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INFORMATIONAL LETTER

TRANSMITTAL: 90 INF-37

DIVISION: Administration

TO: Commissioners of  
 Social Services

DATE: July 31, 1990

SUBJECT: 1989 Internal Revenue Service  
 Safeguard Review - 1099 Tax  
 Information

SUGGESTED

DISTRIBUTION: Public Assistance Staff  
 Food Stamp Staff  
 Medical Assistance Staff  
 Fraud Investigation Staff  
 Staff Development Coordinators

CONTACT PERSON: Harry Terzian  
 Audit & Quality Control, EDP Audit  
 1-800-342-3715, Ext. 432-2789

ATTACHMENTS: None

FILING REFERENCES

Previous ADMs/INFs	Releases Cancelled	Dept. Regs.	Soc. Serv. Law & Other Legal Ref.	Manual Ref.	Misc. Ref.
88 INF-72		351	IRC 6103	FSSB	Revenue
87 ADM-37		387	Sect. 2651 of PL 98-369 SSA 1137	V-E.-3.3 through 3.9	Procedure 85-21
				PASB IV-C-1- through IV-C-10	IRS Publi- cation 1075

An IRS report: Safeguarding IEVS Tax Information was recently issued after an IRS security review of state and local departments of social services. In general the reviewed offices were in compliance with IRS security guidelines found in 87 ADM-37 Computer Matching of IRS Unearned Income and 88 INF-72 Questions and Answers on IRS 1099 Recoveries. Several recommendations were made however for areas of less than adequate adherence to the guidelines.

Districts should use the following recommendations to accomplish compliance with the findings listed in the IRS report.

### Recommendations

#### I. Maintaining a Secure Place for Tax Return Information

The Internal Revenue Code (IRC) 6103(p)(4)(8) requires that tax return information be stored in a secure area or place.

Offices visited by IRS reviewers had good perimeter security with guard service and alarm systems. However in some of the visited facilities, cleaning crews sometimes performed their activities in areas where tax return information was left unlocked at such times that no agency staff was present to preclude access to the information.

Districts should either arrange for locking file cabinets, drawers, etc. and require that tax return information be locked away after hours or make arrangements for custodial staff to only have access to those areas during working hours when staff is present.

#### II. Video Tape Entitled "Safeguarding Client 1099 Tax Information - An Employee Awareness Review"

Beneficiary Earning Exchange Record System (BEERS)

The IRS report stated that the video is technically accurate, and well presented. It was pointed out, however, that the video does not mention that BEERS contains tax return information and requires commensurate safeguarding. While the subject of BEERS security is covered in 88-INF 72 Questions and Answers on IRS 1099 Resources (Q.& A. #4) and in various transmittal letters, the IRS review indicated that some staff were unaware that BEERS information requires the same security as 1099 data. Also some staff who may come into contact with 1099 or BEERS information had not seen the video.

Each district should make certain that the video (approximately 11 minutes) is shown to all employees who may come into contact with 1099 or BEERS information. After each showing a statement should be made that BEERS information be treated the same as 1099 data insofar as security is concerned.

A copy of the video was transmitted to each district. If the video cannot be located or if there are any questions call the contact person shown on the cover sheet.

III. Employee Awareness-Security

The reviewers expressed concern that some districts had not taken advantage of available confidentiality training. The report states that "since awareness training is a prime defense against unauthorized disclosure, local jurisdictions should make full use of the NYSDSS support efforts in this area."

A training curriculum is being developed for the Income and Eligibility Verification System (IEVS). Included is the subject of security and confidentiality of tax return information. To avoid criticism in the future, it is encouraged that training be scheduled by calling the contact person.

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NELSON M. WEINSTOCK  
Deputy Commissioner  
for Administration