

**US DEPARTMENT OF THE TREASURY - FMS**

**Moderator: Thomas Kobielus**  
**August 2, 2011**  
**2:30 p.m. ET**

Operator: Good afternoon. My name is Kirk, and I will be your conference operator today. At this time, I would like to welcome everyone to the Treasury Offset Program for Unemployment Compensation Debt conference call.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you'd like to ask a question during this time, simply press star, then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key. Thank you.

Mr. Tom Kobielus, you may begin your conference.

Thomas Kobielus: Good afternoon everybody. My name again is Tom Kobielus; I'm with the Department of the Treasury, Financial Management Service, Treasury Offset Division. And welcome to the Webinar for the Treasury Offset Program for Unemployment Compensation Debts.

Joining me today for this Webinar and presentation will be Ms. Sammi Shultz of the Internal Revenue Service; Mr. Paul Bankes of Department of Labor; and others from the Treasury Offset Division who are with us here in this room.

Again, welcome. I'm just going to give you a brief overview of what we'll be speaking about today. I'm going to give you a high level overview of the program, the requirements, and what you need to do as a state to participate in the Treasury Offset Program. I'm also going to turn the call over to Sammi to

talk a little about Safeguard Procedures Reports and requirements of the Internal Revenue Service for participation. And finally to Mr. Paul Bankes, who might have some additional information regarding unemployment insurance compensation debts and the Department of Labor.

And first, I'll go through my part of the presentation, then turn over to Sammi for a piece about Safeguard Procedures Reports and then finally to Paul. Is that good with you, Paul?

OK. Well, I'm assuming that's affirmative.

Well, first thing, I'm going to first give you a quick high level overview of the program.

Ultimately, what is a debt? A debt is any amount that is owed to a federal or state government entity by a person, organization, other than a federal agency. And for the purposes of this call in this program, we'll be just focusing on unemployment insurance compensation debt.

And what is a delinquent debt? It's essentially when, for purposes of this call, payment is not made by the due date specified in the initial billing notice in the case of administrative debts or other types of debts. Usually the due date is usually 30 days after the agency has mailed the notice. And the date of the delinquency is usually the date the agency mailed or delivered the billing notice.

Now, I'm going to go through very quickly the next few pages over our authorities to handle debt collection in the federal government. But of note I want to just talk about a couple of things. One, the Debt Collection Improvement Act of 1996, which is what gives us authority to manage and run the Treasury Offset Program here at FMS<sup>1</sup>. Also the Treasury Offset Regulations, 31 CFR 285, you'll find those of great interest if you're interested in learning about various regulations for management of this program.

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<sup>1</sup> Financial Management Service

Of course, let me try going the other way. And again, this is just the overall regulations for the program. A focus here is, for this program, FMS regulation 31 CFR 285.8, the regulations for DOL<sup>2</sup> unemployment compensation debts. Those are the regulations that guide the management of this program for these types of debts.

Now, the Treasury Offset Program, just a high level – if you’ve been in this presentation before you’ve probably seen this description but just generally the Treasury Offset Program is a centralized automated offset process that intercepts federal and state payments of payees who owe delinquent debts to federal agencies and states that have submitted their debt information to FMS.

An offset is withholding a funds payable by the United States to a person to satisfy a debt owed to the United States or to a state. And centralized offset is the offset of payments disbursed by FMS and other federal dispersing agencies and now from state to the Treasury Offset Program.

What is the Treasury Offset Program? Well, the TOP<sup>3</sup> is one of the largest and the most effective tools for collecting delinquent debt for federal and state agencies.

With the TOP program, we collect debt owed to the United States, both tax debt and non-tax debt. We collect child support debt enforced by state agencies, both TANF<sup>4</sup> and non-TANF debts. Also state income tax debt, other state debts through the State Reciprocal Program, and finally, we’re now able to offset Department of Labor unemployment compensation debts.

How does the Treasury Offset Program work? Federal agencies and states submit their eligible debts to TOP and certify the debts are valid, delinquent, and legally enforceable, and that all due process requirements have been met. And for this program the due process prerequisites include a 60 days prior notice to the debtor also with giving them the opportunity to dispute the debt if they need to dispute it.

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<sup>2</sup> Department of Labor

<sup>3</sup> Treasury Offset Program

<sup>4</sup> Temporary Assistance for Needy Families

And again, how does the TOP program work? This is very simple in many respects, the TOP program compares payee names and taxpayer identification numbers on federal payment files to names and TINs<sup>5</sup> of debtors in the TOP delinquent debtor database. When there's a match that occurs on both the TIN and name, TOP intercepts or offsets all or part of the payee's eligible federal or state payment. FMS notifies the payee and the payment agency about the offset.

Now, again as earlier, there are various statutes that govern the TOP process depending on the type of payment offset and the type of debt collected.

I will pass by this chart very briefly but this is just for your own information. For this unemployment insurance compensation debts, it's row four on the slide that covers the legal authorities for us to take offset of federal tax refund payments for unemployment compensation debts. Under the statute authority it's 26 USC<sup>6</sup> 6402 (f) under our regulations its 31 CFR<sup>7</sup> 285.8 and we're allowed up to 100 percent.

All the rest information, by the way, is available on the FMS Website. Now the Treasury Offset Program debts. In the Treasury Offset Program, the priority for taking offset is the following; first are IRS<sup>8</sup> income tax debts, second child support debts, third federal non tax debts and then finally state debts. If the debtor has more than one type of debt we go on this priority order when taking offsets.

