

Internal Audit Department

O R A N G E C O U N T Y

AUDITOR-CONTROLLER CLAIMS & DISBURSING PROCESSES

ISSUES CONCERNING EMPLOYEE SOCIAL SECURITY NUMBERS

For the Year Ending June 30, 2007

AUDIT NO: 2720-3

REPORT DATE: JANUARY 29, 2008

OC IAD conducted an Internal Control Review of Auditor-Controller Claims & Disbursing processes to reimburse employees for educational and travel claims, where we identified issues concerning access and use of employee Social Security Numbers in various documents and systems used in the claims and disbursing processes.

Corporate Controls:

Centralized Core Business Process Audit

Audit Director: [Peter Hughes, Ph.D., CPA](#)

Deputy Director: [Eli Littner, CPA, CIA](#)

Sr. Audit Manager: [Michael Goodwin, CPA, CIA](#)

Audit Manager: [Winnie Keung, CPA, CIA](#)

Senior Auditor: [Lisette Free, CPA](#)



Internal Audit Department

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Professional Excellence, Quality & Outreach*



Internal Audit Department

Providing Facts and Perspectives Countywide

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OC Fraud Hotline (714) 834-3608

Letter from Director Peter Hughes

Transmittal Letter



AUDIT NO. 2720-3 January 29, 2008

TO: David E. Sundstrom, Auditor-Controller
Satish Ajmani, Chief Information Officer

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: Auditor-Controller Claims & Disbursing
Processes - Issues Concerning
Employee Social Security Numbers

We have completed our an Internal Control Review of selected centralized, core business processes in the Auditor-Controller Claims and Disbursing Unit for the year ended June 30, 2007. During the course of our review, we identified issues concerning **access and use of employee Social Security Numbers** in various documents and systems used in the claims and disbursing processes. Our report addressing these issues is attached.

This is one in a series of audit reports of Auditor-Controller Claims & Disbursing. We will also issue separate audit reports for the **Educational and Professional Reimbursement** process (#2720-1); **Mileage & Other Expenses** reimbursement process (#2720-2); and **Vendor Payments** (#2720-4).

Please note we have a structured and rigorous **Follow-Up Audit** process in response to recommendations and suggestions made by the Audit Oversight Committee (AOC) and the Board of Supervisors (BOS). As a matter of policy, our **first Follow-Up Audit** will now begin at six months from the official release of the report. A copy of all our Follow-Up Audit reports is provided to the BOS as well as to all those individuals indicated on our standard routing distribution list.

The AOC and BOS expect that audit recommendations will typically be implemented within six months and often sooner for significant and higher risk issues. Our **second Follow-Up Audit** will now begin at 12 months from the release of the original report, by which time **all** audit recommendations are expected to be addressed and implemented.

At the request of the AOC, we are to bring to their attention any audit recommendations we find still not implemented or mitigated after the second Follow-Up Audit. The AOC requests that such open issues appear on the agenda at their next scheduled meeting for discussion.

Letter from Director Peter Hughes

We have attached a **Follow-Up Audit Report Form**. Your department should complete this template as our audit recommendations are implemented. When we perform our first Follow-Up Audit approximately six months from the date of this report, we will need to obtain the completed document to facilitate our review.

Each month I submit an **Audit Status Report** to the BOS where I detail any material and significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the BOS.

As always, the Internal Audit Department is available to partner with your staff so that they can successfully implement or mitigate difficult audit recommendations. Please feel free to call me should you wish to discuss any aspect of our audit report or recommendations.

ATTACHMENTS

Other recipients of this report listed on the Internal Auditor's Report on page 2.

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Claims & Disbursing Processes – Issues Concerning Employee
Social Security Numbers
Audit No 2720-3*

For the Year Ending
June 30, 2007

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OC Internal Audit Report

INTERNAL AUDITOR'S REPORT

AUDIT No. 2720-3

January 29, 2008

TO: David E. Sundstrom, Auditor-Controller
Satish Ajmani, Chief Information Officer

SUBJECT: Internal Control Review of Auditor-Controller
Claims & Disbursing Processes - Issues Concerning
Employee Social Security Numbers

Audit Highlight

Our audit of Auditor-Controller Claims & Disbursing processes identified four recommendations to protect the confidentiality of employee Social Security Numbers.

Scope of Review

We conducted an Internal Control Review of the Auditor-Controller's Claims and Disbursing Unit for the year ending June 30, 2007. During the course of our review, we identified issues concerning access and use of employee Social Security Numbers in various documents and systems used in the claims and disbursing processes. This report includes our observations and recommendations on the issues along with management's responses.

This is one in a series of audit reports of Auditor-Controller Claims & Disbursing. We will also issue separate audit reports for the **Educational and Professional Reimbursement** process (#2720-1); **Mileage & Other Expenses** reimbursement process (#2720-2); and **Vendor Payments** (#2720-4). Our audit was conducted in accordance with professional standards established by the Institute of Internal Auditors.

Results

Because of the privacy risk, sensitivity, and the potential of misuse of employee Social Security numbers, we identified **three Significant Issues** resulting in **four recommendations** to address our audit observations discussed in the Detailed Observations, Recommendations and Management Responses section of this report. See Attachment A for a description of Report Item Classifications.

Acknowledgment

We appreciate the courtesy and cooperation extended to us during the audit by the personnel of the Auditor-Controller Claims and Disbursing, and Information Technology Units. If we can be of further assistance, please contact me or Eli Littner, Deputy Director, at (714) 834-5899 or Michael Goodwin, Senior Audit Manager, at (714) 834-6066.

OC Internal Audit Report

Respectfully Submitted,



Dr. Peter Hughes, CPA, Director
Internal Audit Department

ATTACHMENTS

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors
Members, Audit Oversight Committee
Thomas G. Mauk, County Executive Officer
Bob Franz, Deputy CEO, Chief Financial Officer
Shaun Skelly, Senior Director, A-C/Accounting and Technology
Jan Grimes, Director, A-C/Central Accounting Operations
Robert Leblow, Senior Manager, A-C/Claims and Disbursing
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Darlene J. Bloom, Clerk of the Board of Supervisors

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

During the course of conducting our Internal Control Review of Auditor-Controller Claims & Disbursing processes, we identified issues concerning access and use of employee Social Security Numbers in reimbursement claim forms and the County's financial accounting system used to process payroll and reimbursement claims.

Confidentiality of Social Security Numbers

The California Office of Privacy Protection in the Department of Consumer Affairs has the statutorily mandated purpose of protecting the privacy of individuals' personal information. The Office of Privacy Protection has published recommended practices for protecting the confidentiality of Social Security Numbers (SSNs) because of the role they play in the marketplace with identity theft and other forms of fraud. The California Code sections governing access and confidentiality of SSNs include:

- **Civil Code Sections 1798.85 – 1798.86.** The California Office of Privacy Protection developed recommended practices that address, but are not limited to, the provisions of these Civil Code Sections. These practices address the collection, display and security measures over records containing SSNs.
- **Labor Code Section 226** – requires employers to use only the last four digits of SSNs if they are shown on payroll related documents. Employers must comply with this code by January 1, 2008.

See Attachment D – *Recommended Practices on Protecting the Confidentiality of Social Security Numbers.*

The following are our observations concerning use and access of employee Social Security Numbers relating to A/C Claims and Disbursing processes:

Observation No. 1 – Contracted Data Entry Services (Significant Issue)

CEO/IT executes an annual Price Agreement with an outside contractor to provide data entry services for multiple departments/agencies, such as the Auditor-Controller and Treasurer-Tax Collector. Services provided by the contractor include but are not limited to payroll and secured annual tax roll returns. The Price Agreement in effect at the time of our audit was with Digital Archive Technology, LLC for \$75,000 covering the period March 31, 2007 through February 29, 2008.

