




2019 Debt Setoff Workshop

- While you are 
 - PRIVACY
 - INFORMATION
 - REMINDERS
 - TIPS
 - EXAMPLES





1



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)

2



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


3

 **INFORMATION WEBSITE**


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




4

 **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.)




5

 **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



6




DEBT SETOFF CLEARINGHOUSE




NCLM
NORTH CAROLINA LOCAL GOVERNMENT

**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)



7




DEBT SETOFF CLEARINGHOUSE



NCLM
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**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



8



DEBT SETOFF CLEARINGHOUSE



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**INFORMATION
SETOFF STATUS**


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

NEXT SETOFF FILE - TUESDAY, AUGUST 20, 2019 (9:14 OF 21 FOR 2019)

SCHEDULE FOR 2019/AND EXPECTED DATE AVAILABLE TO LOCAL GOVERNMENTS:


Step	Setoff Step	Status	Open(s)	Estimated Completion Date (if not on schedule) or SPECIAL COMMENT
1	The NC Department of Revenue processes tax refunds against orders from the Clearinghouse database.			
2	The NC Education Lottery's reviews all orders of over \$500 against the Clearinghouse database.	COMPLETING	Monday, July 22 through Tuesday, August 4	
3	The NC Department of Revenue mails the "Notice of Individual Income Tax Refund" to the filers that was issued. This letter references the Clearinghouse file that the filer's bank received (PDF) (Invoice Number 1807) (08/12/19)	COMPLETED	Monday, July 22 through Tuesday, August 5	
4	Localities will receive the mailing notices and call the Clearinghouse (704) to inquire on all local government orders who submitted a claim against their tax refund.	IN PROGRESS	Wednesday, July 24 through Wednesday, August 7	

9

 **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 10:00 a.m.)


13

 **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.

14

 **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


15

 **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


19

 **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

20

 **REMINDER DEBTS/FEEs**



- 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

21

 **DEBT SETOFF CLEARINGHOUSE**  **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

22

 **DEBT SETOFF CLEARINGHOUSE**  **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



23

 **DEBT SETOFF CLEARINGHOUSE**  **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

24

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 2019:

September	October	November	December
10	8	5	10
24	22	19	

25



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!

26



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

27

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

28



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!

29



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





30

 **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**

31

 **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

32

 **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

33

TIP
BENEFITS OF PURGE/RELOAD

NORTH CAROLINA LOCAL GOVERNMENT
 DEBT SETOFF CLEARINGHOUSE NCLM
THE NORTH CAROLINA ASSOCIATION OF LOCAL GOVERNMENTS

- **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

34

TIP
BENEFITS OF PURGE/RELOAD

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- **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

35

TIP
BENEFITS OF PURGE/RELOAD


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- **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

36

 **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

37

 **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

38

 **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


39



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

40



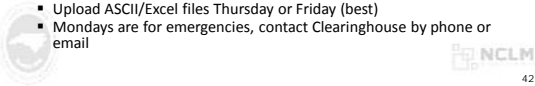
SECURITY - SUBMITTING FILES

- 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

41

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



42

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



43

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)



44



2019 Debt Setoff Workshop







45
