



2012 NASWA National UI Directors' Conference Edition

TOP Unemployment Insurance Compensation Debt Collections Continue to Exceed Expectations



The regulations for the offset of tax refund payments to collect unemployment insurance compensation (UIC) debts due to fraud or a person's failure to report earnings were published Jan. 28, 2011. On Feb. 14, 2011, the U.S. Department of the Treasury's Financial Management Service (FMS) began accepting referral of UIC debt from states for collection through tax refund offset.

From Jan. 1, 2012, to Aug. 31, 2012, FMS has collected more than \$131.6 million through almost 113,000 offsets against Federal tax refund payments.

In 2011, New York, Wisconsin, and Michigan were the first states to submit UIC debts to TOP for offset. Since January 2012, 15 additional states (Alabama, Arizona, Arkansas, Connecticut, Georgia, Illinois, Louisiana, Maryland, Minnesota, Mississippi, New Hampshire, Pennsylvania, South Dakota, Tennessee and West Virginia) and the District of Columbia have been submitting their UIC debts to TOP.

FMS continues to encourage states to participate in this exceptional program and to submit their UIC debts to TOP for offset. Through the UIC Debt program, participating states can achieve significant collections. FMS is eager and willing to assist each state in its implementation of this program.

As of Aug. 31, 2012, FMS has collected nearly 15% of the dollar volume of the debts referred from the states and the District of Columbia. With the ease of implementation and large returns seen early in each state's participation, FMS believes the program has demonstrated itself as a clear success.

FMS is proud to have partnered with the U.S. Department of Labor to make these collections a reality. It is our belief that through these collections we are better serving the American taxpayers who have entrusted us with their tax dollars.

For further information regarding UIC TOP, please contact Sheila Moss at (202) 874-6937 or Sheila.Moss@fms.treas.gov, or Becky Park at (202) 874-9451 or Becky.Park@fms.treas.gov.

Unemployment Insurance Compensation TOP Participation Map

Interested in knowing how much debt is collected by your state monthly through TOP and don't want to wait for the next issue of the *Offsets Matter*? Want to know which other states are currently using TOP? Want to track your progress in relation to other states?

The Debt Management Services, a division of the U.S. Treasury's Financial Management Service, will be posting monthly collections totals for the UIC TOP program on the FMS website.

Visit http://www.fms.treas.gov/debt/top_uic.html for monthly updates on states' participation in the Treasury Offset Program.



Receiving the Latest News from TOP?

The *Offsets Matter* is an eNewsletter distributed bi-monthly with the latest news regarding the Treasury Offset Program and our work with the states. To subscribe, please visit <http://www.fms.treas.gov/debt/OffsetsMatter.html> or contact David W. Burgess, Editor-in-Chief, at 202-874-7182 or via email at David.Burgess@fms.treas.gov.

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New Treasury Initiative Aimed at Reducing Improper Federal and State Payments

One of the Treasury Department's newest initiatives — the Do Not Pay program — that provides federal and state paying agencies that administer federally funded programs, with the critical information they need to help reduce improper payments.

On Nov. 20, 2009, President Obama signed an Executive Order to reduce improper payments issued by the federal government by increasing efforts to eliminate payment error, waste, fraud, and abuse. In June 2010, the President reconfirmed his commitment; the reduce improper payments order was in a Presidential Memorandum that directed agencies to review current pre-payment and pre-award procedures, and to ensure that a thorough review of databases containing relevant information on eligibility occurs before federal funds are disbursed. The memo also required agencies to check the following databases to verify eligibility prior to payment and award:

- Social Security Administration's Death Master File
- General Services Administration's Excluded Parties List System
- Department of the Treasury's Debt Check Database
- Department of Housing and Urban Development's Credit Alert Interactive Voice Response System
- Department of Health and Human Service's Office of Inspector General's List of Excluded Individuals/Entities.

In response to the President's memorandum, in April 2011, the Treasury Department - in partnership with the Federal Reserve Banks of St. Louis and Kansas City (acting as Treasury's Fiscal Agents)- established the Do Not Pay Business Center to help agencies comply with the President's Executive Order and Memorandum. The Do Not Pay Business Center offers two services – the Do Not Pay Portal and Do Not Pay Data Analytics Services.

The Do Not Pay Portal is a secure, single point of access to data sources including the Excluded Parties List System, Death Master File, List of Excluded Individuals/Entities, Debt Check, Central Contractor Registration, and The Work Number®. Agency users review Portal data to verify award and payment eligibility by 1) conducting an online

search, 2) performing batch matching, and/or 3) requesting continuous monitoring. With the online search, users log-in to the Portal and conduct simple searches on employer identification numbers, Social Security numbers, and businesses or individual names. With batch matching and continuous monitoring, searches are conducted against large pre- or post-payment files. In addition, with batch matching, Do Not Pay compares files submitted by an agency against the data sources and returns the results to agency users through the portal; continuous monitoring takes this process one step further in that the

file is stored within the portal and the results are made available to the agency users through the portal whenever a match is found. Since Do Not Pay data source files are updated on a regular basis, additional matches can occur at any time.

