



2017 Debt Setoff Workshop

- While you are



- PRIVACY
- INFORMATION
- REMINDERS
- TIPS
- EXAMPLES

VERY IMPORTANT
INFORMATION DISPLAYED
– MAY NOT BE COVERED
IN THE PRESENTATION!



PRIVACY

- **Third-Parties/vendors submitting ONLY a portion of a local government's debts have their own secure folder for:**
 - Uploading ASCII/Excel files
 - Downloading setoff files (Clearinghouse creates separate ASCII/Excel files with just the relevant debts setoff)



PRIVACY





•Contact us so we can:

- work with the third-party/vendor and provide separate folder and smart password along with instructions
- email them when we recover funds for their appropriate departments
- provide you with a new smart password



INFORMATION WEBSITE

- <http://www.ncsetoff.org>


(866) 265-1668 | ncsetoff@ncsetoff.org |    

NORTH CAROLINA LOCAL GOVERNMENT
DEBT SETOFF CLEARINGHOUSE

NC LEAGUE
 OF MUNICIPALITIES
 Good government. Great hometowns.

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Information

There is a vast amount of information regarding the participation with the the N. C. Debt Setoff Clearinghouse. This page is a centralized location and good place to start.

- Setoff File Status
- 2011 Department of Revenue



INFORMATION DEBTOR DETAILS



- Must provide to the Clearinghouse for each debt:
 - **Social Security Number** OR Dept. of the Treasury IRS Individual Taxpayer Identification Number (ITIN)
 - SSNs starting with 000- or 999- will not return funds and are rejected
 - **Names:** First and Last required (not the Business name)
 - A business name, even if separated into a first and last name will be rejected or may asked to be refunded
 - **Current Debt Amount** (how much you want Clearinghouse to setoff, do not add any fees, except your own: interest, penalties, late fee, etc.)



INFORMATION DEBTOR DETAILS

- Must provide to the Clearinghouse for each debt:
 - **Compliance Date:** beginning date that a debt is eligible to be sent to the Department of Revenue for setoff
 - **Expiration Date:** ending date that a debt is eligible to be sent to the Department of Revenue for setoff
 - **Unique Key:** each debt for each SSN must have a Unique Key that does not change once submitted
 - Needed to distinguish multiple debts for same SSN
 - Required even if only one debt per SSN





INFORMATION FUNDS TRANSFERS

- **Clearinghouse doesn't receive the funds, only notification from the two sources:**
 - **Dept of Revenue**
 - makes file available to Clearinghouse according to set calendar
 - deposits directly to Capital Management of the Carolinas
 - mails report of totals to Clearinghouse
 - **Office of the Treasurer (Education Lottery)**
 - uploads the file to Clearinghouse secure folder
 - deposits directly to Capital Management of the Carolinas
 - emails totals and details (without SSN)





INFORMATION FUNDS TRANSFERS

- Clearinghouse provides Capital Management of the Carolinas with information to distribute the funds to local governments
- If your funds aren't in your account within 5 days after an email stating you received funds – call Capital Management (800) 222-3232
- There are sometimes delays with the Department of Revenue's deposits to Capital Management





INFORMATION SETOFF STATUS

- Clearinghouse provides a status of the next setoff at <http://www.ncsetofforg/setoffstatus.htm>

NEXT SETOFF FILE - TUESDAY, SEPTEMBER 20, 2017 (#16 OF 21 FOR 2017)

PREVIOUS SETOFF FILES FOR 2017/DATE AVAILABLE TO LOCAL GOVERNMENTS:

#15 - TUESDAY, SEPTEMBER 5, 2017 (#15 OF 21 FOR 2017)/WEDNESDAY, SEPTEMBER 6, 2017

Step	Setoff Step	Status	Date(s)	Estimated Completion Date not ON SCHEDULE) or SPECIAL COMMENT
1	1a) The NC Department of Revenue processes tax refunds against debtors from the Clearinghouse database. 1b) The NC Education Lottery reviews all winners of over \$600 against the Clearinghouse database	COMPLETED	Monday, September 4, 2017 through Sunday, September 17, 2017	
2	The NC Department of Revenue mails the "Notice of Individual Income Tax Adjustment" letters to the debtors that were setoff. This letter references the Clearinghouse toll-free Interactive Voice Response (IVR) telephone number (877) 843-0330.	IN PROGRESS	Tuesday, September 5 through Monday, September 18, 2017	
3	Debtors setoff receive the mailing notices and call the Clearinghouse (IVR) to inquire on all local governmental entities who submitted a claim against their tax refund	IN PROGRESS	Wednesday, September 6 through Wednesday, September 21, 2017	
4	Participating local governmental entities submit electronic data files to the Clearinghouse via the client software or ASCII/Excel files	IN PROGRESS	Monday, August 28 through Friday (5:00 p.m.) September 8, 2017	
5	The Clearinghouse processes all local governmental entity data creating an updated database from data sent by Friday 5:00 p.m.	COMPLETED	Saturday through Monday: September 2 -4, 9 -11, 2017	