And again IRS always gets their's first, then child support, then federal agencies, and finally states. When there is more than one debt submitted for the same debtor, FMS supplies funds collected in accordance with the priorities set by statute and policy. If the debtor has two or more debts of the same priority, TOP applies funds to the oldest debt first. And when I say oldest debt first, I mean the debt with the oldest delinquency date. So if we have two debts with delinquency date, one of January 1, 2011 and the other

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<sup>5</sup> Taxpayer Identification Number

<sup>6</sup> United States Code

<sup>7</sup> Code of Federal Regulations

<sup>8</sup> Internal Revenue Service

January 1, 2009, we would automatically collect on the debt that was delinquent in January 1, 2009.

Now the general rules for all debts submitted to TOP are, debts must be delinquent and legally enforceable, they must be \$25 or more, except for the cases of salary offset which we won't be using in this case which is a \$100. And finally state's debts must be less than ten years old. Now, I say that then I say except UIC<sup>9</sup> debts. UIC debts do not have a 10 year statute of limitations and I'll get to that in just a moment. But for other types of state debts, there is still a 10 year statute of limitations, but not for unemployment insurance debt.

The next general rule for all debts submitted to TOP includes, the debts submitted must be certified. This is accomplished electronically if an agency signs an annual agreement to certify the debts. This is a Certification Agreement which many of you should have received with your bulletin. They are certified for the life of the debt, the agency is responsible for any activity in the debt if they become ineligible for TOP (i.e. they've gone to bankruptcy, they've been paid in full, or the debtor has passed away or whatever reason).

And again the certification states that the debt has met all eligibility requirements and that all due process prerequisites including state law prerequisites have been met. And then, as we mentioned a few minutes ago, TOP sends out a notice of offset to the debtor. When an offset is taken a notice is sent out to the debtor directly and includes the date and amount of the offset, the creditor agency to which the money was sent to and a contact person with that creditor agency so that if the debtor has a question they can contact that agency.

Next, Unemployment Compensation Debt Program. Now this is just a little bit of tooting our own horn but, so far the highlights of 2011, we implemented the program regulations for the offset of tax refund payments to collect unemployment compensation debt owed to the states was published on Friday January 28, 2011 in the Federal Register. On February 14, 2011, we began

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<sup>9</sup> Unemployment Insurance Compensation

accepting referral of unemployment compensation debts from the state. And in this year we've received referrals from three states so far, New York, Wisconsin, and Michigan.

As of the end of June, the three states participating have collected over \$25 million in tax refund offsets. Now, here is the original legislation authorizing the offset of unemployment debts was SSI<sup>10</sup> Extension for Elderly and Disabled Refugee Act. The original legislation allowed the states to refer delinquent unemployment compensation debts due to fraud to TOP for offset against federal tax refund payments only.

But there was additional legislation passed at the end of 2010 which modified that legislation from 2008. The Claims Resolution Act of 2010 expanded the program to allow states to recover non-fraud over payments, uncollected contributions, and associated penalties and interest if the unemployment compensation is due to failure to report earnings or delinquent contributions. Also, it changed a couple of the requirements of the program, there are no longer any statute of limitations on the use of TOP to recover unemployment compensation debts older than 10 years (i.e. if you have debts that are delinquent and over 10 years old, they can now be referred for the Treasury Offset Program).

Two, the address on the debtors individual income tax return does not need to be within the state seeking the offset (i.e. if the debtor had the debt initially – had it in let's say the State of Michigan and they decided to move to Texas, that if they file all their tax returns in Texas that should not have any effect now, we can take the offset).

And finally the state does not need to send the due process notice to the debtor by certified mail return receipt requested. You can just send the due process – you're still required to send the due process notice, but it does not need to be sent certified mail return receipt requested. And I have to again just reiterate that this is just for unemployment insurance compensation debt. The requirements for state income tax debt and other types of state debts still follow the current rules; those have not been modified for either of those.

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<sup>10</sup> Supplemental Security Income

So, if you have any questions on that please let us know.

Now, the program requirements, the states must have an approved Safeguard Procedures Report before they begin in TOP. They must send a 60 day notice to the debtor, a due process notice, letting the debtor know that they could potentially be referred to TOP.

And finally the state must complete the following FMS forms, Certification Agreement which we ask that you complete the Certification Agreement just prior to submitting your debts for referral and after you've met all the various requirements for participating. Two, you send us an Agency Profile Input Form. And this is the form which provides us the contact information for your state, the information on where we should refer, you know, put who's name and phone numbers – what names and phone numbers we should put in to our letters and who, the accounting information, just general information regarding your state.

Also the security access request form which will be used for the person or people with your state who will need access to our TOP client, and I'll get to that just a little bit later. And finally, an ACH Vendor Miscellaneous Payment Enrollment Form with the banking information for funds transfer between FMS and your state.

And Sammi, I think, tell us a part about SPR<sup>11</sup> later, but would you like at this point to say a little bit about the Safeguard Procedures Report.

Sammi Shultz: Sure. Good afternoon, everyone. This is Sammi Shultz from the IRS Office of Safeguards. We've talked to most or many of you over the course of the last almost a year. We first started talking about SPRs and UC<sup>12</sup> TOP almost a year ago. As most of you know there are basically two different avenues that we can pursue going down the SPR road if you will. And it comes down to whether the tax side of the state workforce agency has an approved SPR or not.

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<sup>11</sup> Safeguard Procedures Report

<sup>12</sup> Unemployment Compensation

If the tax side has an SPR that's already approved and in place, then the benefit side that is actually working the UC TOP end of it can just build off of the existing SPR and can do an addendum to that existing SPR. What that does is it takes out of play, probably 20 percent, 25 percent of the SPR template itself because of questions have already been answered for your agency.