Although Civil Code Section 1798.85b allows for the collection and use of SSNs for purposes of internal verification, the County provides all mileage expense and reimbursement claims containing personal and sensitive information (SSNs, employee addresses) to an outside vendor for data entry. We reviewed the Price Agreement for provisions concerning confidentiality of employee information. We noted the Price Agreement contained one standard provision concerning confidentiality as follows:

Confidentiality: *“Contractor agrees to maintain the confidentiality of all County and County-related records and information pursuant to all statutory laws regarding privacy and confidentiality that currently exist or exist at any time during the term of this contract. All such records and information shall be considered confidential and kept confidential by Contractor and Contractor’s staff, agent, and employees.”*

The Price Agreement went through the standard review and approval process involving County Counsel and the Board of Supervisors and appears to be proper in all regards for such an agreement.

The California Office of Privacy Protection has recommended practices on protecting the confidentiality of SSNs. Under the objective of controlling access to SSNs, the Fair Information Practice Principle over security suggests the following:

- If you do share SSNs with other companies or organizations, including contractors, use written agreements to protect their confidentiality.
- Prohibit such third parties from disclosing SSNs, except as required by law.
- Require such third parties to use effective security controls on record systems containing SSNs.
- Hold such third parties accountable for compliance with the restrictions one imposes, including monitoring or auditing their practices.

OC Internal Audit Report

It should be noted that under the requirements of Health Insurance Portability and Accountability Act of 1996 (HIPAA), additional contract terms and conditions are required when contracting with third party “business associates” that process protected health information.

Based on the above recommended practices from the California Office of Privacy Protection, we believe that CEO/IT should consult with County Counsel to determine if additional clauses and safeguards are needed in contract language, such as for security controls and monitoring requirements, because of the access to employee SSNs.

Recommendation No. 1

County Executive Office consult with County Counsel and evaluate the adequacy of contract language and safeguards such as security controls and monitoring concerning the Price Agreement for data entry services, and determine if additional contractual requirements are needed to ensure the protection of employee SSNs.

CEO Management Response:

Concur: The CEO’s office has begun to work with County Counsel to draft more specific language that will provide the necessary controls. A further mitigating factor will be the implementation of an online Mileage Claims Processing application that will eliminate a significant need for data entry services.

Observation No. 2 – Use of Social Security Numbers in CAPS (Significant Issue)

The Countywide Accounting and Personnel System (CAPS) is used for processing County financial, payroll, purchasing and human resources information. Oversight of CAPS is provided jointly by a CAPS Steering Committee consisting of members from the Auditor-Controller and County Executive Office. In CAPS, the primary key used to identify employees is the employee Social Security Number (SSN). As a result, County payroll timekeeping system (VTI) and forms for reimbursement claims (*Mileage & Other Expenses Claim* and the *Educational and Professional Reimbursement Claim*) each require complete employee SSNs to input and process claims in CAPS.

In a response to a separate audit report we issued on access to employee SSNs in VTI, the Auditor-Controller indicated the cost to eliminate the use of SSNs in CAPS would be significant, and that this issue has been identified as a strategic priority. Because of the requirements of the above Civil and Labor Code sections, appropriate actions should be taken to restrict access to complete employee SSNs on documents processed in CAPS. In addition, options and cost-benefits should be explored and documented to address eliminating the use of SSNs in CAPS.

OC Internal Audit Report

Recommendation No. 2a

Auditor-Controller and County Executive Office jointly identify alternatives for eliminating or modifying SSNs as the primary key identifier in CAPS that includes a documented cost-benefit analysis of modifying CAPS for this purpose.

Auditor-Controller Management Response:

Concur. Measures have been taken to restrict user access to SSNs throughout the system. Nevertheless, the Auditor-Controller will work jointly with the CEO's Office to formally assess the feasibility of eliminating or modifying SSNs as the primary key identifier in CAPS HR/Payroll System.

County Executive Office Management Response:

Concur: The CEO's office will work with the Auditor-Controller's office to conduct an impact analysis as appropriate related to the current CAPS HR/Payroll application. Certain measures have already been undertaken such as elimination of SSN information on reports and removal of SSN on both printed and online employee pay stubs thereby making the County compliant with Labor Code 226. Furthermore, upon consultation with County Counsel, it was determined that Civil Code sections 1798.85 and 1798.86, which are cited in the Internal Audit report, do not apply to the County. Nonetheless, our office is sensitive to both constitutional safeguards protecting an individual's right to keep their information private and public perception should information be compromised and we will therefore continue to maintain due diligence in ensuring necessary safeguards are in place.

Recommendation No. 2b

Auditor-Controller ensure appropriate actions are taken to restrict access to complete employee SSNs on related payroll documents in accordance with Labor Code section requirements.

Auditor-Controller Management Response:

Concur. Reports have been revised to eliminate SSN, the Data Warehouse requires security authorization, and we have restricted access into AHRS to only those employees who require it to perform their duties. Any new requests for access into the AHRS system must be formally requested through the CAPS PMO office. The access request form is located at <http://capsprod.ocgov.com/capsnews/>. In order to gain access the form must be approved by both a supervisor and a functional administrator.

OC Internal Audit Report

Observation No. 3 – Use of Social Security Numbers in CAPS+ Upgrade Project (Significant Issue)

The Auditor-Controller with oversight of the CAPS Steering Committee is in process of implementing an upgrade to CAPS, known as CAPS+ Upgrade Project. The CAPS+ project is a multi-year effort to upgrade the County's current financial, payroll and purchasing system to the next generation, web-based ERP product known as *AMS Advantage 3* from the vendor of the system, CGI/AMS.

The Auditor-Controller indicated that they are aggressively pursuing alternatives to eliminate the use of SSNs as the primary key identifier in CAPS+ Upgrade Project. The expected date of implementing phase one of CAPS+ is expected to go live in July 2009. Because of the sensitive nature of SSNs, we concur with the importance of pursuing alternatives to eliminate the need for using employee SSNs in the CAPS upgrade.

Recommendation No. 3

Auditor-Controller obtain documented assurance and direction from CGI/AMS on identifying alternatives for eliminating the use of SSNs as the primary key in the CAPS+ Upgrade Project.

Auditor-Controller Management Response:

Concur with Clarification: Only the CGI Financial/Purchasing System is scheduled to be upgraded and implemented in July 2009. SSN is not used as the primary key in this system. No decision has been made to replace/upgrade the current CGI HR/Payroll System. Within this system, SSN is the primary key and this issue is discussed in Recommendation 2a. Nevertheless, the elimination of SSN as the primary key in any HR/Payroll system replacement/upgrade will be diligently pursued.

ATTACHMENT A: Report Item Classifications

For purposes of reporting our audit observations and recommendations, we will classify audit report items into three distinct categories:

- ▶ **Material Weaknesses:**
Audit findings or a combination of Significant Issues that can result in financial liability and exposure to a department/agency and to the County as a whole. Management is expected to address “Material Weaknesses” brought to their attention immediately.
- ▶ **Significant Issues:**
Audit findings or a combination of Control Findings that represent a significant deficiency in the design or operation of processes or internal controls. Significant Issues do not present a material exposure throughout the County. They generally will require prompt corrective actions.
- ▶ **Control Findings and/or Efficiency/Effectiveness Issues:**
Audit findings that require management’s corrective action to implement or enhance processes and internal controls. Control Findings and Efficiency/Effectiveness issues are expected to be addressed within our follow-up process of six months, but no later than twelve months.

OC Internal Audit Report

ATTACHMENT B: Auditor-Controller Management Responses



DAVID E. SUNDSTROM, CPA
AUDITOR-CONTROLLER

AUDITOR-CONTROLLER COUNTY OF ORANGE

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PHILLIP T. DAIGNEAU
DIRECTOR
INFORMATION TECHNOLOGY

January 22, 2008

TO: Peter Hughes, Director
Internal Audit Department

SUBJECT: Draft Report on Internal Control Review of Auditor-Controller
Claims & Disbursing Processes – Issues Concerning Employee
Social Security Numbers, Audit Number 2720-3

RECEIVED
INTERNAL AUDIT DEPARTMENT
2008 JAN 23 PM 2:16

Following is our response to the recommendations contained in the Draft Report on Internal Control Review of Auditor-Controller Claims & Disbursing Processes – Issues Concerning Employee Social Security Numbers, Audit Number 2720-3.

Recommendation No. 1

County Executive Office consult with County Counsel and evaluate the adequacy of contract language and safeguards such as security controls and monitoring concerning the Price Agreement for data entry services, and determine if additional contractual requirements are needed to ensure the protection of employee SSNs.

