

Beginning a New Tax Year—2014

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Reminders:

- N.C. Dept. of Revenue delays start of refunds to January 30 to correspond with I.R.S. start date
- 1st Setoff File of 2014 is Tuesday, February 4.

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Clearinghouse Is Ready for Tax Year 2014

N.C. Tax Refund Process to Start Later than in the past:

Normally, the N.C. Dept of Revenue would begin processing state tax refunds around January 15th. However, for the second consecutive year, it has chosen to follow a start date similar to the I.R.S., which announced it will not begin accepting federal refunds until around January 30. Apparently, the federal shut-down is the reason for this delay. The first setoff file available Feb. 4 is expected to be much smaller than in previous years. Expect the largest setoff file for 2014 to be February 18.

Since our last setoff file of December 17, 2013 we have received three files from the Education Lottery for more than \$60,000. But we are holding them and will include with the first Dept. of Revenue setoff file on Feb. 4.

Clearinghouse Rush for 2014:

Since January 1, the Clearinghouse has added more than \$20M in new debt. The deadline to have new debts added to be sure they were at the Department of Revenue before the first day of 2014 refund processing was Friday, January 24. However, we did process any files that were sent by 2:00 p.m. on Monday, January 27. 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. We connect with some local governments as often as weekly. We keep screen captures of imports to ensure they are done properly since there are many options.

Year-End Cleanup:

Starting in late December until just recently, 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.

For the previous three weekends in January, before creating the weekly file to go to the Department of Revenue, we deleted all debts less than \$50. Since we don't submit debts for this amount anyway 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. However, if they were setoff in the past year their information is still available on the IVR.

Department Of Revenue Setoff Schedule—Set for 2014

The Department of Revenue has set the schedule for the twenty-two setoff files for 2014. 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 will provide the information by Fridays (Feb.—May) and Thursdays (June—Dec.). The Lottery sends setoffs around the same time and is incorporated with the Dept. of

Revenue setoff files. Email notifications are sent only to those local governments who receive funds. The Capital Management funds are normally available five business days after the dates listed below but holidays or delayed transfers can impact:

- Feb: 4 and 18
- March: 4 and 18
- April: 8 and 22

- May: 6 and 20
- June: 3 and 17
- July: 8 and 22
- August: 5 and 19
- September: 2 and 16
- October: 7 and 21
- November: 4 and 18
- December 2 and 16

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 the Dept of Revenue 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 check needs to be sent to them. Call us if you are not sure.

Passwords—A Constant Process—Now and Forever

Every local government has now had their password changed at least twice since we changed to every 90 days. As we converted users of our client software encrypted version, we changed passwords for the first time. 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 then send an email with a pdf of the instructions. 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 once place to change it. The Clearinghouse has assisted over one hundred local governments in changing their passwords. However, since it must be done every 90 days we hope that the users will be able to handle themselves.

Reminders:

- if not changed within 14 days after the warning email, the password expires and the account is

locked. This requires Clearinghouse intervention

- 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
- it does not affect signing on to the client software, only the TRANSMIT options

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 Dept. of Revenue) - *may not be person you submitted*
- Dept of Revenue Address,

City, State and Zip

- Debt Amount after the Setoff
- Setoff Amount and Fee
- Account Number
- Department Code
- Unique ID/Import ID
- Compliance/Expiration
- Source: Revenue (Dept of

or Lottery (Education)

- 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— it matches the deposit to your account at Capital Management. Even if errors on Import Setoff (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 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. Click [here](#) for more info.
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

- Dept of Revenue Address, City, State and Zip
- Department Code

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

Setoff Changes for 2014

As mentioned in previous newsletters, the protection of Social Security Numbers and Individual Tax Identification Numbers (ITINs) will be expanded in 2014. Please contact us if you must have the entire SSN/ITIN in your Excel or dat files now being masked.