If you do not have a current SPR from the tax side then you have to do a complete SPR and those questions comeback into play. So that's the approach that we've been talking on creating an SPR, have to do with what's the tax side for those of you who the tax side gets received information from us, what do they have in play.

Now there are also a dozen or so states that don't receive any information on the tax side so those states would need to complete the entire SPR themselves as well because there isn't a tax side that they can build off of. What we are trying to do is – and I think Tom's and my key message is basically timing.

At this point, we have approved SPRs on six agencies I believe, five agencies. And I have another five agencies and I have another six others that are in process which leaves us with 39 agencies that if you want to participate next filing season when the volume is high, that we need to be able to get those SPRs in play.

For many of the agencies, we've been working with most of you over the last year, I know that we've had individual conference calls with 31 of the 50 states where we have walked through what your facts or circumstances are, based on how your world works. And our concern is more than anything that we don't have the capability, the capacity, to be able to take SPRs from the remaining 39 states at Thanksgiving in order to – and have you done and ready to roll when filing season starts the second week of January.

Not to mention, starting off a new process when your volume is really high is always a challenging way to do implementation as well. About 10 to 15 percent of all the refunds actually get issued between June and Christmas, as people file late because they have extensions and that type of thing. And for

ease of implementation doing your paper work now, here, mid to late summer, getting your SPR approved and starting to receive what refund offsets may be out there from late in the year. We'll give you some experience with them prior to getting the flood gates open when we hit the filing season.

So, I guess my key message is that we been working – there's 31 states that we have met with individually, we want to continue to do the practice that we have had in place which is that we get FMS, Becky takes most of these calls with us. Sheila takes some of them as well, that we try to make these calls so that they're the IRS and FMS together so that if a question comes up about, well, how do I do the Connect:Direct testing then we'll say, "Well, that's a Becky/Sheila question and they answer the question," and they answer the question.

Or if it's, how do I fill out the SPR, that's an IRS question, and Sammi answers the question. We have found those to be really effective to do them jointly to try to provide one stop service for the state agencies who may have questions so that you don't have to set up two separate calls. And so we would like to continue to do that. At this point, I guess my request is, that you all strongly consider participating – I think that the Wisconsin, New York example is big and that there is a lot of money and it's relatively free for all intents and purposes once you get yourself at, you know, you get yourself ready to accept it. Potentially this is a tremendous amount of money that you would have access to but my caution is, please don't everybody wait till Thanksgiving in order to submit your paper work for the SPR or for the testing at FMS because I'm pretty sure none of us can do it all at one time.

What we're hopeful that this states will do is to continue what the practices have been with the 31 states that we've been talking to which is to work concurrent work streams where you're working with the IRS and FMS together, concurrently, so that by the time the SPR is in and approved and we've come back to you and we had to do them in everyone of them, come back and have a conference call with each of the state agencies to say, now there's certain questions we just need additional clarification, that by the time that's done and we have the SPR approved, that you've gone through the testing work stream with FMS and then all FMS is waiting for to turn on the

switch, so to speak, is the electronic letter from us saying yes they're approved, go. We did that with New York and Wisconsin and some of the states at the very beginning and they tended to work pretty well to work in this concurrent work stream. And I guess my offer continues to be that Safeguards is here to do everything we possibly can to help. Mike Caruso is my computer security guy that works with me on this as well and we've helped several – well, somewhere in this area of 50 to 60 phone calls over the last several months.

And if you need us to help you, that's what we're here for. My phone number and address you'll see later. But I also want to give you the mail box and you'll see it sitting right here which is [SafeguardReports@irs.gov](mailto:SafeguardReports@irs.gov). If you need us to meet with you to talk through, what your vision is and how you want to make this happen, how you have to use the contractors if you have contractors in your environment, how you have to setup your process, my strong recommendation continues to be email this to [SafeguardReports@irs.gov](mailto:SafeguardReports@irs.gov), give us a little background of, you know, this is – I'm from Wyoming, so I'll pick on Wyoming. This is Wyoming, I'm in UI<sup>13</sup>, we need to talk through some issues, can we please have a conference call setup, I'm here as a point of contact. And then someone off our staff will be assigned to setup the calls and I personally take all of those calls. And we setup conference call and then we just talk through.

There's numerous states that we literally spend six, seven, eight calls with agencies that they're trying to think through, trying to do it in a resource constrained environment in a very thoughtful manner. And that's perfectly fine with us, we're more than happy to do that. But the inbound these to come into [SafeguardReports@irs.gov](mailto:SafeguardReports@irs.gov) it gets controlled, one of the staff set it up, and they take care of getting schedules together and everything.

Sending it directly to me is probably a guaranteed failure because I'm on the road a lot as well and the staff will make sure we get these calls on my calendar after taking care off. So, we're more than happy to help, I'm looking forward to working with the other 39 states because I'm expecting that pretty much everybody is going to want to do this. But my caution to you is that we

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<sup>13</sup> Unemployment Insurance

don't have the capability of delivering 39 SPRs at Thanksgiving, and making it so that you all can participate at the beginning of the filing season.

And so early is better than late, obviously if we do get a bunch in at the end we're going to do everything we can to make that happen. But if we can get as much in as quickly as possible, I think it's better on everybody concerned. So, we'll get to the question-and-answer and we can go into specific at that point when we get that far. But for now that's basically my plea is to call often, call early, I guess.

But we're more than happy to work with the agencies and we've learn a lot from working with you and established some really good relationships with folks and it's been a real pleasure to work with everyone so far and we expect that to continue.

