



Performance audit

Ministry of Social Development: Managing the recovery of debt





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Ministry of Social Development: Managing the recovery of debt

This is an independent assurance
report about a performance audit
carried out under section 16 of the
Public Audit Act 2001.

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Auditor-General's overview

The Auditor-General's office has been examining how well public entities manage the recovery of money owed to the Crown. In this context, this report looks at aspects of the social welfare benefits system administered by the Ministry of Social Development (the Ministry). Benefits are a major form of expenditure, and we wanted assurance that the Ministry was effectively managing the recovery of loans and other kinds of debt.

People might owe money to the Ministry because they have received a recoverable assistance loan. Recoverable assistance loans help fulfil the Ministry's role of providing financial assistance to people in need. These interest-free loans help beneficiaries and low-income earners to meet immediate and essential needs. The Ministry and loan recipients agree the repayment arrangements when the loans are approved, with the Ministry balancing the need to recover the money owed while avoiding placing people in further hardship. At the end of June 2010, the Ministry was owed \$410 million from recoverable assistance loans.

A debt might also arise when benefits are overpaid for some reason. These benefit overpayments occur when people receive more money from benefit payments than they are entitled to. The Ministry seeks to avoid or minimise overpayments and to recover the money owed. Most overpayments occur when beneficiaries do not promptly notify the Ministry about changes in their circumstances that affect their benefit entitlements. Only a small proportion of overpayment debt results from fraud. In the year to 30 June 2010, the Ministry made benefit payments of more than \$15 billion, while at the end of that year benefit overpayment debts totalled \$501 million.

Overall, we have concluded that the Ministry is using well-established and appropriate systems to effectively recover the loans and the overpayment debts. It has a clear understanding of the main causes of benefit overpayments, and uses sensible strategies to try to prevent overpaying and to identify overpayments when they occur.

We have suggested some changes that could improve the Ministry's practices. In many instances, the Ministry already has work under way or has planned to make improvements.

The total value of overpayment debt remains substantial and has grown in recent years as the number of beneficiaries has increased. We understand that the Ministry will be focusing on ways to further reduce the incidence and amount of benefit overpayments, which we commend.

I thank Ministry staff for their co-operation during this audit.

A handwritten signature in black ink, appearing to read 'Phillippa Smith', written in a cursive style.

Phillippa Smith
Deputy Controller and Auditor-General

29 March 2011

Part 1

Introduction

- 1.1 In this Part, we discuss:
- the purpose of our audit;
 - what we looked at;
 - how we carried out our audit;
 - what we did not audit; and
 - the structure of this report.

The purpose of our audit

- 1.2 We carried out a performance audit to assess how well the Ministry of Social Development (the Ministry) manages the recovery of money owed to the Ministry.

What we looked at

- 1.3 We focused on the two main reasons people owe money to the Ministry. These are because they have either:
- received a recoverable assistance loan; or
 - received more than their benefit entitlement (an overpayment).
- 1.4 Recoverable assistance loans are designed to help beneficiaries and people on low incomes to meet immediate and essential needs like paying late utility bills or rent, buying essential household appliances, or meeting urgent needs for children. The Ministry grants these interest-free loans to people who meet specific criteria. Arrangements for repaying the loans are made when the loans are approved. The Ministry's staff pay special attention to balancing the need for setting of repayment arrangements with avoiding putting people into further hardship. The total amount of money owed to the Ministry from recoverable assistance loans at the end of 30 June 2010 was \$410 million.
- 1.5 In contrast, benefit overpayments occur when people receive more money from benefit payments than they are entitled to. The Ministry seeks to prevent or minimise overpayments, and to recover the money owed. Most overpayments occur when people do not promptly tell the Ministry about changes in their circumstances (such as a change in earned income) that may affect their benefit entitlement. Other overpayments can occur when people transfer between benefits, and through incorrect or late actions by staff. In a small proportion of cases, the Ministry has found evidence of benefit fraud (a deliberate and premeditated intent to obtain overpayments). At the end of June 2010, the total amount of debt that arose from overpayments was \$501 million, of which \$65.6 million arose from benefit fraud.

- 1.6 Although reasons for people owing money to the Ministry vary, the Ministry recovers money owed from recoverable assistance loans or overpayments in similar ways.
- 1.7 Two business groups of the Ministry are responsible for managing the recovery of money owed:
- Work and Income, the Ministry's service delivery group, is responsible for managing the recovery of debt from people receiving a benefit or superannuation (current clients); and
 - the Collections Unit within the Ministry's Integrity Services group is responsible for recovering debt from people no longer receiving financial help from the Ministry (former clients).

How we carried out our audit

- 1.8 Our audit examined whether the Ministry was effectively managing the recovery of money owed by current and former clients. This included how the Ministry:
- prevents clients from getting into debt from overpayments;
 - identifies and calculates debt;
 - recovers debt (whether arising from a recoverable assistance loan or overpayment); and
 - uses performance monitoring and reporting to inform its debt management and understand how well it is managing debt.
- 1.9 To assess how the Ministry manages debt, we visited two of the Ministry's three Collections Unit sites to interview staff and learn how the Collections Unit operated. We also met Collections Unit staff at the Ministry's National Office.
- 1.10 We visited two Work and Income service centres to interview case managers and service centre managers so we could understand their role in assessing recoverable assistance loan applications and managing debt.
- 1.11 We assessed a sample of recoverable assistance loan applications against government and Ministry criteria for the programme. This was to provide assurance that the loans were approved (or declined) as stipulated by policy, and that people were not receiving a loan they were not entitled to. All the applications we reviewed were assessed in keeping with the programme criteria. Controls and quality assurance monitoring for the programme were appropriate. Our assessment identified no issues directly related to debt management that require further comment in this report.

- 1.12 We reviewed and analysed a wide range of Ministry documentation. For all our findings, we considered the consistency of information from these different sources and checked how it aligned with our audit expectations.

What we did not audit

- 1.13 The scope of our audit did not include assessing:
- the accuracy of the information in the Ministry's debt management systems;
 - the effectiveness and efficiency of the Ministry's data-matching operations, which it uses to identify cases of overpayment;
 - the Ministry's fraud investigation activities, which may reveal overpayments;¹ or
 - management of debt types not derived from the benefits system.²

The structure of this report

- 1.14 We summarise recent trends in the Ministry's debt portfolio in Part 2 of this report. Part 3 describes how the Ministry manages debt. Part 4 sets out a summary of plans to improve debt recovery that the Ministry had in place at the time of our audit. We also make suggestions for the Ministry to consider.

1 We did not look at benefit fraud because we have done so already (see our 2008 report, *Ministry of Social Development: Preventing, detecting, and investigating benefit fraud*).

2 These debt balances include the Liable Parent Contribution (which preceded the Child Support scheme now administered by Inland Revenue), Maintenance, Student Allowance overpayments and loans that are not transferred by the Inland Revenue Department for collection, Employment Training and Assistance, and Major Repairs Advances (an obsolete loan scheme that stopped in 1996).

Part 2

Trends in the Ministry of Social Development's debt portfolio

2.1 In this Part, we provide an overview of trends and characteristics of the Ministry's debt portfolio, including:

- total debt;
- the number of current and former clients owing money;
- the size, age, and composition of debts;
- debt recovery; and
- writing off debt.

Summary: Responding well to debt growth

2.2 Economic conditions affect the amount of debt the Ministry manages. A weaker economy in recent years has meant more people receiving benefits. This has led to more overpayments. Also, more people in hardship have sought and received recoverable assistance loans from the Ministry.

2.3 The Ministry has responded well to this growth in debt by focusing on increasing the amount of debt it recovers. This has been achieved despite reductions in the number of Ministry staff directly involved in debt recovery.

