Police Vetting Service
Debtor Management Practice
Version control

<table>
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<th>Version</th>
<th>Date</th>
<th>Changes</th>
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<td>August 2017</td>
<td>Draft</td>
</tr>
<tr>
<td>1.0</td>
<td>20 October 2017</td>
<td>Final</td>
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Overview

Purpose

The purpose of this document is to provide guidance for staff on the recovery of outstanding debts and preparing and issuing credit notes. This document deals with credit transactions, which are in the SAP Accounts Receivable module of the NZ Police accounting system.

The Police Vetting Service provides services on credit and does not require collateral or credit applications from individuals or organisations. It is therefore prudent financial management that the Police Vetting Service maintains adequate controls and best practice is adopted to maximise cash flow by recovering debt and minimising exposure to bad debt risk.

Scope

This document allocates responsibilities and defines the business rules for issuing credit notes and debtor management. This document applies to the Police Vetting Service in respect of how debts will be managed and recovered.

Assumptions

As part of the process for an agency gaining Approved Agency status they will supply the Police Vetting Service with their billing details and will chose to either pay by direct debit or direct credit. Those agencies that opt to pay by direct debit will provide their bank account details and authority form for direct debits.

Billing details will be automatically passed by the vetting system (QueryME) to the finance system (SAP). However, Finance will be responsible for uploading direct debit authorities/details into SAP.
Statements

Statements will be sent to all customers with outstanding balances at the end of each month. These statements constitute correspondence with the customer and are important for the debt recovery process.

Overdue accounts

A customer’s account is overdue if payment has not been received in full by the due date recorded on the invoice. Invoices are sent on the 26th of the month with payment due on the 20th of the following month.

The action that occurs in managing overdue accounts are as follows:

**Telephone reminder**

When an account is 15 days overdue the customer will be contacted by telephone to remind them of the overdue balance. If contact is not able to be made by telephone an email will be sent to the customer. The details of this contact will be recorded for future reference.

**First Dunning letter issued**

A reminder letter will be sent to customers with balances that are overdue 30 days as at the first statement after the account has become overdue. The letter will also advise the agency that the Police Vetting Service may not provide any further services until payment for the outstanding balance has been paid in full.

**Second Dunning letter issued**

A second Dunning letter will be sent to customers with balances over 30 days outstanding as at the second statement after the account has become overdue i.e. 60 days after the initial invoice. This reminder notice gives the customer 7 days in which to make payment before recovery action begins.

Recovery actions may include suspending access to the Vetting Secure Website, forwarding the account to a debt collection agency, or consideration of court action. The letter will also advise the agency that Police Vetting Service may not provide any further services until payment for the outstanding balance has been paid in full.
The Final reminder letter will be sent 14 days after the second Dunning letter has been issued if payment has not been received. It must be signed by the Police Vetting Service Manager or a delegated employee of the Police to satisfy legal requirements pertaining to the intention to suspend access to the Police Vetting Service Secure Website. This letter will advise the agency that Police Vetting Service will not provide any further services until payment for the outstanding balance has been paid in full.

Overdue accounts that have triggered the Final reminder letter may be forwarded to a debt collection agency by Police Vetting Service. Consideration will be given to the individual circumstances of each case prior to referral. This action can influence the customer’s behaviour as it can adversely affect their credit rating and may be the only remedy available (short of instigating court action).

No suspension action will occur without attempts being made to contact the agency by telephone. Overdue accounts that have triggered the first Dunning letter may result in the agency’s access to the Secure Website suspended until they contact Police Vetting Service to discuss their overdue account. This allows for any further service required by the customer to be declined, subject to any over-riding concerns e.g. requests submitted under the Vulnerable Children Act (VCA), unless payment is made in full or there is an agreement to pay off the debt incrementally. Suspending access to the Secure Website is done in consultation with Police Vetting Service Manager. In the event of access being suspended the agency will be formally notified in writing.

The process for dealing with overdue debtors who have been issued a reminder letter and an example of timeframes for an invoice issued on 26 August, together with the timing of interventions is provided below:
Disputed accounts

As customer disputes are by nature time consuming and unproductive, it is incumbent on the Police Vetting Service to manage customer expectations properly before disputes arise.

When a dispute regarding an invoice does arise, the Police Vetting Service must obtain the grounds for the dispute in writing, either by email or by letter from the customer (agency).

The Vetting Service Manager is responsible for:
- ensuring that agency correspondence is saved to the document management system
- ensuring that the agency maintenance page is updated in QueryMe
- informing Finance that the customer has raised a dispute and request a block is put on the direct debit run until the dispute is resolved
- the total value of the invoice will be held, subsequent months will continue to be invoiced
- investigating and responding to the customer within 5 working days, including an explanation of the invoiced charges
- obtaining approval from the designated authority if a credit note is required
- monitoring the dispute progress
- advising Corporate Finance that the dispute has been resolved and to unblock the direct debit run

Where the invoice is considered appropriate, this must be clearly stated, along with the consequences for non-payment (e.g., refer Overdue Accounts section) in correspondence with the customer (agency).

Legal action for debt recovery

In the event that recovery cannot be made through the actions stated in the Overdue Accounts section, legal action may be taken. Given the often significant expense incurred in legal action, this should only be considered where debts are material and where there is a high probability of recovering amounts owing. However, consideration should also be given to protecting the reputation of NZ Police and protecting the integrity of the cost recovery regime.
Collection and legal charges

Any debt collection and legal costs involved with pursuing debt are to be charged to the Police Vetting Service cost recovery cost centre. Attempts will be made to recover these costs from the customer (agency) and the Police Vetting Service will provide information to Finance to enable any additional charges to be applied. These will be recovered from customers by invoicing, and recorded on future monthly statements. Finance is responsible for issuing such invoices.