Thomas Kobielus: Well, thank you, Sammi. Next, I just want to see if Department of Labor who's on this call would like to say a few words. Paul or anybody from the Department of Labor?

Paul Bankes: Tom, can you hear me now?

Thomas Kobielus: I can hear you now.

Paul Bankes: Oh, I'm sorry I was dialed into the participant line. I think I was muted when I tried to answer you earlier, so my apologies there. I just wanted to talk briefly about a couple of different things, one was the – I know that there was technical bulletin that was sent out, I think it was technical bulletin 11-08 on July 21, 2011, I believe I sent it out to all the regional offices, hopefully the participant states.

There's a lot of key information in there to talk about UC TOP, a lot of the stuff that we talk about here in this Webinar. It also has some of the forms that were referenced, at the same time I did send out to all the states. I believe it may have been the tax sheets, it's been a little while, and I'd have to talk maybe to Tom Crowley here in the national office to verify who I sent it to. But we sent out a CD last year, I think it was last year, talking about the

various different forms that were available that we needed for the UC TOP process.

And additionally I also wanted to highlight that I'm pretty sure all the states and obviously the regional offices are aware that we have a UIPL<sup>14</sup> which is 26-11 which is currently out to talk about the UI supplemental funding opportunities for program integrity and performance and system improvement of which one of the availabilities is the availability of funds to support the UC TOP endeavor. And so, if you're not aware of this, please take a look at UIPL 26-11 and take a look at the availability of supplemental budget request funding to support the UC TOP endeavor. And that's all I have right now.

Thomas Kobielus: And Paul, you'll be available later on to answer any questions?

Paul Bankes: Yes, I'm not going anywhere.

Thomas Kobielus: OK. We'll have a question – as they mentioned at the beginning we'll have question-and-answer session at the end of the call.

Paul Bankes: Yes.

Thomas Kobielus: Actually at the end of the presentation, let me rephrase that. And I'll take back the reigns, so Tom Kobielus again. Just briefly I want to go through the very basics.

One of the things – I just want to mention, there are two ways to send your debts to the Treasury Offset Program. One is through batch processing and, with different record types for the debtor information, alias name, bypass indicators. We also send you a collection file via batch file. This information – this is a very high level overview of this, we have information on the batch processing and the file formats in our TOP Agency Guide.

And if you haven't had the chance to pull it down yet or if you have pulled it down, check on the Department of Labor site, we've recently provided with an updated version of our TOP Agency Guide or you can contact Becky Park and/or Sheila Moss and they can send you a copy of the TOP Agency Guide

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<sup>14</sup> Unemployment Insurance Program Letter

which can provide you with all the technical detail that you need for sending batch files to the Treasury Offset Program.

Also the alternate way of referring your debt is through the TOP Web Client which all of you can get access to at the state level and you can get access to it even if you're a batch agency. This is an online client software that you can use to add your debts into the TOP system for offset, receive collection information, and it works very well if you have a small volume of debt. If you have a large volume of debt you probably will want to go via the batch process but you do have the TOP Web client access also. And it's also especially good if you have to inactivate a debt quickly or you need to find out information about what or how a particular debt has been processed. You can find it real time in the TOP system.

And again there are three ways for transferring batch files to TOP, they are through Connect:Direct, Frame Relay and Connect:Enterprise. The TOP fee which is currently \$17 dollars per offset, you know, is what we charge for doing offsets in the Treasury Offset Program. This fee may change in the coming fiscal years so we aren't ready at this point to announce what the fee will be for fiscal year 2012, but when we have that information we will send it out to you in a TOP Technical Bulletin.<sup>15</sup> And as an aside, if you are all interested in getting on the mailing list for the TOP Technical Bulletins for unemployment insurance compensation debts, please send an email to Sheila Moss and/or Becky Park, or myself actually, if you are interested in getting on that mailing list or have anybody else in your state who are interested in getting on the mailing list for the TOP Technical Bulletins.

Paul Bankes: Hey Tom, this is Paul.

Thomas Kobielus: Yes, Paul.

Paul Bankes: Anytime, since I'm on the mailing list, anytime I get it I usually – I immediately ship it out to the regional offices and ask them to send it out to the appropriate state agencies as well. So, they'll get it hopefully one way or the other.

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<sup>15</sup> The fees for FY 2012 will stay the same. The fees are subject to change each fiscal year.

Thomas Kobielus: That is good. I always like to make sure that everybody's included. Now, as far as FMS testing, we need about two weeks advance notice to schedule testing for batch files and processing. Send your testing request to either Sheila Moss or Becky Park and you can contact either them at the phone numbers shown on this presentation or at those email addresses listed.

The testing averages approximately 30 to 45 days, and again that's agency dependent, it could be a little bit less or could be a little bit more. But for this year we – for implementation by January, we would like to have all testing requests received by the end of October 2011, or in order to ensure that testing can be scheduled for again January 2012 implementation. And I see there's a disclaimer, "This does not guarantee January 2012 implementation."

Randall Romo: Right. If you think it's a testing request in but there's a lot of agencies that are in the queue before them, we can't guarantee that we can finish it.

Thomas Kobielus: OK.

Randall Romo: So that's the real disclaimer. We don't know what our workload is going to be. We've got internal security offset program, requirements, we've got other programs that we're working with and we have to, juggle those requirements.

Thomas Kobielus: OK.

Randall Romo: So the UIC program does take precedent over other programs, we can bump the others

Thomas Kobielus: Yes. Well, that's good news. But I guess the bottom line is, get your request in early if you can. And finally because of holiday scheduling, no testing support unfortunately would be available between December 11th and December 31, 2011. So, we want to emphasize the sooner the better.