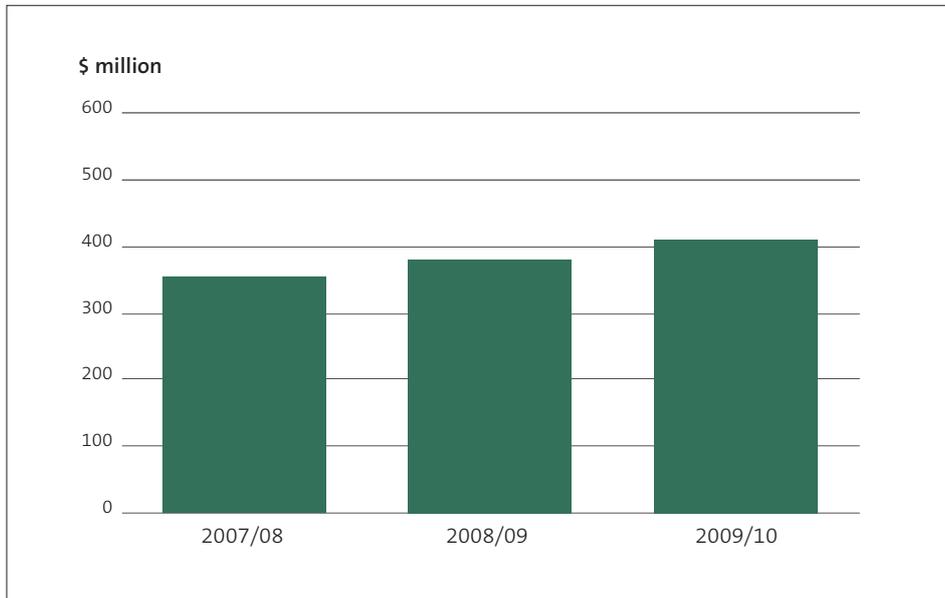
2.4 The Ministry arranges repayment schedules with debtors quickly. At the time of our audit, more than half of the debt by value was less than a year old. Recovery rates are strong, and most people who owe money to the Ministry are repaying it.

Trends in total debt

2.5 Total debt has grown in recent years, especially since the economy entered recession in 2008. The weaker economy has seen increased demand for recoverable assistance (see Figure 1). With more people receiving benefits, the total sum of overpayments has increased (see Figure 2). In general, when more people receive benefits, the Ministry makes more transactions. This increases the incidence of overpayments. At the end of June 2010, a total of 332,924 working-age people were receiving the main social security benefits, up 29% from 258,317 people at the end of June 2008.³

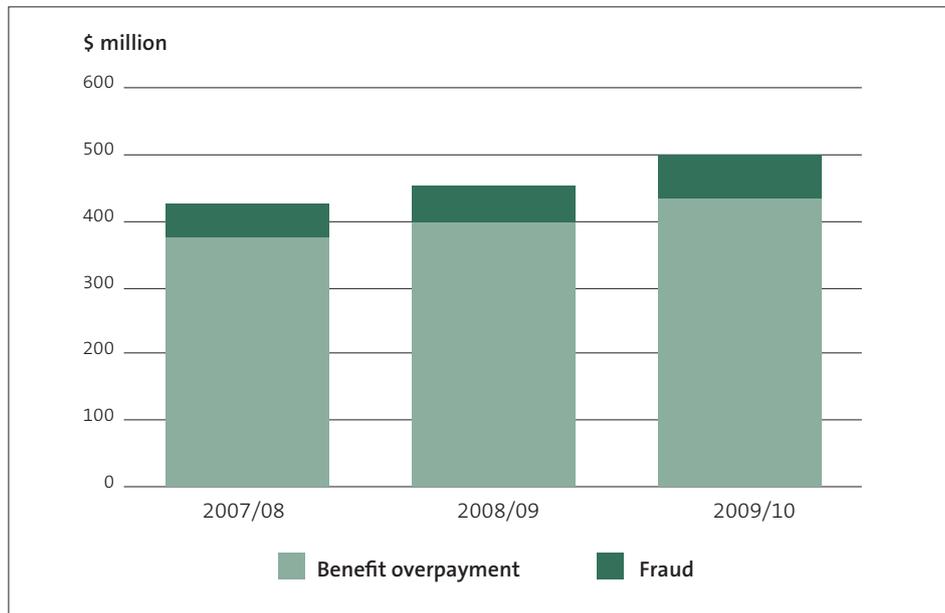
³ The main social security benefits include unemployment, sickness, domestic purposes, widow's, invalid's, and emergency.

Figure 1
Total money owed from recoverable assistance loans, by year, from 2007/08 to 2009/10



Note: Figures for earlier years are not available because the Ministry's systems aggregated recoverable assistance, overpayment, and fraud debts until mid-2007.

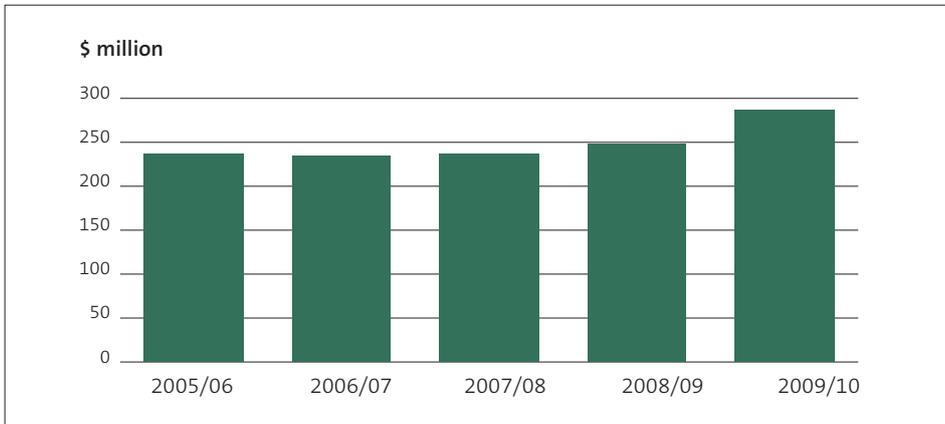
Figure 2
Total money owed from benefit overpayments and fraud, by year, from 2007/08 to 2009/10



Note: Figures for earlier years are not available because the Ministry's systems aggregated recoverable assistance, overpayment, and fraud debts until mid-2007.

2.6 As debt has grown in recent years, the Ministry has recovered more money. Figure 3 shows that the amount of debt recovered increased by 15% between 2008/09 and 2009/10 (from \$248 million to \$286 million).

Figure 3
Debt recovered, by year, from 2005/06 to 2009/10



2.7 Examining the value of debt established each year, rather than just looking at total debt trends, provides more insight into debt patterns. Figures 4 and 5 show the trend with new debt established in each of the five years to 2009/10, broken down by recoverable assistance loans and overpayments. Figure 4 shows that amounts owed from recoverable assistance loans have increased. This is because the weaker economy has meant the Ministry has helped more people meet essential needs through the recoverable assistance programme. We expect demand for these loans to increase during difficult economic times.

Figure 4
New recoverable assistance loans, by year, from 2005/06 to 2009/10

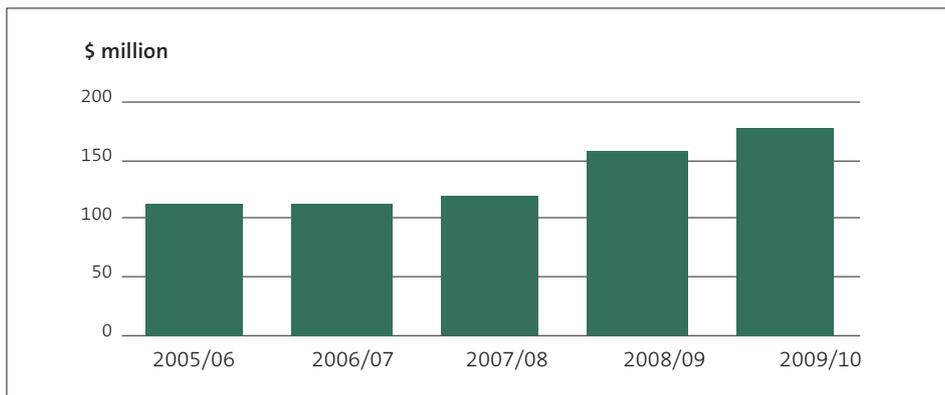
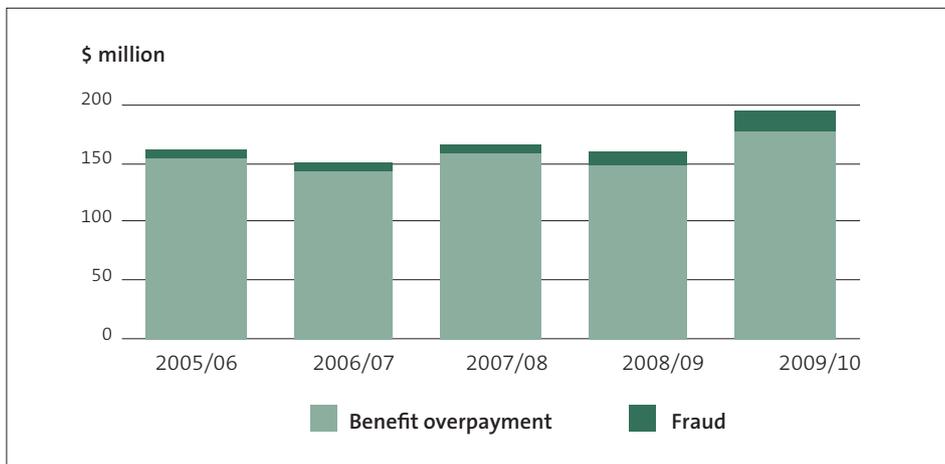