Auditor-Controller Response

Please see separate response from the CEO.

Recommendation No. 2a

Auditor-Controller and County Executive Office jointly identify alternatives for eliminating or modifying SSNs as the primary key identifier in CAPS that includes a documented cost-benefit analysis of modifying CAPS for this purpose.

Auditor-Controller Response

Concur: Measures have been taken to restrict user access to SSN throughout the system. Nevertheless, the Auditor-Controller will work jointly with the CEO's Office to formally assess the feasibility of eliminating or modifying SSNs as the primary key identifier in the CAPS HR/Payroll System.

OC Internal Audit Report

ATTACHMENT B: Auditor-Controller Management Responses (continued)

Peter Hughes, Director, Internal Audit Department
January 22, 2008
Page 2

Recommendation No. 2b

Auditor-Controller ensure appropriate actions are taken to restrict access to complete employee SSNs on related payroll documents in accordance with Labor Code section requirements.

Auditor-Controller Response

Concur: Reports have been revised to eliminate SSN, the Data Warehouse requires security authorization, and we have restricted access into AHRS to only those employees who require it to perform their duties. Any new requests for access into the AHRS system must be formally requested through the CAPS PMO office. The access request form is located at <http://capsprod.ocgov.com/capsnews/>. In order to gain access the form must be approved by both a supervisor and a functional administrator.

Recommendation No. 3

Auditor-Controller obtain documented assurance and direction from CGI/AMS on identifying alternatives for eliminating the use of SSNs as the primary key in the CAPS+ Upgrade Project.

Auditor-Controller Response

Concur With Clarification: Only the CGI Financial/Purchasing System is scheduled to be upgraded and implemented in July 2009. SSN is not used as the primary key in this system. No decision has been made to replace/upgrade the current CGI HR/Payroll System. Within this system, SSN is the primary key and this issue is discussed in Recommendation 2a. Nevertheless, the elimination of SSN as the primary key in any HR/Payroll system replacement/upgrade will be diligently pursued.

Thank you for the opportunity to respond to the draft report on Internal Control Review. Please contact Phillip Daigneau at 834-6277 if you have any questions on our response.




David E. Sundstrom
Auditor-Controller

DES:lr
Claims & Disbursing Draft Audit 2720-3/auditor

OC Internal Audit Report

ATTACHMENT C: County Executive Office Management Responses


19 27



County Executive Office
Memorandum

January 11, 2008

To: Peter Hughes, Director
Internal Audit Department

From: Satish Ajmani, Deputy CEO and Chief Information Officer 

Subject: Draft Report on Internal Control Review of Auditor-Controller
Claim & Disbursing Processes – Issue Concerning Employee Social Security
Numbers, Audit Number: 2720-3

RECEIVED
INTERNAL AUDIT DEPARTMENT
2008 JAN 14 AM 11:41

Following is our response to the recommendations contained in the Draft Report on Internal Control Review of Auditor-Controller Claim & Disbursing Processes – Issue Concerning Employee Social Security Numbers, Audit Number 2720-3.

Recommendation No. 1
County Executive Office consult with County Counsel and evaluate the adequacy of contract language and safeguards such as security controls and monitoring concerning the Price Agreement for data entry services, and determine if additional contractual requirements are needed to ensure the protection of employee SSNs.

County Executive Office Response
Concur: The CEO's office has begun to work with County Counsel to draft more specific language that will provide the necessary controls. A further mitigating factor will be the implementation of an online Mileage Claims Processing application that will eliminate a significant need for data entry services

Recommendation No. 2a.
Auditor-Controller and County Executive Office jointly identify alternatives for eliminating or modifying SSNs as the primary key identifier in CAPS that includes a documented cost-benefit analysis of modifying CAPS for this purpose.

OC Internal Audit Report

ATTACHMENT C: County Executive Office Management Responses (continued)

Draft Report on Internal Control Review of Auditor-Controller
Claim & Disbursing Processes – Issue Concerning Employee Social Security Numbers,
Audit Number: 2720-3

Page two

County Executive Office Response

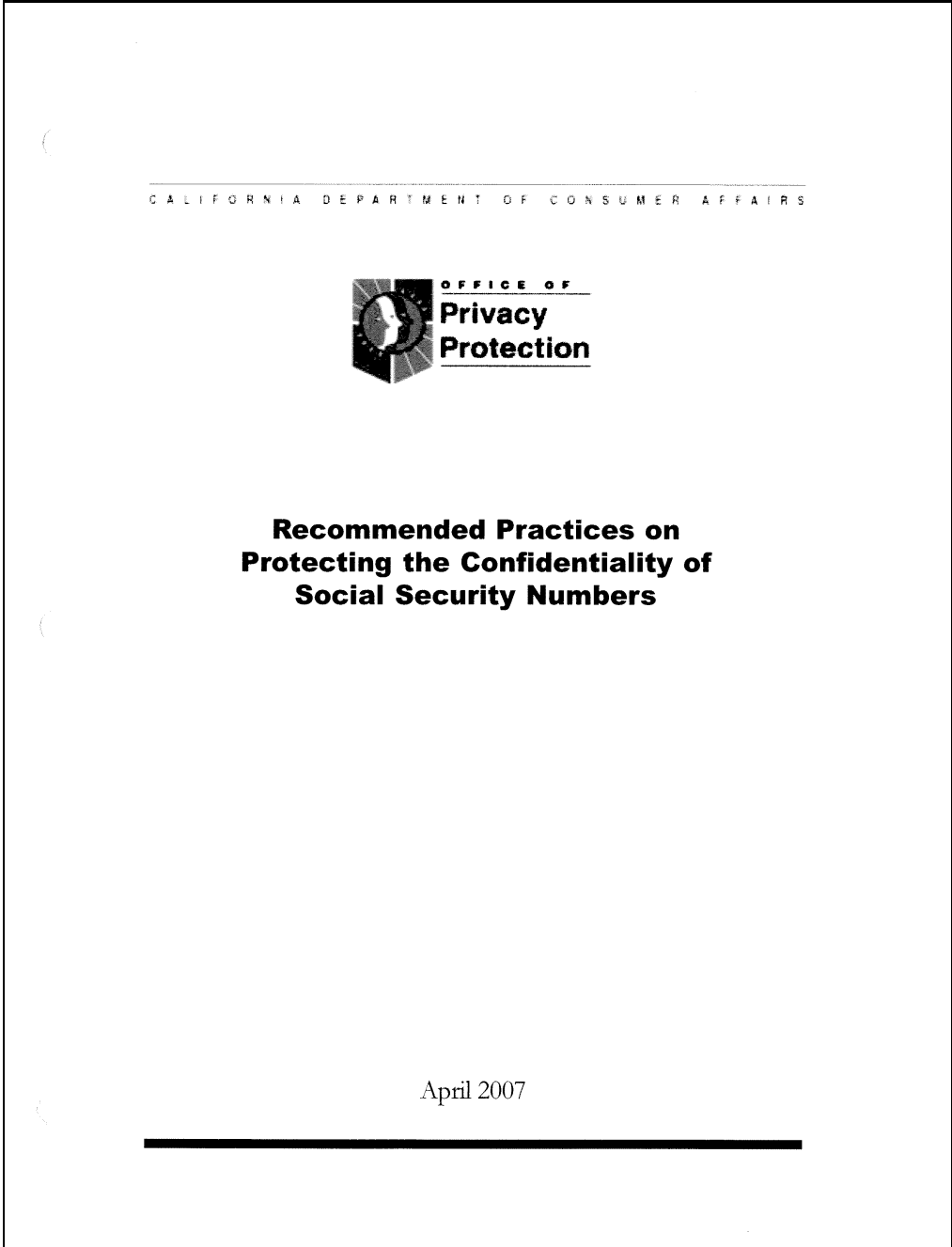
Concur: The CEO's office will work with the Auditor-Controller's office to conduct an impact analysis as appropriate related to the current CAPS HR/Payroll application. Certain measures have already been undertaken such as elimination of SSN information on reports and removal of SSN on both printed and online employee pay stubs thereby making the County compliant with Labor Code 226. Furthermore, upon consultation with County Counsel, it was determined that Civil Code sections 1798.85 and 1798.86, which are cited in the Internal Audit report, do not apply to the County. Nonetheless, our office is sensitive to both constitutional safeguards protecting an individual's right to keep their information private and public perception should information be compromised and we will therefore continue to maintain due diligence in ensuring necessary safeguards are in place.

