

<b>Volume No. 1 – Policies &amp; Procedures</b>	<b>TOPIC NO.</b> <b>20325 – Cardinal</b>
<b>Section No. 20300 – Cash Disbursements Accounting</b>	<b>TOPIC</b> <b>Comptroller’s Debt Setoff</b>
	<b>DATE</b> <b>December 2019</b>

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## Overview

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### Introduction

The Comptroller's Debt Setoff (CDS) program, also known as the Vendor Debt Setoff program, is authorized by the *Code of Virginia*, §§ 2.2-4800 et seq. CDS provides state agencies an additional method for the collection of past due accounts receivable owed to the state primarily by businesses and individuals acting in a business capacity. Agencies are required to submit all receivables that are 30 days past due, in accordance with CAPP Topic 20505, *Accounts Receivable*, to the Department of Taxation for inclusion in the CDS program. Under the CDS program, a payment made by the state to a Debtor may be withheld, in full or in part, to satisfy the debt owed the state.

The CDS program was developed jointly by the Department of Accounts (DOA) and the Department of Taxation (TAX).

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## Comptroller’s Debt Setoff Process

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### Overview of CDS Process

Agencies must register with TAX to participate in the CDS program. Training on TAX’s Integrated Revenue Management System (IRMS) must be completed through TAX’s Commonwealth of Virginia Learning Center (COVLC) site. After completion of IRMS training, the agencies must complete an IRMS System Authorization Request form to access the IRMS platform.

Each debt submitted and accepted into the debt setoff programs is assigned to a calendar year. Debts are only setoff in the assigned calendar year.

Agencies’ debts do not automatically carry forward from one assigned calendar year to the next. Between November 1 and December 20 of each year agencies need to resubmit any previously submitted debts that are still unpaid.

Refer to the detailed "IRMS User Guide for Setoff Agencies" issued by TAX for more information on the submission and setoff of claims (past due accounts receivable) for the CDS program at <https://tax.virginia.gov/tarp/setoff/systems>.

In addition, agencies can refer to the “Set-Off Program Information Guide” issued by TAX located at <https://www.tax.virginia.gov/sites/default/files/inline-files/SETOFFPROGRAMGUIDE.pdf>.

The following CDS process timeline is taken from the Set-Off Program Information Guide and is included for informational purposes to assist agencies with understanding the full CDS process.

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## Comptroller’s Debt Setoff Process, Continued

Overview of  
CDS Process,  
continued

Stage	Description
1	Set-Off Agency provides claim information to TAX.
2	Disbursing Agency issues a Cardinal payment to Debtor that is matched against the claim(s) in IRMS; amount received by Debtor is reduced according to the amount of the claim(s).
3	TAX notifies the Set-Off Agency that the agency’s claim has been matched (match date).
4	Set-Off Agency notifies the Debtor, within 10 calendar days of the match date, in writing that a payment has been matched to their outstanding debt. Purpose of this letter is to inform Debtors that they have 30 days to contest the debt.
5	Set-Off Agency certifies to TAX, within 10 calendar days of the match date, that they have notified the Debtor in writing. Matches that are not certified will default.
6	If the <b>Debtor contests the debt</b> , the Debtor notifies the Set-Off Agency in writing within 30 days of the match.  If the <b>Debtor did not contest the debt</b> , continue to Stage 9
7	Set-Off Agency updates the Contested Date in IRMS. The status is required to be updated every 30 days thereafter. Note: Once contested, further set-off action for that claim is suspended until, the contested claim is resolved.
8	If the <b>claim is resolved in the Debtor’s favor</b> , the Set-Off Agency must cancel the claim in IRMS thereby releasing the money to the Debtor. TAX sends a check to the Debtor address on file. Note: The check will be from TAX but includes the first 8 characters of the original payment’s Invoice Number for applicable Disbursing Agency payment(s).  If the <b>claim is resolved in the Set-Off Agency’s favor</b> , continue to Stage 9
9	Set-Off Agency finalizes the match in IRMS, within 60 days of the certification date (stage 5 above). Note: Matches that are not finalized within 60 days will default, which means the Set-Off Agency forfeits its right to any funds for the debt.
10	TAX notifies the Debtor, within 2 days of finalization, in writing informing them of the final disposition of their funds.

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## Comptroller’s Debt Setoff Process, Continued

Overview of CDS Process, continued

Stage	Description
11	TAX sends a payment file containing matches finalized during the prior month to the Set-Off Agency. The Scheduled Payment Date is the 15 <sup>th</sup> of the month.
12	Set-Off Agency receives the matched funds and applies to the Debtor’s debt.

## Refunding of Funds Collected through CDS

Repayment Process

At times, refunds of monies collected through CDS need to be made after finalization. Agencies are notified by DOA when repayments are necessary and are provided instructions on how to process the refund.

