

Fall 2016—Post-Workshop and Year-end Edition

Volume 6, Issue 3

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Reminders

- J 2017 Participation forms due in mid-December
- J SSN Lookup Service still being negotiated

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Six Training Workshops Completed—SSN Lookup Service Status

Nearly 400 people attended the annual September workshops. If you did not attend, there are handouts in pdf format. Click [here](#) to access Training page that lists all PowerPoints and handouts.

The next training workshops will be in September 2017. Dates and locations will be set by June 2017. However, call us toll-free at (866) 265-1668 if you have questions or need assistance or training. We will also work with your third-party vendors and I.T. support staff.

Social Security Number Lookup Service status:

Unfortunately, we could not complete an agreement with a vendor in order to implement this service before the beginning of the new tax year. The complex legal issues that affect the implementation must be resolved before initiating this valu-

able service.

We are still negotiating with a provider to finalize liability issues and the requirements of all participants: the Clearinghouse, vendor and local governments. Once these issues are resolved, we will contact the local governments with detailed instructions on the requirements, including any forms/riders that must be completed before submitting debts for Social security number lookup.

We apologize for any inconveniences this may have caused any local governments wishing to use this service. We strongly recommend that local governments continue the good practice of mailing “due process notification letters” to all known debtors, regardless if you have the debtors Social Security Number or not, as some debtors may contact you and initiate

payment of outstanding debts. But, more importantly, by going ahead and mailing the due process notification letters, you will have satisfied the requirement to provide such a notice and you are able then to submit debts to the Debt Setoff Program once Social Security Numbers can be obtained through the lookup service or through other legal means.

As NCACC and NCLM continues negotiations with a Social Security Number lookup service provider, it would be beneficial for NCACC and NCLM to obtain information from local governments who are currently participating in the Debt Setoff program by completing a short survey. To complete the survey, click [here](#).

2017 Participation Form Information

- J 2017 Participation Form timeframe is rapidly closing. The deadline to complete and ensure debts are rolled over into 2017 is mid-December. Click [here](#) for the for 2017 Participation form. Click [here](#) to check the status of Participation forms.
- J Only one form is needed for each local government.
- J The 2017 Participation form

covers debts submitted from September 1, 2016 through December 31, 2017

- J A Hearing Officer must be listed on the 2017 form.
- J Remember to PRINT before clicking SUBMIT. Once SUBMIT is selected all data on the form is removed, requiring re-entry if necessary.
- J There is an instruction guide on the top part of the form

that can viewed in order to assist. Click [here](#) to access.

Additional documents:

- J Health Depts. and EMS participating for the first time need to complete the Business Associates Agreement.
- J Housing Authorities can participate if submit a one-time Rider form.

Statutes are more associated with the age of the debt, not how long debt is attempted to be setoff once submitted to debt setoff. Debts remain active if continue to send invoice and/or statements within 3 years (10 years for taxes). Do NOT assume debts must expire in three years!



Best method for verifying the Clearinghouse has only the debts you desire.

Statute of Limitations (Debt Expiration Date)

This topic is one of the most difficult in providing exact guidance. There are differing opinions. There are some local government attorneys that feel that the Statutes of Limitations do apply to state government but not to local governments. Many agree with a 1996 N. C. Attorney General opinion that the Statutes do not apply to local government debts under the Debt Setoff program. Click [here](#) to view that opinion. Other attorneys have opinions that if the debtor does not appeal within 30 days after receiving the required notification letter then debts will never expire. But if appealed within 30 days

then the statute may apply—can go 10 years back for taxes and 3 years back for any other type of debt.

Both the NC Association of County Commissioners and the League of Municipalities advise you to consult your attorney and be sure they feel comfortable defending their opinion of the Expiration Dates being submitted by your local government.

If it is determined that some or all of your existing debts can be extended, the Expiration Dates may need to be modified and re-submitted. Let us know if we can assist as we can easily

modify these dates with our software. Don't just assume you have to expire all debts after 3 years! If a bill/invoice/statement was sent, or a payment was received, within 3 years (10 years for taxes) from the time you sent the debtor the required due process letter, it may never need to expire. We have many local governments using expiration dates of 2020, 2050 and even 2099.

