



CDSS

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**DEPARTMENT OF SOCIAL SERVICES**

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EDMUND G. BROWN JR.  
GOVERNOR

October 14, 2011

ALL-COUNTY INFORMATION NOTICE NO. I-39-11

TO: ALL COUNTY WELFARE DIRECTORS  
ALL COUNTY SPECIAL INVESTIGATIVE UNIT CHIEFS  
ALL COUNTY TAX INTERCEPT COORDINATORS  
ALL COUNTY INCOME AND ELIGIBILITY VERIFICATION SYSTEM  
COORDINATORS

SUBJECT: FEDERAL TAX INFORMATION SAFEGUARD EMAIL AND FAX  
PROTOCOL

**REASON FOR THIS TRANSMITTAL**

- State Law Change
- Federal Law or Regulation Change
- Court Order
- Clarification Requested by One or More Counties
- Initiated by CDSS

The purpose of this All County Information Notice (ACIN) is to inform county staff of the clarified directions on the handling of federal tax information (FTI). In January of 2011, California's Income and Eligibility Verification System (IEVS) process was reviewed for adherence to FTI safeguard standards by the Internal Revenue Service (IRS). As a result of this review, several areas have been identified by the IRS in which California could improve its protection of FTI. All FTI must be handled in accordance with IRS' Publication 1075 (Pub 1075). This ACIN provides guidance and resources to assist counties to ensure compliance in these areas. The instructions and resources provided here do not replace the usage of Pub 1075, but rather supplement the instructions in that document by providing policy, procedures and auditable tracking mechanisms derived from Pub 1075. All counties and agencies that work with FTI must adhere to all applicable federal publications and laws governing federal tax information.

**Transmittal of FTI**

**E-mail**

Per Pub 1075 section 9.18.5, FTI should generally not be transmitted or used on the agency's internal e-mail systems. FTI must not be transmitted outside of the agency, either in the body of an e-mail or as an attachment. If transmittal of FTI within the agency's internal e-mail system is necessary, the following precautions must be taken to protect FTI:

- Do not send FTI unencrypted in any e-mail messages.
- The file containing FTI must be attached and encrypted.
- Ensure that all messages sent are to the proper address.
- Where required, provide the password in a separate e-mail or other communication.
- Track files containing FTI received by e-mail. See “Recordkeeping” on page three of this ACIN for information on tracking received or created FTI.

Agencies with access to FTI must have a policy and procedures in place that articulate the protocols of using electronic mail for transmitting and receiving files containing FTI. This ensures a continuity of processing as organization staff change over time. A copy of this ACIN kept on hand would suffice as having met this requirement.

### **Fax**

Per Pub 1075 section 9.18.6, when faxing documents containing FTI agencies must:

Place fax machines in a secured area.

- Include a cover sheet on fax transmissions that explicitly provides guidance to the recipient, which includes:
  - A notification of the sensitivity of the data and the need for protection.
  - A notice to unintended recipients informing them to telephone the sender. This can be a collect call if necessary, report the disclosure, and confirm destruction of the information.
- Have a trusted staff member at both the sending and receiving fax machines.
- Accurately maintain broadcast lists and other preset numbers of frequent recipients of FTI.
- Treat documents containing FTI that have been received by fax as new FTI that requires tracking. See “Recordkeeping” on page three of this ACIN for information on tracking received or created FTI.

A sample template of an appropriate fax transmittal cover sheet is attached. (Please see Attachment 1.) This can be used by the county to meet the federal requirement or be modified as a county-developed version. Agencies with access to FTI must have a policy and procedures in place that articulate the protocols for using fax machines to transmit and receive documents containing FTI. This will help ensure continuity in processing standards as organization staff change over time. A copy of this ACIN kept on hand would suffice as having met this requirement.

### **Identification of FTI**

Per Pub 1075 section 5.1, FTI should be clearly labeled “Federal Tax Information” and handled with sufficient care that it does not become misplaced or available to employees not authorized to access FTI. All media containing FTI must be identified as containing FTI including, but not limited to, paper files or electronic portable media.

Proper labeling of FTI can be as simple as writing “Federal Tax Information” on the document or other media; however other methods include using printed flyers, rubber stamps, or sticker labels. To assist agencies in meeting this mandate, a variety of products are available to order from the IRS. (Please see Attachment 2.)

## **Recordkeeping**

### **Logging the Creation or Receipt, Movement and Destruction of FTI**

Per Pub 1075 section 3.0, every agency that handles FTI must maintain records on the creation or receipt, movement and final disposition of FTI. New FTI is created when scanned, faxed or copied manually or electronically. Tracking FTI should be done on an auditable log that captures the following information:

- Date Received by or Created within the Agency
- Exact Location of FTI
- Date Checked Out for Usage by Employee
- Name of Employee Accessing
- Client Name and/or control number
- Tax Year
- Purpose of Usage
- Date Returned to Secure Storage Area
- Date and Method of Final Destruction
- Type of information
- Number of records if available

A template of an appropriate log is included. (Please see Attachment 3.) This template can be used to satisfy this requirement or as a sample for a county-developed equivalent. Multiple logs, including rosters, can be used if necessary. See Pub 1075 section 3.3 for more information.