Thank you for the opportunity to respond to the draft report on Internal Control Review. Please contact Mahesh Patel at 834-2525 if you have any questions on our response.

cc: David Sundstrom, Auditor-Controller
Bob Franz, Deputy CEO, Chief Financial Officer
Shaun Skelly, Senior Director, A/C Accounting and Technology
Jan Grimes, Director, A/C Central Accounting Operations
Phillip Daigneau, Director, A/C Information Technology
Robert Leblow, Senior Manager, A/C Claims & Disbursing
Mahesh Patel, Director, Business Information Services, CEO-IT

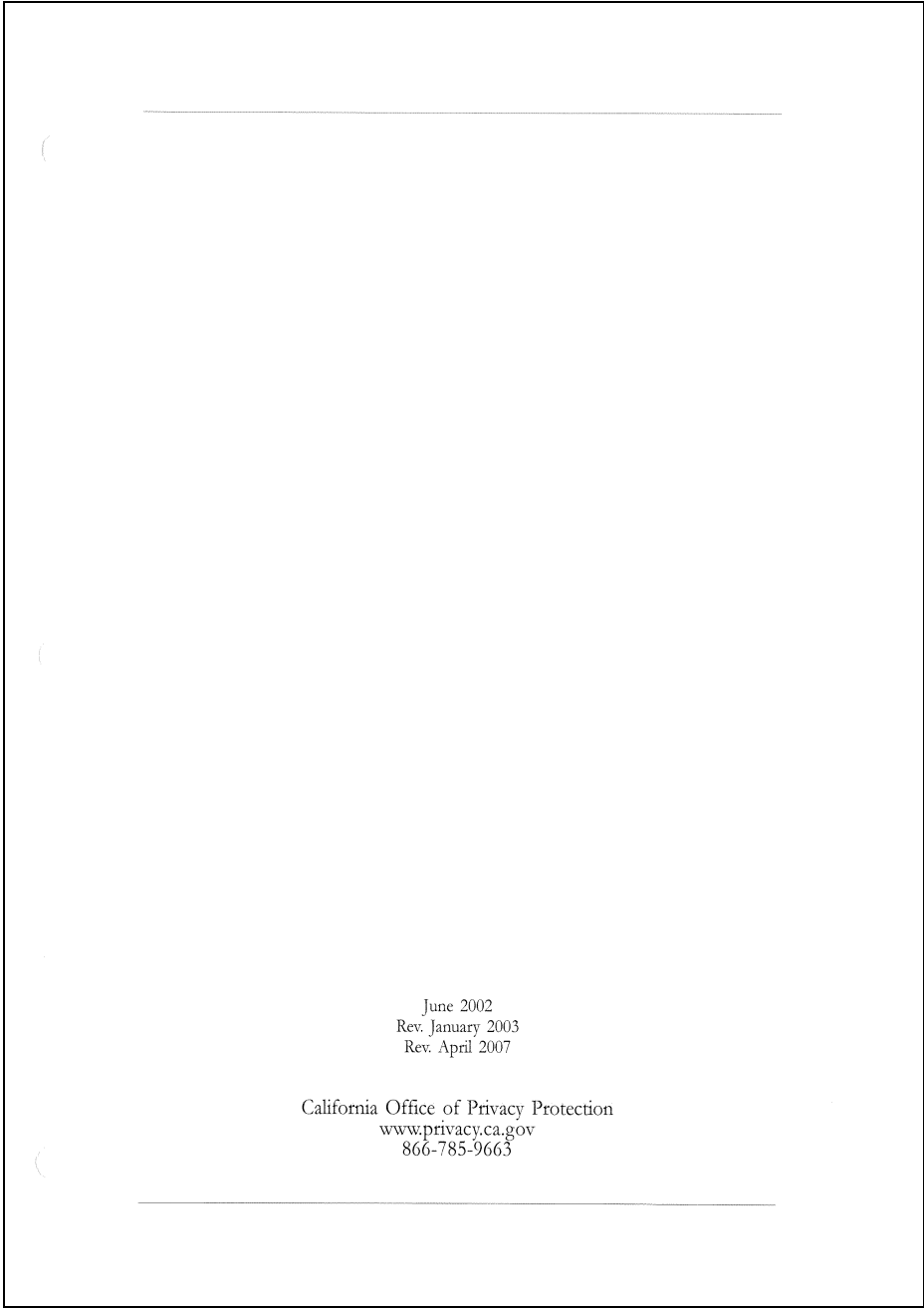
OC Internal Audit Report

ATTACHMENT D: Recommended Practices on Protecting the Confidentiality of Social Security Numbers



OC Internal Audit Report

ATTACHMENT D: Recommended Practices on Protecting the Confidentiality of Social Security Numbers (continued)



ATTACHMENT D: Recommended Practices on Protecting the Confidentiality of Social Security Numbers (continued)

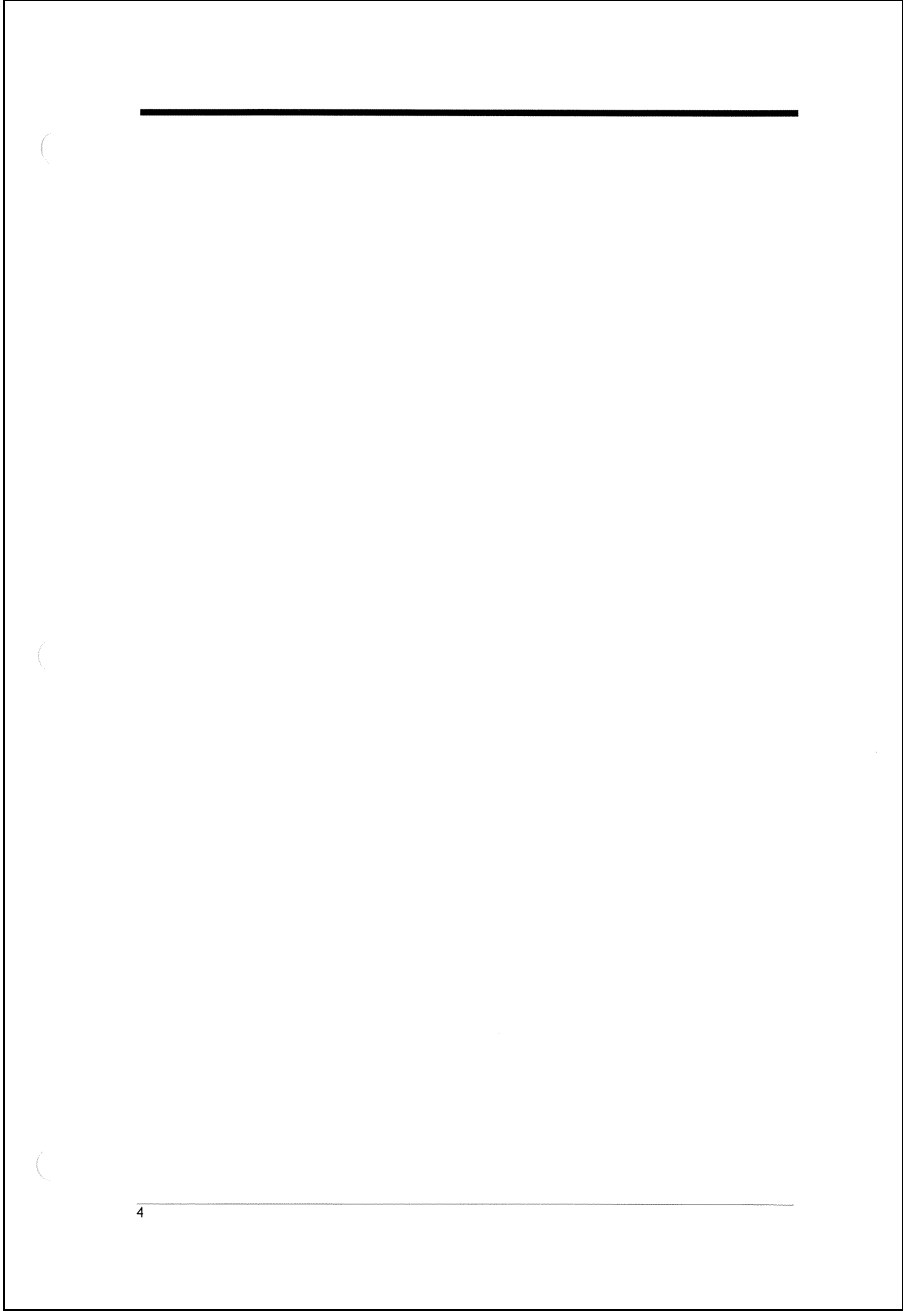


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OC Internal Audit Report

ATTACHMENT D: Recommended Practices on Protecting the Confidentiality of Social Security Numbers (continued)



