# NCCSD IRS Audit Committee

# July 11, 2016 Meeting Minutes

*Attendees: Michele Cristello, Marilyn Sager, Eileen Stack, Sharon Thomas, Shaneen Moore, Vern Greenhalgh, John Cleveland, Erin McDaniel, Erin Frisch*

**Updates – IRS Contacts, Findings, Developments:** Utah expressed concern with incoming interstate papers containing FTI and thereby bringing Utah’s case-filing system into scope. The group discussed whether incoming interstate requests should include FTI at all, under what circumstances it might be appropriate to transmit FTI to another state, and possible best practices for handling incoming interstate requests and transmittals that do include FTI. The committee will work on a model for handling FTI under these circumstances to share with states. **NY agreed to develop a rough draft to circulate for comment.**

**Development of Contact List:** Erin Frisch suggested developing a resource list of state FTI contacts in order to broaden the discussion, provide state child support programs with helpful contacts and to have periodic conference calls to share issues, concerns and best practices. It was noted a conference call model is used by states tax representatives and IRS safeguard representatives participate on that call. **Pat and Eileen will run the idea of a state child support program IRS resource contact list and group by the NCCSD Executive Committee.**

**Organization of State programs, IT and responsibilities for IRS security review and field office inspections:** Many states reported some variation of centralized IT. Most states reported having child support program staff assigned to coordinate the IRS security review audit and required documentation, and coordinate with the state’s IT entity. Most reported their child support program has a quality assurance or audit staff coordinate field office reviews on a periodic basis.

**Proposed Topics for Committee to Address:** Several topics emerged including: Interstate requests – development of a protocol for secure transmittal of information sent from another state; Quick Access/Electronic Document Exchange/CSNET – protocols for FTI; Joint checks – issuance to obligated party or both; Testimony in court and payment histories.

**Continued exploration of audit concerns and regional variations:**

* Publication 1075 covers how FTI must be shared, including to other states. The discussion revealed varied approaches, both at the state level and with the IRS. At least one state indicated the IRS said FTI should not be transmitted to another state. Other states indicated IRS wants assurances it is transmitted or received with appropriate requirements in place. At least one state described returning FTI to the transmitting state. Other states indicated they will log the FTI and treat in accordance with in-state FTI practices.
* One state described addressing incoming FTI through development of a secure mailbox area. The information is redacted and logged there. Concern expressed about sending transmittal with FTI back to originating state as will likely delay services to the family. Oregon and Utah will share findings in the area of FTI transmissions from other states.
* Findings can be associated with various sources of transmission of information – i.e. CSNET transactions. For example, Florida findings indicated Florida wasn’t logging CSNET transactions. CSNET comment field may include statements about an intercepted tax offset or collection which triggers FTI handling rules.
* States reported some systems treat everything at the FTI level while others have segregated areas for FTI. CSNET may need to be designated as including FTI.
* Outbound transmission of payment information to include date and amounts of collections but not the source and may implicate significant programming changes.
* Incoming IRS file includes addresses which can increase scope of IRS review. Several states indicated they elect not to receive the information or do not load it to their system. Florida indicates it strips out and destroys the address information.
* New finding for Florida in 2015 but not 2012 – CSNET was determined to include FTI. What are implications for the Electronic Document Exchange?
* Joint refund offsets are handled differently by different states. Some states indicate they don’t accept the information about the joint filer and only send the refund to the obligated party identified in the system. NY does not store the name of the obligated spouse but the information is printed on the check, a task of the contractor. Issue can trigger disclosure to a contractor. This has been argued as an “incidental disclosure”. Issue has also arisen in other states and IRS, pending discussions with federal OCSE, has reportedly held state findings “in abeyance”.

**Best Practices:**

1. Ensure appropriate labeling of outbound account statements/payment information in accordance with IRS requirements.
2. Caseworker should be trained to minimize transmission of FTI to necessary circumstances and in an appropriate manner.
3. States should handle incoming FTI from another state in same manner it would handle FTI internally including double envelopes; redact; destroy; logging.
4. Consider electing not to receive address information from IRS file, or stripping out and destroying the address information in accordance with IRS rules.