Figure 5
New overpayment and fraud debts, by year, from 2005/06 to 2009/10



- 2.8 In contrast, Figure 5 shows that new debt established because of overpayments remained relatively steady between 2005/06 and 2008/09, but increased significantly between 2008/09 and 2009/10. This is to be expected. Growth in unemployment since 2008 has increased the number of people receiving benefits. This boosts the volume of benefit transactions the Ministry makes, which increases the number of overpayments. However, as Figure 3 shows, more debt is recovered when more people are receiving benefits because the Ministry can more easily arrange with people to deduct repayments from their benefits.
- 2.9 Although economic conditions significantly affect total debt, it is important to note that year-on-year increases can also reflect an improvement in identifying overpayments.

Breakdown of debt by recoverable assistance, overpayments, and fraud

- 2.10 Before mid-2007, all overpayments and outstanding recoverable assistance loans were consolidated when shifted between the Ministry's systems.⁴ This meant that it was not possible to separate out overpayments, fraud, and recoverable assistance from total debt owed.
- 2.11 The Ministry has since improved how it records all debt transactions and can now produce a disaggregated view of all debt established since 1 July 2007. This information shows that a little more than half (51%) of the total debt established since mid-2007 was the result of overpayments and 46% was for recoverable assistance. Only 3% was the result of fraud.

Number of current and former clients owing money

- 2.12 When managing debt, the Ministry differentiates between current and former clients. Current clients are people receiving financial help from Work and Income. Former clients are people who no longer receive financial assistance from Work and Income but still have a debt from an overpayment or recoverable assistance loan. Although debt of former clients has decreased, increases in current client debt have driven the growth in debt since 2008. For example, current client debt grew by 15% between the end of June 2009 and June 2010, while former client debt increased by 1% during the same year.
- 2.13 During the past five years, more than 300,000 people have owed the Ministry money at any one time. The number owing money to the Ministry tends to fluctuate with overall economic conditions. Figure 6 shows that the total number of people owing money to the Ministry has grown a lot since the 2008 recession

⁴ For example, Work and Income's system for current clients would identify their recoverable assistance loans and overpayments separately. When this information was transferred into Integrity Service's system for former clients, the two types of debt were combined and identified only as an overpayment.

because of a strong increase in the number of current clients with debt. In contrast, the number of former clients owing money to the Ministry has been relatively static in recent years. Current clients made up two-thirds of the total number of people owing money to the Ministry at the end of June 2010. Former clients made up the other third.

Figure 6
Number of current and former clients owing money to the Ministry, by year, from 2005/06 to 2009/10



Size, age, and composition of debts

2.14 Although current clients commonly owe the Ministry money, the value of their debts is generally small.⁵ In contrast, a few current and former clients account for much of the total value of outstanding debt. These skewed distributions are apparent in Figure 7, which gives the distribution of total debt by value owed, as at the end of June 2010.

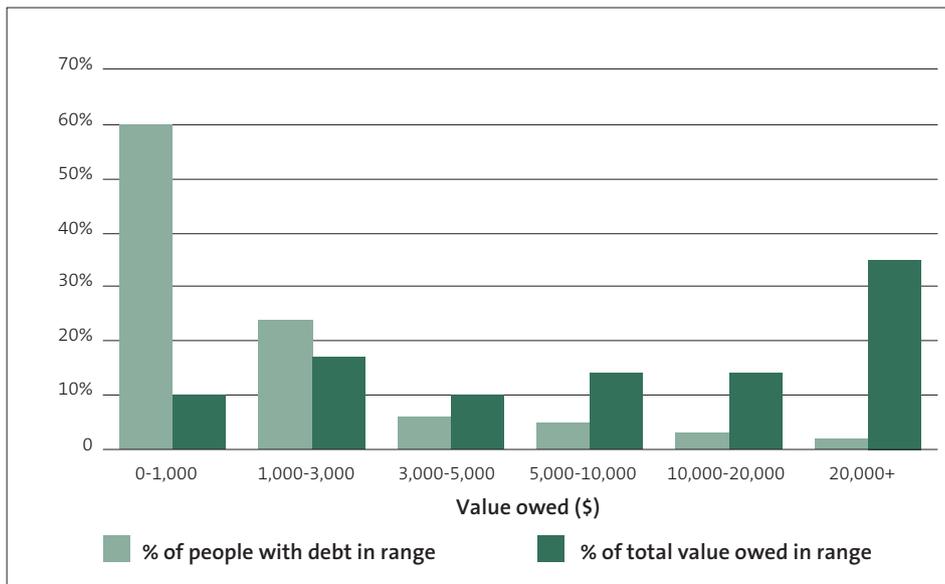
2.15 Two thirds (60%) of current and former Ministry clients in debt to the Ministry each owed less than \$1,000 as at the end of June 2010. Combined, these people's debts accounted for only 10% of total outstanding debt. In comparison, 2% of current and former clients had debts exceeding \$20,000. These debts accounted for more than a third (35%) of all outstanding debt by value. This skewed distribution reflects that:

- the small proportion of people owing large debts to the Ministry tend to have been detected after committing fraud over a long period; and

⁵ Overall, the average debt owed was \$2,011 for current clients and \$3,309 for former clients as at the end of June 2010.

- most people owe small debts because of overpayments that the Ministry has quickly identified (and sought recovery arrangements for), or because they have been entitled to recoverable assistance loans – a 2009/10 Ministry briefing to a Parliamentary select committee on debt noted that 87% of current clients owing money had a recoverable assistance component to their debt, while 36% had an overpayment component.

Figure 7
Distribution of total debt (current and former clients) as at 30 June 2010



2.16 The Ministry's quick identification of debts means it has a young debt portfolio. At the end of June 2009, 51% of debt by value was less than a year old. This compared with only 30% of debt owed to the Ministry of Justice being less than a year old, and 12% of non-tax debt and 42% of tax debt owed to the Inland Revenue Department being less than a year old.

Recovering the money owed

2.17 The Ministry has tended to recover about \$240 million annually in recent years. Figure 8 shows that this amount had been relatively static in recent years but increased significantly in 2009/10, when \$286 million was recovered.

Figure 8
Debt recovered from current and former clients, by year, from 2005/06 to 2009/10



- 2.18 The strong increase in debt recovery levels in 2009/10 reflects that more people are receiving recoverable assistance loans and benefits. It is generally easier for the Ministry to recover outstanding debt from current clients than former ones.⁶ It is usually easier to locate current clients, and then arrange repayment through direct deductions from their benefit payments, than it is to locate some former clients. On average during the past five years, 96% of current client debtors were repaying their debts to the Ministry. This compared with an average of 79% of former client debtors either repaying or having repaid their debts.
- 2.19 The average weekly recovery rate as at the end of June 2010 was \$14.58 for current clients, and \$25.74 for former clients. We discuss in paragraphs 3.15 and 3.22-3.24 how the Ministry needs to recover money while avoiding placing people in further hardship. The Ministry must avoid setting debt repayment levels for former clients at rates that might give them incentive to return to the benefits system. These considerations strongly, and appropriately, influence weekly repayment rates.

⁶ In 2009/10, around 75% of total debt recovered was from current clients, with the remaining 25% from former clients.

Writing off debt

2.20 The Ministry writes off only a small proportion of debt it is owed. Its write-off processes require the Ministry to exhaust all reasonable and practical recovery options before writing off any debt. Figure 9 shows that, during the five years to 2009/10, the Ministry wrote off between 1% and 2% of total debt owed in any given year. The annual amount of debt written off has reduced since 2007/08 as the amount of debt recovered has increased.