### **Logging Access to Areas that Contain FTI**

Per Pub 1075 section 4.3 and to ensure the physical control and security of FTI, all facilities or areas with access to FTI must maintain a visitor access log that must include the following information:

- name and organization of the visitor
- signature of the visitor
- form of identification
- date of access
- time of entry and departure
- purpose of visit
- name and organization of person visited

This log must be reviewed annually. A template of an appropriate log is included. (Please see Attachment 4.) This template can be used to satisfy this requirement or as a sample for a county-developed equivalent.

## **Safeguard Reviews**

As currently practiced, CDSS' Fraud Bureau will be performing routine reviews of the county implementation of safeguard practices. To align the content of the reviews with Pub 1075, CDSS will modify currently existing safeguard review components.

If you have any questions please contact Katharine Jordan, Manager, Fraud Detection Systems Unit at (916) 651-5008 or [katharine.jordan@dss.ca.gov](mailto:katharine.jordan@dss.ca.gov) or Nancy Cronin, Fraud Analyst, at (916) 651-5007 or [nancy.cronin@dss.ca.gov](mailto:nancy.cronin@dss.ca.gov).

Sincerely,

### ***Original Document Signed By:***

YVONNE L. LEE, CHIEF  
Program Integrity Branch

Attachments

To: \_\_\_\_\_ Fax No: \_\_\_\_\_ Date: \_\_\_\_\_  
cc: \_\_\_\_\_ Fax No: \_\_\_\_\_ #Pgs \_\_\_\_\_  
From: \_\_\_\_\_ Phone No: \_\_\_\_\_  
Subject: \_\_\_\_\_

Information

Review/Comment

Action

Please Reply

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# ***CONFIDENTIAL***

**WARNING: CONTENTS CONTAIN FEDERAL TAX INFORMATION AND ARE  
INTENDED FOR THE RECIPIENT ONLY  
*TO BE VIEWED ON A NEED-TO-KNOW BASIS ONLY***

FEDERAL TAX INFORMATION (FTI) IS PROTECTED FROM UNAUTHORIZED ACCESS OR DISCLOSURE BY INTERNAL REVENUE CODE SEC 7213, 7213A, AND 7431. UNAUTHORIZED ACCESS AND/OR DISCLOSURE ARE SUBJECT TO PENALTIES UP TO \$5,000, 5 YEARS IN FEDERAL PRISON, OR BOTH, PLUS COSTS OF PROSECUTION. IF YOU RECEIVED THIS FAX IN ERROR, CONTACT THE NUMBER ABOVE (COLLECT IF NECESSARY) TO REPORT THE DISCLOSURE AND CONFIRM DESTRUCTION.

## IRS Office of Safeguards Safeguards - Disclosure Awareness Products

The following resources are available from the IRS to assist your agency in meeting the federal safeguards requirements for employee awareness and the protection of federal tax returns and/or return information (FTI). A variety of technical information, safeguard report examples, FAQs and other safeguard resources are available to you on **Safeguards Program** page on IRS.GOV: ([www.irs.gov/businesses/small/article/0,,id=177651,00.html](http://www.irs.gov/businesses/small/article/0,,id=177651,00.html)).

**IRS Ordering Information:** The products listed below can be ordered from the IRS Distribution Center by calling **1-800-TAX-FORM** (829-3676). Be sure to identify yourself as a (state) government employee and please provide the catalog number and publication number and quantity (Note: all Notice 129 quantities are ordered by pad or roll count (100 pieces per, so 10 rolls = 1000 labels). All products will be delivered to the agency address you provide, to the attention of the person you specify. Please do not call the tax help number (1-800-829-4933), but if you experience an ordering problem obtain the employee's name and ID number and sent an email to [safeguardreports@irs.gov](mailto:safeguardreports@irs.gov), so the Office of Safeguards can assist you.

**Publication 1075, Tax Information Security Guidelines For Federal, State, and Local Agencies and Entities**

- Key publication explains the gamut of the Federal safeguards requirements, latest revision always applies
- Online access <http://www.irs.gov/pub/irs-pdf/p1075.pdf>

**Disclosure Awareness video** – Protecting Federal Tax Information: A Message From the IRS

- Discusses what access to Federal tax information (FTI) is, how to safeguard it, and how disclosures of that information is protected by Federal law.
- Online video accessed at [http://www.tax.gov/sbv\\_pfti/](http://www.tax.gov/sbv_pfti/)

**Protecting Federal Tax Information, Pocket Guide for Government Employees**

- Provides basic disclosure concepts and warns of civil & criminal sanctions for misuse of FTI
- Publication 4761 (4-2009)

