



OFFICE OF MAYOR RAHM EMANUEL
CITY OF CHICAGO

MEMORANDUM

TO: Joseph Ferguson, Inspector General
FROM: Theresa E. Mintle, Chief of Staff *TEM*
RE: Inspector General's Advisory Concerning the Employee Indebtedness Program
DATE: February 22, 2012

Mayor Emanuel takes the issue of employee indebtedness (EI) very seriously. In October 2011, with EI debt at a level of \$3 million, Mayor Emanuel sent a letter to all department and sister agency heads directing them to crack down on employee indebtedness and to ensure that all mechanisms at their disposal be used to reduce and attempt to eradicate employee debt within City departments and the sister agencies. The City departments and the sister agencies stepped up to this challenge and continue to diligently root out employee indebtedness in their departments and agencies.

Since October 2011, many employees who owed the City have voluntarily paid their debt outright, others have entered into approved payment plans, others have been subject to wage garnishment, and still others were required to serve disciplinary suspensions until they came into compliance. Most recently, the latest EI cycle ending in September 2012 saw a reduction of City employee debt to \$1.1M, a significant improvement from a year prior.

The EI program is being administered effectively. However, this administration recognizes that reducing employee indebtedness is an ongoing issue and we appreciate the Inspector General's thorough review of the current EI program and its implementation in the various departments and agencies. To the extent that some agencies may have a higher percentage of employee debt than others, we will contact these agencies directly in order to ensure that all available enforcement methods are being aggressively employed.

In light of the nature of the review conducted and the specific programmatic recommendations made by the IG in its report, the Mayor's Office worked closely with the Department of Finance, the

administrators of all City debt collection including employee indebtedness, to formulate the responses to the IG's suggestions in this Advisory. The Department of Finance's responses are below.

Department of Finance (DOF) Responses to IGO Suggestions for Employee Indebtedness (EI) Program:

As a preliminary matter, in its report the IGO cites the October 2011 amount of EI at \$3.0 million as reported by Mayor Emanuel and DOF, and then cites a balance of \$3.2 million, as of October 2012 as an example that the EI program is not working as intended. (The EI balance at the end of the September 2012 cycle was \$1.1 million.) It is important that the IGO understands that the EI program uses "cycles," which tracks the beginning and ending balances of total employee debt each cycle. For example, the cycle begun in June 2012 had a balance of \$2.3 million (notably less than the beginning balance in October 2011), and as noted above, was reduced to \$1.1 at the end of September 2012. The next cycle, begun in October 2012, compiled new debt accumulated since June 2012 and included it in addition to the \$1.1 outstanding to arrive at the \$3.2 million October 2012 balance cited in the IGO's report. There is nothing to deduce from this example except that the efforts of the City actively reduced the amount of outstanding employee debt during that particular cycle. Historically, the City has collected about the same amount in EI payments each year as the total EI outstanding amount at any given point in time. If our efforts had not been successful, the amount of EI would have continued to grow and compound well above and beyond the October 2011 amount of \$3.0 million.

Further, in 2012, there were three EI cycles in which \$4.7 million was paid or is being paid via payment plans, voluntary wage deductions or involuntary wage garnishment judgments. By comparison, the three 2011 EI cycles generated \$3.7 million in payments and payment plans.

With respect to the IG's specific recommendations related to the EI program, DOF notes the following:

- 1. Whether the City should provide for additional EI staff or, alternatively, reduce the City's EI staff and rely instead on outside entities (e.g. the State Comptroller's offset procedures or collection agencies) to reduce EI;***

The State Comptroller's Offset program was implemented in January 2012 for potential collection of debt from any debtor, including City employees, and is used in conjunction with the City's EI program. Claims are placed on the State's Comptroller's system for employee's debt when applicable. However, the State Offset program is successful only if certain criteria are met. For example, in order for the Offset program to be effective, a debtor must receive a tax refund or other check from the State. This may not apply to all City employees. Also, the Offset program is not applicable or effective if an employee has entered into a payment plan with the City to pay off their debt. The Offset program is a valuable debt collection resource used in conjunction with the City's EI program, but is not an appropriate debt collection mechanism to be used in lieu of the City's EI program.

Additionally, collection agencies have historically been less successful in the collection of employee debt than the EI program. As the IGO's examination indicates, when employee indebtedness process is performed conscientiously and diligently by the EI liaisons, the EI program is very effective. In light of the additional discipline leverage and wage deduction tools available to the City in collection of employee debt, it would be an unnecessary waste of resources for the City to pay a collection agency to collect delinquent debt from its own employees.

DOF acknowledges that additional staff both in the EI Unit and within departments and sister agencies would allow for more vigilant monitoring of indebted employees and an increased collection rate. This is an option that can be explored.

2. Whether it is feasible to create standardized and automatized EI notification procedures and train all City departments regarding these procedures to ensure their uniform implementation and administration;

Although DOF has standardized and automated departmental notifications, it is feasible to further standardize the notifications to the employee from their respective department to the extent that different employee classes and bargaining units have varying rules. In 2012, DOF established a yearly training session for EI liaisons. DOF can expand that training and perform additional training sessions for new liaisons throughout the year.

3. Whether [the City should] generate and report standardized metrics (in addition to the information currently provided on the City's Data Portal) across all departments and sister agencies to better identify the departments and practices that result in a lower incidence and more timely elimination of EI;

The DOF consistently tracks the number of indebted employees, the percentage of indebted employees and the amount of debt owed for each department and sister agency. These metrics are generated weekly and sent to the Department of Innovation and Technology for uploading to the City's data portal.

4. Whether the Law Department should provide annual training regarding the EI disciplinary guidelines to ensure their uniform execution;

We agree with the IGO that where uniform application of discipline can be administered across departments, it should be. However, as the IGO's report acknowledges, departments and agencies with different bargaining unit agreements prevent an across the board, uniform structure related to discipline. Despite this, DOF will work with the Law Department to ensure the annual training sessions include training on the City's EI disciplinary guidelines.