ATTACHMENT D: Recommended Practices on Protecting the Confidentiality of Social Security Numbers (continued)

California Office of Privacy Protection

Introduction

The California Office of Privacy Protection in the Department of Consumer Affairs has the statutorily mandated purpose of “protecting the privacy of individuals’ personal information in a manner consistent with the California Constitution by identifying consumer problems in the privacy area and facilitating development of fair information practices.”¹ The law specifically directs the Office to “make recommendations to organizations for privacy policies and practices that promote and protect the interests of California consumers.”²

In fulfillment of those obligations, the Office of Privacy Protection is publishing these recommended practices for protecting the confidentiality of Social Security numbers. While many of the recommendations might be applied to protect any sensitive personal information, the focus is on Social Security numbers because of the role they have come to play in the marketplace and in identity theft and other forms of fraud.

In developing the recommendations, the Office of Privacy Protection received consultation and advice from an advisory committee made up of representatives of the financial, insurance, health care, retail and information industries and of consumer privacy advocates.³ The committee members’ contributions were very helpful and are greatly appreciated.

Unique Status of SSN As a Privacy Risk

The Social Security number (SSN) has a unique status as a privacy risk. No other form of personal identification plays such a significant role in linking records that contain sensitive information that individuals generally wish to keep confidential.⁴

Created by the federal government in 1936 to track workers’ earnings and eligibility for retirement benefits, the SSN is now used in both the public and private sectors for a myriad of purposes totally unrelated to this original purpose. It is used so widely because the SSN is a unique identifier that does not change, allowing it to serve many record management purposes.⁵

Today SSNs are used as representations of individual identity, as secure passwords, and as the keys for linking multiple records together. The problem is that these uses are incompatible. The widespread use of the SSN as an individual identifier, resulting in its appearance on mailing labels, ID cards and badges, and various publicly displayed documents, makes it unfit to be a secure password providing access to financial records and other personal information.⁶

The broad use and public exposure of SSNs has been a major contributor to the tremendous growth in recent years in identity theft and other forms of credit fraud. The need to significantly reduce the risks to individuals of the inappropriate disclosure and misuse of SSNs, has in recent years led California and a few other states to take steps to limit their use and display.⁷

Recommended Practices 5

ATTACHMENT D: Recommended Practices on Protecting the Confidentiality of Social Security Numbers (continued)

California Laws on SSN Confidentiality

Summary of Civil Code Sections 1798.85-1798.86

Civil Code Sections 1798.85-1798.86 took effect beginning July 1, 2002 and was phased in through January 1, 2007. It applies to any person or entity and prohibits the following practices:

- Posting or publicly display SSNs,
- Printing SSNs on identification cards or badges,
- Requiring people to transmit an SSN over the Internet unless the connection is secure or the number is encrypted,
- Requiring people to log onto a web site using an SSN without a password, and
- Printing SSNs on anything mailed to a customer unless required by law or the document is a form or application.⁹

Text of Civil Code Sections 1798.85-1798.86

1798.85. (a) Except as provided in this section, a person or entity may not do any of the following:

(1) Publicly post or publicly display in any manner an individual's social security number. "Publicly post" or "publicly display" means to intentionally communicate or otherwise make available to the general public.

(2) Print an individual's social security number on any card required for the individual to access products or services provided by the person or entity.

(3) Require an individual to transmit his or her social security number over the Internet, unless the connection is secure or the social security number is encrypted.

(4) Require an individual to use his or her social security number to access an Internet Web site, unless a password or unique personal identification number or other authentication device is also required to access the Internet Web site.

(5) Print an individual's social security number on any materials that are mailed to the individual, unless state or federal law requires the social security number to be on the document to be mailed. Notwithstanding this paragraph, social security numbers may be included in applications and forms sent by mail, including documents sent as part of an application or enrollment process, or to establish, amend or terminate an account, contract or policy, or to confirm the accuracy of the social security number. A social security number that is permitted to be mailed under this section may not be printed, in whole or in part, on a postcard or other mailer not requiring an envelope, or visible on the envelope or without the envelope having been opened.

(b) This section does not prevent the collection, use, or release of a social security number as required by state or federal law or the use of a social security number for internal verification or administrative purposes.

(c) This section does not apply to documents that are recorded or required to be open to the public pursuant to Chapter 3.5 (commencing with Section 6250), Chapter 14 (commencing with Section 7150) or Chapter 14.5 (commencing with Section 7220) of Division 7 of Title 1 of, Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of, or Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of, the Government Code. This section does not apply to records that are required by statute, case law, or California Rule of Court, to be made

ATTACHMENT D: Recommended Practices on Protecting the Confidentiality of Social Security Numbers (continued)

California Office of Privacy Protection

available to the public by entities provided for in Article VI of the California Constitution.

(d) (1) In the case of a health care service plan, a provider of health care, an insurer or a pharmacy benefits manager, a contractor as defined in Section 56.05, or the provision by any person or entity of administrative or other services relative to health care or insurance products or services, including third-party administration or administrative services only, this section shall become operative in the following manner:

(A) On or before January 1, 2003, the entities listed in paragraph (1) shall comply with paragraphs (1), (3), (4), and (5) of subdivision (a) as these requirements pertain to individual policyholders or individual contractholders.

(B) On or before January 1, 2004, the entities listed in paragraph (1) shall comply with paragraphs (1) to (5), inclusive, of subdivision (a) as these requirements pertain to new individual policyholders or new individual contractholders and new groups, including new groups administered or issued on or after January 1, 2004.

(C) On or before July 1, 2004, the entities listed in paragraph (1) shall comply with paragraphs (1) to (5), inclusive, of subdivision (a) for all individual policyholders and individual contractholders, for all groups, and for all enrollees of the Healthy Families and Medi-Cal programs, except that for individual policyholders, individual contractholders and groups in existence prior to January 1, 2004, the entities listed in paragraph (1) shall comply upon the renewal date of the policy, contract, or group on or after July 1, 2004, but no later than July 1, 2005.

(2) A health care service plan, a provider of health care, an insurer or a pharmacy benefits manager, a contractor, or another person or entity as described in paragraph (1) shall make reasonable efforts to cooperate, through systems testing and other means, to ensure that the requirements of this article are implemented on or before the dates specified in this section.

(3) Notwithstanding paragraph (2), the Director of the Department of Managed Health Care, pursuant to the authority granted under Section 1346 of the Health and Safety Code, or

the Insurance Commissioner, pursuant to the authority granted under Section 12921 of the Insurance Code, and upon a determination of good cause, may grant extensions not to exceed six months for compliance by health care service plans and insurers with the requirements of this section when requested by the health care service plan or insurer. Any extension granted shall apply to the health care service plan or insurer's affected providers, pharmacy benefits manager, and contractors.

(e) If a federal law takes effect requiring the United States Department of Health and Human Services to establish a national unique patient health identifier program, a provider of health care, a health care service plan, a licensed health care professional, or a contractor, as those terms are defined in Section 56.05, that complies with the federal law shall be deemed in compliance with this section.

(f) A person or entity may not encode or embed a social security number in or on a card or document, including, but not limited to, using a barcode, chip, magnetic strip, or other technology, in place of removing the social security number, as required by this section.