Figure 9
Debt written off, by year, from 2005/06 to 2009/10

	2005/06*	2006/07*	2007/08*	2008/09*	2009/10*
Balance outstanding at start of financial year (\$m)	788	817	831	857	910
Amount of write-offs (\$m)	(13)	(14)	(14)	(9)	(10)
As % of debt balance at start of the year	1.6%	1.7%	1.7%	1.1%	1.1%

* Note: These figures include total balances for all of the Ministry's debt portfolio and transactions, not just overpayments and recoverable assistance.

Part 3

How the Ministry of Social Development manages debt

- 3.1 In this Part, we discuss the Ministry's:
- strategies for managing and preventing overpayment debt;
 - ways of identifying and taking action on overpayments;
 - ways of recovering debt from current and former clients;
 - workflow management, and training and quality assurance for debt recovery work; and
 - monitoring and reporting on debt recovery.

Causes of overpayments are understood and guide how debt is managed

- 3.2 The Ministry clearly understands the main causes of overpayments and uses this knowledge to guide its strategies to prevent and minimise debt.
- 3.3 The Ministry has examined the causes of overpayments. This work found that clients' actions, especially late notification by clients of changes in their circumstances, accounted for most overpayments. People transferring between benefits,⁷ and incorrect or late actions by staff, can also lead to overpayments.
- 3.4 Identifying that client actions are a significant cause of overpayments highlights the importance of working with clients to prevent overpayments. This informs the Ministry's debt prevention strategy.
- 3.5 We understand that the Ministry is planning further, more comprehensive, work in 2011 to examine overpayment causes and formulate strategies to improve overpayment prevention.

A straightforward, sensible strategy to prevent overpayments

- 3.6 The Ministry's debt prevention strategy is focused on ensuring that clients receive their full and correct entitlement. The Ministry puts strong emphasis on preventing overpayments by:
- informing and reminding clients of their obligations so they know they must immediately inform Work and Income of any changes in their circumstances;
 - making it easier for clients to tell the Ministry what they need;
 - making sure staff do not make administrative errors when dealing with clients for the first time; and
 - providing clients with good advice about the financial assistance available when they ask for extra financial help.

⁷ This cause of debt occurs when one benefit is cancelled from a specific date to grant another benefit from that date. This debt is often recovered in full from the arrears of the new benefit.

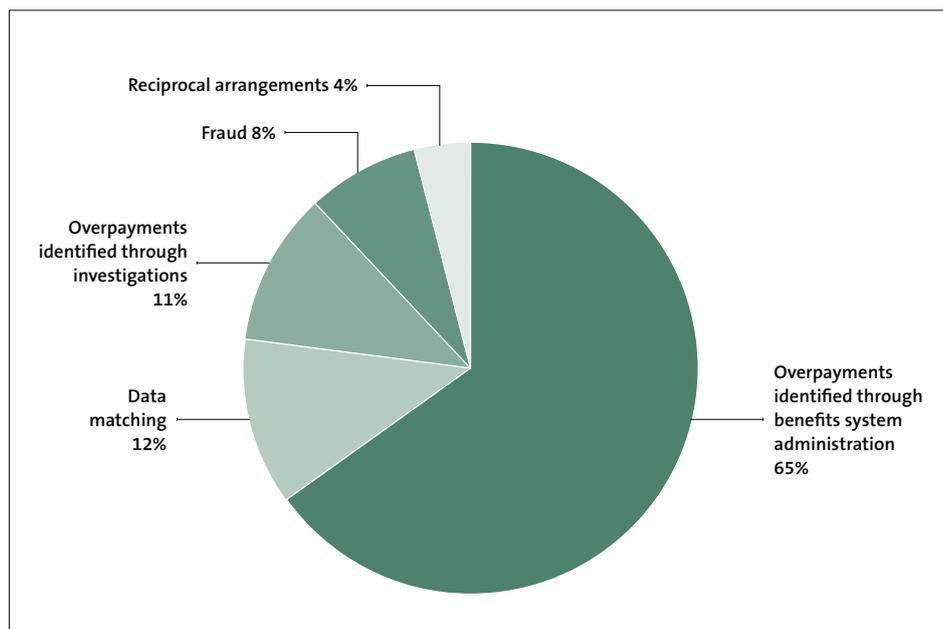
- 3.7 Service Centre staff we interviewed clearly understood the importance of helping clients to understand their obligations so that the risk of overpayment could be reduced.

Efficient ways to identify overpayments

- 3.8 Efficiently identifying overpayments is important to minimise debt accumulation by current and former clients. The Ministry aims to ensure that overpayments are quickly identified through its day-to-day administration of the benefits system. Around two-thirds (65%) of overpayment debt by value was established in this way in the year ended 30 June 2010.
- 3.9 The Ministry uses regular automated scanning of its various case management systems to compare client entitlements with actual payments. Debts identified in this way are then distributed to staff to act on. The Ministry's information systems automatically transfer cases between Work and Income and the Collections Unit (and back again), depending on whether a person owing money is a current or former client.
- 3.10 Overpayments are also identified as a result of investigations by Integrity Services into allegations or other information that suggests people are committing fraud. For the year ended 30 June 2010, investigations by Integrity Services identified 19% of the total value of overpayments. Of this 19%, 11% were "standard" overpayments and 8% were determined to be fraudulent.⁸
- 3.11 The Ministry's data-matching work also identifies overpayments. Data matching identified 12% of debt established in 2009/10. Data matching is the electronic matching of millions of personal records by various government agencies. It helps the Ministry identify situations where clients have not accurately informed the Ministry of changes in their circumstances that result in overpayments. The Ministry's data-matching work also assesses the value of these overpayments.
- 3.12 A comparatively small proportion of overpayments (4%) are identified through reciprocal arrangements with Australian government agencies.
- 3.13 Figure 10 summarises how the sources of overpayments were identified in 2009/10.

⁸ For the year ending 30 June 2010, the Ministry identified \$15 million of fraudulent overpayments. This compared with \$184 million in non-fraudulent overpayments identified in the same year.

Figure 10
How overpayment debt was identified in 2009/10



Guidance for acting on identified overpayments and writing off debts

- 3.14 The Ministry has well-defined policies, procedures, and guidance to decide what action (recovery or write-off) to take once it has identified overpayments. These are supported by quality assurance checks to verify that the process was followed correctly and that staff complied with policy and legislative requirements.
- 3.15 Actions on identified overpayments are guided by criteria in the Social Security Act 1964 to determine whether a debt should be recovered or recommended for write-off. The Ministry does not charge interest or penalties for late payments or defaulting on payments. This is in keeping with the Ministry's responsibilities to avoid placing clients in further financial hardship.
- 3.16 The Ministry's criteria for writing off debt are well defined and documented.⁹ The overarching requirement – which staff understand well – is that all reasonable and practical recovery options must be exhausted before any debt can be written off. There is a standard form for making recommendations for debt write-off, and clearly delegated levels of authority for writing off debts based on their value.

⁹ Criteria in a Delegation from the Ministry of Finance and the Minister of Social Services and Employment to the Chief Executive of the Ministry to write off Crown assets fall into five broad categories: uneconomic to recover, legally unrecoverable, deceased or insolvent, office error, or witness protection.

These are suitable controls to ensure that write-off decisions are reviewed and made in keeping with policy and legislative requirements.

- 3.17 These controls are supported by a further check. The Ministry reports every six months to the Minister of Finance and Minister of Social Development and Employment on debt write-offs, including their total value and an explanation of any trends. In our view, this acts as an additional strong monitoring control on the Ministry's already robust debt write-off procedures.
- 3.18 In practice, many of the Ministry's debt "write-offs" are technically not full and final write-offs. The Ministry can reinstate enforcement action if new information becomes available that indicates a debt is recoverable. The strongest ability the Ministry has to eventually recover many debts is when people turn 65 and become eligible for New Zealand Superannuation. Any debts they have with the Ministry can then be recovered through deductions from their pension payments.
- 3.19 Work and Income's performance target, that at least 95% of current clients owing money have an arrangement to repay it, guided action on overpayments. Work and Income case managers receive regular reports identifying current clients owing money and whether the client has an arrangement for repaying the debt. This enables case managers to investigate cases with no arrangement for repayment, determine why the debt is not being recovered, and then seek repayment arrangements.

Ways the Ministry of Social Development can recover debt

- 3.20 We expected the Ministry to have effective, timely ways of recovering debt from current and former clients that took account of social and financial circumstances. Below, we discuss debt recovery from current and former clients separately: Work and Income recovers debt from current clients, while the Collections Unit recovers debt from former clients.