A) ASCII/Excel Users:

1) Match.dat NO changes:

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

2) Agency Code (Cnnn.dat

or Mnnn) .dat file:

- SSN/ITIN is now masked (only last four digits)
- Debt BEFORE and Debt AFTER Setoff now provided

B) Client Software Users:

- Import Setoff process—SSN/ITIN is included but can be masked in any printed reports
- Setoff.txt is automatically deleted once the Import

Setoff process is completed

C) ALL Users:

Setoff Excel file changes:

- SSN/ITIN is now masked, (only last four digits)
- Import Key (Unique ID used when Import ASCII/Excel into our client software)

Surplus Excel file changes:

- SSN/ITIN is now masked, (only last four digits)

Interactive Voice Response (IVR)—take Advantage of Departmentalization

We allow local governments to have a separate contact and phone number for each department rather than just one. As of this date 75 local governments are taking advantage of this:

Counties: 63

Agencies: 2

Municipalities: 10

There is still time to make additions or changes. We sug-

gest using a department rather than a person's name. But we can even specify both. Call us or send an email to ncsetoff@ncsetoff.org with the following:

- Local Govt. Name
- Department and/or Contact Name
- Phone Number
- Department Code (3 character identifier, such

as TAX, EMS, HLT, UTL)

Sample:

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

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

Interactive Voice Response (IVR) - be sure you're ready for 2014

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 eight phone lines operating 24 x 7. Debtors who have received a letter from the Dept. of Revenue call it 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 no infor-

mation is given for the SSN/ITIN, it could be a spouse's debt.

Reminders:

1. The IVR will NOT identify which local government received funds. We probably haven't even received the funds when they are calling.
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 back to 2002. 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 provide the information, if able to, due to privacy regulations, such as HIPAA.

Use 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.

Based on the few who use our client software that were able to change passwords, using our “simple” seven page document, there must be a simpler way. So here is a more concise attempt.

Welcome All New Participants

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

Municipalities (10):

- Andrews#
- Biscoe#
- Drexel
- Franklinville#
- Hamilton#
- Hoffman#

- Mount Holly
- Murphy#
- Old Fort#
- Sandy Creek#

Housing Authorities (6):

- Burlington#
- Hertford#
- Mount Airy#
- Pembroke#
- Rockingham#

- Williamston#
- # - Clearinghouse is doing the data entry.

There are sixteen others that have submitted 2014 Participation Forms but have not yet submitted debts and are not listed above:

- County Agencies: 1
- Municipalities: 7
- Housing Authorities: 8

Housing Authorities—Welcome to Debt Setoff

The newest group allowed to submit debts to the N.C. Local Government Debt Setoff Clearinghouse is the Housing Authorities.

There are two basic differences for these participants:

- 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.

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...)

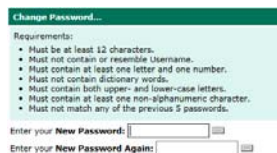
4. Note the User ID and Internet Location (write them down) and click

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-

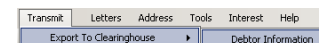
ware Account Information screen and modify several character to the same type (alpha to a different alpha, number to a different number, special character to a different special character)

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:



Not getting emails from us? We send so many emails from several different methods that many Spam control systems treat us 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 our local government participants in N.C., the spam monitors don't often like this.

We hear quite often that frequent users have stopped getting emails from us. Sometimes we get notifications that email was rejected and can contact you to see if we can resolve.

We have several methods where we send mail:

1. When a file is uploaded to our secure site, directly or through our software. This email list can be controlled by the user by signing in to the secure site and modifying in the My Account section.
2. When setoff funds are received
3. From our Outlook email system via Address Books for Newsletters

We can provide our sending IP addresses to your I.T. staff so they can allow email to get through. We do not want to provide that information in this newsletter that will be posted on our website.

Call us if you want to review all of the emails we have for the three types of methods.

If you have any email additions or modifications please send to ncsetoff@ncsetoff.org

We've Quit Monitoring What/When You Download

Over the past twelve years we have checked our log files to see that all local governments download their setoff files. If not, we sent an email reminder that file(s) had not been downloaded. But beginning in late 2013 we decided to no longer continue this practice.

