

# Beginning a New Tax Year—2015

Volume 5: Issue 1

January 22, 2015

**Reminders:**

- **NC. Department of Revenue starting the process of refunds @ January 20.**
- **1st Setoff File of 2015 is Tuesday, February 3.**

**Inside this issue:**

Clearinghouse is Ready For Tax Year 2015	1
Dept. of Revenue Setoff Schedule Set	1
Passwords—A Constant Process	2
Setoff Files—What is Provided	2
Setoff Changes 2015	3
IVR- Advantage of Departmentalization	3
IVR—Be Sure You're ready for 2015	3
Welcome All New Participants	4
Data Entry—A Secure Alternative	4
Passwords Instr. For Client Software	4
Email-We Do Our Best	5
2014 Year Closed/ Tips for 2015	5
Surpluses/Refunds Happen-What/Why	5
Client Software Version 2014/2015 Update and Reminders	6

## Clearinghouse Is Ready for Tax Year 2015

**N.C. Tax Refund Process beginning soon:**

As normal, the NC Department of Revenue (NCDOR) will begin processing state tax refunds around January 20th. The first setoff file, available February 3, is expected to be much smaller than the second setoff file of February 17. We expect the largest setoff file for 2015 to be February 17.

Since our last setoff file of December 16, 2014, we have received three files from the Education Lottery for more than \$75,000. We are holding them and will include with the first NCDOR setoff file on February 3 which should be processed and available to local governments by Thursday afternoon on February 5.

**Clearinghouse Rush for 2015:** Since the last setoff file of December 16, 2014, the

Clearinghouse has added more than \$120M in new debt. The deadline to have new debts added to be sure they were at the NCDOR before the first day of 2015 refund processing was Friday, January 16. Normally we process all files received by Friday 5:00 p.m. over the weekend and begin creating the file for the weekly submission each Tuesday. However, in order to have the most current debts, we did process all files received by Monday 5:30 p.m. for the NCDOR on January 20. If you still have additional debts to add, don't delay, add them as soon as possible. If using our client software and have files either to add to existing debts or replace all, contact us as soon as possible. We can connect remotely and assist to be sure it is done properly.

**Year-End Cleanup:** Starting in late December until just re-

cently, we assisted dozens of local governments in their year-end cleanups. We removed debts of \$0.00, and/or debts less than \$50. We also helped many extend Expiration Dates or delete debts that were expired.

Over the weekend of January 3-4, before creating the weekly file to go to the NCDOR, we deleted all debts: 1) less than \$50; 2) expired; 3) rejected by NCDOR. Since we don't submit debts that are less than \$50 or are expired, it helps us keep our system more efficient and also reduces the number of debtors on our Interactive Voice Response (IVR) system. The debtors that were paid in full, or at least now below \$50, that have never been setoff are now out of the IVR system.

## Department Of Revenue (NCDOR) Setoff Schedule Set for 2015

NCDOR has set the schedule for the twenty-two setoff files for 2015. The Clearinghouse will download on these days and take several days in which to process and ensure each debt is best applied to the proper local government. We hope to provide the information no later than Fridays (Feb.—May) and Thursdays (June—Dec.). The Lottery sends setoffs around the same time and is incorporated with the NCDOR setoff files.

Email notifications are sent only to those local governments who receive funds. Capital Management funds are normally available within five business days after these dates:

- Feb: 3 and 17
- March: 3 and 17
- April: 7 and 21
- May: 5 and 19

- June: 2 and 16
- July: 14 and 28
- August: 11 and 25
- September: 8 and 22
- October: 6 and 20
- November: 3 and 17
- December 1 and 15

***If using the client software, only the “admin” sign-on can change the Smart Password. The option is Tools-Administrator-Account Info.***

***Probably the best view of ALL setoffs from NCDOR and Lottery. We recommend you save all of these renamed with the setoff date.***

***Be sure to download your Surplus.xlsx, if provided. Review these debtors and determine if a refund check needs to be sent. Call us if you are not sure.***

## Passwords—A Constant Process—Now and Forever

Every local government has now probably changed their password many times since we changed the ruling to every 90 days. Once a password is 76 days old an email is generated to all email addresses stored in each secure folder. The Clearinghouse email, ncsetoff@ncsetoff.org also gets a notification. We appreciate those that successfully changed their own. It is a bit simpler if you do not use our client software, since there is only one place to change it. The Clearinghouse assists most users of

our client software as it only takes a few minutes. However, since it must be done every 90 days we hope that users will be able to change themselves.

