

**2017 Compendium of**

**Best Practices in Child Support & Safeguarding Federal Tax Information**

**National Council of Child Support Directors (NCCSD)**

**Internal Revenue Service (IRS) Audit Committee**

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# Introduction

The **National Council of Child Support Directors (NCCSD)** was established to provide a forum for State IV-D Child Support Program directors to discuss common problems and solutions associated with program administration, interstate and international cooperation, federal-state-local relations and other matters as deemed important. The NCCSD also provides a structured medium for communicating with federal agencies the views, opinions and consensus of the Council on selected issues, and for maintaining a continuing dialogue with federal agencies on matters of concern or interest to the Council.

The NCCSD established the **Internal Revenue Service (IRS) Audit Committee** in June of 2016 in anticipation of the revised IRS Publication 1075 (September 30 2016) to facilitate the exchange of best practices and safeguard review experiences throughout the Regions. A total of 11 states from all 10 Regions and more than 25 child support experts participate on a monthly basis.

This document is intended to be a guide to assist states in preparing for a successful IRS review. It is expected to be a living document, in that updates will be added as states continue to share their experiences and best practices.

The experience, expertise and shared examples of best practices from the workgroup members are greatly appreciated.

# Safeguard Review Preparation

## Section 2.6 (Safeguard Reviews)

Safeguard reviews are conducted by the IRS Office of Safeguards within the Office of Privacy, Governmental Liaison and Disclosure. These on-site reviews are used to evaluate the use of Federal Tax Information (FTI) and determine the adequacy of the safeguards put into place to protect such data.

## Preparing for the Review

1. Schedule regular and on-going meetings with necessary program and IT staff.

Confirm that all review areas are being addressed and information is communicated effectively. Ensure that the right individuals are participating on techinical and program calls.

1. Ensure Management, Operational and Technical (MOT) compliance.

MOT controls and the Risk Register should be reviewed and updated at least annually. The Plan of Action and Milestones (POA&M) should be reviewed and updated at least quarterly. Include both program and IT staff in the review process and ensure that all documentation provided clearly addresses MOT requirements and meets the format and date standards.

1. Use the Tenable Nessus compliance tool to complete IRS test scripts and mitigate any Section H findings as early as possible before the IRS review.

IRS Safeguards utilize [Tenable Nessus](http://www.tenable.com/) to perform compliance testing for all supported Windows and \*NIX based systems as well as a number of relational database management servers (RDBMS) (DB2, SQL Server and Oracle), network and perimeter protection devices (Cisco IOS and Cisco ASA) and hypervisors (ESXi 5.5 and above) that store, process, transmit or receive FTI. Currently, Tenable does not provide a trial version of the product that allows for compliance scanning. The approximate retail cost for one user license is $2,220.00. IRS audit and compliance scripts used for Nessus can be found on the [IRS website](https://www.irs.gov/uac/nessus-audit-files).

Running the test before the review allows for identification and remediation of any findings. The Nessus tool output provides details for both the current and expected results. Compliance testing can be completed manually as well, although comprehensive results can be obtained immediately with the Nessus scripts, saving valuable time. After mitigation, the scripts can be run again and again.

Ideally, the Nessus tool and compliance testing should be integrated into the agency’s IT Security Program. In the event the agency does not have a licensed copy of Nessus that may be leveraged, the IRS will utilize government-issued laptops, with appropriate security features installed, to be solely used for the purpose of this exercise. Temporary access to the IT network will be necessary to perform testing only during the on-site review and only with the assistance and supervision of a designated agency IT official.

1. Compile all requested documentation for review.

Ensure that local offices are filling out the Safeguard Disclosure Security Evaluation Matrix (SDSEM) in advance to allow time for review, clarification and consultation if necessary. Documentation should be maintained and reviewed on a continual basis. All required documentation should be validated and updated prior to reviews. Updates to policies and procedures should be added to the Safeguard Security Report (SSR) on an ongoing basis.

### Compiling Documentation

* In New York, the requested documentation is compiled into a binder for the reviewers. The binder includes a table of contents to make it easier for the reviewers to find the specific documents they need.
* In New Jersey, the requested documentation is embedded into the IRS checklist and sent to the reviewers through a secure email. A binder is also kept as an internal backup and reference for the on-site review.