Most local governments are anxious to find out who they

will be receiving funds for and often download within minutes after notification. But others, maybe due to vacations, staff resources, etc. don't always download within the 10 days the information is available.

Often it is someone in the finance office that receives a statement from Capital Management and sees deposit(s)

occurred. We state that we sent email notifications and that local governments can also check their secure folders according to the setoff schedule.

We keep all files that we place in your secure folder. If not downloaded within 10 days it is automatically removed and we need to be contacted in order to restore.

Surpluses/Refunds Happen—Why and What to Do?

Refunds will always occur, especially with the fact we can only submit one file per week, each Tuesday, to the Dept of Revenue and Lottery. So as debtors pay you directly please send us an updated file as soon as possible, every Friday is recommended. Thousands of debtors per year file more than one tax return per year, called amended returns, often within the same setoff file period or in the next one. The Dept. of Revenue 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 the Dept. of Revenue informing them that they were setoff. Some will rush to your office and pay 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. Remember, the debts are at least 90 days delinquent when they are setoff.

You are required to refund surpluses, you cannot apply to another 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 the surplus to another debt. Good luck!

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

N.C. Clearinghouse Staff:
 Bill Walsh
 (President/Operations Manager)
 Fran McClary
 (Asst. Operations Mgr./
 Customer Services)
 Brandon Walsh
 (Customer Services)
 Drew Bryant
 (Software Developer)
 Linda Kaneft 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

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

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

Client Software Version 2013/2014 Update and Reminders

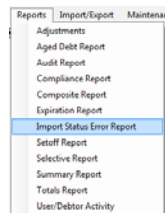
- **Latest Version Available to All — January 2014 (2014.01a) - those with a version prior to 2013.12 should contact us. Recent bugs/fixes corrected in these versions:**
- For encrypted users—allowed for the Year-end options: delete \$0.00 debts, less than \$50 and expired debts
- Notification Letters—corrected the ability to print labels
- Expiration Dates—when adding debtors, corrected the use of the number of years based on the Configure setting for the account code
- Call us if you need to correct any of the above issues—will be available Monday, February 4

REMINDERS:

- 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 2014. We may setoff their refund and they will appear on your Setoff Error report.
- **Do NOT attempt to do an Import/Export of an ASCII or Excel file yourself.** Let us connect remotely, check the file and assist you. You can cause severe damage unless done correctly. Let us assist, we've done it hundreds of times. And there is no charge!
- Those of you getting your first setoff file in 2014 should let us assist and train you. An email will explain the process but contact us beginning Friday, February 7.

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: Updating Names, Departments and Email Addresses:

Users of our client software have an easy method in maintaining the list of users who need to receive email from the Clearinghouse for the four categories: 1. Funds Received/Import Status Report, 2. Upload/Download Confirmations, 3. Setoff Files Not Downloaded Reminder and 4. Information/Newsletters/Workshops. We do not want to exclude anyone that needs any or all of these. We also don't want to send emails to anyone who doesn't need one or more of these. Just don't forget the Administration/Officials, I.T. staff and vendors for at least the Information/Newsletters/Workshops. They aren't required to use the client software in order for you to set up their information. Configuring all email recipients in the software provides a simple method that can easily be sent to the Clearinghouse anytime there is a change.

To do so, login as ADMIN, 1) go to Tools-Administrator-User Setup. For each user, do EDIT USER and complete all fields, including any or all of the four email distribution lists. Once all users are configured; 2) select EXPORT USERS to create the Excel file; 3) Select Transmit-Export to Clearinghouse -User Information to send the Excel file. Note: the Login name and passwords are NOT transmitted to the Clearinghouse!

We apologize to those who generated and uploaded their User Emails and requested types of contact emails via the Transmit-Export to Clearinghouse-User Information over the past several months. We did not retrieve all of them and after 10 days they were automatically removed from the secure web-site folder. Please do the above three options. If already completed 1 & 2, only option 3 is needed.