Reminders:

- if not changed within 14 days after the warning email, the password expires and the account is locked. This requires Clearinghouse intervention to re-activate
- only ONE person needs to change the password,

even though many may receive the email warning

- users of our client software, the “admin” account is the only one that can change the password
- does NOT affect signing on to the client software, only the TRANSMIT menu
- Once the warning email is sent the TRANSMIT function is disabled in the software and “No files available” may appear

## Setoff Files—What is Provided to Local Governments?

**Excel File**— every local government that receives funds gets an excel file. This is a composite list of ALL debtors and debts setoff, whether in full or just a partial. The information provided:

- SSN (only last four digits)
- Name (from NCDOR - may not be person you submitted)
- NCDOR Address, City,

State and Zip

- Debt Amount after Setoff
- Setoff Amount and Fee
- Account Number
- Department Code
- Unique ID/Import ID
- Compliance/Expiration
- Source: REV NCDOR or LOT (Educ. Lottery)

- Name Submitted by Clearinghouse for this SSN (Oldest Name ever submitted for this SSN)

Tip—convert Setoff Amount (column “J”) to numeric and sum at bottom— this total matches the deposit to your account at Capital Management. Even if errors on the Import Setoff reports (client software), debtors are ALWAYS in this excel file.

## Setoff Files—What Else Is Provided To Local Governments?

1. Agency Code Number.dat (ASCII/Excel Users)— a basic report file of all setoffs
2. Match.dat (ASCII/Excel Users)—an ASCII file that can be used by a programmer/vendor to automatically update another billing system.
3. Setoff.txt (Client Software Users)
4. Surplus.xlsx (ALL) —only created if any surplus amounts were taken from

debtor(s) which occurs if: 1) submits more than one tax return; 2) timing (pays debt too close to tax refund submission); 3) refund and a lottery winning; 4) multiple lottery winnings

- SSN/ITIN (last four digits)
- Name (Last, First, MI)
- Surplus Amount
- Unique ID/Import ID

- NCDOR Address, City, State and Zip
- Dept./Account Code

Use this Surplus.xlsx to research and possibly send a refund to the debtor(s) using the NCDOR address provided. The Clearinghouse does not send refunds, the local government is required to do so. The funds, including surplus is put into your Capital Mgt. account.

## Setoff File Changes/Reminders for 2015

As discussed at the training workshops, the protection of Social Security Numbers and Individual Tax Identification Numbers (ITINs) will be expanded in 2015. There can be no exceptions allowed for providing the entire SSN/ITIN in setoff Excel files. They will be masked (only last four digits).

### A) ASCII/Excel Users:

#### 1) Match.dat NO changes:

- Still contains unmasked SSN/ITIN for ability to import into external sys-

tem. Now ONLY provided to counties and large municipalities that our audit trail reports show download these files. Contact us if the file was not provided but needed

#### 2) Agency Code (Cnnn.dat or Mnnn) .dat file:

- SSN/ITIN remains masked

#### B) Client Software Users:

- Import Setoff process—entire SSN/ITIN is in-

cluded but can be masked (recommended) in any printed reports

- Setoff.txt is automatically deleted once the Import Setoff process is completed

#### C) ALL Users:

##### Setoff Excel files:

- SSN/ITIN remains masked

##### Surplus Excel file changes:

- SSN/ITIN remains masked

## Interactive Voice Response (IVR)—take Advantage of Departmentalization

We allow local governments the OPTION of having separate contacts and phone numbers for each department rather than just one. As of this date more than 75 local governments are taking advantage of this.