Do Not Pay Data Analytics Services offers customized, in-depth payment file analysis for agencies. The Data Analytics Services team will review payment files and examine them for any irregularities, conflicting information, duplicate payments, and common trends. Additionally, agencies can request specific analysis on payment files, e.g.,

payments made outside of the U.S. or payees who are under 21 years of age. Currently, Do Not Pay Data Analytics Services utilizes data from the Excluded Parties List System, Death Master File, List of Excluded Individuals/Entities, Debt Check, Central Contractor Registration, Affirmative Proceeding Data, Dun and Bradstreet, Legacy.com, Google Maps/Search, Prison Address Source, LexisNexis Accurant, and Federal Awardee Performance and Integrity Information System (FAPIIS).

The Agency Support Center is the final component within the Do Not Pay Business Center and is geared toward user advocacy. The Agency Support Center team provides support on all aspects of the process, including both the Portal and Data Analytics Services; and, representatives are available to provide personalized training and Portal demonstrations.

To receive additional information or begin the on boarding process, contact Do Not Pay's Agency Support Center at (855) 837-4391 or donotpay@stls.frb.org. You can also visit the Do Not Pay website by visiting <http://www.donotpay.treas.gov>.



The State of New York Recovers \$50 million of Fraudulently Collected Unemployment Insurance via TOP



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The New York Unemployment Insurance Trust Fund has recently recovered over \$50 million in fraudulently collected unemployment insurance.

The funds were recovered through the Treasury Offset Program (TOP), a state-federal partnership in which federal tax refunds are intercepted to cover delinquent debts. New York State was the first state to use TOP to recover fraudulently-collected unemployment insurance benefits. The program recovered \$51.2 million – the largest amount in the nation – from more than 50,000 individuals, and the funds will be used to pay benefits to unemployed New Yorkers.

“Once again, New York is at the forefront of efforts to protect taxpayer dollars through preventing and collecting fraudulently-obtained government payments. Every dollar we recover through this program becomes available to eligible unemployed New Yorkers who are most in need of this vital economic safety net,” Governor Andrew Cuomo said. “We will continue to do everything we can to collect fraudulently-obtained benefits from people who don’t deserve them, and who are in fact stealing from their fellow New Yorkers.”

New York led the nation in recovery amounts by developing a low cost software tool that allows the state and federal collection systems to work together. This model has been shared with other states looking to participate in TOP.

David A. Lebryk, Commissioner of Treasury’s Financial Management Service, which operates the program, said, “We are very pleased with the ongoing success of our partnership with the State of New York and our joint effort to ensure that taxpayers in New York and throughout the country are well served. Overall, we have collected \$149 million for the 14 participating states, including the District of Columbia.”

Debtors are referred to the program by the State Department of Labor after repeated attempts to collect their debts. They also receive 60 days written notice before their federal tax refund is garnished.

The \$51.2 million recovered was returned to the Unemployment Insurance Trust Fund to pay benefits to unemployed New Yorkers while they look for work. Employers across the state contribute to the Unemployment Insurance Trust Fund. New York’s aggressive anti-fraud efforts helps ensure that cheaters are held accountable while employer dollars are spent exclusively on New Yorkers who lost their jobs through no fault of their own.



State Reciprocal Program Provides Large Returns



The Debt Collection Improvement Act of 1996 (DCIA) contains a provision which allows states to enter into reciprocal agreements with Treasury to collect unpaid state debt by offset of federal non-tax payments and in return for the federal government to collect delinquent non-tax debt by offset of state payments. In order to participate in this program, states must enter into a reciprocal agreement with the U.S. Department of the Treasury through the passage of state legislation. Once the reciprocal agreement has been finalized, FMS may request that the state perform offsets to collect delinquent Federal non-tax debts in accordance with the terms of the agreement, and vice versa.

To date, six states have entered into reciprocal agreements with the U.S. Department of the Treasury. These states are Kentucky, Maryland, Minnesota, New Jersey, New York, and Wisconsin. Since January 1, 2012, these six states have recovered approximately \$12.7 million through the offset of 8,353 eligible vendor payments. This year, New York has recovered the most, with collections totaling over \$4.1 million. New York is followed by the state of Kentucky with \$3.1 million collected since Jan. 1, 2012. For more information on each state’s collections this year, please see the accompanying table on page 4.