(g) This section shall become operative, with respect to the University of California, in the following manner:

(1) On or before January 1, 2004, the University of California shall comply with paragraphs (1), (2), and (3) of subdivision (a).

(2) On or before January 1, 2005, the University of California shall comply with paragraphs (4) and (5) of subdivision (a).

(h) This section shall become operative with respect to the Franchise Tax Board on January 1, 2007.

(i) This section shall become operative with respect to the California community college districts on January 1, 2007.

(j) This section shall become operative with respect to the California State University system on July 1, 2005.

(k) This section shall become operative, with respect to the California Student Aid Commission and its auxiliary organization, in the follow-

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ing manner:

(1) On or before January 1, 2004, the commission and its auxiliary organization shall comply with paragraphs (1), (2), and (3) of subdivision (a).

(2) On or before January 1, 2005, the commission and its auxiliary organization shall comply with paragraphs (4) and (5) of subdivision (a).

1798.86. Any waiver of the provisions of this title is contrary to public policy, and is void and unenforceable.

Summary of Labor Code Section 226

Labor Code Section 226 requires employers to print no more than the last four digits of an employee's SSN, or to use an employee ID number other than the SSN, on employee pay stubs or itemized statements. Employers must comply by January 1, 2008.

Text of Labor Code Section 226

226. (a) Every employer shall, semimonthly or at the time of each payment of wages, furnish each of his or her employees, either as a detachable part of the check, draft, or voucher paying the employee's wages, or separately when wages are paid by personal check or cash, an accurate itemized statement in writing showing

(1) gross wages earned,

(2) total hours worked by the employee, except for any employee whose compensation is solely based on a salary and who is exempt from payment of overtime under subdivision (a) of Section 515 or any applicable order of the Industrial Welfare Commission,

(3) the number of piece-rate units earned and any applicable piece rate if the employee is paid on a piece-rate basis,

(4) all deductions, provided that all deductions made on written orders of the employee may be aggregated and shown as one item,

(5) net wages earned,

(6) the inclusive dates of the period for which the employee is paid,

(7) the name of the employee and his or her social security number, except that by Janu-

ary 1, 2008, only the last four digits of his or her social security number or an employee identification number other than a social security number may be shown on the itemized statement,

(8) the name and address of the legal entity that is the employer, and

(9) all applicable hourly rates in effect during the pay period and the corresponding number of hours worked at each hourly rate by the employee. The deductions made from payments of wages shall be recorded in ink or other indelible form, properly dated, showing the month, day, and year, and a copy of the statement or a record of the deductions shall be kept on file by the employer for at least three years at the place of employment or at a central location within the State of California.

(b) An employer that is required by this code or any regulation adopted pursuant to this code to keep the information required by subdivision (a) shall afford current and former employees the right to inspect or copy the records pertaining to that current or former employee, upon reasonable request to the employer. The employer may take reasonable steps to assure the identity of a current or former employee. If the employer provides copies of the records, the actual cost of reproduction may be charged to the current or former employee.

(c) An employer who receives a written or oral request to inspect or copy records pursuant to subdivision (b) pertaining to a current or former employee shall comply with the request as soon as practicable, but no later than 21 calendar days from the date of the request. A violation of this subdivision is an infraction. Impossibility of performance, not caused by or a result of a violation of law, shall be an affirmative defense for an employer in any action alleging a violation of this subdivision. An employer may designate the person to whom a request under this subdivision will be made.

(d) This section does not apply to any employer of any person employed by the owner or occupant of a residential dwelling whose duties are incidental to the ownership, maintenance, or use of the dwelling, including the care and su-

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pervision of children, or whose duties are personal and not in the course of the trade, business, profession, or occupation of the owner or occupant.

(e) An employee suffering injury as a result of a knowing and intentional failure by an employer to comply with subdivision (a) is entitled to recover the greater of all actual damages or fifty dollars (\$50) for the initial pay period in which a violation occurs and one hundred dollars (\$100) per employee for each violation in a subsequent pay period, not exceeding an aggregate penalty of four thousand dollars (\$4,000), and is entitled to an award of costs and reasonable attorney's fees.

(f) A failure by an employer to permit a current or former employee to inspect or copy records within the time set forth in subdivision (c) entitles the current or former employee or the Labor Commissioner to recover a seven-hundred-fifty-dollar (\$750) penalty from the employer.

(g) An employee may also bring an action for injunctive relief to ensure compliance with this section, and is entitled to an award of costs and reasonable attorney's fees.

(h) This section does not apply to the state, to any city, county, city and county, district, or to any other governmental entity, except that if the state or a city, county, city and county, district, or other governmental entity furnishes its employees with a check, draft, or voucher paying the employee's wages, the state or a city, county, city and county, district, or other governmental entity shall, by January 1, 2008, use no more than the last four digits of the employee's social security number or shall use an employee identification number other than the social security number on the itemized statement provided with the check, draft, or voucher.

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Recommended Practices

Fair Information Practice Principles

In developing these recommendations, the California Office of Privacy Protection looked first to the widely accepted principles that form the basis of most privacy laws in the United States, Canada, Europe, and other parts of the world. The Fair Information Practice Principles are openness, collection limitation, purpose specification, use limitation, data quality, individual participation, security and accountability.¹² While they were developed to guide the drafting of national privacy legislation, the principles are also appropriate for organizations to follow in developing their privacy policies and practices. The practices recommended here all derived from these basic privacy principles.

The Office of Privacy Protection's recommendations are intended to serve as guidelines to assist organizations in moving towards the goal of aligning their practices with the widely accepted fair information practice principles described below. These recommended practices address, but are not limited to, the provisions of California Civil Code section 1798.85.

The recommendations are relevant for private and public sector organizations, and they apply to the handling of all Social Security numbers in the possession of an organization: those of customers, employees, and business partners.

Reduce the collection of SSNs.

Fair Information Practice Principles:

Collection Limitation, Use Limitation

- Collect SSNs preferably only where required to do so by federal or state law.
- When collecting SSNs as allowed, but not required, by law, do so only as reasonably necessary for the proper administration

of lawful business activities.

- If a unique personal identifier is needed, develop your own as a substitute for the SSN.

Inform individuals when you request their SSNs.

Fair Information Practice Principle: Openness, Purpose Specification

- Whenever you collect SSNs as required or allowed by law, inform the individuals of the purpose of the collection, the intended use, whether the law requires the number to be provided or not, and the consequences of not providing the number.
- If required by law, notify individuals (customers, employees, business partners, etc) annually of their right to request that you do not post or publicly display their SSN or do any of the other things prohibited in Civil Code Section 1798.85(a).

Eliminate the public display of SSNs.

Fair Information Practice Principle: Security

- Do not put SSNs on documents that are widely seen by others, such as identification cards, badges, time cards, employee rosters, bulletin board postings, and other materials.
- Do not send documents with SSNs on them through the mail, except on applications or forms or when required by law.¹³

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- When sending applications, forms or other documents required by law to carry SSNs through the mail, place the SSN where it will not be revealed by an envelope window. Where possible, leave the SSN field on forms and applications blank and ask the individual to fill it in before returning the form or application.
- Do not send SSNs by email unless the connection is secure or the SSN is encrypted.
- Do not require an individual to send his or her SSN over the Internet or by email, unless the connection is secure or the SSN is encrypted.
- Do not require individuals to use SSNs as passwords or codes for access to Internet web sites or other services.

Control access to SSNs.

*Fair Information Practice Principle:
Security*

- Limit access to records containing SSNs only to those who need to see the numbers for the performance of their duties.
- Use logs or electronic audit trails to monitor employees' access to records with SSNs.
- Protect records containing SSNs, including back-ups, during storage by encrypting the numbers in electronic records or storing records in other media in locked cabinets.
- Do not store records containing SSNs on computers or other electronic devices that are not secured against unauthorized access.
- Avoid sharing SSNs with other companies or organizations except where required by law.
- If you do share SSNs with other companies or organizations, including contrac-

tors, use written agreements to protect their confidentiality.