Recovering debt from current clients

- 3.21 The Ministry has well-established ways to recover debts from current clients through deductions from their benefits. Most current clients with debts are repaying them and have regular deductions made from their benefit to do this. The percentage of current clients repaying their debt is high (around 95%). Reasons for the small proportion of current client debtors not having deduction arrangements include the debts being under review, debt recovery being temporarily suspended, or hardship or sickness reasons preventing recovery.
- 3.22 Debt recovery from clients currently receiving a benefit is a straightforward process. Once Work and Income staff assess a client's debt as requiring recovery,

they negotiate with the client for regular direct deductions from the client's benefit. The Ministry has general guidelines to help staff negotiate a suitable repayment arrangement, taking into account clients' circumstances and their ability to repay. The Ministry's policy stipulates that repayment rates need to be realistic and not cause hardship.

- 3.23 Ministry guidance for negotiating repayments includes a recommended maximum recovery rate for current clients (not more than \$40 a week unless a client volunteers to pay more). We consider that having this guidance is appropriate and in keeping with the Ministry's need to balance its responsibilities to recover debt while not placing clients in further hardship.
- 3.24 No official minimum recovery rate is set in policy, although we did see some guidance and learnt from some case managers that \$10.50 was a recommended minimum repayment rate. For example, customer service representatives in Work and Income call centres are required to refer cases to case managers if the clients want to repay less than \$10.50 each week.
- 3.25 We analysed April 2010 debt performance statistics for Work and Income service centres. Of 132 service centres nationwide, 43% had an average weekly deduction rate for their current clients of \$10.50 or less. This means that more than two-fifths of current clients owing money were paying less than the minimum rate recommended in some negotiation guidance. The Ministry has scope to review the relevance of its existing debt negotiation guidance for Work and Income staff to ensure that the debt-repayment arrangements negotiated with current clients are consistent and appropriate. A review may identify a recommended weekly deduction rate lower or higher than the existing rate used. It might also find that different recommended rate levels may be appropriate for different client circumstances (such as the type of benefit received).

Recovering debt from former clients

- 3.26 The Ministry has well-established ways to recover debt from former clients. Recovering debt from former – as opposed to current – clients involves a wide range of actions. These include:
- contacting former clients by letter and telephone;
 - locating former clients when there was no contact information;
 - negotiating debt repayment; and
 - using enforcement powers for debt recovery when required.
- 3.27 Even though much of the Ministry's debt recovery work is routine, it has some initiatives under way to assess and improve the effectiveness and efficiency of its

debt recovery work. At the time of our audit, the Ministry was starting to look at how well the Collections Unit's outbound calling worked. This included a project to measure the value and success of telephoning clients after notifying them of their debt by letter. The Ministry was also considering trialling and assessing whether contact with clients could be improved by calling outside standard business hours.

- 3.28 It was encouraging to see that the Ministry was considering how it could improve the effectiveness and efficiency of its debt recovery work. The Ministry may wish to consider the relative effectiveness of using dedicated or rostered debt management officers for outbound calls. Potential advantages of this could be:
- enabling more flexibility to place experienced staff with strong telephone communication and negotiation skills on outbound calling;
 - greater ability to train and monitor less-experienced staff making outbound calls and negotiating debt repayment arrangements; and
 - ability to concentrate staff resources on outbound calling at times when they are more likely to make contact with former clients.
- 3.29 The Ministry may also wish to examine whether introducing more automation to the Collection Unit's telephone system would improve the productivity of debt management officers' outbound calling. For example, we are aware that some debt collection operations use automated systems that can automatically dial many numbers and connect calls only if they are answered. This reduces the need for staff to dial numbers manually and get no response or busy numbers. Automated telephone systems can also be used to make simple late payment reminders without involving debt management officers.

Cost-effectiveness of ways to locate former clients

- 3.30 One of the most challenging aspects of the Collections Unit's work is locating former clients. Current clients must maintain regular contact with Work and Income to receive their benefit. Former clients do not have the same incentive to notify the Ministry of changes in their address and contact details. Therefore, it is more likely that the Ministry will need to trace some former clients to contact them and recover their debts.
- 3.31 The Ministry uses different ways to locate former clients with debts. These include:
- searching the Ministry's databases for more current contact details;
 - setting up automatic notifications from credit agencies; and
 - using legislative powers to request information from third parties, such as banks or other government agencies.

- 3.32 Staff considered the value of debts to determine the level of searching and the best way to locate a client. Debt management officers had clear guidance on appropriate types of location methods to use based on the value of former clients' debts. This is an appropriate cost-effectiveness control to direct more effort into locating clients with larger debts.

Improving guidance for negotiating repayments

- 3.33 At the time of our audit, no specific guidelines existed to help debt management officers negotiate appropriate debt repayment levels with former clients. However, the Ministry has since introduced repayment guidelines and a debt repayment tool. The guidelines set target repayment rates based on the amount of debt owed by individuals. Debt management officers will still be required to take into account clients' ability to repay, but the standard weekly repayments will be used as a starting point for negotiation. Figure 11 sets out this guidance.

Figure 11

New standard weekly repayments based on amount of debt owed

Debt amount	Weekly repayment amount sought
Under \$200	Lump-sum payment
\$200-\$2,000	\$25
\$2,000-\$3,500	\$30
\$3,500-\$5,000	\$35
\$5,000-\$6,000	\$40
\$6,000-\$8,000	\$45
More than \$8,000	\$50

- 3.34 The debt repayment tool enables debt management officers to tell people how long it will take to pay off debt using various repayment rates. This should be helpful when negotiating with clients, because people will be able to see how paying a little more each week will reduce the time it takes to pay off their debts.
- 3.35 Because the guidelines and repayment tool were not in use at the time of our audit, we were unable to assess their effectiveness. The Ministry expects that the guidelines and tool will help debt management officers to better negotiate repayment rates and improve the consistency of arrangements negotiated.
- 3.36 At the time of our audit, debt management officers had discretion to negotiate repayment rates and could take account of an individual client's financial circumstances and ability to repay. Considering these factors is an important part of the Ministry's social responsibility to not set repayment rates so high that

clients are encouraged to go back on a benefit. We found that debt management officers understood this responsibility well.

3.37 We noted some variation in how debt management officers negotiated repayments. The Ministry's effort to set better guidance for negotiating repayments is useful.

3.38 The Ministry plans to review existing debt repayment arrangements at appropriate times based on the value of the debt. These reviews aim to ensure that repayment arrangements continue to be appropriate. We consider that introducing these periodic reviews will help the Ministry recover debt.

Monitoring use of enforcement powers to recover debt

3.39 Strong legislative powers to get information from third parties – and to enforce deductions from bank accounts or salary or wages earnings if people do not voluntarily repay debt – help the Ministry recover debt. The Ministry can use these powers only in certain circumstances. Staff must take reasonable steps to contact a debtor and give them reasonable time to respond about their circumstances before going to third parties. Deduction notices can be issued to employers, banks, or other third parties only after debt management officers have taken all reasonable steps to recover a debt.

3.40 Suitable controls and monitoring help ensure that these powers are used in compliance with policy and legislative requirements. The Ministry has appropriate steps in its debt-recovery process and quality assurance checks to ensure this compliance. A code of conduct governs the use of these powers. The Ministry can be fined and staff dismissed if legislative provisions for getting information from third parties are not adhered to.¹⁰

3.41 Staff understood the importance of complying with the requirements in the code of conduct. The Ministry further emphasised the importance of legislative compliance by expecting 95% of all work completed by the Collections Unit to comply with legislation and policy. The Collections Unit's staff achieved a high level of compliance. In 2009/10, 95% of their debt recovery work complied with the requirements.

