



North Carolina Local Government Debt Setoff Clearinghouse

Training Workshops 2009

- Asheville, Hickory, Albemarle
- Raleigh, Washington, Wilmington



North Carolina Local Government Debt Setoff Clearinghouse

Designed for:

- Existing local governments
 - New local governments
 - Vendors



Five Star Computing, Inc.

- Administrators of S.C. Counties Debt Setoff program since 1992
- Administrators of N.C. Local Govt. Debt Setoff program since 2002
- Collected \$500 M+, \$75 M+ (2009)
- Currently managing:
 - \$1.5 B+ in debt
 - 2 M+ debtors, 3 M+ debts



Five Star Computing (N.C. Local Govt. Debt Setoff)

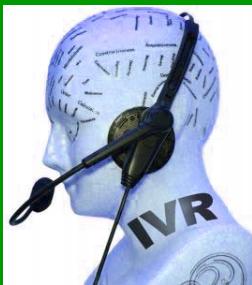
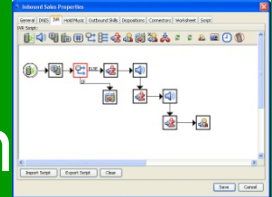
- 2009
 - 123,164 debts setoff for \$ 21,017,910.72
 - Error for one city effecting one debtor, Clearinghouse refunded \$5

- 2010
 - Should hit \$100 M+
 - Concerns:
 - Unemployed, paycheck tax rate changes



Changes in 2009

- Interactive Voice Response (IVR)
 - Implemented new customizable system
 - Removed debt amount from recording
 - Removed debts of \$0.00 for 30+ days
 - Text to Voice (no recordings, better quality)
 - Reduced average call by 1 minute (from 2.1 to 1.1 minutes)





Changes in 2009

- Remote Technical Support
 - Began using Cisco Webex – September 2008
 - <https://fivestarcomputing.com/webex/sc>
 - Uses/Benefits:
 - Client software installation, upgrades
 - Add new users
 - Move to network server
 - Troubleshooting
 - Training
 - Eliminate or reduce I.T. support
 - NO CHARGE



Changes for 2010

- **Interactive Voice Response (IVR)**
 - Set-up special number for local governments and Department of Revenue (not debtors) to enter an SSN and be provided information on setoffs
 - Local government name, contact and phone number
 - Setoff Amount and Setoff Date






Changes for 2010

- Methods for Submitting Debts

- Increased Unique Key (ASCII)

Layout: <http://www.ncsetoff.org/ASCIILayout.htm>

104 - 128	Debt Account Number	25	(OPTIONAL)
			
129 - 136	Debt Unique Key	8	REQUIRED

			
154 - 165	Debt Unique Key Extended	12	Unique Key Extended (for Unique Keys larger than 8 characters)



Changes for 2010

- Methods for Submitting Debts
 - Increased Unique Key (Excel)
Layout: <http://www.ncsetoff.org/ExcelSample.xls>
 - Make your Unique Key up to 20 characters
 - Not restricted to only numbers
 - Any combination of characters
 - Suggestion – use Account number if unique for the SSN



Operation Clean-up

- Clearinghouse to remove all \$0.00 debts never setoff (October/November/December)
 - Local Governments sending \$0.00 debts
 - If not at Clearinghouse, will not be loaded
 - If at Clearinghouse, \$0.00 loaded
- Local Governments using our client software desiring removal of \$0.00 (whether setoff or not) and/or Expired, contact us beginning in October



Operation Clean-up

- Clearinghouse can provide an Excel file to local governments of all debtors and debts for review, edit and resubmit
 - Contains all relevant data fields, including Account Number, Compliance & Expiration Dates, Unique Key, Setoff Amount & Setoff Date
 - Can be used to resubmit to Clearinghouse (incl. client software users)
 - Contact us when ready, normally available next day



Methods for Submitting Debts Debtor File Details

- Once first data file transmitted (ASCII/Excel)
 - Transmit all debtors/debts each time (specify “Purge & Reload” in Notes)

Notes:

Prompt for "Upload As" names and notes

Close Wizard when done

- Ability to set as permanent Purge & Reload
- Transmit combined new and updated *
- Transmit only new debtors/debts *
- Transmit only updated debtors/debts *

* New and updated controlled by Unique Key



File Access/Sharing

- Client Software Users:
 - Operates on either a single workstation or a network for multiple, simultaneous users
 - If networked, an unlimited number of users can access Client software (must be one shared database, file server recommended)