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## Withdrawal of Funds from Setoff

### Process for Confirmation of Need for Withdrawal

A withdrawal is a request to release monies that are ineligible for offset or have been offset in error. The following process details the confirmation of the need for a withdrawal by the Disbursing Agency.

Step	Description
1	Confirm that the payment was offset by CDS by reviewing the Cardinal voucher. On the Related Documents Tab, there will be a Remit Supplier of CDS00000000 if the payment was offset by CDS.  If the payment is known to be <b>ineligible</b> for offset, continue to Step 9.
2	After confirmation of payment offset, ask the Payee if a letter from a state agency was received explaining the reason for the offset.
3	If a <b>letter was received</b> , ask the Payee to contact the name and number shown on the letter for further information regarding the claim. Note: The Disbursing Agency stops at this step and waits to hear further instructions either from the Payee, TAX or DOA before proceeding.  If the <b>letter was not received</b> , continue to Steps 4 through 6.
4	If the <b>letter was not received</b> , confirm that the mailing address was correct by comparing the address given by the Payee to the address used for the payment.
5	If a Federal Employer Identification Number (FEIN) was connected to the Cardinal Supplier ID, there will also be a line on the letter reading “Attention Accounts Receivable Department”.  If appropriate, ask the Payee to check with their Accounts Receivable department to see if that department has received the letter.

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## Withdrawal of Funds from Setoff, Continued

**Process for Confirmation of Need for Withdrawal,**  
continued

<b>Step</b>	<b>Description</b>
6	<p>If one of the following occurs, have the Payee call the appropriate Customer Service number at TAX (see Contacts section) to find out which agency is owed, and who to contact at that agency about the debt:</p> <ul style="list-style-type: none"> <li>• the mailing address is deemed incorrect,</li> <li>• or the letter has not been received [could be lost in the mail]</li> <li>• or the Payee requests to speak with someone about the debt.</li> </ul> <p>At this point, the Disbursing Agency will wait to hear further from the Payee, TAX, or DOA before proceeding to Steps 7 through 10.</p>
7	<p>If any one of the following situations exist, a <i>Payment Withdrawal From Setoff Request</i> form will be necessary:</p> <ul style="list-style-type: none"> <li>• the Payee indicates that the EIN or Social Security Number (SSN) shown on the letter does <u>not</u> belong to the Payee, [the Disbursing Agency must confirm that is the case], or</li> <li>• the payment was from a payment source that is ineligible for offset, or</li> <li>• the payment was made in error.</li> </ul>
8	<p>If any of the above situations apply let the Payee know that your agency will begin the process to withdraw the monies from setoff.</p>
9	<p>The Cardinal Voucher Approver completes the <i>Payment Withdrawal From Setoff Request</i> form and sends it to DOA (See Appendix A).</p>
10	<p>Once the withdrawal process is complete, TAX, in a separate payment transaction in Cardinal, releases the offset monies via a check mailed to the address on file.</p>

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## Withdrawal of Funds from Setoff, Continued

### How to Find the Disbursing Agency Withdrawal Form

The *Payment Withdrawal From Setoff Request* form can be obtained from the DOA website at the following location:  
[https://www.doa.virginia.gov/forms/CDS/Withdrawal\\_Form.pdf](https://www.doa.virginia.gov/forms/CDS/Withdrawal_Form.pdf)

**Note: It is extremely important to have the withdrawal form completed and sent to DOA as soon as possible. In some cases, the payee can request to be paid interest for the delayed payment.**

## 1099 Adjustments

### 1099 Adjustments

If a CDS payment is made or withdrawn, the item should be reviewed to determine if 1099 reporting will need to be adjusted. See CAPP Topic No. 20320, *Information Returns Reporting* for more information.

## Internal Control

### Internal Control

Each Disbursing Agency must establish a program of internal control, which addresses the proper withdrawal of payments from setoff.

Agencies should develop and document internal control procedures to:

- Follow all requirements for entering past due accounts receivable into IRMS to ensure that payments will not be made to Debtors who have outstanding debts to the state.
- The Set-Off Agency should ensure timely notification to the Debtor once the Debtor’s payment has been reduced or withheld.

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## Records Retention

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**Time Period**

Agencies should maintain records for at least three years, or until audited by the Auditor of Public Accounts (APA). See CAPP Topic No. 21005, *Records & Retention*.