- Prohibit such third parties from re-disclosing SSNs, except as required by law.
- Require such third parties to use effective security controls on record systems containing SSNs.
- Hold such third parties accountable for compliance with the restrictions you impose, including monitoring or auditing their practices.
- If SSNs are disclosed inappropriately and the individuals whose SSNs were disclosed are put at risk of identity theft or other harm, promptly notify the individuals potentially affected.

Protect SSNs with security safeguards.

*Fair Information Practice Principle:
Security*

- Develop a written security plan for record systems that contain SSNs.
- Develop written policies for protecting the confidentiality of SSNs, including but not limited to the following:
- Adopt "clean desk/work area" policy requiring employees to properly secure records containing SSNs.
- Do not leave voice mail messages containing SSNs and if you must send an SSN by fax, take special measures to ensure confidentiality.
- Require employees to ask individuals (employees, customers, etc) for identifiers other than the SSN when looking up records for the individual.
- Require employees to promptly report any inappropriate disclosure or loss of records containing SSNs to their supervisors or to the organization's privacy officer.

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ATTACHMENT D: Recommended Practices on Protecting the Confidentiality of Social Security Numbers (continued)

- When discarding or destroying records in any medium containing SSNs, do so in a way that protects their confidentiality, such as shredding¹⁴

Make your organization accountable for protecting SSNs.

Fair Information Practice Principle: Accountability

- Provide training and written material for employees on their responsibilities in handling SSNs.
- Conduct training at least annually.
- Train all new employees, temporary employees and contract employees.
- Impose discipline on employees for non-compliance with organizational policies and practices for protecting SSNs.
- Conduct risk assessments and regular audits of record systems containing SSNs.
- Designate someone in the organization as responsible for ensuring compliance with policies and procedures for protecting SSNs.

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Notes

¹ California Business & Professions Code section 350, subdivision (a).

² California Business & Professions Code section 350, subdivision(c).

³ The Advisory Committee members were Victoria Allen of the California Credit Union League; Jennie Bretschneider, Legislative Aide to Senator Debra Bowen; James W. Bruner, Jr., of Orrick, Herrington & Sutcliffe; Shelley Curran of Consumers Union; Mari Frank, Esq., privacy consultant; Beth Givens of the Privacy Rights Clearinghouse; Tony Hadley of Experian; Michael Hensley of LexisNexis; Chris Lewis of Providian and the California Chamber of Commerce; Deborah Pierce of Privacy Activism; Rebecca Richards of TRUSTe; Wendy Schmidt of Federated Department Stores and the California Retailers Association; Elaine Torres of Wells Fargo Bank; and Lee Wood of the Association of California Life & Health Insurance Companies.

⁴ Mark Rotenberg, Executive Director, Electronic Privacy Information Center and Adjunct Professor, Georgetown University Law Center, "Testimony and Statement for the Record," Joint Hearing on SSNs and Identity Theft, Subcommittee on Oversight and Investigations, Committee on Financial Services, and Subcommittee on Social Security, Committee on Ways and Means, U. S. House of Representatives, November 8, 2001. Available at <www.epic.org/privacy/ssn/testimony_11_08_2001.html>

⁵ *Social Security Numbers: Government Benefits from SSN Use but Could Provide Better Safeguards*, GAO-02-352, May 2002. Available at <www.gao.gov>.

⁶ Chris Hibbert, Computer Professionals for Social Responsibility, *Frequently Asked Questions on SSNs and Privacy*, last modified February 16, 2002. Available at <www.cpsr.org/cpsr/privacy/ssn/ssn.faq.html>.

⁷ Arizona and Rhode Island prohibit the display of students' SSNs on the Internet. In Washington, as the result of an April 2000 executive order of the Governor, state agencies have removed SSNs from many documents where their display was determined not to be necessary. Minnesota's Government Data Practices Act classes SSNs as not public information.

⁸ The Fair Information Practice Principles were first formulated by the U.S. Department of Health Education, and Welfare in 1973. They may be found in the Organisation for Economic Cooperation and Development's *Guidelines on the Protection of Privacy and Transborder Flows of Personal Data*, available at <www1.oecd.org/publications/e-book/930201E.PDF>. The principles are the following:

Openness: There should be a general policy of openness about the practices and policies with respect to personal information.

Collection Limitation: Personal information should be collected by lawful and fair means and with the knowledge or consent of the subject. Only the information necessary for the stated

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ATTACHMENT D: Recommended Practices on Protecting the Confidentiality of Social Security Numbers (continued)

purpose should be collected.

Purpose Specification: The purpose for collecting personal information should be specified at the time of collection. Further uses should be limited to those purposes.

Use Limitation: Personal information should not be used for purposes other than those specified, except with the consent of the subject or by the authority of law.

Data Quality: Personal information should be accurate, complete, timely and relevant to the purpose for which it is to be used.

Individual Participation: Individuals should have the right to inspect and correct their personal information.

Security: Personal information should be protected by reasonable security safeguards against such risks as unauthorized access, destruction, use, modification, and disclosure.

Accountability: Someone in an organization should be held accountable for compliance with the organization's privacy policy. Regular privacy audits and employee training should be conducted.

⁹ See Appendix 1 for a partial list of federal laws and Appendix 2 for a partial list of federal and California laws that restrict the disclosure of SSNs.

¹⁰ California Civil Code section 1798.81 requires businesses to destroy customer records containing personal information by shredding, erasing, or otherwise modifying the personal information in those records to make it unreadable or undecipherable, before discarding them.

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Federal Statute	General purpose for collecting or using SSN	Government entity and authorized or required use
Family Support Act of 1988 42 U.S.C. 405(c)(2)(C)(ii)	Issuance of birth certificates	Requires states to obtain parents' SSNs before issuing a birth certificate unless there is good cause for not requiring the number
Technical and Miscellaneous Revenue Act of 1988 42 U.S.C. 405(c)(2)(D)(i)	Blood donation	Authorizes states and political subdivisions to require that blood donors provide their SSNs
Food, Agriculture, Conservation, and Trade Act of 1990 42 U.S.C. 405(c)(2)(C)	Retail and wholesale businesses participation in food stamp program	Authorizes the secretary of agriculture to require the SSNs of officers or owners of retail and wholesale food concerns that accept and redeem food stamps
Omnibus Budget Reconciliation Act of 1990 38 U.S.C. 510(c)	Eligibility for Veterans Affairs compensation or pension benefits programs	Requires individuals to provide their SSNs to be eligible for Department of Veterans Affairs' compensation or pension benefits programs
Social Security Independence and Program Improvements Act of 1994 42 U.S.C. 405(c)(2)(E)	Eligibility of potential jurors	Authorizes states and political subdivisions of states to use SSNs to determine eligibility of potential jurors
Personal Responsibility and Work Opportunity Reconciliation Act of 1996 42 U.S.C. 666(a)(13)	Various license applications; divorce and child support documents; death certificates	Mandates that states have laws in effect that require collection of SSNs on applications for driver's licenses and other licenses; requires placement in the pertinent records of the SSN of the person subject to a divorce decree, child support order, paternity determination; requires SSNs on death certificates; creates national database for child support enforcement purposes

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Federal statute	General purpose for collecting or using SSN	Government entity and authorized or required use
Debt Collection Improvement Act of 1996 31 U.S.C. 7701(c)	Persons doing business with a federal agency	Requires those doing business with a federal agency, i.e., lenders in a federal guaranteed loan program; applicants for federal licenses, permits, right-of-ways, grants, or benefit payments; contractors of an agency and others to furnish SSNs to the agency
Higher Education Act Amendments of 1998 20 U.S.C. 1090(a)(7)	Financial assistance	Authorizes the secretary of education to include the SSNs of parents of dependent students on certain financial assistance forms
Internal Revenue Code (various amendments) 26 U.S.C. 6109	Tax returns	Authorizes the commissioner of the Internal Revenue Service to require that taxpayers include their SSNs on tax returns

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Appendix 2: Federal and California Laws Restricting Disclosure of SSNs

Federal Laws

The following list of federal laws that restrict the disclosure of Social Security numbers is not comprehensive. It is taken from a U.S. Government Accountability Office report, *Social Security Numbers: Government Benefits from SSN Use but Could Provide Better Safeguards* (GAO-02-352, May 2002).