There is still time to make additions or changes. We suggest using a department or section, rather than a person's full name. But we can even specify both if requested. Call

us or send an email to [ncsetoff@ncsetoff.org](mailto:ncsetoff@ncsetoff.org) with the following:

- Local Govt. Name
- Department and/or Contact Name
- Phone Number
- Department Code (type of debt: TAX, EMS, HLT, UTL, etc.)

Sample:

- Central County
- Customer Services
- (910) 555-1212
- TAX

This is optional and feel free to use just one number for all debts. But if we can help with multiple contacts and phone numbers, let us know.

## Interactive Voice Response (IVR) - be sure you're ready for 2015

What does an IVR do? It is an efficient and cost-saving method to provide information to callers who are anxious for answers. Ours is a dedicated computer system with ten phone lines operating 24 x 7. Debtors who receive a letter from NCDOR can call and get information. The caller enters their SSN/ITIN and hears, in RANDOM order, ALL local governments that have submitted debt against their SSN. If the SSN/ITIN is not found, it

could be a spouse's debt or to one of the 100+ other agencies that submit to NCDOR for debt setoff.

Reminders:

1. The IVR will NOT identify which local government received funds. We probably haven't even received the funds when the debtor calls.
2. Local Governments are listed in random order.

3. We can set-up different contacts and phone numbers for local governments.

4. There is no longer a special IVR number to access past setoff information. Due to security and HIPAA regulations this information is no longer provided via the IVR. Please call us to provide the information. We have all setoffs and will can provide the information, if able to, due to privacy regulations.

## Using our Client

### Software but

need the

match.dat

(ASCII) for a

vendor/third-

party?

We can provide,

contact us to

discuss.



**Make it easier for debtors to reach the person who can answer their questions about their debt.**



**Remember to call and check the IVR for pronunciation and accuracy. Check all departments if applicable. Contact us ASAP if we need to make modifications.**

**Getting funds for the first time is exciting to any local government. Just remember that funds go directly to your Capital Mgt. account.**

**If you are expecting your first setoff file ever, contact us when the email notification is received so we can assist the first time.**

**There are only a few who use our client software that have learned how to change their own passwords. We are happy to do so, but here is another “simple” guide.**

## Welcome All New Participants

There are several new participants, those that have recently submitted debts and are awaiting funds for the first time.

You may have already begun receiving calls from debtors that you got their tax refund. At this time we can't tell you how much is coming. NCDOR won't provide that information to the Clearinghouse until February 3 and it will take us a few days to process, balance and provide you reports and files. The funds will probably go into your Capital Management ac-

count around Tuesday, February 10. The funds are transferred from NCDOR and State Treasurer's Office to Capital Management. The Clearinghouse provides Capital Management with a list of local governments, their account numbers and how much to deposit. A Capital Management account is required to participate and only one account number can be used per local government. Contact Capital Management directly to set-up online and/or paper statement access.

Housing Authorities:

- Only a final judgment can be submitted for setoff
- Due to H.U.D. regulations, all funds must be removed from the Capital Management account within three business days. Contact Capital Management in order to abide by these regulations. The Clearinghouse does not monitor any Capital Management functions.

## Data Entry—A Secure Alternative to Excel

Now doing data entry for 94 local governments:

- County Agencies: 1
- Municipalities: 82
- Housing Authorities: 11

Most of these converted to data entry in 2014 for security reasons. For less than 50 debts, as most of these are, it is more of a security risk to maintain an Excel file with social security numbers. With our data entry

option there is a form to print from our website to complete and fax to our secure fax location. We can even do monthly interest accrual. Contact us if you are currently sending Excel files of less than 50 debts.

## Passwords—Instructions for Client Software Users

1. Login to the software with the “admin” Username and Password.

2. Take option:



3. All information to connect to the secure website is on this Account Information screen:

User ID: = Username

Smart Password: = Password

Internet Location: = Url (https://setoff...)