Now accounting, each state must provide an accounting contact to the Financial Management Service. We also need to determine where reversals are to be sent via as a debit or netted from the credit amount. You'll need to submit an authorized agreement for preauthorized payment in automatic

paying debit form to preauthorized debit. And we'll need you to contact FMS 30 days prior to implementation to perform a preliminary test to ensure there are no issues with the funds transferred. We'll need you to complete the ACH vendor/miscellaneous payment enrollment form for FMS.

Now again, the contacts for IRS are Sammi Shultz, you have her phone number and email address or Paul Bankes with the Department of Labor at the address listed. And the leads on this again are Sheila Moss and Becky Park at FMS or for testing a Mr. Randall Romo. But for setting up the testing, please contact Sheila or Becky first.

Finally, when you fill out the security access request forms, we'll need you to fax them to Debra Hoggle, this is the Security Access Request Forms for TOP client access as you send them to Debra Hoggle at the number listed. And the Agency Profile Input Forms and Certification Agreements will be sent to Sheila Moss at the address listed.

Sara Garris, excuse me. My employees were pointing out that I have a tendency to call one person the other person's name and I did it again. Anyway, send it to Sara Garris at the address listed. And as a point mentioned in the technical bulletin with the Certification Agreement, please we are going to be revising the Certification Agreement. So, come November, we will sending you out the revised Certification Agreement for 2012, calendar year 2012.

So, I—we sent you a copy of the current year's Certification Agreement for your information and reference, but please do not use that particular one because we will be, possibly be, modifying it. And for information regarding FMS network connections or communication lines you need to contact Mr. Joe Mendez at the address listed or contact him at the phone number listed.

And for questions related to the accounting and getting the forms filled out so that you can do the funds transfer with our accounting group contact Mr. Allan Pinkney, a manager in the accounting and operations branch at the phone number and address listed. And if you have any other questions you can contact myself Tom Kobielus at the address and phone number listed, I'm

the Manager of the TOP Relations Branch or Mr. Horace Tate, who's Manager of the TOP Systems and Data Management Branch. And the easy way to remember this is, I handle all the non technical questions, Horace handles all the technical questions.

And finally, this is where we open it up to questions. So, I'm going to turn it over to our moderator.

Operator: At this time, I would like to remind everyone, in order to ask a question, please press star, then the number one on your telephone keypad.

We'll pause for just a moment to compile the Q&A roster.

Your first question comes from the line of Helen Korman. Your line is open.

Helen Korman: Thank you. One of my questions is related to the \$17 fee that you charge. Do you add the fee to the debt of the individual and then collect that first or do you bill us for that?

Thomas Kobielus: Well, you have an option. TOP offset – you can either ask us to add it to the debt amount, so we take the collection and take the fee when we try to collect the debt or if you're not allowed to pass the fee along to the debtor we can – we'll just net the fee out of the collect offset taken.

Did I answer your question Ms. Korman?

Helen Korman: I think so. Can I ask another one?

Thomas Kobielus: Go for it.

Helen Korman: When you said you were matching on names and TINs to determine a match. Do you match letter for letter on names? And my concern there is, we always have trouble with name match because you may have Robert in your database, I might have Bob in mine.

Thomas Kobielus: Well, let me actually get more specific on the name match part of the process. For tax refund payments, we actually match on name control. And that is – and this is always on the last name. So, if it's – well, we don't worry about

the first name. But on the last name, if the person's name is my name Kobielus, and the first four characters are K-O-B-I we'll match on that. The first four characters of the last name.

Helen Korman: OK.

Operator: Your next question comes from the line of Jim Breckel. Your line is open.

Jim Breckel: Yes, this is from the Commonwealth of Kentucky. We already participate in the tax and vendor program, and we use KY and K2, so would you assign a new code for unemployment insurance?

Randall Romo: Yes.

Thomas Kobielus: Yes, we would.

Sammi Shultz: Not yet, you won't, to open it up because we need to make sure that their SPR specifically covers UC TOP and it doesn't.

Thomas Kobielus: Oh OK.

Sammi Shultz: So, they need to be treated like anybody else as far the safeguarding into those.

Thomas Kobielus: I agree.

Sammi Shultz: Because their SPR doesn't cover the UCPS<sup>16</sup>.

Jim Breckel: We assume that we'd be updating the SPR but this is strictly a technical question.

Thomas Kobielus: OK.

Sammi Shultz: We can't turn them off either.

Thomas Kobielus: No, as Sammi was saying, we couldn't turn you on just yet. But yes, when unemployment insurance debt, we get the approval from IRS of the Safeguard

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<sup>16</sup> Unemployment Compensation Programs

Procedures Report, we would provide you with a different agency ID for unemployment insurance debts.

Jim Breckel: Can we have two more question? The fee is \$17 for this offset and then the collections follow, we have to use the CML to determine the source of the offset. Is that unique between the task in the vendor system?

Sammi Shultz: This is where we have problems, yes.

Thomas Kobielus: It would be the same so ...

Sammi Shultz: That's why I'm lined in the – if you have commingled between vendor payments and IRS offset payments you have line on there that says what your fee is and because of the difference in the two fees you can easily tell ...

Jim Breckel: Right, that's what we do now.

Sammi Shultz: Yes, exactly. And so, that will continue, won't it Tom?

Thomas Kobielus: Yes.

Paul Bankes: That will be unemployment insurance.

Jim Breckel: So the unemployment insurance will be the same as one of them?

Sammi Shultz: It will be the \$17 but will it be on the same I.D. or as a new user I.D.? How will you have these guys programmed so that you can tell what you got off of ...