NORTH CAROLINA LOCAL GOVERNMENT

**DEBT SETOFF
CLEARINGHOUSE**

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INFORMATION SETOFF STATUS

6	The Clearinghouse transmits a replacement database to North Carolina Department of Revenue who forwards a copy to the NC Education Lottery. Only debts \$50.00 or more that have passed their Compliance Date and have not passed the Expiration Date are sent	COMPLETED	Tuesdays, September 5 and 12, 2017
7	7a) The NC Department of Revenue provides an electronic tax refund setoff file for the Clearinghouse 7b) The NC Education Lottery transmits an electronic lottery setoff file to the Clearinghouse	ON SCHEDULE	Tuesday, September 19, 2017
8	The Clearinghouse reconciles information from the NC Department of Revenue and NC Education Lottery, using the electronic data files from each	ON SCHEDULE	Tuesday, September 19 through Wednesday, September 20, 2017
9	9a) The NC Department of Revenue electronically transfers all tax refund setoff funds to N.C. Capital Management 9b) The NC Education Lottery electronically transfers all lottery setoff funds to NC Capital Management	ON SCHEDULE	Friday, September 22, 2017
10	Capital Management Trust will complete the deposit to the local governments	ON SCHEDULE	Tuesday, September 26, 2017
11	The Clearinghouse updates the master database to reflect all setoffs received in the electronic file from the NC Department of Revenue and NC Education Lottery	ON SCHEDULE	Wednesday, September 20, 2017
12	The Clearinghouse faxes a report to NC Capital Management providing the associated Capital Management account numbers and deposit amounts for each local governmental entity that received funds. Additionally, the Clearinghouse faxes a copy of the above report to the NC League of Municipalities and the Association of County Commissioners	ON SCHEDULE	Wednesday, September 20, 2017
13	The Clearinghouse transfers the setoff data files (including Excel file of all setoffs) to the secure folder for each local governmental entity in the file	ON SCHEDULE	Wednesday, September 20, 2017
14	The Clearinghouse transmits electronic mail notifications and instructions to each local governmental entity that various files are available for download. Note: in order to reduce our chances as being marked as spam, we send 85 emails per hour so it may take the entire day to send all.	ON SCHEDULE	Wednesday, September 20, 2017
15	Local governmental entities proceed with the downloads from their secure folders, using either the Web Browser or the Client software and processes the setoff results	ON SCHEDULE	Wednesday, September 20, 2017 UNTIL COMPLETION
16	The Clearinghouse updates the Statistics information on the website	ON SCHEDULE	Monday, September 25, 2017 - 5:00 P.M.
	Last Status Update		Monday, September 18, 2017 - 2:00 P.M.



INFORMATION DEBT RECOVERY

- Each debt associated with a debtor is time and date stamped as it is processed by the Clearinghouse
- When a debtor's refund is setoff it is applied against the debts based on the date/time stamp received at the Clearinghouse
- Priority is retained until debt amount is \$0.00 before moving to next debt based on date/time received at the Clearinghouse





INFORMATION DEBT RECOVERY

- It could take years for you to receive funds:
 - Another local government may have priority due to date they submitted a debt for the debtor
- Why you may never receive the funds:
 - Incorrect SSN or name doesn't match SSN
 - Name Clearinghouse submits debt with an SSN that may not be the correct one (we use the 1st one ever submitted)
 - Debtor did not receive a tax refund/lottery setoff before debt expired or became compliant
 - Debtor lives in another state and doesn't file a N.C. state tax refund or doesn't play/win lottery





INFORMATION SUBMITTING DEBTS

- Can submit debts every week
 - Recommend sending each Friday, if any add or edits
 - At least monthly, if no changes, so we have in the event of a new computer or disaster at your location
- File submitted to Department of Revenue every Tuesday morning (due by 1:00 p.m.)