The Freedom of Information Act (5 U.S.C. 552)

This act establishes a presumption that records in the possession of agencies and departments of the executive branch of the federal government are accessible to the people. FOIA, as amended, provides that the public has a right of access to federal agency records, except for those records that are protected from disclosure by nine stated exemptions. One of these exemptions allows the federal government to withhold information about individuals in personnel and medical files and similar files when the disclosure would constitute a clearly unwarranted invasion of personal privacy. According to Department of Justice guidance, agencies should withhold SSNs under this FOIA exemption. This statute does not apply to state and local governments.

The Privacy Act of 1974 (5 U.S.C. 552a)

The act regulates federal government agencies' collection, maintenance, use and disclosure of personal information maintained by agencies in a system of records.¹ The act prohibits the disclosure of any record contained in a system of records unless the disclosure is made on the basis of a written request or prior written consent of the person to whom the records pertain, or is otherwise authorized by law. The act authorizes 12 exceptions under which an agency

may disclose information in its records. However, these provisions do not apply to state and local governments, and state law varies widely regarding disclosure of personal information in state government agencies' control. There is one section of the Privacy Act, section 7, that does apply to state and local governments. Section 7 makes it unlawful for federal, state, and local agencies to deny an individual a right or benefit provided by law because of the individual's refusal to disclose his SSN. This provision does not apply (1) where federal law mandates disclosure of individuals' SSNs or (2) where a law existed prior to January 1, 1975 requiring disclosure of SSNs, for purposes of verifying the identity of individuals, to federal, state or local agencies maintaining a system of records existing and operating before that date. Section 7 also requires federal, state and local agencies, when requesting SSNs, to inform the individual (1) whether disclosure is voluntary or mandatory, (2) by what legal authority the SSN is solicited, and (3) what uses will be made of the SSN. The act contains a number of additional provisions that restrict federal agencies' use of personal information. For example, an agency must maintain in its records only such information about an individual as is relevant and necessary to accomplish a purpose required by statute or executive order of the president, and the agency must collect information to the greatest extent practicable directly from the individual when the information may result in an adverse determination about an individual's rights, benefits and privileges under federal programs.

The Social Security Act Amendments of 1990 (42 U.S.C. 405(c)(2)(C)(viii))

A provision of the Social Security Act bars disclosure by federal, state and local governments

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of SSNs collected pursuant to laws enacted on or after October 1, 1990. This provision of the act also contains criminal penalties for "unauthorized willful disclosures" of SSNs; the Department of Justice would determine whether to prosecute a willful disclosure violation. Because the act specifically cites willful disclosures, careless behavior or inadequate safeguards may not be subject to criminal prosecution. Moreover, applicability of the provision is further limited in many instances because it only applies to disclosure of SSNs collected in accordance with laws enacted on or after October 1, 1990. For SSNs collected by government entities pursuant to laws enacted before October 1, 1990, this provision does not apply and therefore, would not restrict disclosing the SSN. Finally, because the provision applies to disclosure of SSNs collected pursuant to laws requiring SSNs, it is not clear if the provision also applies to disclosure of SSNs collected without a statutory requirement to do so. This provision applies to federal, state and local governmental agencies; however, the applicability to courts is not clearly spelled out in the law.

California Laws

The following list of California laws restricting the disclosure of Social Security numbers is not comprehensive.

Confidentiality of Social Security Numbers (California Civil Code sections 1798.85 and 1786.60)

This law, bars businesses in California from publicly displaying SSNs in specified ways. It took effect beginning in July 2001 and ending with its full application to health care entities by January 2005. The law was intended to help control many of the common uses of SSNs that can expose people to the risk of identity theft.

Social Security Number Truncation on Pay Stubs (California Labor Code section 226)

This law requires employers to print no more than the last four digits of an employee's

SSN, or to use an employee ID number other than the SSN, on employee pay stubs or itemized statements. Employers must comply by January 1, 2008.

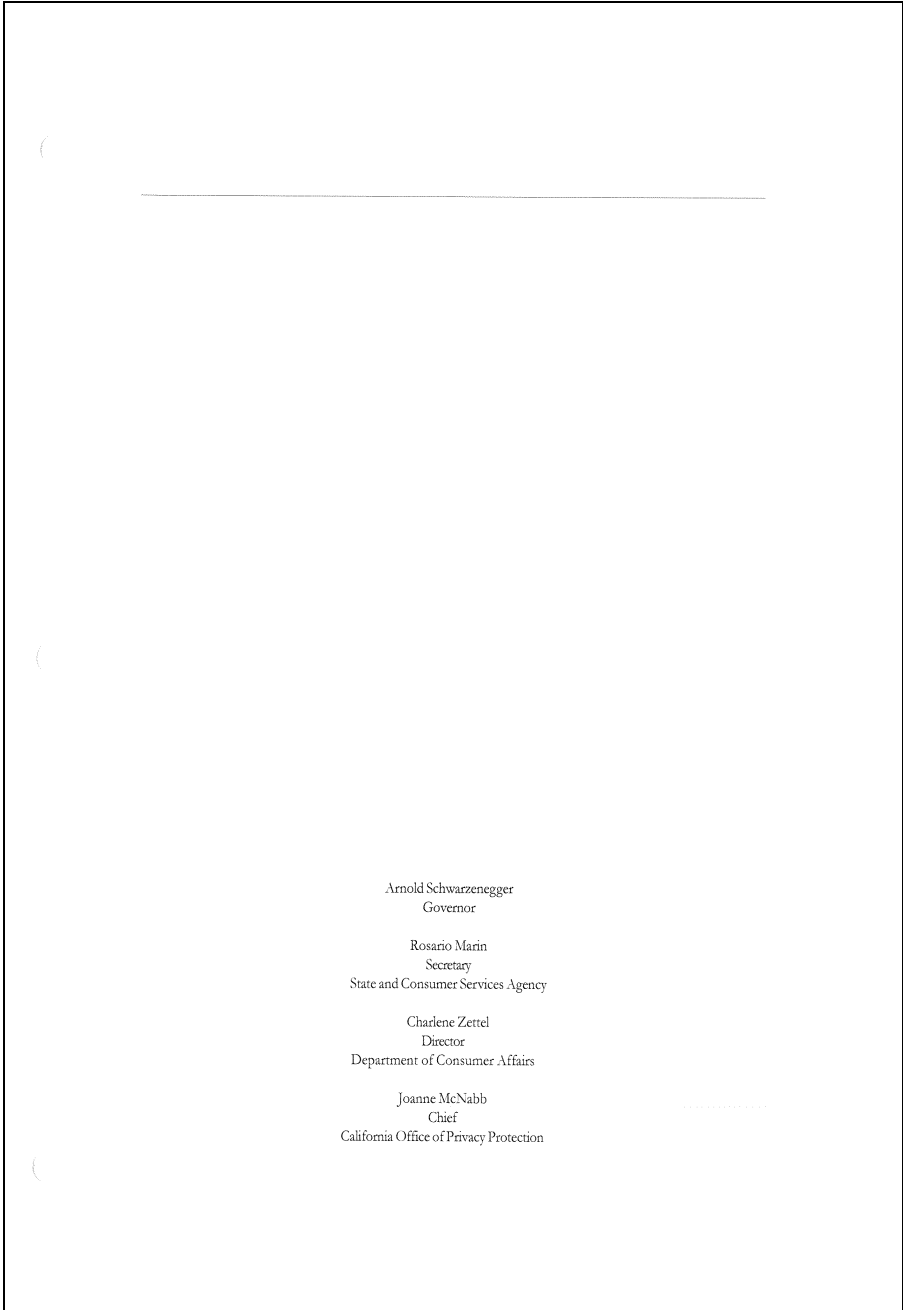
Social Security Number Confidentiality in Family Court Records (California Family Code section 2024.5)

This law establishes a procedure for keeping SSNs confidential in court filings for legal separation, dissolution, or nullification of marriage.

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Arnold Schwarzenegger
Governor

Rosario Marin
Secretary
State and Consumer Services Agency

Charlene Zettel
Director
Department of Consumer Affairs

Joanne McNabb
Chief
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