4. Note the User ID and Internet Location (write them down) and click

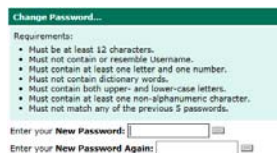
5. Copy-n-paste the Smart Password

6. With a web browser, go to the secure website, which is https://setoff... (from Internet Location above)

- Enter Username (User ID)

- Enter Password (copy-n-paste Smart Password)

7. If signed on successfully, the Change Password prompt appears:



8. Return to the Client Soft-

ware Account Information screen and modify several character to the same type (alpha to a different alpha, number to a different number, special character to a different special character)

9. Copy-n-paste the updated Smart Password into the

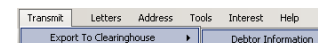
New Password: and again into

New Password Again:

click

10. Return to the Client Software and click

11. Exit the software, Login again and test the changes with this option:



**Stopped receiving some or all emails from us?**

**We send so many emails from several different methods that we often get treated as Spam.**

**If you DO NOT download your setoff files and send us updated balances without applying, we may setoff this person in the future!**

**Local governments must send refunds/ surpluses to the debtor. These funds are deposited into your Capital Management account.**

## Emails—We Do Our Best To Get Information To You

The N.C. Local Government Debt Setoff Clearinghouse sends lots of emails. And when we do, it can be to several hundred email addresses at one time. Although we only send to ONLY our local government participants in N.C., the spam monitors often don't like this. Our email provider monitors and has been helpful but sometimes it is out of our control.

We hear sometimes that frequent users have stopped getting emails from us even though we made no changes.

Sometimes we get notifications that email was rejected and attempt to resolve. We have several methods for sending electronic mail:

1. When a file is uploaded to our secure site, directly or through our software.
2. When a setoff file from NCDOR/Education Lottery is available
3. From our Outlook email system via Address Books for these Newslet-

ters

Please notify your I.T. to request they allow emails from:

[ncsetoff@ncsetoff.org](mailto:ncsetoff@ncsetoff.org)

[customerservice@ncsetoff.org](mailto:customerservice@ncsetoff.org)

[fivestar@fivestarcomputing.com](mailto:fivestar@fivestarcomputing.com)

Contact us if you want to review all of the email addresses we have or to make additions or changes.

## 2014 Debt Setoff Year Closed—Tips for 2015

We recently closed the 2014 year. All files submitted to us along with all setoff files we made available during 2014 have been archived to encrypted drives. We provide setoff files for 10 days before they are automatically deleted. We can restore these files but it is more time-consuming once the past year is archived. We

hope that local governments have checks and balances to ensure that all setoff files were downloaded and reports printed.

We suggest that local governments check their Capital Management statements and ensure that reports were generated and match the deposit. This also ensures that you are pre-

pared when Auditors arrive.

Several years ago we terminated our reviews of audit logs and re-sending of emails and even phone calls to ensure that local governments are downloading setoff information. We now rely on local governments to self-monitor by checking against their Capital Management statements.

## Surpluses/Refunds Happen—Why and What to Do?

Refunds will always occur, especially with the fact that we can ONLY submit one file per week, each Tuesday, to NCDOR. So as debtors pay you directly please send us an updated file, every Friday is recommended. Thousands of debtors file more than one tax return per year, often within the same setoff file period or within the next one. NCDOR will setoff their refund for EACH tax return filed and assess a \$5 legislated fee. However, the Clearinghouse will assess only ONE \$15 legislated

fee per debt per year.

Also, we do not recommend that you return any fees for debts that were setoff that were just recently paid directly to you. Often the debtors receive a letter in the mail from NCDOR informing them that they were setoff. They may then make payment expecting to get the surplus and the fees returned. You should only return the surplus unless they paid you weeks before the debt was setoff. The Clearinghouse does not refund fees unless

NCDOR provides an official letter.

**You are required to refund surpluses**, you cannot apply to other debt UNLESS the other debt meets the setoff requirements: the setoff notification letter must be sent to last known address and 30 days given to appeal. However, you can ask the debtor if they want to apply any surplus to another debt. Good luck! If they refuse you are required to return the funds.