File Access/Sharing

- All local Governments must combine all departments debtors/debts into a single file in order to transmit to the Clearinghouse (can provide different file type combinations: ASCII, Excel, Client – contact us)
- Clearinghouse will transmit only ONE file of setoffs to the local government, regardless of the number of departments



Notifications/Confirmations

■ Emails:

- Confirmation of successful transmit of file of debtors sent to the Clearinghouse *
- Import Status Report with totals *
- Report of any errors/rejections from file of debtors and debts, available only on secure site
- Setoffs at the Dept of Revenue and a file and report ready for download into Client software or external system *

* To up to 10 email addresses (from Participation Form)



Email File Import Report

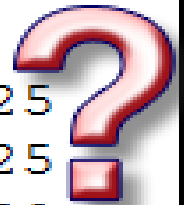
<u>Debtors</u> Added:	0
Debtors Updated:	640
<u>Debts</u> Added:	0
Debts Updated:	640
Debtors Rejected:	0
Debts Rejected:	0
Debts Not Yet Compliant:	0
Debts Expired:	0
Amount Rejected:	0.00
Previous Debt Amount:	\$0.00
Current Debt Amount:	\$78,720.59
Net Amount:	\$78,720.59

Purge &
Reload



Email File Import Report

<u>Debtors</u> Added:	0
Debtors Updated:	260
<u>Debts</u> Added:	0
Debts Updated:	260
Debtors Rejected:	0
Debts Rejected:	0
Debts Not Yet Compliant:	0
Debts Expired:	0
Amount Rejected:	\$0.00
Previous Debt Amount:	\$45,012.25
Current Debt Amount:	\$45,012.25
Net Amount:	\$0.00





Email File Import Report

North Carolina Local Government Debt Setoff

Entity Import to Clearinghouse Error Report

C999-000: Sample Local Government

SSN	ERROR
000-00-0000	Debt rejected: SSN cannot begin with 000
904-70-7233	Debt rejected: First character and/or entire First Name blank
946-84-3415	Debt rejected: First character and/or entire First Name blank
951-64-9405	Debt rejected: First character and/or entire Last Name blank
937-29-5660	Debt Imported with future Compliance Date: 9/2/2008 Debt Amount: 157.40 Acct #: W-10407-90
946-25-5105	Debt Imported with future Compliance Date: 9/2/2008 Debt Amount: 403.90 Acct #: W-10997-94
946-45-4530	Debt rejected: Expired: 1/1/2008 Debt Amount: 119.60 Acct #: 453
946-45-4530	Debt rejected: Debt cannot be greater than \$50,000 Debt Amount: 57157.00 Acct #: TX-99407 2006
999-99-9999	Debt rejected: SSN cannot begin with 999



File Submission – Client Software User

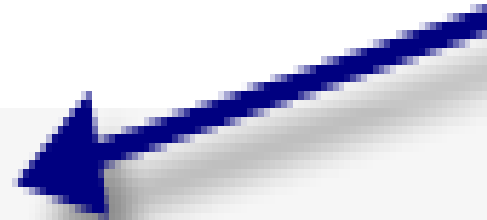


Home/Morehead City, Town of

File Name

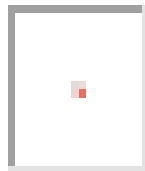


M506tran.zip





File Submission – ASCII Filename



Home/ Lincoln County

File Name



debt091109





File Submission – ASCII Note



Home/ Beaufort County

File Name



20090911

Note: *Purge and Reload*





File Submission – Excel Filename



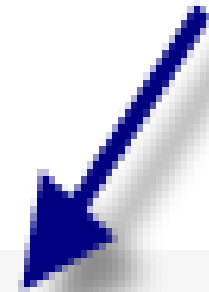
Home/Shelby, City of

File Name



paid 8.29 thru 9.11.09.xls

Note: *paid 9.5 thru 9.11.09*





File Submission – Notes & Multiple ASCII files



Home/Union County

File Name



sohdc1m.txt

Note: *ADD AND UPDATE*



sobxc1m.txt

Note: *PURGE AND RELOAD*





2010 Changes

- ASCII/Excel File Import Report
 - The Import Status Report will display the file name submitted – will assist in tracking




Setoff File/Reports Availability

- Setoff files (reports, .xls) remain on secure folder and are available for 10 days before removed for additional security reasons
 - Can be restored by contacting the Clearinghouse

[Home](#) / [Sample Local Government](#)

Folders and Files

<u>Name</u>	<u>Created</u>	<u>Creator/Contents</u>	<u>Actions</u>
 Parent Folder			
 C999.xls	8/19/2008 12:36:51 PM	Five Star Computing Inc.	Delete - Download
 match.zip	8/19/2008 12:37:38 PM	Five Star Computing Inc.	Delete - Download