We have collected thousands of debts older than three years. Often it takes many more than three before your debt is even next in line.

Sample Delinquent Debt Scenarios

Type of Debt	Delinquent	Last Activity*	Eligible for Debt Setoff	Reason
Tax	2002	2010	YES	Activity within 10 years
Utility	2010	2014	YES	Activity within 3 years
Health	2014	2014	YES	Activity within 3 years
Tax	2004	2005	NO	Activity more than 10 years
EMS	2010	2012	NO	Activity more than 3 years

* Verifiable invoice/billing statement sent or payment received. Those eligible to be submitted to debt setoff do not need to expire unless local government officials/attorney choose not to.

Need an Excel File of All or even just one department?

1) How would an excel file of all of your debts help?

It can be reviewed to ensure all desired debts are included and those no longer needed can be deleted.

2) What information is included? **SSN (last four unless authorized), Name, Address, City, State, Zip, Debt Amount, Compliance Date, Expiration Date, Account Number, Unique ID,**

Agency Code, Department, Setoff Amount and Setoff Date.

3) Is it in a format that can be re-submitted back to the Clearinghouse once edited? **It has all of the information but is in a different order and needs to be modified.**

4) Can an excel file of just one department be created? **Yes, let us know which one(s).**

5) Can the excel file be

emailed? **No, it is uploaded to your secure folder.**

6) How to request an Excel File? **Send an email request to: ncsetoff@ncsetoff.org**

Tip: our Client software can export your own Excel file, all or selected departments, with even more information, such as date added, letters printed.

Reminders about Debtors and Debts

- J Any debt owed to a local government can be submitted as long as delinquent 60 days. Don't forget about fines/fees for: alarms, animal control, code enforcement, demolitions, landfill, lawn maintenance, library, parking tickets, privilege licenses, recreation, sewer tap, traffic violations, solid waste, returned checks, Even prior employees can be submitted. Perhaps they didn't return equipment or had education/training that required them to work so many years.
- J Even though the General Statutes allow, the Dept. of Revenue will not setoff Business ID numbers, only social security numbers or ITINs.
- You need a business owners SSN/ITIN and Name. Do not use the Business name.
- J We DO NOT combine debts to reach the \$50 minimum. So each row in an Excel file, ASCII file and each debt in the software must be \$50 or more.
- J A debt that has been setoff and the balance is less than \$50 is not resubmitted to Dept. of Revenue.
- J Debts must be combined by the local governments to reach \$50. Remember, debts over \$50 should stand alone. Only combine a debt less than \$50 to others to get to \$50 or one less than \$50 to one over \$50.
- J Do not combine any non-tax debt to a tax debt, even if needed to reach \$50.
- J Be sure your vendors/third-parties are aware of these combine/standalone rules. Signing the participation form certifies compliance.
- J We suggest noting debts combined, using all account numbers or if not enough room, some kind of indicator such as "***" or "CMB".
- J Debtors with debt balances of \$.01 or higher, sent to us after January 1, 2017, will provide information to callers to our Interactive Voice Response (IVR) unit for the entire 2017 year.

For security reasons, the Clearinghouse:

- 1) **provides only the last four digits of SSN in ALL Excel files after a setoff. No exemptions.**
- 2) **provides the entire nine digit SSN in only the match.dat file (ASCII) for counties and large municipalities who request it.**

Data Entry Participants—New Changes in Effect

The list of local governments has grown tremendously in the last few years to more than 100. We have encouraged those local governments with less than 100 debts to let us maintain their debtors and debts. This is a very secure method since the local governments don't need to store social security numbers in an electronic format. If a tax refund or lottery winning occurs, the funds are placed in the Capital management account and an email is sent of the debtor(s), without SSNs, to the local government.