Thomas Kobielus: They will each have a new agency I.D. Unemployment debts will have separate, you know, Kentucky for unemployment and state income tax that's the KY, for state non-tax debts that would be K2, if I'm not mistaken.

Jim Breckel: Right.

Thomas Kobielus: I don't have the information what your state I.D. will be for unemployment insurance compensation does but I know that we already have it prepared, I just don't have that – have that particular list with me right now.

Jim Breckel: OK. And then my third question is the – and I think I know the answer to this but I'm going to just ask it anyway.

Thomas Kobielus: OK.

Jim Breckel: The offset sources for unemployment insurance is both tax and vendor or just one of the other?

Thomas Kobielus: No. For unemployment insurance compensation debt, we're only – we only have authorization than can match against tax refunds.

Jim Breckel: OK.

Sammi Shultz: Individual tax refunds.

Thomas Kobielus: Individual tax refunds, excuse me.

Jim Breckel: OK, that's it.

Thomas Kobielus: And I have one question from online. It says, is the name match a soft match? First name only to cover any last name changes? I'm not sure exactly what they mean by soft match but it's normally just on the first four characters of the last name. The first name usually is not involved in the matching process.

Operator: Your next question comes from the line of Mike Gee. Your line is open.

Mike Gee: Referring to your notice TOP sends a notice of an offset to the debtor, my question is, how much time lapses before the payment is made, and once that letter is sent? Or is it simultaneously?

Thomas Kobielus: It's simultaneously. We normally – and we normally process payments for tax refunds up to 10 days in advance. Up to, and they can be less but sometimes it's up to 10 days. And then we prepare the letter for mailing so that it should be received about the time the payment would have been received on the payment date.

Mike Gee: I've got, I've request more than a question here. Can we get somehow get a list of the current enrolled states with SPRs and those that are pending. We've

got a large volume of personnel change over and I'm not certain what we may have in place or what we may not as Kansas.

Sammi Shultz: Certainly, this is Sammi, we have approved SPRs for Wisconsin, Michigan, New York, Pennsylvania, and Connecticut. We have in progress, Utah, Arizona, Arkansas, Mississippi, Oregon, and South Carolina.

Mike Gee: You answered my question. Thank you.

Sammi Shultz: Yes. And everybody else we need to chat.

Thomas Kobielus: Yes. Next question.

Operator: Your next question comes from the line of Dianne Parcell. Your line is open.

Dianne Parcell: We have two questions. The first one pertains to the opportunity to dispute the debt that's required. By definition of what we're allowed to send out for TOP, the other payments have to be final, due process has been provided as to the cause and amount of the overpayments so it's now final, what is open to dispute at this point?

Thomas Kobielus: Well, ultimately that's up to you. But, you know, I guess the validity of that other the – you said, whether the person has actually does owe the debts. You said you'd already given them that process though?

Dianne Parcell: Right. We have already been through the appeal process, these debts are now final, the appeal process has expired. So what is to dispute at this point?

Sammi Shultz: Your process may be different in that when you are going to refer them over, different states have those kind of appeal processes at different points of time. Do you – and so, I mean, I would assume that's what your attorneys – you're going to ask them to do those 60-day letters.

Thomas Kobielus: They don't need to do the 60 day letters. You still have to give them the opportunity to dispute it if they have anything that they can dispute. But if you've already given the opportunity –

Sammi Shultz: I believe the 6402 regulation requires 60 days before you have to give them an opportunity for dispute.

Dianne Parcell: Well, I've noticed that I believe it's New York has limited the dispute to either the claimant has say bankrupt so the debt is not collectible or the claimant is maintaining that it is not his debt. So they defined what can be disputed, so do states have the latitude to define what can be disputed at this time if by their law the debt is final.

Thomas Kobielus: It's more of an attorney question that I might have to look into.

Dianne Parcell: OK. I think it's in the area that's well not defined because I notice on the states that we've looked at, they're looking at it differently. And we have opinions here where an out and out full blown appeal hearing is needed. We feel BBC shows likes that not necessary because we've already provided the opportunity to appeal this and these are all now final and collectible and delinquent.

Sammi Shultz: Dianne, what state are you from?

Dianne Parcell: Florida.

Thomas Kobielus: Well, I'm going to take this back to our attorney's and maybe they can discuss this with Department of Labor's attorneys too and IRS's and I can get back to you on this, Diane.

Dianne Parcell: OK, thanks. And we do have one more question. I'll refer to ...

Nancy: Hi, this is Nancy with Florida. The question, we've asked it once before but we heard something on this call that is making us ask the question again. The Department of Revenue currently has an SPR in place, I think they have two of them actually, one on the tax side, and one on the child support side, and we heard earlier that if a state had an SPR in place that you could do an addendum. We're a completely separate agency from the Department of Revenue and we were told earlier that we had to do it complete SPR not an addendum.

Sammi Shultz: Yes, Nancy. It's only if your state workforce agency has tax, so it's not the revenue. Florida is unique and that you have – that your revenue department owns both revenue and child support.

Nancy: Right.

Sammi Shultz: But even they have separate SPRs, what we have is we have many state Labors, Departments of Labor where they received some of the extracts to do unemployment and employment tax audits, so they already get information from us that way.

Nancy: Right.

Sammi Shultz: So, if your state Department of Labor tax side has an SPR you can build off of that but if not the Revenue. If you're different legal agency then you can't do that, it's only if you're of the tax side of the state Department of Labor receives information from us that you can build off of that.

Nancy: OK, that's what we thought. We just wanted to ask one more time.