**STOP UNAX Unauthorized Access In Its Tracks**

- Bold red and black print with graphic “eye” raises awareness that unauthorized access is UNAX
  - Poster 11”x17” Poster - Publication Number 3082 (5-2007), Catalog Number 25774N
  - Poster 8.5”x11” White background - Publication Number 03081 (5-1998), Catalog Number 25775Y
  - 3-fold handout Document 12612 (6-2008), Catalog Number 203531

**Safeguards Disclosure Awareness Video (DVD or video streaming)**

- Explains key safeguard concepts for protecting the confidentiality of FTI:
  - Disclosure Awareness Training for State, Local Tax Agencies and Federal agencies -- Publication 4711 (10-2008)
  - Disclosure Awareness Training for State Child Support Agencies -- Publication 4712 (10-2008)
  - Disclosure Awareness Training for State Human Services Agencies-- Publication 4713 (10-2008).
 Note: The DVDs are not copyrighted, please order a few and make copies as needed.
- Video streaming to the desktop is available for the DVD content listed above from [www.IRS.GOV@irs.gov](mailto:www.IRS.GOV@irs.gov) at: <http://www.irs.gov/businesses/small/article/0,,id=207917,00.html>.

**“Federal Tax Information” Notices/Labels**

- Notice 129 (Rev. 12-97) Inspection or Disclosure Limitations (100 labels per pad)
- Notice 129-A (Rev. 12-97) Inspection or Disclosure Limitations (100 labels per roll)
- Notice 129-B (05-09): Inspection or Disclosure Limitations (100 small labels per roll); specifically designed for labeling of electronic media, e.g. backup cartridges

**Generic\_FTI Tracking Log.xls**

This workbook is intended to be a flexible product to be adjusted to meet the needs of the county and the requirements of the IRS.

Fields required by IRS for tracking non-electronic FTI and can be found in section 3.3 of Publication 1075.

Other fields have been added in order to accommodate individual county needs.

Information can be captured in columns/fields or in headers/footers.

Creation of FTI, eg verification letters, added due to January 2011 IRS review findings.

**Information fields required by the IRS are in green bold (Pub 1075, sec. 3.3, pg 18).**

**"Library" for tracking the use of non-electronic FTI**

IRS Nomenclature	HS Nomenclature	Example
<b>Taxpayer name</b>	Client Name	Teddy Williams
<b>Tax year(s)</b>	Tax Year	2004
<b>Type of information</b>	Type of FTI	BEER Abstract, 1-31-2011
<b>Reason for request</b>	Reason for Access	Sending verification letter
<b>Exact location of FTI</b>	Storage Location	Locked File Room
<b>Who has had access</b>	Name of Employee Accessing	Joe Cronin
<b>Date &amp; method if disposition</b>	see below	n/a

**"Destruction" for tracking the final disposition of non-electronic FTI**

IRS Nomenclature	HS Nomenclature	Example
<b>Date of disposition</b>	Destruction Date	2/8/2011
<b>Method of disposition</b>	Method	x-shred
<b>Type of information</b>	Type of FTI	verification letter
<b>Who has had access</b>	Destroyed by:	Joe Cronin
<b>Who has had access</b>	Witnessed by:	n/a

**"Creation" for the tracking of FTI created at CWD**

IRS Nomenclature	HS Nomenclature	Example
N/A	Date Created	2/8/2011
<b>Reason for request</b>	FTI Created	Employer letter
<b>Taxpayer name</b>	Client Name	Teddy Williams
<b>Reason for request</b>	Created by:	Joe Cronin
N/A - only if returned	Date Returned	3/8/2011
<b>Date &amp; method of disposition</b>	Shred Date	3/11/2011
<b>Date &amp; method of disposition</b>	Shred by:	Joe Cronin

Note: Using generic notes, comments and letters eliminates the need to track created FTI because no FTI is created.

## Generic\_FTI Tracking Log.xls

IRS Nomenclature	HS Nomenclature	Example
N/A	Date Fax	2/18/2011
N/A	Sent/Received	sent
<b>Taxpayer name</b>	Client Name	Fiona Tekla
<b>Tax year(s)</b>	Tax Year	2005
<b>Type of information</b>	Type of FTI	WIS TOP Offset record
<b>Reason for request</b>	Reason for Access	Confirmation of TOP offset
<b>Exact location of FTI</b>	Fax Location (Recipient)	CWD, 123 Main St. 4th Flr
<b>Who has had access</b>	Names of Employee Accessing	
<b>Who has had access</b>	Sender	Elmer Fudd
<b>Who has had access</b>	Recipient	Bugs Bunny











**[Insert Agency Name and Location Here]**  
**Visitors Log**

Please complete in ink.

Name	Organization	Signature	Form of ID	Purpose of Visit	Escort Name	Date	Time of Entry	Time of Exit

Source: IRS Publication 1075 section 4.3.2 .