Customers in receivership, liquidation or bankruptcy

Finance and the Police Vetting Service must ensure each are mutually aware if a customer is placed into receivership, liquidation or bankruptcy. The account must be flagged with “suspend access”.

All outstanding work in progress must be invoiced, and a proof of debt must be supplied by Finance to either the receiver, liquidator, or the official assignee.

Provision for doubtful debts

The Vetting Service will prepare a list of debts over 120 days old and recommend which should have a provision made against the debt based on an assessment of debtor’s ability to pay, where it is considered unlikely that the debt will be recovered. The doubtful debt expense will be recorded against the Vetting Service cost recovery cost centre.
Debt write-off

Whilst an agency is always liable to pay a relevant fee, it can be deemed desirable not to enforce payment of the debt. The circumstances could take the form of:

- The debt being unrecoverable (i.e. unsuccessful attempts to recover, including via use of debt collection agency; or
- It being uneconomic to recover the fee (the costs of recovery would outweigh the debt amount); or
- There being other special circumstances that warrant the Police Vetting Service taking a reasonable and/or pragmatic approach to the fee.

If a decision not to enforce payment is made, it means that the debt is not pursued, even though the person remains legally liable to pay it. The debt is then written-off for accounting purposes.

Debtor account balances will be written off in the finance system where the collection has been unsuccessful and further effort is considered to have only a remote likelihood of recovery, having regard to the amount of the debt in relation to the cost of further recovery action. This includes debtors that have been declared bankrupt or placed into liquidation. Any debt older than 6 years and for which there has been no further communication, will no longer be pursued as per Limitation Act 2010.

Writing off debtor balances must be made in accordance to the Financial Delegations and existing internal financial processes.

Customer information, including debtor history, will be retained in both the finance system and the Police Vetting Service customer records to ensure that should the customer (agency) seek to reactivate their vetting account with Police steps can be taken such as putting the customer on a pre-paid account system.

Continued on next page
Debt write-off, Continued

When any approved agency has a debt write-off it is likely they will be required to pre-pay for any future vetting requests. Currently this would require the customer to pay a set amount upfront (based on their estimated demand) and this would be held in credit. When the amount of credit has been diminished to a zero balance the customer’s access to vetting would be suspended until such time as another pre-payment has been made or the debt has been cleared.

Note: Currently this process will require some manual processes but it will mitigate the risk of bad debts by customers known to be poor payers whilst still providing access to Police vetting for the customer.

Credit notes

Any credit note requests will only be processed by Police Vetting Service with appropriate documentation (i.e. appropriate justification) and authorised in accordance with the Financial Delegations Policy.

All credit notes will be raised by the Police Vetting Service in the QueryME system and they will advise Shared Services in an accurate and timely manner.

The Police Vetting Service Manager is responsible for ensuring that:

- any credit notes raised are authorised and include documentation to justify the credit
- the Police Vetting Service has advised Shared Service that a credit note has been raised
- the Police Vetting Service has advised the customer (agency) that a credit note has been raised

Note: Finance will manage credit note process until the process if fully automated in Release 3 of Cost Recovery November 2017.
Refunds

If at any time within three months after the payment of any fees Police is satisfied that an excess payment was made or that a payment was made in error, a refund of the excess or the amount paid in error shall be made by approval of the Police Vetting Service Manager and authorised by the appropriate person with the necessary delegated financial authority.
Responsibilities for Debt Management

Shared Services

- Preparing and sending invoices
- Preparing and sending statements
- Receipting payments
- Reconciling payments
- Raising credit notes
- Advising the Vetting Service and Corporate Finance if they become aware of any customers in receivership, liquidation or bankruptcy to ensure that appropriate action can be taken to manage the recovery of any debt and/or prevent further debt being incurred.

Corporate Finance

- Blocking the direct debit run as requested by the Police Vetting Service when an account is in dispute
- Unblocking the direct debit run when advised that the dispute has been resolved
- Advising the Police Vetting Service and Shared Services if they become aware of any customers in receivership, liquidation or bankruptcy to ensure that appropriate action can be taken to manage the recovery of any debt and/or prevent further debt being incurred
- Account for a debt write off against the profit and loss report when advised by Vetting Service
Vetting Service

- Communication with customers that have outstanding debt to remind them of the debt and arrange payment
- Approving payment plans
- Sending Dunning Letters
-Suspending vetting account for service
- Ensuring correspondence received by Vetting/Finance is recorded in the document management system so that it is available to both business units
- Advise Shared Services that a credit note has been raised
- Providing Finance with any debt collection or legal costs requiring invoicing
- Advise Corporate Finance and Business Partnering when to write off a debt and reflect this in the profit and loss report
<table>
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<th>Glossary</th>
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<tbody>
<tr>
<td>Dunning Letter</td>
<td>Police notification sent to a customer, stating that the agency is overdue in paying an account over a period of time</td>
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<tr>
<td>Direct Debit</td>
<td>Police debit total payable on the due date from the customer account</td>
</tr>
<tr>
<td>Direct Credit</td>
<td>Customer creates total payable through internet banking</td>
</tr>
<tr>
<td>Credit note</td>
<td>An amount to be credited back to the agency following authorisation from Vetting Manager</td>
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<tr>
<td>Days</td>
<td>Calendar days</td>
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