1. Ensure timelines are followed for pre-review work.

### Types of Pre-Review Work

* Receive, review and submit the SDSEMs. Make sure it is the most current from the IRS Safeguards Program website.
* Train and/or re-train staff on safeguards polices and procedure. Focus on areas needing improvement from the SDSEM responses.
* Conduct preparatory walk-throughs and/or mock inspections
* If possible, pre-select a local office for review based on preparatory calls with the IRS. There appears to be some inconsistency between disclosure officers in allowing this practice.

1. Ensure that a Plan of Action and Milestones (POA&M) is developed and monitored.

Compiling the responses from outside agencies to ensure consistency and meeting compliance timelines should result in better outcomes. It is recommended that at least one technical and one physical program staff be assigned to these tasks. Depending on state structure, you may need additional resources.

1. Be prepared for potential out-of-cycle reviews.

The Office of Child Support Enforcement’s (OCSE) DCL 16-17 highlights the factors that are considered when identifying a state for a potential out-of-cycle review. It is recommended that the out-of-cycle review be prepared for in the same manner as a regular triennial review. The IRS is on-site for the same amount of time and reviews the same areas for compliance. Lack of timeliness in submitting reports, and corrective action plans and an insufficient Plan of Action and Milestones (POA&M) are key contributors to being scheduled for a review of this nature.

# Tracking Federal Tax Information (FTI)

## Section 3.2 (Electronic and Non-Electronic FTI Logs)

All IV-D agencies must establish tracking systems to identify and record the location of electronic and non-electronic FTI from receipt until destruction and disposal. Electronic FTI includes Payment Histories on CD’s, microfiche or other media storage, and system content. Non-electronic FTI includes paper generated from a number of sources including the automated child support system, screen shots, etc.

## Maintaining Non-Electronic FTI Logs

1. Conduct training sessions for staff on the importance of proper recordkeeping.

### Conducting Regular Data Security Training

* In New Jersey, data security training is provided to all staff on a regular basis. Training is provided through the New Jersey Child Support Institute (NJCSI) both in a classroom setting and online through web based training (WBT). This data security training includes information on proper recordkeeping procedures and helps to ensure that staff will continue to complete movement and tracking logs for any FTI received.

1. Provide reminders and resources to staff.

### Implementing Notification Systems

* In the system Oregon is currently developing, staff members who print FTI will receive a pop-up notification advising them to print a tracking log. The tracking log must be attached in front of the FTI and must be updated whenever the document moves. The final handler of the FTI has the sole responsibility for the destruction process and must submit the document to imaging before destroying. The image will be retained for five years. This process works best for agencies that do not commingle FTI.

1. Ensure a process for maintaining both electronic and non-electronic log reviews.

It is required that logs be reviewed monthly. This means a log or tracking mechanism should be maintained (a log of the log reviews). Direct caseworkers, through policy or procedure, to redact FTI from interstate documentation sent to another jurisdiction unless required and follow the requirements in Section 4.4 when transmitting FTI to other states.

# Transmitting Federal Tax Information

## Section 4.4 (FTI)

Any time FTI is transported from one location to another, care must be taken to provide appropriate safeguards and tracking of the movement of the FTI.

## Maintaining Safeguards for FTI in Transit

1. Minimize the transport of FTI to necessary circumstances.

Train caseworkers to minimize the transport of FTI to necessary circumstances and to handle FTI in an appropriate manner. This includes being able to identify the existence and location of FTI data elements within a case record or report.

1. Ensure that outbound account statements and payment information is redacted, or appropriately labeled or masked, in accordance with IRS requirements.

If the FTI is being transported by mail or courier, a double sealing process must be utilized.

# Destruction and Disposal

## Section 8.3 (Destruction and Disposal)

Any FTI received and any paper material generated therefrom, such as copies, photo impressions, computer printouts, notes and/or work papers, must be properly destroyed and disposed. Section 8.3 of IRS Publication 1075 regarding the destruction and disposal of FTI was updated, effective September 30, 2016, to include new shredding requirements.

## What level security does your state agency need?

There are two options available for the destruction of printed material containing FTI.

1. Shred or destroy at the agency.

The IRS requires all IV-D agencies to use perpendicular cross-cut shredders at 1 mm x 5 mm (1⁄25 inch x 1⁄5 inch) classified as level 6, highest level security. A higher volume model is approximately $1,700.00. Agencies may continue to utilize shredders meeting the prior IRS requirement of 5⁄16 inch if they contract with a NAID certified contractor for disposal. This has been relayed verbally by the IRS; a written response is pending through the IRS safeguard mailbox.

1. Shred or destroy through a NAID certified vendor.

The agency may choose to destroy all FTI through a NAID certified destruction vendor. NAID vendors require a 45-day notice and the appropriate Exhibit 7 contract language.