The Treasury Offset Division believes that every state can benefit from the implementation of this program. FMS is willing to run a test file containing a state’s debt portfolio to assist with determining the return on investment for implementation of the program. Additionally, FMS will assist state agencies with passage of legislation allowing the state to participate in the Reciprocal Program.

For more information about this program and the assistance we can provide, please contact Rose Free of the Treasury Offset Division at (202) 874-7538 or at Rose.Free@fms.treas.gov.



TOP Collection Updates

State Collections (01/01/2012 - 08/31/2012)

State Unemployment Insurance Compensation Debt Collection Totals

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT	TOTAL AMOUNT OF DEBT REFERRED	PERCENT OF DEBT COLLECTED
Alabama	4,854	\$3,557,779	\$18,241,802	19.50%
Arizona	8,470	\$5,069,977	\$74,139,100	6.84%
Arkansas	155	\$118,868	\$40,497,063	0.29%
Connecticut	1,520	\$986,228	\$22,988,347	4.29%
District of Columbia	255	\$319,415	\$8,357,867	3.82%
Georgia	146	\$102,156	\$16,269,855	0.63%
Illinois	20,638	\$34,792,463	\$152,600,612	22.80%
Louisiana	37	\$56,372	\$2,050,803	2.75%
Maryland	11,185	\$16,262,878	\$99,754,405	16.30%
Michigan	2,008	\$5,391,495	\$104,540,085	5.16%
Mississippi	22,666	\$14,420,273	\$44,064,614	32.73%
New York	28,619	\$29,331,282	\$149,260,288	19.65%
Pennsylvania	3,987	\$9,373,002	\$50,683,222	18.49%
South Dakota	103	\$62,316	\$2,154,398	2.89%
Tennessee	20	\$37,586	\$12,974,610	0.29%
West Virginia	352	\$206,409	\$4,758,009	4.34%
Wisconsin	7,928	\$11,531,230	\$77,583,148	14.86%
Total	112,943	\$131,619,728	\$880,918,228	14.94%

The Unemployment Insurance Compensation (UIC) program allows for the offset of tax refund payments to collect unemployment insurance compensation (UIC) debts due to fraud or a person's failure to report earnings

On July 2, 2012, the state of Tennessee joined the TOP Unemployment Insurance Compensation (UIC) program and has now collected \$37,586. As of Aug. 31, 2012, Illinois has recovered the most funds at \$34.8 million. Mississippi leads the greatest percentage of UIC debt portfolio recovery at 32.73%. With tax season over, there is now a lower volume of collections, as expected. Several states, however, have still managed to increase their debt collection totals significantly. New York recently collected an additional \$386,338 and Illinois has collected \$378,379 in July and August alone.

TOP continues to encourage those states who are not yet participating in the UIC Program to contact us as soon as possible about entry to the program for the 2013 Tax Season.

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State Reciprocal Program Collections

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT
Kentucky	1,831	\$3,078,822
Maryland	1,671	\$1,721,926
Minnesota	289	\$551,532
New Jersey	1,876	\$2,191,216
New York	2,067	\$4,072,357
Wisconsin	619	\$1,045,677
Total	8,353	\$12,661,530

The State Reciprocal Program (SRP) allows states to enter into reciprocal agreements with Treasury to collect unpaid state debt by offset of federal non-tax payments and in return for the federal government to collect delinquent non-tax debt by offset of state payments.

New York now stands as the state with the most recovered funds through SRP with total collections of \$4.1 million. Kentucky comes in second with \$3.1 million recovered as of Aug. 31, 2012.

As SRP participants continue to see large recovery totals through the program, TOP is encouraging those states who do not yet participate in SRP to contact us today to learn how they can be a part of this important debt collection program.

For further information regarding SRP, please contact Rose Free of the Treasury Offset Division at (202) 874-7538 or Rose.Free@fms.treas.gov.

Top 10 State Income Tax Offset Collections

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT
California	64,574	\$64,168,750
New York	88,555	\$61,677,999
Maryland	63,020	\$61,114,870
Louisiana	39,495	\$24,162,125
Georgia	29,818	\$23,651,552
Ohio	30,196	\$23,052,973
Illinois	51,348	\$22,209,802
Alabama	61,008	\$19,006,162
North Carolina	28,610	\$17,938,080
Missouri	30,380	\$17,820,609

The State Income Tax Program allows states to refer delinquent income tax debts to TOP for offset against federal tax refund payments only.

California has now collected the most funds through the State Income Tax Program, with collections totaling \$64.2 million. New

York and Maryland have the second and third largest volumes with \$61.7 million and \$61.1 million collected, respectively.

For further information regarding the State Income Tax Program, please contact Rose Free of the Treasury Offset Division at (202) 874-7538 or at Rose.Free@fms.treas.gov.