To improve the efficiencies of managing the numerous data entry users, we have several changes. To be sure we do not miss any information needed we have implemented some new requirements effective immediately:

- KA Cover sheet—listing your contact information (if issues/questions) and number of pages to be sure we receive all pages
- AA Status fax—we will send a return fax identifying if the

list was accepted or if there were any issues and identify them

- MA Non-tax debt(s) submission form was updated and is on the forms page of the website.
- NA Tax debt(s) submission form was updated and is on the forms page of the website

Reminders:

- KA Be sure you are using the latest version of the forms, both Non-tax and Tax. This makes it much more efficient for us to enter the debts.
- AA Be sure to identify if you want us to generate the required notification letters.
- MA If a debt amount changes for an existing debt, just fax the original form and strike through the balance and write the new debt amount, such as \$0.00.
- NA Once you reach more than 100 debts we may contact you and discuss installing the software at your location. We will provide the I.T. support, conversion and implementation of existing debtors/debts, and training, all at no cost.

Your Local Government Name _____

Address _____

City, State, Zip _____

Phone: _____

Fax: _____

Sample Fax Cover

FAX

To: NC Local Government Debt Setoff Clearinghouse Phone: (866) 255-1668

From: _____

Fax: (803) 561-9680 Pages (Including cover): _____

Re: Data Entry Submission Date: _____

Comments: _____

Accepted Rejected # (See reason(s) below) Contact: _____

Status: Complete In Progress To be done by: ___/___/___

Sample Fax Receipt

Letters Requested*: Yes No

If letters are requested, expect an email with a pdf attached.

*Letters will only be created for 10 or more debtors. For less than 10, a sample letter in Microsoft Word format will be emailed.

Rejected Reason(s):

- Coversheet Missing—Coversheet should include Entity name, contact name/number, # of total pages
- Selection of Letters Needed not indicated
- Obsolete Hardcopy form submitted- current form will be pro
- Illegible page(s) _____
- Incomplete/missing fields _____
- Multiple addresses/ Multiple SSNs per page _____



The 2017 Participation Form requires the identification (name and title) of the Hearing Officer. It should be the same person for all department hearings for the local government. Although Hearings are rare they are important and is required by the statutes regarding debt setoff.



Hearings—Rare but Important and Required by the General Statutes

One issue that could jeopardize the entire debt setoff program for local governments is not following due process, which is the law. Once a debt is delinquent 60 days the debt setoff notification letter can be sent to the debtors last known address via regular postal mail. The letter informs the debtor that the debt(s) are being submitted to the NC Local Government Debt Setoff Clearinghouse. The debtor is given 30 days from the date the letter was mailed to submit an official request, in writing, for a hearing. If the request is not in writing or is late (over 30 days) there is no requirement for a hearing. However, it is to the discretion of the local government as to whether an appeal is scheduled if the official written request is a few days late.

The local government must have a designated hearing officer. It can be a local government attorney, a high-level official such as the Manager/Clerk or Mayor. However, it cannot be the person presenting on behalf of the local government. There is no rule or law stating there can only be one Hearing Officer. However, only one is recommended so that standard procedures can be adhered to. And note that official written requests for hearings are rare. The debtors are very likely to call and complain (or worse) or attempt to set up a payment plan but they usually do not go to the trouble of sending a written request for an appeal.

There are various requirements/suggestions for the Hearing Officer:

) Be knowledgeable about the

debt

-) Have authority to compromise the debt
-) Must be impartial—have no conflict
-) Allow all parties to be represented by counsel
-) Follow the same process equally for all appeals

Pre-Hearing Duties:

-) Receive appeal letter from debt Setoff Coordinator
-) Schedule the hearing as soon as possible.
-) Send hearing request letter to debtor informing them of the time, date and location of the hearing. Also identify the person conducting the hearing and a contact person in the event of questions.

-) Create rules of procedure and use for each hearing
-) Create opening script stating purpose, rules or order and use for each hearing
-) Create closing script and use for each hearing
-) Set stage for hearing (simulate courtroom if possible)

Hearing Duties:

-) Follow rules of procedure
-) May record proceedings
-) Swear in witness (standard oath)
-) Require all comments directed to hearing office and speak when appropriate
-) Only allow issues raised in appeal letter
-) Exercise control

Post-Hearing Duties:

-) At conclusion, render a decision, after reviewing all evidence. May take reasonable time to review all evidence prior to making a decision.
-) Do not reopen hearing to take further evidence unless all parties notified
-) Consider only evidence presented at hearing to render decision
-) Provide written decision to all parties. Doesn't have to be certified but is highly recommended.
-) Keep copies of all documents and retain according to any statutes regarding retentions and records keeping.

