

Date February 26, 2007

APPROVAL OF MEMORANDUM OF UNDERSTANDING WITH THE IOWA DEPARTMENT OF ADMINISTRATIVE SERVICES, STATE ACCOUNTING ENTERPRISE FOR PARTICIPATION IN THE INCOME OFFSET PROGRAM

WHEREAS, section 8A.504 of the Code of Iowa provides for the offsetting of payments made by the State of Iowa to satisfy liabilities to the State and political subdivisions, including municipalities ("the Setoff Program"); and

WHEREAS, the Setoff Program requires that, before a setoff is made from payments made by a State agency, the person or entity owing such liability must first receive written notice of the assertion of the right to all or a portion of the payment and of the municipality's entitlement to recover the liability through the Setoff Procedure, the basis for the assertion, the opportunity to request that a jointly or commonly owed right to payment be divided among owners, and the person's opportunity to give written notice of intent to contest the amount of the allegation; and

WHEREAS, the Iowa Department of Administrative Services, State Accounting Enterprise ("DAS/SAE") has the authority to coordinate with other State agencies and political subdivisions to participate in the Setoff Program; and

WHEREAS, DAS/SAE requires the execution of a Memorandum of Understanding for Participation in the Income Offset Program, a copy of which is attached, which provides for a perpetual term, with either party having the right to terminate on 60 days' and provides that DAS/SAE shall receive a fee of \$7.00 for each individual offset; and

WHEREAS, the Finance Department and City Clerk's Office desire to participate in the Setoff Program for parking tickets and ambulance bills and other liabilities owing to the city if these initial tests are successful; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Des Moines, Iowa that the above described Memorandum of Understanding Between the Iowa Department of Administrative Services, State Accounting enterprise and the City of Des Moines For Participation in the Income Offset Program is hereby approved and the Mayor is authorized and directed to execute the same on behalf of the City and the City Clerk to attest to his signature.

(Council Communication No. 07-121)

APPROVED AS TO FORM:

MOVED BY \_\_\_\_\_ to adopt.

*Ann DiDonato*  
Ann DiDonato, Assistant City Attorney

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
COLEMAN				
HENSLEY				
KIERNAN				
MAHAFFEY				
MEYER				
VLASSIS				
TOTAL				

MOTION CARRIED

APPROVED

Mayor

CERTIFICATE

I, DIANE RAUH, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

\_\_\_\_\_  
City Clerk



Iowa Department of  
Administrative Services

State Accounting Enterprise

Thomas J. Vilsack, Governor  
Sally J. Pederson, Lt. Governor

Mollie K. Anderson, Director  
Calvin R. McKelvogue, Chief Operating Officer

### Overview of Statewide Offset Program

Section 8A.504 of the Code of Iowa provides for the offsetting of payments made by the State to satisfy liabilities to the State. The Director of the Department of Administrative Services (DAS) is given the authority to coordinate with other State agencies to participate in the program. House File 776 provides that DAS/SAE may engineer pilot programs with five political subdivisions. Nearly all payments made by the State are subject to offset.

Once debt occurs, the agency must in good faith attempt to collect from the entity. Generally a phone call and one or two letters with the intent upon recovery of debt must occur. Due diligence should be documented and retained at the agency. If resolution of the debt does not occur, and the debt is at least \$50, the agency may then include the liability with the Statewide Offset Program.

### Participating Requirements

1. All agencies participating in the program must sign a "Memorandum of Understanding" and provide DAS with a liability file. The information on the liability file must include the person or vendor name, taxpayer identification number (federal identification number or social security number), amount of liability, and a written statement declaring the debt to have occurred. This information is added to the outstanding liability file by submitting an electronic file containing all of the qualifying debts.
2. Once the offsetting agency is notified by the DAS that there is a match, the agency shall send notification to the debtor within ten calendar days from the date the agency was notified by the DAS of a potential offset. (See attached sample)
  - This notification must include the following:
    - a. The agency's right to the payment in question.
    - b. The agency's right to recover the payment through this offset procedure.
    - c. The basis of the agency's case in regard to this debt.
    - d. The right of the debtor to request a split of the payment between parties when the payment in question is jointly owned or otherwise owned by two or more persons (i.e., tax refund).
    - e. The debtor's right to appeal the offset and the procedure to follow in that appeal.
    - f. The agency or division and a phone number for the debtor to contact in case of questions. A copy of the notice must be sent to the DAS/SAE. Once the offset has been completed, the offset agency must notify the debtor of the action taken along with the balance, if any, still due to the offsetting agency.
3. A participating agency must notify the DAS immediately of any change in the status of a debt to the State. This notification shall be made no later than 30 calendar days from the occurrence of the change. Change in status may come from payment of the debt, invalidation of the liability, alternate payment arrangements with the debtor, bankruptcy or other factors.
4. Each agency maintaining a liability file will be required to certify the file to the DAS/SAE semiannually.