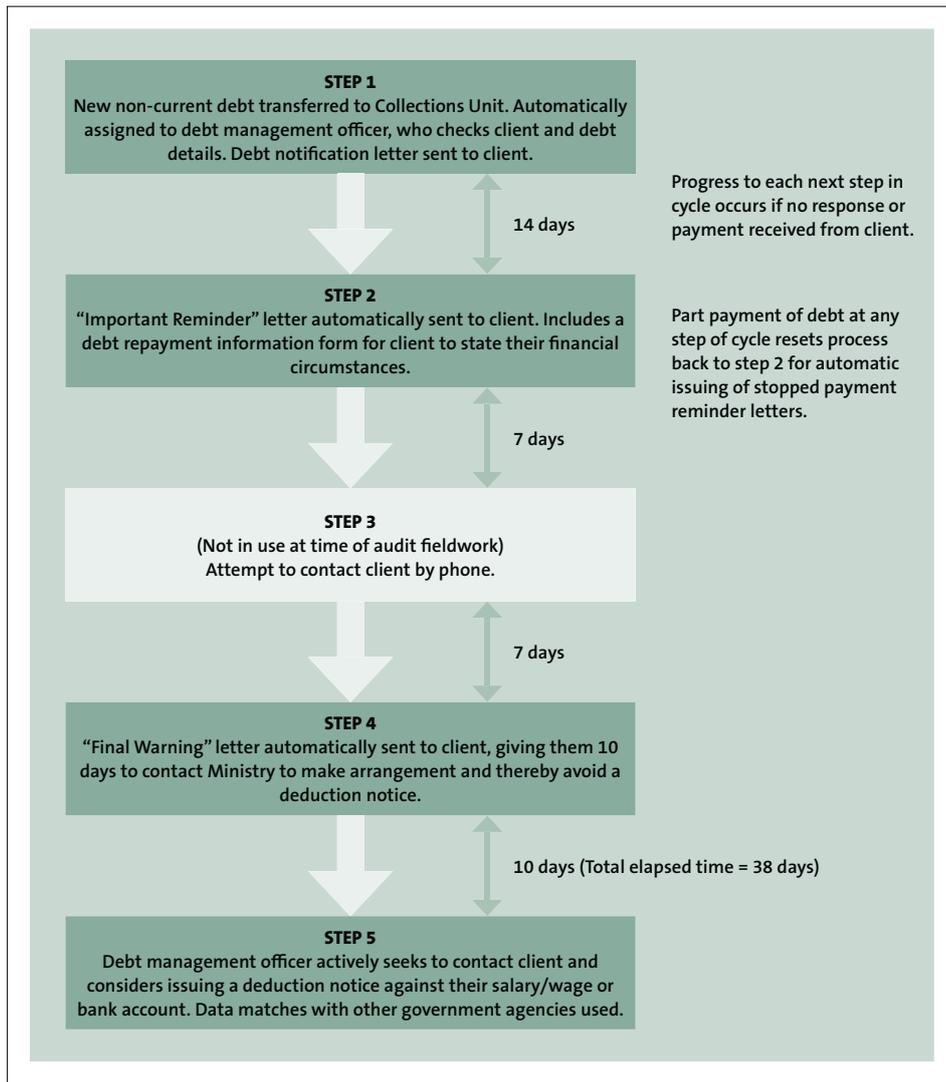
¹⁰ Other legislative requirements that debt management officers must meet are section 86A of the Social Security Act 1964, giving them authority to recover Crown debt, and provisions of the Privacy Act 1993, Official Information Act 1982, and Insolvency Act 2006.

Effectively prioritising debt recovery from former clients

- 3.42 The Ministry has effective ways of prioritising debt recovery from former clients. It identifies people who are unlikely to set up a repayment arrangement voluntarily. Staff then concentrate on getting debt repayment arrangements in place with these people.
- 3.43 The Ministry has carefully analysed its debt recovery actions to improve its efficiency and better target the work of debt management officers. The Ministry's analysis identified that within 38 days of a client receiving a letter about their debt:
- 24% will return to receiving a benefit (and so their debt is transferred to Work and Income for recovery);
 - 43% will either repay or make an arrangement to repay their debt by contacting the Collections Unit in response to letters about their debt; and
 - 33% will not respond or enter into repayment arrangements.
- 3.44 The Ministry cannot predict which clients will return to a benefit or repay their debts within the first 38 days, and it is inefficient and unnecessary to have debt management officers work on all cases. Therefore, when a new debt case is received, debt management officers check the client's details, set the case up on an automatic notification cycle, and then do no further work on the case for 38 days. This enables debt management officers to target their active debt-recovery work on the non-paying clients (see Step 5 in Figure 12).¹¹ Figure 12 illustrates this process in full.

11 This efficiency gain has meant that Step 3 shown in Figure 12, where debt management officers try to contact clients before a final warning letter is sent, has been suspended.

Figure 12
Automatic enforcement cycle for debt recovery actions



- 3.45 The Ministry was introducing more advanced client profiling to more effectively and efficiently prioritise debt recovery. We discuss this work in paragraph 3.64.
- 3.46 The Ministry also targets its debt recovery work to get people repaying money as soon as possible. Its debt management officers are expected to have 82% of former clients and students either repaying or having repaid their debts within four months of the case transferring to the Collections Unit. We note that the Collections Unit has consistently achieved or exceeded this performance target during the past five years.

- 3.47 The Ministry uses specialist debt portfolios to manage debt recovery in cases where different recovery actions are needed because of certain circumstances. Figure 13 summarises some of the specialist portfolios used by the Ministry.

Figure 13
Examples of specialist debt portfolios used

Deceased – where a former client has died and recovery will have to be attempted from their estate.

Hardship – where a person has been confirmed in financial hardship and unable to make debt repayments.

Low value – debts of less than \$100 that would be uneconomic to use full recovery actions to collect.

Monitor – cases where everything possible has been done to recover a debt, without success.

Monitor Overseas – cases where debtors are overseas and everything possible has been done to recover their debts, without success.

Overseas – cases where it has been established that debtors are overseas.

Prison – debts owed by people who are in prison.

- 3.48 Overall, using specialist debt portfolios is a sensible way of dealing with debt recovery for particular case types. Debt-recovery work can be tailored to specific needs, and staff dedicated to particular portfolios can gain and use specialist skills needed for these cases.¹² We consider that increased monitoring and using targets for some specialist debt portfolios could improve their debt-recovery performance.
- 3.49 Periodic reviews of the Monitor portfolio mentioned in Figure 13 may identify older cases that could be reworked for debt recovery. Debts are transferred into the Monitor portfolio when debt management officers have done all they can to contact a former client and recover the debt, without success. Suitable checks ensure that all possible work has been done to recover a debt before it is transferred into the Monitor portfolio. Monitor cases stay in the portfolio until they meet the criteria for write-off, or until the Ministry receives new information that enables enforcement action. The Ministry does limited checks to see whether new information is available on Monitor cases.
- 3.50 The Monitor portfolio is large. As at 30 June 2010, there were 10,106 cases of open debtors, owing a total debt of more than \$32 million. Given the size and scale of this portfolio, we consider that it would be useful for the Ministry to periodically review Monitor cases to verify that no new information is available that could enable it to recover the debt.
- 3.51 The Overseas and Monitor Overseas portfolios include cases where the Ministry has identified that the debtors have left New Zealand. The Ministry uses similar debt-recovery actions as it does for New Zealand cases (locating a person, sending letters, and attempting to negotiate repayment). However, only very limited

¹² For example, working with the estates of deceased people requires effective communication skills.

enforcement powers are available to the Ministry if the debtor is overseas.¹³ Overseas cases where all recovery actions have been tried without success are transferred to the Monitor Overseas portfolio. They are then monitored periodically in case the Ministry identifies any information enabling enforcement action, or until they meet the criteria for write-off.

- 3.52 Although the Ministry matches data with the New Zealand Customs Service (and sends specific information requests) to identify debtors who have left New Zealand, it does not use data matching to identify people returning to New Zealand. We consider that this may be a missed opportunity to quickly identify people returning to New Zealand who can be contacted for debt-recovery action. Data matching with the New Zealand Customs Service for people returning to New Zealand would help identify further opportunities to recover debt.
- 3.53 We acknowledge that strict privacy concerns must be carefully considered when sharing information between government agencies. Our 2008 performance audit about how the Ministry managed benefit fraud noted that the Ministry and other government agencies shared information appropriately. As data-matching arrangements between government agencies evolve, the Ministry may wish to consider whether there is scope to get more information that could help it to recover debt.
- 3.54 We consider that the Ministry could increase its monitoring of debt recovery performance within the specialist portfolios. We understand that, in 2010/11, the Ministry plans to set actively managed targets for money recovered across portfolios.¹⁴ In our view, this should help identify portfolios where recovery rates and amounts are below expectations. Resources and initiatives could then be better targeted to improve debt recovery performance.