INFORMATION COMBINING DEBTS

Memorandum of Understanding

- CLAIMANT AGENCY hereby designates, appoints, and authorizes CLEARINGHOUSE to process delinquent debts to be submitted to Department. For purposes of the Debt Setoff Clearinghouse Program, “DELINQUENT DEBT” is defined to mean:
 - (i) a single account or monetary obligation which is at least \$50 owed by a debtor to a claimant agency; or,
 - (ii) a group of accounts or single monetary obligations, each of which is less than \$50, that have been combined to total at least \$50, owed by the same debtor to a claimant agency; or,
 - (iii) a combination of two or more accounts or monetary obligations, one of which is at least \$50 and the remainder of which when added together equal less than \$50, owed by the same debtor to a claimant agency.



INFORMATION REFUNDS/ SURPLUS

- Thousands of surpluses occur each year, due to:
 - Debtor filed multiple tax returns in this setoff period or over multiple setoff periods
 - Debtor had a refund setoff(s) and lottery setoff(s)
 - Debtor paid debt too close to filing tax return(s) or claiming lottery
 - Local government sent payment/adjustment after file sent each week
 - Debtor paid you AFTER they received notification of setoff



INFORMATION REFUNDS/ SURPLUS

- Excel file with surplus info after each setoff file (if any surplus/overpayments):
 - Download and Review before sending refunds
 - Don't return Fee unless mistake at local government
 - Verify the Department, sometimes lists incorrect one if debtor has debts from different departments
 - Rename the file with the setoff date and save
- Local government must send to debtor

A	B	C	D	E	F	G	H	I	J	K	L
SSN	LAST NAME	FIRST NAME	INIT	SURPLUS AMOUNT	FEE	UNIQUE KEY	DEPT OF REVENUE: ADDRESS	CITY	STATE	ZIP	Dept
***-**-3095	ABBOTT	EUGENE		200.00	15.00	9538319	302 WHEAT ST	CHARLOTTE	NC	27809	TAX
***-**-6043	ABBING	ARIEN		118.00	15.00	9538320	918 S PARIS AVE	RALEIGH	NC	28761	EMS
***-**-2319	CARTRES	BORIS		73.17	15.00	9538321	8109 BARRICKER AVE APT 13D	HAVELOCK	NC	29012	UTL
***-**-5409	DEVLINH	TORMER		438.00	0.00	9538322	100 CHIERRE ST	ASHEVILLE	NC	28762	HLT
***-**-8992	JESSUPINE	TREV		1,312.50	15.00	9538323	9812 OAK WAVERLY DR	GOLDSBORO	NC	29801	TAX



INFORMATION NEWSLETTERS

<http://www.ncsetoff.org/news.htm>

Newsletters/Technical Bulletins

A great source of great information. Check them out and feel free to download, print and share these pdfs with other debt setoff users, management, I.T. or vendors/third-party support:

1. **2017 BEGINNING A NEW TAX YEAR - MARCH 3, 2017**
2. **2016 POST-WORKSHOP AND YEAR END - DECEMBER 8, 2016**
3. **2016 PRE-WORKSHOP - JULY 29, 2016**
4. **2016 WELL INTO ANOTHER YEAR - MAY 9, 2016**
5. **2015 YEAR-END - DECEMBER 28, 2015**
6. **2015 POST-WORKSHOP - OCTOBER 29, 2015**
7. **2015 PRE-WORKSHOP - JUNE 30, 2015**
8. **2015 BEGINNING A NEW TAX YEAR - JANUARY 22, 2015**



INFORMATION NEWSLETTERS

•Some of the Newsletter Topics

- Migrating from Excel to Client Software
- Using Our Software and Integrating With Vendors Data
- Do You Have Separate Departments Submitting Debts?
- Mandatory Security Requirements
- Client Software – New Version and Security Enhancements



INFORMATION NEWSLETTERS

•Some of the Newsletter Topics

- Tips for Submitting Debtors and Debts
- Unique Dept of Revenue Issue
- Funds Transfer Process
- We Track What You Download from Us
- Security-Using a Vendor/3rd Party
- Surplus/Refunds Happen-Why & What to Do
- Insight as to How We Apply Setoffs



INFORMATION NEWSLETTERS

•Some of the Newsletter Topics

- Setoff Process Behind the Scenes
- IVR – Take Advantage of Departmentalization
- Compliance and Expiration Dates
- Year-end Cleanup
- Import Status and Error Report
- Statute of Limitations



REMINDER DEBTS/FEEES



- Clearinghouse adds a \$15 fee to each debt submitted that is over \$50:
 - each debt in our software
 - each row in an excel file
 - each record in an ASCII file
- Clearinghouse sends only ONE debt per SSN to Dept of Revenue and Lottery:
 - for each SSN, every debt over \$50 has the \$15 fee added
 - the Last Name and First Name of the first time this SSN was submitted is used
 - the Department of Revenue and Lottery adds their \$5 fee if setoff
- Clearinghouse takes fees out before funds are deposited into your Capital Management account:
 - Clearinghouse does not take a fee if the amount setoff is less than \$50