Sammi Shultz: Not a problem. Thank you.

Nancy: Thank you.

Dianne Parcell: Thank you.

Sammi Shultz: Sure.

Operator: Your next question comes from the line of Roy Bryant. Your line is open.

Male: OK. Can you hear me?

Thomas Kobielus: We can hear you, Roy.

Male: It's not Roy but I got a question for – on the \$17 fee in regard to that we noticed that we're number four on the receiving end things. If it gets down to where the persons only got, by time it gets down to Virginia if that's a \$20 less, is that mean you're going to take the \$17 fee or we'll get \$3?

Thomas Kobielus: What's the rule on that? I think ...

Randall Romo: I'm sorry. I was writing down the ...

Thomas Kobielus : Excuse me.

Randall Romo: If the fee is equal to or less than rather the offset is equal to or less than the fee, we do not charge the fee. If the offset is one penny more than the fee we charge the whole fee.

Thomas Kobielus: OK. So the state would get a penny?

Randall Romo: What was the condition again?

Thomas Kobielus: \$20 offset, \$17 fee.

Sammi Shultz: They'd get \$3.

Randall Romo: The state gets \$3.

Thomas Kobielus: The State would get \$3.

Randall Romo: I mean it also depends on whether they charge the fee to the debtor. So if it's let's say, \$20 offset, we're talking about a \$20 balance and a \$20 offset.

Sammi Shultz: They're talking about were they – we held something on the IRS side and the child support held something and they get to the very end and there's \$20 left.

Randall Romo: Right. So, we add the fee to the balance in working storage, in the program. So that becomes \$37 then we subtract the offset versus \$20. So then we've sent \$20 to the agency, that's assuming that that agency is charging the fee to the debtor so then they get their whole \$20 and then \$17 to the balance. And if they don't charge the debtor to the fee, then we would net them \$3

Sammi Shultz: So it's down to how they have it built.

Randall Romo: Right.

Sammi Shultz: OK. That makes sense.

Thomas Kobielus: I guess next question.

Operator: Your next question comes from the line of Casonja Thompson. Your line is open.

Casonja Thompson: Hi, one of the questions that we have is when we were thinking about implementing Connect:Enterprise and I guess this is also for Randall. When me and Leonard discussed it, we were not able to do Connect:Enterprise because FMS wasn't currently setup for that. So my question is, is FMS setup to use Connect:Enterprise: right now?

Randall Romo: Connect:Enterprise, I think the reason I told you we couldn't use Connect:Enterprise because it was a test. We do not have a test version of Connect:Enterprise, only production.

Casonja Thompson: OK, so you do have it in production?

Randall Romo: Yes. It's only for production, we're not able to use it in test.

Casonja Thompson: OK. And I'm trying to confirm also the person to contact for the production setup, is this – is it the Joseph Mendez person?

Randall Romo: Yes. He's the initial contact for all network connection. Now he might refer you back to one of Horace's staff. That wouldn't be me, unfortunately.

Casonja Thompson: OK. OK, that's all we have. Thank you.

Operator: Your next question comes from the line of Vijay Kumar. Your line is open.

Vijay Kumar: Hi. I have a question for the TOP offset. If the TOP fee remains constant for all different types of offsets? For example, federal salary payment offset, is it different from the normal offset?

Thomas Kobielus: Well, in this case, different types of offset for under federal agencies, yes, the offset can be and is a little different. For this program, for just the states, for unemployment insurance, it will just be the one fee or offset fee. But it does

shift a little bit depending on – for other state, the other state programs, as well as for federal salary payments which is a little bit more.

Sammi Shultz: My understanding, Tom, from something that you and Horace explained to me sometime ago is the way that the regulations were for your funding mechanism, you have to charge cost. And so, if your cost on some are higher than others than that is why there's a differential between some of the different components of the offset because it comes down to you can't make a profit at FMS you can only charge costs.

Thomas Kobielus: Yes. The fee difference is also depending on who our partners, who work on this. For example, for the tax refund also program, we work with IRS and they get a portion of the fee because they do a lot of – even though they're not doing the actual operations that we do now in taking the offset, they do a lot of back office work to handling injured spouse claims and other types of work related to the TOP program. So, there's number of reasons, I can go on to a long – a lot of details about why the fees are different but it has to do partially with the cost.

Vijay Kumar: Yes. I understand that. I just want to confirm that it's not \$17 all the time, it varies.

Thomas Kobielus: No. But for this program ...

Sammi Shultz: We refund off an individual income tax refund offset, that fee regardless of whether you do it as the state Department of Revenue or a state – that's why it's always the same thing, right?

Thomas Kobielus: No. I actually – I think those state income tax program it's different.

Sammi Shultz: OK.

Thomas Kobielus: But for employment insurance compensation debt they offset at \$17.

Sammi Shultz: OK.

Thomas Kobielus: I think for state income tax debt this year its \$21 per offset if I'm not mistaken.<sup>17</sup>

Vijay Kumar: No because we are participating in the TOP offsets also that is for food stamps. The second salary offsets are much different than the regular offsets for the oil payment debts.

Thomas Kobielus: When you work with Food and Nutrition Service referring your food stamp debts correct? To Food and Nutrition Service which then refer the debts to us?

Vijay Kumar: That's correct. See, both work on the same FMS and Horace Tate is the common person for both the programs for UI as well as for the Food stamps. But the – I'm talking about the fee, the fee is different for different type of offset. But if it's a federal salary offset is much higher than the regular \$17 for offset.