Other miscellaneous information regarding due process:

-) Do not send a due process letter prior to a debt being 60 days delinquent
-) We recommend generating the due process letters from our client software which has the verbiage approved by the legal staff of the NC Association of County Commissioners and League of Municipalities.
-) Letters must have the local government letterhead, not a third-party. The contact information, including phone number, must be the local government's, not the third-party.

If anyone has any hearing forms/documents, such as rules of procedure, please email to ncsetoff@ncsetoff.org and we may make anonymous versions to provide to others.

Expired Debts:

-) An Excel file of debts expiring by December 31, 2016 was provided on Nov. 22 and again on Dec. 8.
-) The Excel file only stays in the secure folder for 10 days. Contact the Clearinghouse to have it restored.
-) For security reasons, only the last four of the SSN are provided. We also provide the Account Code/Dept. in order to sort and distribute to other users, if necessary.
-) All Expired debts will be deleted at the Clearinghouse the week of Dec. 26, removing the priority date of those debts. If a local government resends the debt that was expired, even with an adjusted expiration date, the priority date starts over.
-) More detailed instructions will be provided with the Excel file

Client Software Users:

-) download the expired list using the TRANSMIT-IMPORT FROM CLEARINGHOUSE-SELECTIVE. There is also a global update to extend expired or soon to be expiring debts: TOOLS-USER-CHANGE EXPIRATION DATE
 -) Client software users should run the EXPIRATION REPORT and use the following three dates:
 - 12/31/2016: expiring this year
 - 04/30/2017: expiring by end of major tax season
 - 12/31/2017: expiring next year
- Contact us if we can assist in extending any or all expiration dates.

Rejected SSNs:

-) An Excel file of debts with SSNs and associated names rejected by the Dept of Revenue will be provided the week of Dec. 12—16.
 -) The Clearinghouse will delete these debts from our system at the time the file is provided. If same SSN and name is resent, priority is now at end of the line so if another local government has the same SSN and a different name, that priority moves up and is sent to the Dept. of Revenue. Reminder, we can only send one name per SSN to the Dept of Revenue each Tuesday so we take the name with the highest priority.
 -) The Excel file lists the entire SSN as it is invalid with the name submitted. We also provide the Account Code/Dept. in order to sort and distribute.
 -) Please attempt to correct the SSN and/or name. If submitting a Business name, it will continue to be rejected by Dept. of Revenue. Change to individual's SSN/ITIN and name.
 -) Please research the SSN for validity, often there are digits transposed or miss-typed. And sometimes an SSN lookup service will even provide an inaccurate SSN.
- ## Client Software Users:
-) Select TOOLS-USER-CHANGE SSN to correct an SSN (as long as the corrected SSN doesn't already exist).

Debts and the Interactive Voice Response (IVR):

-) We will delete all debts less than \$50 on December 31. This removes the priority date for those particular debts. It will also remove those debts from the IVR.
-) Beginning January 1, 2017 if a debt doesn't exist at the Clearinghouse (after the removal of debts less than \$50 on Decem-

ber 31) but is sent to us and the amount is less than \$50, it is not loaded. Thus it does not get placed in our IVR for callers. However, all debts \$50 or more are loaded and are placed on the IVR.

-) Balances of \$50 or more, sent to us after January 1, 2017, will be loaded and provide information to callers to our Interactive Voice Response (IVR) unit for the entire 2017 year.

Reminders:

-) Send required due process notification letters to debtors by Friday December 16, 2016 in order to be compliant for the start of tax refund processing in mid-January 2017.

Client Software Users:

-) Clean-up options for the Admin user:
 - Delete \$0.00 debts
 - All \$0.00
 - \$0.00 not setoff
 - Delete < \$50 debts
 - All < \$50
 - < \$50 not setoff
 - Deleting Expired Debts
 - All expired
 - \$0.00 and expired
 - < \$50 and expired
- All of the above options do ALL account codes/ departments. If only one or more, but not all are desired contact the Clearinghouse and we can perform selective deletions.
-) If resisting deleting debts less than \$50 as a result of already paying for SSN lookups and want to retain, consider creating an Excel file first with SSN (if have full SSN report access). Then burn to a CD/ DVD and store securely and then delete these debts. You can access the SSNS form CD/DVD in future if necessary.