Refunds – Surplus Report

■ Causes:

- Debtor filed multiple tax returns in this setoff period or over two setoff periods
- Debtor had a refund setoff and lottery setoff
- Debtor paid debt too close to filing tax return(s)
- Note: local government processes the refund

North Carolina Local Government Debt Setoff
Entity Setoff Error Report
Match Date 02/05/2008
C999 Sample Local Government

NAME	SSN	ERROR MESSAGE
PUBLIC JANE	103645124	Error on key 3130 surplus setoff, \$93.21 initiate refund
PUBLIC JOHN	106489310	Error on key 7247 surplus setoff, \$347.50 initiate refund



Refunds

- Excel file provides the address from the Department of Revenue the debtor provided on their tax return

SSN	LAST NAME	FIRST NAME	DEPT OF REVENUE: ADDRESS	CITY	ST	ZIP	DEBT AMOUNT	SETOFF AMOUNT	SETOFF DATE	ACCOUNT NUMBER
999-12-3456	PUBLIC	JANE	1234 MAIN ST	ANYTOWN	NC	27999	0.00	110.00	02/05/2008	HLT6955
999-12-3456	PUBLIC	JANE	1234 MAIN ST	ANYTOWN	NC	27999	0.00	110.00	02/05/2008	HLT6955
999-12-3456	PUBLIC	JANE	1234 MAIN ST	ANYTOWN	NC	27999	100.00	215.00	02/05/2008	TAX109221
999-56-9976	PUBLIC	JOHN	512 ELM	MIDTOWN	NC	27302	0.00	144.22	02/05/2008	EMS 5017122
999-56-9976	PUBLIC	JOHN	512 ELM	MIDTOWN	NC	27302	0.00	144.22	02/05/2008	EMS 5017122



Refunds

- Excel file provides the Source (Dept of Revenue or Lottery) and prior name used to file return

SSN	UNIQUE ID	USER KEY	COMP DATE	EXPIR DATE	SETOFF SOURCE	PRIOR FILING: LAST NAME	FIRST NAME	INIT
999-12-3456	7810	7810	04/01/2007	04/01/2010	Revenue	PUBLIC	JANET	R
999-12-3456	7812	7812	01/15/2008	04/01/2011	Revenue	PUBLIC	JANET	R
999-12-3456	99642	7966	01/15/2008	04/01/2011	Revenue	PUBLIC	JANET	R
999-56-9976	1878	1878	01/17/2007	01/14/2017	Revenue			
999-56-9976	1878	1878	01/17/2007	01/14/2017	Lottery			



Refund Fees

- If the Department of Revenue requests a refund:
 - local government receives a copy of the official letter from Department of Revenue along with detailed instructions
 - local government must return the amount the Clearinghouse deposited into the local government account
 - Clearinghouse will return the \$15 fee (if taken)
 - Department of Revenue returns their \$5 fee
 - Education Lottery returns their \$5 fee

Note: Please expedite this process !



Setoff Process – Behind the Scenes

- Receive Setoff file from Department of Revenue (Tuesday)
- Process file against master database to ensure all debtors exist
- Review/edit debtors to ensure debts have not recently expired
- Review/edit debtors that have already paid fee this year
- Review and edit debtors that have a surplus amount to one local government
- Review and edit debtors that have a surplus amount and had debts to several local governments



Setoff Process – Behind the Scenes

- Ensure the Department of Revenue and Lottery deposits balance with the report to Capital Management of the Carolinas
- Fax the deposit report to Capital Mgt of the Carolinas
- Create files, including Excel, and place in secure folders
- Send email notifications to local governments receiving funds
- Check log files to ensure files were downloaded, send email reminders after 7 days
- **GOAL IS TO COMPLETE BY FRIDAY MORNING (FEB. – APR.) THURSDAY AFTERNOON (MAY – DEC.)**



Red Flag Rules



New 'Red Flag' Requirements for Financial Institutions and Creditors Will Help Fight Identity Theft

Who must comply with the Red Flags Rules?

The Red Flags Rules apply to "financial institutions" and "creditors" with "covered accounts."

Under the Rules, a **financial institution** is defined as a state or national bank, a state or federal savings and loan association, a mutual savings bank, a state or federal credit union, or any other entity that holds a "transaction account" belonging to a consumer. Most of these institutions are regulated by the Federal bank regulatory agencies and the NCUA. Financial institutions under the FTC's jurisdiction include state-chartered credit unions and certain other entities that hold consumer transaction accounts.