Iowa Department of  
Administrative Services

Director's Office

Thomas J. Vilsack, Governor  
Sally J. Pederson, Lt. Governor

Mollie K. Anderson, Director

Frequently Asked Questions  
**Income Offset Program**  
November 17, 2006

**Q1: What is the Offset Program?**

A1: This is a method used by the State of Iowa to collect money owed to the State under Chapter 8A.504 of the Code of Iowa. The Iowa Code directs the Department of Administrative Services, State Accounting Enterprise (DAS/SAE) to establish and maintain a procedure to collect against any claim owed to a person by a state agency, and apply the money owed to the person against the debt owed by the person to the State of Iowa. The Offset Program has been expanded to allow DAS/SAE to enter into agreements with political subdivisions of the state.

**Q2: What is the history of this program?**

A2: Early in the 1970's, the Department of Revenue and Finance (DRF) held income tax refunds for liabilities owed to the DRF. In the late 1970's, income tax refunds were allowed to be held for other state agencies. In 1989, the program expanded to payments issued to vendors.

**Q3: How does an agency participate in the Offset Program?**

A3: A signed agreement between the Director of the offsetting agency (state agency or political subdivision that is owed money) and the Director of the Department of Administrative Services is required.

**Q4: How is this implemented?**

A4: Before an individual or company is placed on the Income Offset Program, the offsetting agency must make a good faith attempt to collect the debt from the entity. The attempts to collect should be documented and retained by the offsetting agency. If resolution does not occur, and the debt is at least \$50.00, the agency may then include the liability with the Statewide Offset Program.

**Q5: What does an agency need to do to participate in this program?**

A5: The agency must provide a debtor file. The debtor file information is to be submitted by tape. The offsetting agency determines who is placed in the Income Offset Program. After a company or individual is in the program, matches can come from tax refunds, vendor payments, Iowa Treasure Hunt payments and Iowa Lottery winnings.

**Q6: How much money has been collected through programs like this?**

A6: During Fiscal Year '06 all applications of Income Offset brought in \$18 million for approximately fifty different agencies, bureaus of state government and political subdivisions in Iowa. These include child support recovery efforts, courts, Regents institutions and many others.

**Q7: What takes place when a match occurs?**

**A7:** When an agency joins the Income Offset program, the agency provides a contact person to work with the Income Offset Program. When a match occurs, the contact person at the offsetting agency is notified by the Income Offset Program of the match. The agency is required to send a written notification to the debtor within ten (10) calendar days from the date the agency is notified.

The notification letter must include:

- Agency's right to the payment in question
- Agency's right to recover the payment through this offset procedure
- Basis of the agency's case in regard to this debt
- Right of the debtor to request a split of the payment between parties when the payment in question is jointly owned by two or more persons (tax refund).
- The debtor's right to appeal the offset and the procedure to follow in the Offsetting Agency Appeal Process
- Agency or division and a phone number for the debtor to contact in case of questions
- The notification should give the vendor/taxpayer a certain number of days to respond.

The letter should give the individual a specific number of days to respond. Each offsetting agency has 45 days from the date of match to notify the Income Offset Program of action to be taken on each warrant match. A \$7.00 fee is charged on each offset when money is kept. There is no fee when total offset is released.

A copy of this notification letter has to be sent to DAS/SAE for our records.

**Q8: What happens when a warrant (check) is held by the Offset Program?**

**A8:** Matched warrants that are held are deposited into the offset account by DAS/SAE. A "Notice of Held Warrant" form is sent to the issuing agency in place of the warrant. The agency sends the notice to the vendor.

**Q9: How does the offsetting agency notify the vendor?**

**A9:** The offsetting agency has ten (10) days from the date of notification of the offset to send the vendor a letter explaining the process. The notification contains:

- The agency's right to the payment in question
- The agency's right to recover the payment through this offset procedure
- The basis of the agency's case in regard to this debt
- The right of the debtor to request a split of the payment between parties when the payment in question is jointly owned by two or more persons (tax refund)
- The debtor's right to appeals the offset and the procedure to follow in that appeal
- The agency or division and a phone number for the debtor to contact in case of questions.

The letter should give the vendor a specific number of days to respond. Each offsetting agency has 45 days from the date of match to notify the Offset Program of action to be taken on each warrant match. A \$7.00 fee is charged on each offset when money is kept. There is no fee when total offset is released. A vendor cannot request their payment be released. The request to release must come from the offsetting agency.

A copy of this notification letter has to be sent to SAE for our records.

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**Q10: What happens with tax offsets?**

A10: A list is generated that shows the individual's name, address, social security number and refund amount. Each offsetting agency receives a copy of the taxes that match for them. It is the agency's responsibility to notify the taxpayer of the offset against their tax refund within 10 calendar days. Notification must include the same information as in Question 6. If a tax offset has no activity after 45 days, then the system will automatically release the refund to the taxpayer.

Tax offsets are transferred once a month to the offsetting agencies. Offsetting agencies must notify DAS/SAE of any changes in the status of the debt owed to the State no later than 30 days from the date of the change. Changes may result from payment of debt, invalidation of liability, alternative payment arrangements or other factors.