

Comptroller's Debt Setoff Program

Fiscal Fundamentals



Virginia Department of Accounts

Financial Accountability. Reporting Excellence.

Photo by Karl Steinbrenner



Legislative Authority

Code of Virginia § 2.2-4800 – 2.2-4808 The Virginia Debt Collection Act

State policy: All agencies and institutions shall take all appropriate and cost-effective actions to **aggressively** collect **all** accounts receivable.

DOA shall adopt related policies and procedures.

Payments shall be deemed to have been made when offset proceedings have been instituted, and authorized under Virginia Debt Collection Act.



"Bad Debts" Recovered by CDS

FY 07 – \$15.8 million

FY 06 – \$13.2 million

FY 05 – \$4.2 million

FY 04 – \$4.5 million

FY 03 – \$4.5 million



Taxation—DOA Partnership

The CDS program runs under a partnership between DOA and Department of Taxation.

Taxation is responsible for the automated setoff payments system.

DOA is responsible for interpreting the Code with respect to eligible and ineligible funds.



CDS at Work

Vendor Doe owes \$1,000 to Agency A.

Vendor Doe's account becomes past-due.

Agency A (Claimant Agency) enters Vendor Doe's debt in CDS.

Coincidentally, Agency B owes Vendor Doe a \$1,350 refund.

CDS matches these transactions, pays \$1,000 of the refund to Agency A (Claimant Agency), and pays the remaining \$350 to Vendor Doe.

Processing Claims

A registered agency can submit claims for CDS collection.

The following information is needed to submit a claim:

- Claimant agency code
- Debtor name
- Social Security Number or Employer Identification Number
- Amount of debt



Exceptions

Not all payments are eligible for setoff.

CARS stores information to identify payments that should bypass the setoff process (such as payments to other governments).



Match Found

SSN or EIN is used to match a payment with a debt listed at Taxation.

Funds move from the paying agency to the DOA "Suspense Awaiting Debt Set-Off" account.

Taxation is notified about debt match and funds move from DOA suspense account to Taxation suspense account.



Notification

Tax notifies claimant agency that funds are being held.

Claimant agency must notify debtor that funds are being held and the specific reason.

If only partial payment is taken, debtor receives partial payment and check stub (or EDI notice) saying:

- Balance taken for debt owed, and
- Written explanation will follow.

If full payment taken, nothing sent to debtor until claimant agency notifies them of funds offset.

At notification, debtor may contest claim.



Finalization

The claimant agency notifies Tax that they will accept funds collected by setoff.

After 60 days, funds are transferred to the claimant agency and noted as finalized in Tax system.



Funds Release Before Finalization

Money can be released to the debtor for these reasons:

Tax receives finalization notice from claimant agency with zero dollar amount.

Finalization notice shows only part of setoff amount is needed to satisfy claim.

Finalization notice not returned in 60 days.

Debtor proves he or she is entitled to money.

Claimant agency deletes claim.



After Finalization

Once funds have been forwarded to claimant agency, the claimant handles any debtor request for funds released because debtor proves entitlement to money.



Your Participation

Program participants must register with Taxation. For more information, contact:

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Key Contacts after Registration

Department of Taxation Customer Service

(804) 367-8031

Department of Accounts Comptroller's Debt
Setoff Coordinator

(804) 371-8383



References

CAPP Manual Topics

- [20505](#), Accounts Receivable
- [20310](#), Expenditures

Code of Virginia § 2.2-4800 – 2.2-4808 The Virginia Debt Collection Act



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