REMINDER DEBTS/FEEES

- Clearinghouse takes only **ONE \$15 fee**(per debt, per year, per local government) no matter how many times a debtor files refunds or wins lottery





REMINDER DEBT EXPIRATION

- **Expiration Date:**



- Statutes of limitations MAY apply
- Clearinghouse does not advise, nor police, the dates that are submitted, even if the type of debt category/department is provided
- **Check with your attorney and ask them to:**
 - **Ensure the Board is aware of the type of debts and time limitations**
 - **Verify whether the Statutes of Limitations apply to your debts regarding the Debt Setoff Clearinghouse**
 - **Determine if the debt stays active and is able to be submitted to debt setoff regardless of the age of debt:**
 - **If send invoice/billing statement at least yearly**
 - **If debtor doesn't appeal within 30 days**



REMINDER DEBTS/FEEES



- A debt that is setoff and remains \$50 or more, stays in the Clearinghouse and is automatically resubmitted each week and into the next year
- Clearinghouse will take fee(s) again in the next year, if setoff



REMINDER SETOFF FILE CALENDAR



- Website: <http://www.ncsetoff.org/DORCalendar.htm>
- Calendar is set for the next year each December by Dept. of Revenue
- January (no setoff files – but refunds are being processed and are in 1st setoff file in February)
- February – December (usually 1st and 3rd Tuesdays) unless a holiday
Lottery files are provided in similar timeframe and are processed with Dept of Revenue setoff file
- Remainder of 2017:

September	October	November	December
5	10	7	
19	24	21	12



REMINDER COMBINING DEBTS



- The Clearinghouse does not combine debts!
 - Each ASCII record, each excel row, each client software debt stands alone!
 - Feel free to combine but recommend some type of notation in Account Number (25 characters to use)
 - Taxes 2006-2008
 - V12345/V198765**
 - HD101/90112 COMBINED
 - Remind Vendors not to combine debts that are each over \$50, they should stand alone!



REMINDER INTEREST ACCRUAL

- The client software does not automatically run interest accrual!
 - Each local government must run the option in the software
 - Set up a Calendar Appointment Reminder
 - Can run for past months if forget
 - Clearinghouse can assist in determining if a month(s) were missed





TIP COMPLIANCE DATE

- You can send debts to us **BEFORE** you send the required due process notification letter
- Just put the Compliance Date at least 30 days in the future
 - Clearinghouse holds until date passes
 - Similar to post-dating a check
- Benefits:
 - Puts a date/time stamp on the SSN which affects priority
 - Comfort of having debts submitted before responses from debtors receiving notification letters





TIP- ACCOUNT NUMBERS

- Do not use the Social Security Numbers (SSN) or Individual Tax Identification Numbers (ITIN) in the account number
- Multiple debts for a debtor with identical account numbers make it difficult for Clearinghouse to tell if a fee has already been taken this tax year!



TIP NOTIFICATION LETTERS

- Local governments can send setoff notification letters to debtors
 - even if you don't have Social Security Numbers (but don't put on letter anyway)
 - even if you don't submit debts to the Clearinghouse





EXAMPLE DEBT < \$50 SETOFF



- Debtor has one debt for \$100
 - Debtor files 2013 tax return on August 21, 2014
 - setoff 8/29/2014 for \$80
 - \$60 to local government (balance now \$40) on 9/02/2014
 - \$15 fee to Clearinghouse
 - \$ 5 fee to Department of Revenue
 - Debtor files an amended return for 2012 tax year on September 2, 2014
 - setoff 9/5/2014 for \$80
 - \$75 to local government
 - \$0 fee to Clearinghouse (since fee previously taken)
 - \$ 5 fee to Department of Revenue
 - Local Government must refund the debtor \$75
 - » **Debt not eligible for setoff since balance below \$50 (\$40) when setoff second time**



EXAMPLE FEES



- Example:
 - Local government submits five debts for one debtor
 - Debtor had large enough tax refund to pay all debts
 - \$75 in fees (5 x \$15)
 - One \$5 fee to Department of Revenue
 - Total fees: \$80



TIP SUBMITTING DEBTS



- Best Day - FRIDAY
 - we begin processing Friday evening
 - will go to Dept of Revenue/Lottery in two business days
- Worst Day – MONDAY
 - has to wait until Friday to be processed
 - will go to Dept of Revenue in six business days
 - But call us if urgent or if correcting errors noted in Import Status Report received on Monday