The final rules require each financial institution and creditor that holds any consumer account, or other account for which there is a reasonably foreseeable risk of identity theft, to develop and implement an Identity Theft Prevention Program (Program) for combating identity theft in connection with new and existing accounts. The Program must include reasonable policies and procedures for detecting, preventing, and mitigating identity theft and enable a financial institution or creditor to:

1. Identify relevant patterns, practices, and specific forms of activity that are "red flags" signaling possible identity theft and incorporate those red flags into the Program;
2. Detect red flags that have been incorporated into the Program;
3. Respond appropriately to any red flags that are detected to prevent and mitigate identity theft; and
4. Ensure the Program is updated periodically to reflect changes in risks from identity theft.



Red Flag Rules

- Enforcement Date – changed to November 1, 2009
- Local Governments may need to have a written Identity Theft Identification Program
- Clearinghouse is not considered a “financial institution” according to the regulations
- Clearinghouse has implemented stronger security rules
 - Physical security (security system, code access or locked cabinets)
 - Records and retention
 - Secure email in new client software
 - Terminated our cleaning service!!



Red Flag Rules

- Suggestions
 - Do not send data files in an email attachment
 - Do not send an SSN in an email
 - Use secure email (new client software) or call us
 - Change passwords (especially when staff turnover)
 - Contact us to change your password
 - You can set up your own user passwords in our client software

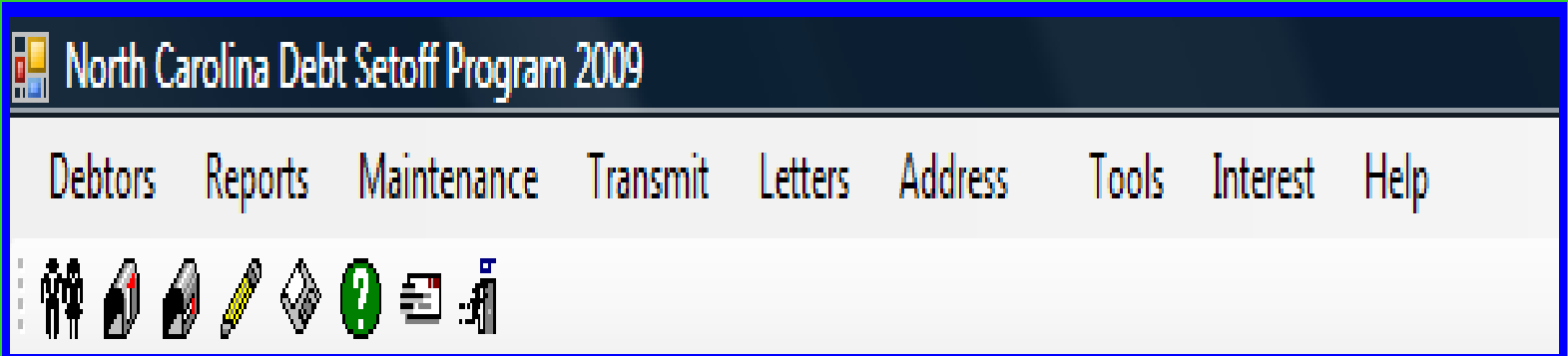


For Discussion

- Federal tax setoff status
- Obtaining SSNs
- Bankruptcies, legal issues



New Client Software





New Client Software

SSN: Phone:

First Name: Middle Initial: Last Name:

Address 1:

Address 2:

City: State: Zip Code:

Merge Date:

	Original Amt	Base Amt	Base Interest	Total Interest	Debt Amt	Setoff Amt	Setoff Date
▶	123.45	123.45	0.00	0.00	123.45	0.00	
	500.00	500.00	0.00	0.00	0.00	500.00	02/18/2009
*							

◀ ||| ▶



New Client Software

Debtor Information

	Last Name	First Name	Address	City	State	Zip	Tax Year
▶	Public	John	1123 Willow Lane	Somewhere	NC	28123	2007
	Doe	John	4452 Old Oak Dri...	Eastern	NC	28999	2008
*							

Debt Information

	Original Amount	Current Amount	Account Number	Setoff Date	Setoff Amount	Number of Setoffs	Tax Year
▶	123.45	123.45	Tax-2008-1234			0	2008
	500.00	0.00	Water-9876	02/18/2009	500.00	1	2009
*							



New Client Software

Debtors	Reports	Maintena	Transmit	Letters	Address	Tools	Interest	Help
	Debtor Information		Export To ClearingHouse ▶				Debtor Information	
	Change SSN		Import From ClearingHouse ▶				Database	
	History		Custom Export				Settings Database	
							Selective	

