



NC DEPARTMENT OF
**HEALTH AND
HUMAN SERVICES**
Division of Health Benefits

ROY COOPER • Governor

KODY H. KINSLEY • Secretary

JAY LUDLAM • Deputy Secretary, NC Medicaid

Date: February 20, 2024

Re: Safeguarding Federal Tax Information (FTI)

Dear County Director of Social Services:

The purpose of this letter is to remind counties of the requirement to always safeguard FTI. FTI is defined as Financial Resource Report (FRR) and Beneficiary Earnings Exchange Report (BEER). These reports include information that is a lead for the caseworker regarding income such as military employment, pension income, self-employment, and federal income. The report also provides resource information reported to the IRS by federal employers and financial institutions. Safeguarding requires FTI to be logged and tracked from receipt to destruction. To prevent unauthorized access, FTI must be locked behind two barriers such as in a locked file cabinet in a locked office. These barriers must remain locked, and the keys always secured. There must be an inventory of all keys and electronic access key cards to include the number of keys or persons with access to the secure area where the FTI is maintained. Inventory records must be maintained for the purposes of control and accountability.

During the 2024 IRS review, it was determined that a county DSS office was utilizing a contractor for the purpose of shredding paper, which included FTI. Per IRS Publication 1075, this is considered unauthorized disclosure of FTI. If any county DSS office is currently contracting with a shred vendor to shred paper, do **NOT** include FTI. Only the county control officer or county authorized personnel (anyone permanent DSS employee who has completed the most recent FRR/BEER Safeguard Awareness security training) may destroy FTI.

Destruction of FTI and any information obtained from these reports can be destroyed after five years (if all copies are returned) by one of the following methods outlined in MA 3560/2930 IX:

- Burning or
- Shredding

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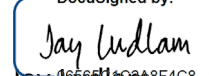
The shredder must meet the following requirements:

Destroy paper using crosscut shredders which produce particles that are 1 mm x 5 mm (0.04 in. x 0.2 in.) in size (or smaller) or pulverize/disintegrate paper materials using disintegrator devices equipped with a 3/32 in. (2.4 mm) security screen.

The county DSS office must maintain a log listing the dates the FTI documents were destroyed, is required. The DHB-2198 Destruction log may be utilized. This log must be maintained for five years.

It is imperative that the county DSS office cease including FTI in any shredding by a contractor immediately. The DSS Director and/or their designee, must complete and sign affirming that FTI is/will not be included in shredding with a contractor and that the agency will safeguard and destroy FTI according to policy. The certification/affirmation must be emailed to Wanda Mcleoud at wanda.mcleoud@dhhs.nc.gov by close of business March 5, 2024.

Sincerely,

DocuSigned by:

Jay Ludlam
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Deputy Secretary,
NC Medicaid