TIP

BENEFITS OF PURGE/RELOAD



- **Allows for the ability to:**
 - delete debts = \$0.00
 - delete debts < \$50.00
 - delete expired debts
 - delete debts with invalid or incorrect SSNs
 - delete debts for businesses
 - delete debts with no last name and/or first name
 - reduce the number of debts to be maintained
- ❖ **Only applies to ASCII/Excel** – client software user’s debts are changed to \$0.00 in our database before file is loaded



TIP BENEFITS OF PURGE/RELOAD



- To verify the Purge and Reload was executed, look for a \$0.00 Current Debt Amount in the next Import Status Report

Previous Debt Amount:		\$0.00
Current Debt Amount:		\$2,307,706.27
Net Amount:		\$2,307,706.27



TIP BENEFITS OF PURGE/RELOAD

- **Automatic PURGE/RELOAD setting allows for the ability to:**
 - Never have to remember to put the request in the Note area of the Upload Wizard
 - See the net difference in debt amount from the file submitted and previous debt amounts*



Previous Debt Amount:	\$1,491,891.54
Current Debt Amount:	\$1,530,566.64
Net Amount:	\$38,675.10

* Totals are calculated then all debts are changed to \$0.00 then the file is processed



TIP FOR AVOIDING DISASTER

- Review Import Status Report
 - Check previous debt amount and current debt amount for:
 - Significant increases or decreases
 - Rejected debts
 - Non-compliant debts
 - Download Import Status Error Report (if errors/rejections)
 - ASCII/Excel via secure website
 - Client software users via Report menu



TIP FOR AVOIDING DISASTER

- Client software Users – Importing
 - Be careful with selections:
 - Replace or Retain
 - Department = All
 - Feel free to contact Clearinghouse to remotely connect and assist in any or all imports!
 - Importing invalid Excel/ASCII data can corrupt
 - We help many counties and municipalities import as often as bi-weekly and monthly



TIP FOR AVOIDING DISASTER

- ASCII /Excel users - If set to Automatic Purge and Reload and send file NOT including ALL departments
 - Put in Notes to replace only those departments in the file that is submitted
 - Check Previous Debt Amount and Current Debt Amount in Import Status Report



TIPS FOR AVOIDING DISASTER

- Client Software Users receiving new workstations
 - Don't dispose of previous workstation until database retrieved and restored
 - Clearinghouse can create a database of current debt amount but cannot restore Base Amount and Base Interest for client software users



SECURITY - SUBMITTING FILES

- Clearinghouse procedures:
 - Import, remove, process client software files (C/MXMIT.TXT) (Friday evening)
 - Import, remove, process ASCII/Excel files (Friday – Sunday)
 - Generate verification reports and review (Monday a.m.)
 - Generate file for NC Dept. of Revenue (Monday p.m.)
 - Send file to NC Dept. of Revenue (Tuesday a.m.) – due by 1:00 p.m.
- Recommendations for local governments:
 - Upload files (client software, ASCII, Excel) file Thursday or Friday (best)
 - Mondays are for emergencies, contact Clearinghouse by phone or email

Security – Submitted Files to Clearinghouse

- **Clearinghouse procedures:**

- Import, remove, process Client Software user files (Friday evening)
- Import, remove, process ASCII/Excel files (Friday-Sunday)
- Generate verification reports and review (Monday a.m.)
- Create file for N.C. Department of Revenue
 - If no setoff file this week (Monday p.m.)
 - If setoff file available on Tuesday, process it for balance updates and then create (Tuesday a.m.)
- Send file to N.C. Department of Revenue (Tuesday a.m.)– due by 1:00 p.m.

- **Recommendations for local governments:**

- Upload ASCII/Excel files Thursday or Friday (best)
- Mondays are for emergencies, contact Clearinghouse by phone or email



Security – Eliminate Need to Store SSNs Electronically

- **Clearinghouse Providing Data Entry Functions at no cost for less than 100 debts**
 - Fax machine resides in secure access room
 - Hardcopies stored in locked file cabinet in secure access room
 - When funds received – email is sent with only last four of SSN/ITIN
 - Clearinghouse takes care of password changes



Security - Tips for Setoff Files

- **If possible, assign one person to:**
 - Download setoff files as soon as available
 - Thursdays/Fridays: February through April)
 - Wednesday/Thursday: April – December)
- Print only those reports needed (if printing entire SSNs)
- Hide full SSN/ITINs from print and online view (if possible)
- Don't forget Surplus.xlsx (if available)
- Non-client software users
 - Once downloaded, delete files from secure folder (otherwise remain for 10 days but can be restored)





2017 Debt Setoff Workshop