Reports	Maintenance	Trans	Transmit	Letters	Address	Tools	Interest	Help
	Setoff Report		Export To ClearingHouse ▶					
	Composite Report		Import From ClearingHouse ▶				Setoff File	
	Totals Report		Custom Export				Master File	
	Detail Report						Selective	
	Summary Report							
	Compliance Report							
	Expiration Report							
	Audit Report							
	Import Status Report							



New Client Software

Letters | Address | Tools | Interest | Help

Create System Letters ▶ Notification ▶

- Print Notification Letters
- Mark as Notified
- Unmark as Notified

Address | Tools | Interest

- Print Reconciliation
- Apply DOR Address

- Add User
- Edit User
- Delete User
- Update Rights

Debtors Yes No

- Add/Delete/Modify
- Print History/Payment
- Add/Edit Comments
- View Debtors/History
- Delete Debtors
- Change SSN

Reports Yes No

- Setoff Report
- Composite Report
- Totals Report
- Detail Report
- Summary Report
- Compliance Report
- Expiration Report
- Audit Report
- Import Status Report

	Last Name	First Name	User Name	Password
▶	Administrator	System	Admin	*****



New Client Software

Letter/Report Options

Letter	Report
<input type="radio"/> Full SSN	<input type="radio"/> Full SSN
<input type="radio"/> Partial SSN	<input type="radio"/> Partial SSN
<input type="radio"/> No SSN	<input type="radio"/> No SSN

Data Management ▾

- Remove \$0.00 Debts
- Create Excel File

Debt Controls

Maximum Debt Amount:

Initiate Adjustment Report: Yes No

Letters/Addresses

Purpose:

Attn:

Top Margin: Left Margin:

Subject: Date:

Automatically Update Address with DOR Address



New Client Software

FROM:

SUBJECT:

ATTACHMENTS:

MESSAGE:



New Client Software

Print preview

Close

Page 1

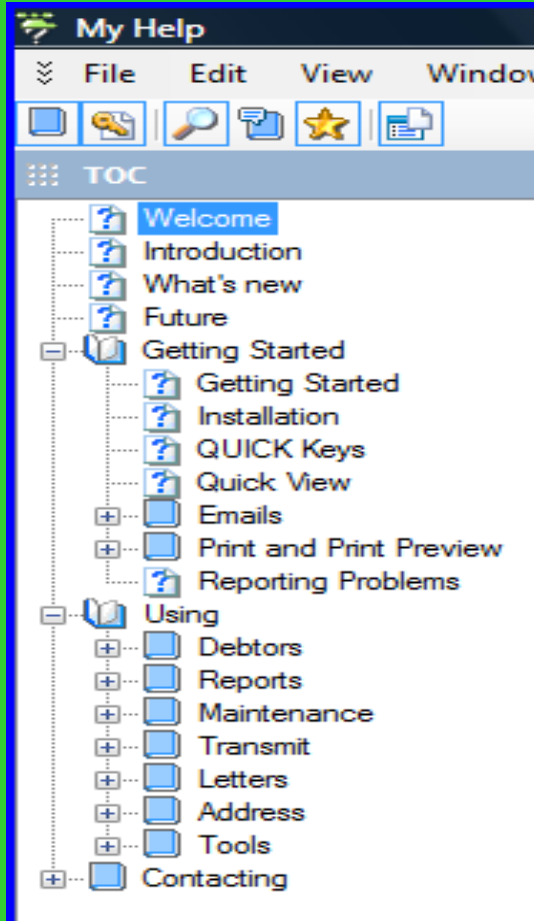
SUMMARY REPORT
DATE 09/14/2009

# OF DEBTORS	#OF DEBTS	ORIGINAL DEBT AMOUNT	CURRENT DEBT AMOUNT	# DEBTORS SETOFF	TOTAL SETOFF	% DEBTORS SETOFF
14,996	20,770	\$5,064,376.96	\$4,957,862.50	1,319	\$106,514.46	06.35%

PDF File Name:



New Client Software





Clearinghouse Technical Support

- Live toll-free telephone support: (866) 265-1668
Monday – Friday: 8 am to 5 pm (excluding holidays)
 - Client software installations, upgrades, troubleshooting, training
 - Letter creation
 - File Layouts (Excel/ASCII)
 - Electronic Mail
 - Electronic file transfer
 - Password/email changes
 - Debtor details/history
 - Create Excel file of all current debts/debtors



Local Government Input

- Suggestions
- Comments
- Questions