Limitations in managing workflow

- 3.55 At the time of our audit, some limitations on the Collections Unit's managing of workflow reduced its ability to allocate debt recovery work among staff flexibly and efficiently. The Ministry had a major project under way to address these limitations. We discuss this project in paragraphs 3.62-3.65.
- 3.56 New debt cases are allocated daily to debt management officers at the Collections Unit's three sites. This is done using a semi-manual process because the TRACE

¹³ There are specific criteria that must be met under this agreement for the Australian authorities to recover debts. Debts must be A\$400 or more, and be recovered only when a person is receiving an Australian benefit or pension.

¹⁴ Some portfolios are passively managed because they have minimal or no debt recovery work done on their cases unless circumstances change. For example, the Hardship portfolio includes cases where debt recovery from former clients is suspended while the debtors are deemed to be in financial hardship.

computer system holding debt information is unable to manage workflow.¹⁵ All new cases are distributed evenly between debt management officers without any profiling of case difficulty, ease of recovery, or individual caseloads. Once cases are allocated, debt management officers have to use three sources of information to manage their individual caseloads.

- 3.57 Limitations with this workflow system make it harder for the Collections Unit to recover debt efficiently and flexibly. These limitations include:
- restrictions on staff specialising on tasks;
 - a lack of client profiling;
 - time-consuming manual searching; and
 - restrictions on case allocation and assignment.

Restrictions on task specialisation

- 3.58 Managing workflow by simple and even caseload allocation means that debt management officers do all the work on each case from start to completion. This work includes checking client details, locating clients, communicating with clients through inbound and outbound calling, negotiating debt repayments, and carrying out related processing and administrative tasks. Although there are some advantages to giving debt management officers full control over the life cycle of a case, this system restricts opportunities for greater specialisation based on ability or experience that might improve the overall productivity of debt recovery. It also restricts the ability to concentrate debt management officers on specific work tasks for training purposes.

Lack of client profiling

- 3.59 The lack of profiling of clients means cases are allocated without considering how a client's ability or willingness to repay their debt might affect the amount of work required. In practice, we found that some cases are more straightforward and quicker to clear than others. Some clients will readily enter into a repayment arrangement after getting an initial automatically generated notification letter, but other clients do not repay their debt without much time and effort by a debt management officer.

¹⁵ TRACE (Tracking, Recovery And Collection Enforcement) is the computer system that the Collections Unit uses to hold information about non-current debt collection.

Time-consuming manual searching

- 3.60 Once assigned a case, debt management officers have to first manually search through several of the Ministry's computer systems¹⁶ to find out whether any new information is known about a person. This can be a time-consuming exercise.

Restrictions on case allocation and assignment

- 3.61 The even distribution of new cases across all debt management officers occurs regardless of whether staff are on annual leave, sick, or otherwise absent. Their cases accumulate in their absence unless there is a manual reallocation of their caseload by a manager. Similarly, having debt management officers use three separate reporting sources to manage their caseloads makes it harder for managers to monitor progress in overall debt management workflow.

Improving workflow and profiling to better recover debt

- 3.62 The Ministry was building and testing a new Collections Unit workflow management system at the time of our audit fieldwork. This system, due to be implemented in late February 2011, is meant to improve how the Collections Unit manages workflow and to introduce client profiling. The Appendix has more details on these planned improvements.
- 3.63 Important features of the new system were planned to address the limitations we describe above. These features include:
- flexible work allocation – cases could be allocated by specific tasks (such as contacting a client) or a case (such as a new debt) and managers could allocate work according to individual staff caseloads or training needs;
 - automatic information updates and notifications from the Ministry's other systems – officers would spend less time on manual searching for new information, allowing them to concentrate on other debt recovery work; and
 - client profiling – this will enable the Ministry to use information about people's ability or willingness to repay debt so it can target debt recovery resources more efficiently and direct staff effort where it is needed most.
- 3.64 The Ministry identified that 80% of people owing money are repeat debtors. It plans to collect information about repayment behaviours of these debtors and assign cases based on these behaviours. Debt management officers will then be able to take different actions with a client based on their profile. For example, clients who had previously repaid debts soon after receiving an automatic reminder letter require less (or no) debt-recovery effort. Those who previously showed an unwillingness to make or keep repayment arrangements require more.

¹⁶ Systems that need to be checked include TRACE; SWIFTT, Work and Income's case management system; SAL, the Student Loans and Allowances database used to register, monitor, and pay student loans and allowances; and UCVII, the Ministry's "unified customer view" for staff to record and view notes about clients.

3.65 We were unable to assess the effectiveness of the Ministry's improved workflow system because it was not in use at the time of our audit. However, we reviewed relevant business case documentation and interviewed staff involved in the project to learn about its planned improvements. Staff showed us a test version of the system to demonstrate some of its planned functionality. We formed a preliminary view that, by greatly improving the efficiency and flexibility of workflow management, the new system should help the Ministry to recover money owed by former clients.

Comprehensive training for debt recovery work

3.66 Induction training for new debt management officers was comprehensive, with a strong on-the-job experience focus. Each site has a "team coach" responsible for inducting and training new staff. New debt management officers receive six to eight weeks of induction training under the supervision of the team coaches, with additional help from experienced debt management officers assigned as "buddies". This training covers all the main skills required in the debt management officer role.¹⁷ New debt management officers are assigned a caseload of work from the start, enabling them to have a strong focus on on-the-job training and experience. Team coaches check all work new staff members do until they are deemed competent in each specific skill that debt management officers require.

3.67 The Collections Unit was heavily involved in training many new recruits at the time of our audit. We observed that the recruitment created significant work for team coaches. Ongoing and refresher training was meant to be part of the team coach role but was not happening at the time of our audit because team coaches had to dedicate all their time to training new recruits. We also noted that:

- the Collections Unit had a detailed training manual that had not been updated and contained out-of-date information and guidance;
- the material used to induct new staff varied; and
- the team coach role as defined did not accurately reflect how the role had evolved in practice.

3.68 Since our fieldwork, the Ministry has taken steps to address these issues. These include defining the team coach role more accurately, and planning training initiatives and a project to consolidate training packages so there are national online-based training modules. This should help ensure that new staff training is consistent throughout the Collections Unit.

¹⁷ For example, training about relevant policy and legislative requirements, computer systems used, and negotiating debt repayments.

Robust quality assurance for debt recovery work

- 3.69 Robust systems and processes provide quality assurance of debt recovery work. The Ministry has dedicated quality assurance and compliance officers who each month check samples of debt management officers' work against detailed checking standards. The checks examined accuracy of work, adherence to policy and process requirements, and legislative compliance.
- 3.70 Quality assurance roles are clearly separated from general debt recovery activities in the Collections Unit. This helps to ensure consistency of quality standards and monitoring. It also creates a degree of independence for quality assurance functions from the day-to-day debt recovery operations. At the time of our audit fieldwork, the Ministry planned to review its quality assurance processes to ensure that they were appropriate, especially for risk management.¹⁸ Although we consider that the Ministry's quality assurance processes were appropriate, it was encouraging to see that the Ministry was thinking about how it could improve them.
- 3.71 At the time of our audit, the Ministry had two Collections Unit quality assurance officers. The workload of quality assurance checking required appeared to be too heavy for a two-person team to complete without affecting the timeliness or the detail of their checking. However, we understand that the Ministry has since reviewed the resourcing of the Collection Unit's quality-checking operations and has added another person to the team.

Standards for monitoring and reporting on debt recovery

- 3.72 The Ministry uses appropriate standards to monitor and externally report on its performance on recovering debt from former clients. These performance standards have been consistently met or exceeded in recent years. The Ministry uses comprehensive internal reporting to monitor how well current and former client debt is managed. This means that the Ministry has a good overall understanding of how well it manages and recovers debt.

Performance reporting in the Ministry's annual report

- 3.73 In its annual report, the Ministry reports on performance against standards set in its Output Plan. These standards measure how well the Collections Unit within the Integrity Services group recovers debt from former clients. The performance standards cover useful indicators for the effectiveness of the Collection Unit's debt recovery work, including the amount of money recovered, proportion of former clients repaying their debts, and cost-effectiveness of the Collection Unit's operations. Figure 14 summarises the performance standards used, and shows that the Ministry consistently met or exceeded its targets in recent years.

¹⁸ This project was scheduled to be completed by the end of September 2010.