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## Contacts

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**TAX and DOA Contact**     **Department of Taxation** for Supplier (Debtor) questions regarding the debt:

Customer Service for Businesses: (804) 367 – 8037

Customer Service for Individuals: (804) 367 – 8031

**Department of Accounts** for Disbursing Agency questions regarding payment eligibility for offset:

Hotline: (804) 225 – 2564

Email: cds@doa.virginia.gov

FAX: (804) 225 – 4250

## Subject Cross References

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**References**

- CAPP Topic No. 20320, *Information Returns Reporting*
- CAPP Topic No. 20505, *Accounts Receivable*
- CAPP Topic No. 21005, *Records & Retention*

Refer to suggested job aids and training information for data entry and processing on the Cardinal website: <http://www.cardinalproject.virginia.gov/>.

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## APPENDIX A:

# Payment Withdrawal From Setoff Request Form and Instructions

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	<b>PAYMENT WITHDRAWAL FROM SETOFF REQUEST (DISBURSING AGENCY USE ONLY)</b>
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<b>I. Requester Information</b>
---------------------------------

Name: \_\_\_\_\_ Date: \_\_\_\_\_  
Agency: \_\_\_\_\_ Title: \_\_\_\_\_  
Email Address: \_\_\_\_\_ Phone #: \_\_\_\_\_

<b>II. Supplier Information</b>
---------------------------------

The payment identified by the following Cardinal coding should be withdrawn from setoff because either:  
(1) the Supplier Identification Number was coded incorrectly, (2) the payment should not have been made, or  
(3) this type of payment has been determined to be ineligible for setoff.

Supplier ID: \_\_\_\_\_  
(10 digit number)

Supplier Name: \_\_\_\_\_

Transaction ID: \_\_\_\_\_  
(Business Unit, Voucher ID, and Invoice ID required)

Transaction Amount: \_\_\_\_\_

<b>III. Withdrawal Information</b>
------------------------------------

Withdraw this payment for the following reason (check one only):

- \*  Supplier submitted incorrect EIN or SSN
- \*  Disbursing agency submitted incorrect EIN or SSN
- \*  Supplier ID was keyed incorrectly
- \_\_\_\_\_ Payment is ineligible for setoff (Explain) \_\_\_\_\_
- \_\_\_\_\_ Payment should not have been made (Explain) \_\_\_\_\_
- \_\_\_\_\_ Other (Explain) \_\_\_\_\_

\*If payment is withdrawn for one of the first three reasons above, please provide:

Correct Supplier ID: \_\_\_\_\_  
(10 digit number)

Source of proof of correct EIN or SSN: \_\_\_\_\_  
(Pre-printed invoice, W-9, Social Security Card, etc.)

<b>IV. Certification</b>
--------------------------

I certify that the information above is correct. If the cause of the offset was due to an incorrect EIN or SSN, I certify that the source from which the coding for this payment was obtained (Cardinal Supplier Table, Supplier’s file, etc.) has been updated and now reflects the correct EIN or SSN and that payments made in the future will reflect the correct EIN or SSN. I also acknowledge that this request is in accordance with Commonwealth Accounting Policies and Procedures Manual Topic 20325.

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
DATE

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**Instructions for Payment Withdrawal From Setoff Request  
(DISBURSING AGENCY USE ONLY)**

**Purpose** To certify to DOA that a payment should be withdrawn from setoff because the Supplier Identification number was coded incorrectly, the payment should not have been made, or this type of payment has been determined to be ineligible for setoff. The requestor acknowledges that this request is in accordance with Commonwealth Accounting Policies and Procedures Manual Topic 20325.

**Form Instructions** Complete all Sections in their entirety to ensure the setoff request is successfully processed. Any incomplete forms will be returned to the agency. Please **DO NOT** include any sensitive data on this form (e.g. Social Security Number or Employer Identification Number).

**Preparation and Submission** **Section I. Requester Information** – This section must be completed by a Cardinal Voucher Approver.

**Section II. Supplier Information** – This section should not include any EINs or SSNs. The Supplier ID field should be the 10-digit Cardinal Supplier Identification number.

**Section III. Withdrawal Information** – Select only one reason for which the payment should be withdrawn and provide additional information where necessary.

**Section IV. Certification** – This section must be signed and dated by the Requester from Section I above.

Please send this withdrawal form and any supporting documentation to the Department of Accounts, Comptroller Debt Setoff (CDS) Coordinator using **one of the following four** methods.

**Note: If any supporting documentation contains sensitive data, please send securely through an encrypted Email or to the U.S. Mail address listed below.**

- 1) **Email:** cds@doa.virginia.gov
- 2) **Fax:** To: CDS Coordinator  
Fax number: 804-225-4250
- 3) **U.S. Mail:** Department of Accounts  
Attention: CDS Coordinator  
P.O. Box 1971  
Richmond, VA 23218-1971
- 4) **Interagency Mail:** Department of Accounts  
Attention: CDS Coordinator  
101 North 14<sup>th</sup> Street  
3rd Floor  
Richmond, VA 23219-3638