*Pursuant to IRS 1075 section 8.4, if a contractor is used:*

* The contract must contain safeguard language in Exhibit 7 Safeguarding Contract Language as appropriate to the contract to ensure the protection of FTI.
* Destruction of FTI must be certified by the contractor when not witnessed by an agency employee.
* If the agency has legal authority to disclose FTI to a disposal contractor and chooses one that is NAID certified, the agency will not be required to complete an internal inspection every 18 months of that facility. However, it must maintain a copy of and periodically validate the NAID certification.

### Accompanying NAID Certified Vendors

* In Massachusetts, the NAID certified vendor used has the required shredding equipment in the truck so program staff do not need to travel offsite to observe document destruction, but may instead accompany the vendor to the truck to observe the shredding activity.

## Tracking the Destruction of FTI

1. Ensure that FTI Access, Movement and Destruction logs can be easily accessed by staff.

### Making FTI Access, Movement and Destruction Logs More Accessible

* In New Jersey, FTI Access, Movement and Destruction logs are posted above all level 6 security shredders. Staff members are required to complete the log any time FTI is accessed, moved or destroyed. This keeps tracking logs readily available and serves as a helpful reminder for staff to log the destruction of FTI. Once the final disposition is made, the log is scanned and maintained electronically for five years.
* In Oregon, a FTI log is initiated at the same time the FTI is created. One log is used to track the FTI throughout the life of the media and to document its destruction. The log is maintained electronically for five years.

# General FTI Safeguards

1. Assigning dedicated staff to coordinate the agency’s safeguards program and compliance reviews is essential.
2. Utilize the [IRS Safeguards Program website](https://www.irs.gov/uac/safeguards-program) and the techncial assistance section. Familairize yourself with the appropriate physical and informational security guidelines.
3. Avoid creating or printing FTI unless absolutely necessary. Indentify the right and need to know recipients of FTI.
4. Keep computer screens locked when not in use and position in such a manner as to ensure FTI will not be visible to passers-by. Use [privacy screens](http://www.targus.com/us/22-widescreen-4vu-privacy-screen-1610) if necessary. Prices generally range from $40.00 to $100.00 depending on screen size.
5. To the extent possible, do not commingle FTI with other types of information. If you find that it is not feasible to separate FTI, make sure it is clearly labeled. Depending on the location of the data/files, this may require an additional log for access at the entrance to file rooms, etc.
6. Implement a clean desk policy. Keep FTI in a secure location when not in use.
7. Maintain detailed tracking logs for the movement and destruction of FTI.
8. Ensure that data security training is provided to all staff, contractors and sub-contractors prior to accessing FTI and at least yearly thereafter.
9. Ensure that you request 45-day notice approval when appropriate. See IRS Publication 1075, Section 7.4 for the 45-day notification reporting requirements.
10. Review and, if appropriate, update vendor Exhibit 7 contract language. Some states meet the requirement by using contract certifications in lieu of ammending contracts.
11. Make IRS Publication 1075 and child support information security materials available to caseworkers and child support staff on demand in a centralized location.

# Recommendations to the NCCSD Board

1. Establish periodic calls between the IRS and Federal IV-D IRS contacts similar to the current call held to address review and compliance issues for state tax agencies.
2. Maintain this compendium as a living document on the NCCSD website.

# Resources and Reference Materials

## IRS Resources

**IRS Publication 1075 Glossary of Terms**

(Rev. November 2016)

**IRS Office of Safeguards DCL-16-17**

(Rev. September 2016)

**IRS Disclosure Policy Guidance**

(Rev. March 2014)

**IRS Memorandum on Protecting FTI in Electronic Case Records**

(Rev. May 2011)

## State Resources

**Minnesota’s FTI Policy**

(Rev. April 2017)

**New Jersey’s FTI Removable Media Sign In-Out Sheet**

(Rev. September 2016)

**New Jersey’s FTI Removable Media Inventory Log**

(Rev. September 2016)

**New Jersey’s FTI Access Movement and Destruction Log**

(Rev. September 2016)

**New Jersey’s POA&M Corrective Action Verification Form**

(Rev. September 2016)

**New Jersey’s Key Policy and Log**

(Rev. September 2016)

**New York’s Information Technology Staff Safeguard Review Requirements**

(Rev. May 2016)

**Oregon’s Internal Site Security Inspection and Review Log**

**Utah’s Employee Background Investigation Policy**

(Rev. October 2016)