NORTH CAROLINA LOCAL GOVERNMENT

# DEBT SETOFF CLEARINGHOUSE

Website:  
<http://www.ncsetoff.org>  
 Toll-free Support:  
 (866) 265-1668  
 Interactive Voice Response  
 (IVR): (877) 843-0330  
 E-mail: [ncsetoff@ncsetoff.org](mailto:ncsetoff@ncsetoff.org)

N.C. Clearinghouse Staff:  
 Bill Walsh  
 (President/Operations Manager)  
 Fran McClary and Becca Walsh  
 (Customer Services)  
 Billie Mills  
 (Installation Technical Support)  
 Drew Bryant  
 (Software Developer)  
 Linda Kanef and Marcia Padgett  
 (Debtor Inquiries)  
 Rich Ware  
 (I.T. Support)



North Carolina Association of  
 County Commissioners  
 Website: <http://www.ncacc.org>  
 Contact: Lisa Nolen  
 Phone: (919) 715-4362



North Carolina League of  
 Municipalities  
 Website: <http://www.nclm.org>  
 Contact: Wanda Veasey  
 Phone: (919) 715-2218  
 E-mail: [wveasey@nclm.org](mailto:wveasey@nclm.org)

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

N C Capital  
 Management Trust  
 (800) 222-3232

## Client Software Version 2014/2015 Update and Reminders

- **Latest Version Available to All — March 2014 (2014.03a) - those with a version prior should contact us. Check by selecting:**

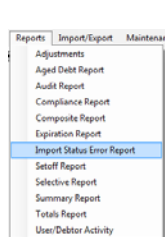


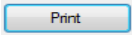
### REMINDERS:

- The setoff files in February, March and April are much larger and it can take more time to process. Please be patient as we have seen first-hand that it could process more than an hour for large counties, agencies and municipalities. There may even be a message on the screen “Not Responding”, although it continues to run. The reason for the additional processing time is due to the encryption of the data. We feel that the security benefits override the delay, so please be patient. It is only a few times per year.
- Hopefully you took advantage of the Year-end Cleanup procedures. It is now too late to remove \$0.00 debts or debts less than \$50. **DO NOT Delete Debtors** until the last setoff file in December 2015. We may setoff their refund and they will appear on your Setoff Import Error report.
- We don't suggest you attempt to do an Import/Export of an ASCII or Excel file yourself unless we provided instructions. Perhaps you've watched us do it enough that you are confident, just be careful as you can cause severe damage at this critical time of the year. Let us connect remotely, check the file and assist you, we've done it hundreds of times. And there is no charge!
- Those of you getting your first setoff file in 2015 should let us assist and train you. An email will explain the process but contact us beginning Friday, February 6.

### Tip #1: Download the Import Status Error Report:

If your Import Status Report email lists that some debts were rejected you should view the report to identify the reason for the rejections. When receiving an email, as often as weekly, there is no need to sign-on to the secure website. This Error report can be downloaded, viewed, and printed simply using this software. To access it, choose this menu option:



Select  and the information appears. Print if necessary. Make any corrections, if applicable. Call the Clearinghouse if you are unsure of how to correct any errors. The most common rejections are: 1) invalid SSN (not nine digits, missing leading zeroes, starts with 000 or 999, or a Federal or State Business Number); 2) Missing First and/or Last Name (possible business name); 3) debt has expired; 4) Future Compliance Date (not an error unless the date is very far out in the future).

### Tip #2: Mark Letters as Printed:

Once you generate letters, hopefully from a pdf, print a page and check if for accuracy, you need to “Mark Letters as Printed”.



This allows you to ONLY print letters next time to New debts or debts that were updated. There is no reason, nor is it required, that a notification letter be sent more than once to a debtor. But forgetting to “Mark Letters as Printed” can be time-consuming to determine only the new letters needed or costly if re-sending to those already sent a letter. Contact us if you realize it is printing letters for more than just the new or updated debtors.

### Tip #3: Save the pdf from Printing Notification Letters:

It may never happen, but if you save all PDFs of all notification letters it may turn out to be very valuable. A pdf is searchable and may be necessary even years down the road if it must be proven that the required notification letter was processed. We also suggest burning these to a CD or DVD for long-term storage. In the event of a hardware failure or a computer replacement the pdf file may need to be on additional storage such as a CD/DVD and or a server that has regular backups and offsite storage.