Thomas Kobielus: That is correct. And if you're food nutrition service, you know you're in State of Arizona who refer their debts, Food Stamp debts, through the Food and Nutrition Service who then refers to TOP, yes, the fees are different.

Vijay Kumar: OK. I have a second question here. Is it allowed by law whether we could offset from UI TOP at the same time we can refer for the state income tax and other means of collections?

Thomas Kobielus: Are you talking about – again, your state income tax in State of Arizona?

Vijay Kumar: Yes. Can we refer the debt of both UI TOP, as well as the state income tax at the same time?

Thomas Kobielus: For your state income tax ...

Sammi Shultz: They can't, they're two separate agencies. It's going to – they can't.

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<sup>17</sup> **Comment from Tom: The fee is actually \$22.00 per offset for state income tax debts. The offset fees are subject to change each fiscal year.**

Thomas Kobielus: You're talking again State of Arizona tax refunds?

Vijay Kumar: Yes.

Sammi Shultz: Oh.

Thomas Kobielus: Yes, you can refer your debt for the State of Arizona tax refunds offset in any state program you might have.

Sammi Shultz: All right, I think – are you talking – are you taking about – can you – if you have an outstanding like, Snoopy owes you, owes the State of Arizona for an income tax liability as well as an unemployment compensation liability?

Vijay Kumar: No. The total outstanding debt for unemployment – this unemployment conversation let's say a \$100 and I refer this debt to the UI TOP. At the same time, can I refer the same debt for Arizona's tax refund offset also?

Thomas Kobielus: If it's for the state of Arizona's tax refund, yes. Because ...

Vijay Kumar: So we can refer from both federal refund as well as for the state tax refund, correct?

Thomas Kobielus: Yes. You have to maintain the balance in your system and if you take a collection in your state income tax offset program you have to update our system with any collections that you receive from the state. And vice versa, when we take collections, you'll need to get that information and pass along to your state income tax offset program so that you don't over offset.

Vijay Kumar: I understand that. That's correct. The last question is, if a client is getting currently benefits, if he's receiving benefits, we are normally take say 50 percent or 25 percent depending on the thing, we offset their benefit. Can we at the same time when we're offsetting, we also can refer the debt to UI TOP?

Sammi Shultz: As long as they're done with 60-day notification.

Thomas Kobielus: As long as you met all the requirements, yes. But you said you're paying them – did you say you are actually still giving them benefits or taking part of their benefits that they owe?

Vijay Kumar: Yes. By state statute, we can take off of the statute whenever they're getting benefits, we are required to take certain portions of the money from them, if they owe money to the state, if they owe money to the UI compensation. Then at that time, I was thinking whether we could refer the same debt to UI TOP that means we are collecting on both sides.

Thomas Kobiellus: Yes. But they're also receiving benefits though from the state at the same time?

Vijay Kumar: Yes.

Thomas Kobiellus: Yes, as long as you met the requirements you can refer it even though it can get a little – I don't know all the laws for administering unemployment insurance payments but if you met all ...

Vijay Kumar: The reason I asked because we are participating in the Food Stamp Nutrition Program.

Thomas Kobiellus: Yes.

Vijay Kumar: There you cannot do it. If you are recouping money from the current benefits, you are not supposed to offset through the Food Stamp Nutrition Program.

Thomas Kobiellus: Again, I ...

Vijay Kumar: So there is a fixed federal law there regarding that. But I have not seen anything regarding UI TOP.

Thomas Kobiellus: Yes. Well, again, I'm not familiar with the Food Stamp laws and/or Department of – the laws governing unemployment insurance compensation payments. So, I have to defer to the people in those programs to give you more of an interpretation on that. Susan Beard with the Food and Nutrition Service and Paul Bankes with Department of Labor, but it can get interesting.

Any other questions before ...

Vijay Kumar: No other questions, thank you so much.

Sammi Shultz: Do we have a ton a people left?

Thomas Kobielus: Do we have – moderator?

Operator: Yes. We do have a fair amount of people still on the queue with questions.

Sammi Shultz: Can they send them all electronically or what do you want them to do?

David Burgess: Have them ...

Thomas Kobielus: We'd like to ask since there's still quite a few questions left, if we can ask that you submit them electronically to DMS Webinars, and we're going to put together a Q&A and send it out to this group who's joined the call. Because it appears that there's lot of questions so ...

Sammi Shultz: The other thing we could do is if we need to, is just have a straight conference call that isn't Webinar necessarily because we don't need to see – I mean we could always set something like that up for next week or something, the week after it perhaps. I mean it's up to you, I can make myself available. We can figure out a time that would work for us, it's completely up to you Tom.

Thomas Kobielus: Sounds great to me. Do you want to setup a time now? Or we ...

David Burgess: Hi, this is David Burgess. I think given the timeframe and the fact that we have so many question on the line. Following the Webinar, if you've registered to participate, you'll receive an invitation to fill out a survey that we have pulled together. And then at that survey, you'll have the opportunity to either ask that we setup a conference call with you in your state or the opportunity to insert additional questions there.

So I ask that you do that so that we can sit down, we'll take all questions that you send us, pull together a document and then send it out once it's ready. In that way, we'll be able to answer everyone's questions as quickly as possible.

Sammi Shultz: A lot of this is very situational depending on state laws, whatever they're doing. So, while there's a lot of value to having everybody on the line it's also – we can't get real situational because ...

Thomas Kobielus: Yes, exactly. So, if you all could submit your questions and we'll prepare the Q&As and we'll also as a suggestion consider having another conference – a conference call within the next couple of weeks to answer any additional questions you might have.

Thank you everybody for attending this Webinar.

Operator: This concludes today's conference call. You may now disconnect.

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