Cleanup—it's a great idea for security reasons.

Do you really need to keep debts you can no longer collect due to less than \$50?

Consider deleting at least those that are \$0.00 and even better less than \$50 that were NOT setoff.

For security reasons, the Clearinghouse:

1) provides only the last four digits of SSN in ALL Excel files after a setoff.

2) provides the entire nine digit SSN in only the match.dat file (ASCII) for counties and large municipalities and to those client software users, if requested.



http://www.ncsetoff.org
 Toll-free Support:
 (866) 265-1668
 Interactive Voice Response
 (IVR): (877) 843-0330
 ncsetoff@ncsetoff.org

Clearinghouse Staff:
 Bill Walsh
 (President/Clearinghouse
 Operations Manager)
 Fran McClary, Billie Mills and
 Becca Walsh
 (Customer Services)
 Drew Bryant
 (Software Developer)
 Linda Kanefit and Marcia Padgett
 (Debtor Inquiries)
 Rich Ware
 (Network Admin./I.T Mgr.)



North Carolina Association of
 County Commissioners
 http://www.ncacc.org
 Contact: Matt Gunnet
 Phone: (919) 715-2354
 matt.gunnet@ncacc.org



North Carolina League of
 Municipalities
 http://www.ncml.org
 Contact: Wanda Veasey
 Phone: (919) 715-2218
 wveasey@ncml.org

N. C. Department of Revenue
 Debt Setoff Unit
 (919) 814-1119

N. C. Capital
 Management Trust (NCCMT)
 (800) 222-3232

Client Software Version 2016 Update

Reminders/Notifications:

-) We can assist you in printing your notification letters, even import a logo for letter-head and generate a pdf version to save for proof, if ever needed
-) We can also assist with year-end clean-up functions:- mid-December is BEST TIME!
 extending or deleting expired debts (DO NOT DO BEFORE 12/14/2016—wait until the last setoff file of 2016 is processed and imported)
 deleting debts \$0.00, and/or less than \$50.00 (DO NOT DO BEFORE 12/14/2016—wait until the last setoff file of 2016 is processed and imported)
 report to determine debts less than \$50 that can possibly be combined

Updates during 2016 and included in latest version, 2016.10a:

-) Application is code-signed by reputable Internet provider for security
-) Generated special conversion and Import process for NCPTS, also works for ONETax
-) Corrected issues with letter generation that required some to use older versions
-) Fixed bug showing full SSN when search by Account Number if rights were to mask
-) Fixed bug that didn't always allow the creation of an export Excel file

Getting Ready for 2017 Tax Year:

Expiration Start Date:	01/01/2000
Expiration End Date:	12/31/2016

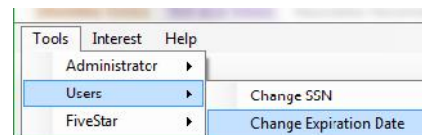
1. Run Expiration Report with the following criteria:

Select ALL account codes or the desired/allowed account code(s), together or one account code at a time

The above dates will display any Expiration Dates that have already expired or will be expiring by the end of this year. Another suggestion is to see what debts will expire before the end of the next major tax season:

Expiration End Date:	12/31/2017
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Consider extending these dates for another year or more using the global option:



2. **Financial/Auditing (CRITICAL):**

-) Run Setoff Reports **before** any year-end clean-up options are executed and even if no cleanups are executed. These are valuable for auditors and/or financial reconciliation:

Run for each setoff file date where funds were received, (see the 2016 Setoff Calendar on website **AND** match-up with Capital Management deposits) for the ALL codes option and also for each account code

Run for the Past Fiscal Year date range for ALL and each account code

Note: Setoff reports will work for setoffs occurring **AFTER** the local government began using the client software.

3. Contact us if you are using a software version that is not 2016.

To check, click