Figure 14
Actual performance against standards for debt recovery from former clients

Performance standard	2006/07	2007/08	2008/09	2009/10
The actual amount of money collected by the Integrity Services group's Collection Unit is expected to be \$77m-\$82m	\$79.5m	\$83.1m	\$78.5m	\$81.2m
Proportion of former clients on arrangement to pay, or paid in full within four months of debts transferring to the Collections Unit will be no less than 82%	82%	84%	84%	84%
New standards introduced in 2009/2010				
Proportion of former clients and students on arrangement to pay, or paid in full within 12 months of debts transferring to the Collections Unit will be no less than 85%	n/a	n/a	90%	89%
Cost per dollar of collecting balances owed by former clients will be no more than \$0.25 (Output costs per dollar collected)	n/a	n/a	\$0.21	\$0.21
The percentage of all work completed that complies with legislation and policy will be no less than 95%	n/a	n/a	98%	95%*

* The Collections Unit implemented a national quality checking framework in 2009/10. This included more demanding standards for staff to achieve their quality targets.

- 3.74 Figure 14 shows that the Ministry recently expanded the number of performance standards it reports against, to include its transparent cost-effectiveness measure and monitoring of compliance with legislative and policy requirements. This is good practice.
- 3.75 In its annual report, the Ministry does not report against performance standards for managing current client debt. In our view, this is reasonable because most current clients with debts have arranged to repay them through deductions from benefits. The percentage of current client debtors repaying their debts averaged slightly more than 95% during the five years to 30 June 2010.

Other external performance reporting

- 3.76 As well as its performance standards reported against in its annual report, the Ministry reports externally in other ways on how well it manages debt. These include:
- a section in the Ministry's annual public Statistical Report covering trends in balances owed to the Crown by the Ministry's current and former clients;

- annual monitoring reports to the Cabinet on debt owed to the Ministry; and
- six-monthly reports to the Minister of Finance and the Minister of Social Development and Employment on the value and trends of debt write-offs made by the Ministry.

3.77 The annual monitoring reports to Cabinet also cover the Inland Revenue Department's management of the tax and non-tax debt portfolios, and the Ministry of Justice's management of debt from fines. Although large differences in the nature and administration of these different debt portfolios make it hard to compare them, this reporting provides some ability to gauge how well the Ministry manages debt compared with how well other government agencies do.

3.78 This range of external performance reporting provides an appropriate level of external monitoring and transparency of the Ministry's debt management activities.

Internal performance monitoring and reporting – current clients

3.79 Work and Income's service centre staff can access a wide range of monthly reports for monitoring debts established and recovered from current clients. Monitoring using these reports includes tracking:

- collection values of current clients' debts, including comparing actual recovery amounts against annual targets set at the start of each financial year; and
- how well Work and Income regions prevent current client debt, including the value and average value of overpayments established, the percentage of clients with deductions in place, and average deduction rates.

3.80 Service centre managers use this reporting to help monitor the creation and prevention of debt at their sites, and also to monitor that staff are negotiating appropriate repayment arrangements with clients. Performance and Support Services groups in Work and Income also monitor debt-related performance data nationally.

Internal performance monitoring and reporting – former clients

3.81 The Collections Unit uses a comprehensive range of reports to inform and monitor its performance on debt recovery from former clients. These reports include the daily and weekly reports that inform debt management officers about their progress with their caseload, and weekly detailed site reports for managers to monitor staff performance against the four-month key performance indicator.

3.82 Other monthly, quarterly, six-monthly, and yearly reports provide data about the Collections Unit's debt recovery performance. Several of these reports were not

directed at specific audiences but intended as reference documents. Data was also often repeated in the different reports.

- 3.83 The Collections Unit could streamline internal reporting more and target the information the reports cover more directly to monitoring and informing recovery operations. Some staff we interviewed indicated that the large number of reports produced for internal monitoring resulted from requests over time for a variety of information. The staff believed that internal reports could be more targeted and strategic in focus. We support this view, but acknowledge that the Ministry had a project under way at the time of our audit to introduce a new data reporting system.
- 3.84 The intention of this new data reporting system is to give users the ability to specify what sets of variables they want from a central database and create custom reports that meet their needs. It was not in use at the time of our audit fieldwork so we are unable to assess its effectiveness.

Part 4

Improving how the Ministry of Social Development manages debt

4.1 In this Part, we summarise work that the Ministry had planned or was introducing to further improve the way it recovers money it is owed. We make some suggestions for the Ministry to consider as it makes changes to its debt recovery operations.

Plans to further improve debt recovery

4.2 As we have noted in several places in Part 3, the Ministry had several initiatives to improve and refine its debt recovery work under way or planned at the time of our audit. These included:

- assessing and improving how debt management officers contact and negotiate with former clients by telephone;
- improving guidance and direction for negotiating payments so that debt recovery could be maximised without placing people in further hardship or giving them an incentive to return to benefits;
- introducing reviews of existing debt repayment arrangements at appropriate times and based on the value of the debt, to ensure that the arrangement was still appropriate;
- setting targets for money recovered that were actively managed to identify where recovery rates were below expectations so the Ministry could better target initiatives and resources;
- making training improvements; and
- introducing a new workflow management system to increase the Collection Unit's flexibility in carrying out debt recovery work and enable profiling of a person's ability and willingness to repay their debts. This work should enable the Collections Unit to target its recovery activities more effectively and efficiently.

4.3 The Appendix includes a summary of the current limitations and the planned improvements.

4.4 Because much of this work was still being considered or introduced at the time of our audit, it was too early for us to provide assurance on its effectiveness. However, we support the Ministry's planned improvements, and consider that its efforts to improve debt recovery work are constructive. We have made several suggestions throughout this report for the Ministry to consider as it continues to refine debt management. Our suggestions are summarised below.

Our suggestions for the Ministry of Social Development

4.5 We suggest that the Ministry:

- review the relevance of its existing debt negotiation guidelines for Work and Income staff to ensure the consistency and appropriateness of debt repayment arrangements negotiated with current clients;
- consider whether using dedicated or rostered debt management officers for outbound calling in the Collections Unit can improve effectiveness and efficiency in making contact with clients;
- examine whether introducing more automation to the Collections Unit's telephone system would improve the productivity of outbound calling;
- periodically review cases in the Monitor portfolio to verify that no new information is available that could lead to recovering these debts; and
- consider, as data matching arrangements with other government agencies evolve, whether there is scope to get more information to help recover debt.

Appendix

Summary of current workflow management limitations and planned improvements

Current workflow management system limitations	Planned improvements to be made with introduction of new system
<p>Even allocation of cases between debt management officers limits specialisation of tasks in the Collections Unit.</p> <p>Debt management officers required to use three separate partly paper-based reports and workbooks to manage their caseloads.</p>	<p>The new system will introduce the ability to allocate work by case (for example, a new debt) or by specific task to be completed on a debt case (such as contacting the client). This will give the Collections Unit greater flexibility to specialise debt management officers on different tasks if they want.</p> <p>The three separate caseload sources for debt management officers will be replaced by a single system using TRACE.</p> <p>In the new system, the Collections Unit or managers/supervisors will be able to automatically prioritise task lists.</p>
<p>No client profiling, with all cases treated the same.</p>	<p>New debts/cases loaded into the new system will sort clients into different debtor profiles according to any available information about their previous debt and repayment history from TRACE.</p>
<p>Debt management officers are required to manually search the Ministry's different computer systems for any new information about clients.</p>	<p>The new system will automatically receive information updates and notifications from the Ministry's other computer systems and data matching operations. It is intended that debt management officers will spend less time manually searching for new information, allowing more time for actual debt recovery work.</p> <p>Debt management officers will get only debts that require work (rather than cases where the Ministry's systems can automatically send out letters to clients).</p>
<p>Degree of inflexibility with workflow management because manual actions are required by managers to reallocate work if staff are absent or reassigned to specialist tasks.</p> <p>Management monitoring of staff progress with debt recovery inhibited by the use of the mix of paper-based and workbook caseload systems.</p>	<p>Managers will have access in the new system to specialist screens for monitoring the work done by all staff reporting to them. They will be able to select different staff members and view their workload and progress.</p> <p>Performance reporting screens will enable monitoring of debt recovery performance by team, site, or the whole Collections Unit.</p> <p>Managers will be able to block/reallocate caseload or task assignments to individual staff members if they are absent/specialising in particular tasks.</p> <p>Tasks will be able to be redirected to different debt management officers based on required skills, experience, or specialisation of tasks.</p>

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