State IEVS Review Office at (518) 408-3001 or (518) 408-3099.

Thank you.

Name :
Account # :
SSN:
Address:

BANK/FINANCIAL VERIFICATION RESPONSE FORM

COMPLETE AND RETURN THIS FORM

RETURN THIS COMPLETED FORM TO:

New York State
 Office of Temporary and Disability Assistance
 IEVS Review –10A
 40 N. Pearl Street
 Albany, NY 12243

Name:
 Account #:
 SSN:
 Address:

Ref:

TO BE COMPLETED BY FINANCIAL INSTITUTION

ACCOUNT NUMBER 1		ACCOUNT NUMBER 2	
TYPE OF ACCOUNT (Checking, Savings, Keogh, Money Market etc.):		TYPE OF ACCOUNT (Checking, Savings, Keogh, Money Market etc.):	
ADDRESS:		ADDRESS:	
DATE ACCOUNT OPENED:	DATE ACCOUNT CLOSED:	DATE ACCOUNT OPENED:	DATE ACCOUNT CLOSED:
CURRENT ACCOUNT BALANCE:		CURRENT ACCOUNT BALANCE:	
OTHER ACCOUNTS/ FUNDS/SECURITIES/PROPERTY ON DEPOSIT/SAFETY DEPOSIT BOXES (Please List With Current Balance, If Any):		OTHER ACCOUNTS/ FUNDS/SECURITIES/PROPERTY ON DEPOSIT/SAFETY DEPOSIT BOXES (Please List With Current Balance, If Any):	
ADDITIONAL COMMENTS:		ADDITIONAL COMMENTS:	
SIGNATURE OF BANK/FINANCIAL REPRESENTATIVE: X		TITLE OF BANK/FINANCIAL REPRESENTATIVE:	
DATE:	TELEPHONE NUMBER:	BANK NAME AND ADDRESS:	

THANK YOU FOR YOUR COOPERATION

INCOME/ASSETS VERIFICATION INQUIRY COVER LETTER

Date:

Financial Institution Name and Address

Dear Sir/ Madam:

This Office is conducting a review of public assistance benefits being received by the individual listed below in order to reassess eligibility.

Your cooperation is needed in providing the information requested.

Please report all information you have concerning the income, assets and services of the individual listed. You can do this by completing the enclosed OTDA-4852B: "Income/Assets Verification Response Form" and enclosing it in the stamped, pre-addressed return envelope. **After you complete the enclosed "Income/Assets Verification Response Form", please destroy (shred) this cover letter as it contains confidential information.**

The information contained in this letter and obtained on the attached form is confidential under state and federal regulations, including Section 136 of the Social Service Law (New York State) and 26 U.S.C. 6103 of the Internal Revenue Code. This information will not be released except as permitted or required by law or with the written consent of the participant.

DO NOT RETURN THIS COVER LETTER TO US. RETURN ONLY THE ENCLOSURE TO US. All information given will be considered confidential. **THE INDIVIDUAL NOTED ABOVE HAS GIVEN FULL CONSENT WHEN APPLYING FOR BENEFITS PER THE PRIVACY ACT.** This request is made pursuant to Sections 21, 132, 134-a and 366-a of the Social Services Law and Section 1137 of the Federal Social Security Act.

If you have any questions, please phone contact the New York State IEVS Review Office at (518) 408-3001 or (518) 408-3099.

Thank you.

Name :

Account # :

SSN:

Address:

IMPORTANT FEDERAL TAX INFORMATION CONTAINED ON THIS PAGE

INCOME/ASSETS VERIFICATION RESPONSE FORM

COMPLETE AND RETURN THIS FORM

RETURN THIS COMPLETED FORM TO:

New York State
 Office of Temporary and Disability Assistance
 IEVS Review – 10A
 40 N. Pearl Street
 Albany, NY 12243

Name:
 SSN:
 Address:

Ref:

TO BE COMPLETED BY FINANCIAL INSTITUTION/INCOME OR ASSET SOURCE

PLEASE PROVIDE INFORMATION ON THE FOLLOWING *INCOME* or *ASSETS*
 (FOR INCOME, LIST DATE OF LAST RECEIPT AND AMOUNT / FOR ASSETS, LIST THE ASSET AND CURRENT VALUE IF KNOWN)

<i>ACCOUNT NUMBER 1 (If appropriate)</i>		<i>ACCOUNT NUMBER 2 (If appropriate)</i>	
TYPE OF ACCOUNT (Checking, Savings, Keogh, Money Market etc.):		TYPE OF ACCOUNT (Checking, Savings, Keogh, Money Market etc.):	
ADDRESS:		ADDRESS:	
DATE ACCOUNT OPENED:	DATE ACCOUNT CLOSED:	DATE ACCOUNT OPENED:	DATE ACCOUNT CLOSED:
CURRENT ACCOUNT BALANCE:		CURRENT ACCOUNT BALANCE:	
OTHER ACCOUNTS/ FUNDS/SECURITIES/PROPERTY ON DEPOSIT/SAFETY DEPOSIT BOXES (Please List With Current Balance, If Any):		OTHER ACCOUNTS/ FUNDS/SECURITIES/PROPERTY ON DEPOSIT/SAFETY DEPOSIT BOXES (Please List With Current Balance, If Any):	
ADDITIONAL COMMENTS:		ADDITIONAL COMMENTS:	

SIGNATURE OF PERSON COMPLETING THIS FORM: X	TITLE OF PERSON COMPLETING THIS FORM:
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DATE:	TELEPHONE NUMBER:	INSTITUTION NAME AND ADDRESS:
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THANK YOU FOR YOUR COOPERATION