


**RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR DESIGNEE, TO WRITE OFF
UNCOLLECTIBLE ACCOUNTS RECEIVABLE INCLUDING \$165,410 for SECTION 8
PROGRAMS**



Douglas Guthrie
President and CEO



Patricia Kataura
Director of Finance

Purpose: To comply with federal regulations and Generally Accepted Accounting Principles (GAAP), the Housing Authority of the City of Los Angeles (“Housing Authority”) writes off unpaid accounts receivable deemed uncollectible from vacated tenants and former program participants on a semi-annual basis.

Issues: The Department of Housing and Urban Development’s (HUD) *Management Handbook* and Generally Accepted Accounting Principles (GAAP) dictate that as a matter of good business practice, the Board of Commissioners, on the recommendation of the President and CEO, should periodically write off receivables due the Housing Authority when they are deemed uncollectible.

From an accounting standpoint, the write-off reflects receivables that are from vacated tenants that are not likely to be collected. Therefore, these aged receivables should not continue to be recorded as assets in the agency’s books.

The Housing Authority takes extensive steps in collection efforts before determining if amounts owed by participants and landlords are deemed uncollectible. Collection letters are sent and follow up actions are taken before the Final notices are sent to debtors. The Section 8 Collection unit determines probability of collection rate for Section 8 participants and landlords on a case by case basis. For cases with high probability of collection based on internal research, including but not limited to, identifying landlord assets from public databases, the Housing Authority takes appropriate legal actions to recapture amounts owed.

Amounts written off are still owed to the Housing Authority and the write-off does not in any way hinder collection activities. The Housing Authority continues to pursue past-due funds in the ordinary course of business whenever possible. For participant families, The Housing Authority is required to enter into HUD’s Enterprise Income Verification Module the debts owed and termination information of Participants who leave the program. This system is used by all Housing Authorities as part of the application process to identify if a family owes money to any Housing Authority. In order to qualify for any of the Housing Authority’s programs, the Housing Authority performs an internal clearance on any applicants 18 years of age and older to verify whether they have any debts owed to the Housing Authority, including any debts already written off. Should an applicant have a past receivable that was written off, the applicant must repay the amount owed before being reconsidered eligible for any program.

Section 8 Programs

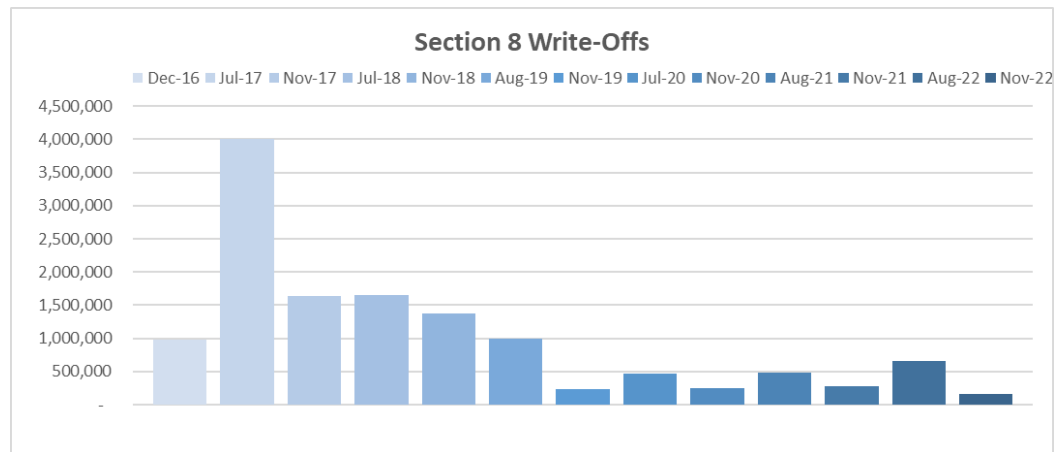
For Calendar Year 2021, the Housing Authority paid approximately \$655.8 million to more than 13,200 private landlords on behalf of approximately 49,200 participant families.

The Authority proposes to write off \$165,410 or 0.03% of total housing assistance payments of a one-year period. However, this write-off amount includes receivables dating back to 2018, and as a percent of total funding for this comprehensive period, the amount written off is 0.007%.

Write-Off Trend

Section 8 Programs

As shown in the chart below, the collectible debt requiring write-off has diminished significantly over the past several years.



The \$4 million write-off in the second half of 2017 represents the culmination of an extensive data reconciliation project. This multi-year project consisted of researching and reconciling data from various systems resulting from several years of process issues, data migration and mapping from the transition to Elite and integration between Elite and Oracle. Prior to completion of this project, the aforementioned issues prevented the Housing Authority from conducting write-offs more periodically. As anticipated at the completion of the data reconciliation project, the write-offs have diminished significantly since 2017 and have maintained at a steady level since the latter part of 2019.

Vision Plan: PATHWAYS Strategy #7: Identify opportunities to reduce operating and administrative costs so that scarce resources are maximized

Consistent collection efforts are critical to ensure that the Housing Authority maximizes HUD resources. Timely collection of outstanding debt and timely handling of uncollectible receivables are key factors in optimizing the Authority's cash in-flows.

Funding: The Chief Administrative Officer confirms the following:

Source of Funds: In order to write off uncollectible debt, an allowance for doubtful accounts must be established which is reflected as an operating expense for the Section 8 Housing Choice Voucher Program and Special Programs.

Budget and Program Impact: The cost of writing off the uncollectible receivables is included in the 2022 annual operating budget.

Environmental Review: Not applicable

Section 3: Not Applicable.

Attachments:

1. Resolution
2. Section 8 Programs Proposed Write-off as of September 30, 2022

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR DESIGNEE, TO WRITE OFF UNCOLLECTIBLE ACCOUNTS RECEIVABLE INCLUDING \$165,410 for SECTION 8 PROGRAMS

WHEREAS, the President and CEO has furnished a schedule reflecting delinquent accounts receivables deemed uncollectible with the recommendation that these accounts be written off;

WHEREAS, it is in the best interest of the Housing Authority of the City of Los Angeles to follow Generally Accepted Accounting Principles (GAAP) and periodically write off uncollectible accounts receivable so as not to overstate assets and income;

WHEREAS, the Code of Federal Regulations (24 CFR 902.33), as further defined by the Department of Housing and Urban Development in supplementary guidance, requires that financial reports shall be prepared in accordance with GAAP, which dictate that Accounts Receivables be stated at the net realizable value; which is the gross receivable less the allowance for doubtful accounts, and that bad debts are to be written off if accounts are deemed to be uncollectible;

WHEREAS, the uncollectible accounts receivables for the Section 8 Programs through September 30, 2022 totaled \$165,410; and

WHEREAS, the removal from the books of accounts of such uncollectible accounts receivables shall not constitute a waiver by the Housing Authority of the City of Los Angeles of any of its rights to collect such amounts.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Housing Authority of the City of Los Angeles that all accounts receivables on the attached schedules totaling \$165,410 for Section 8 Programs are hereby deemed to be uncollectible, and the President and CEO, or designee, is authorized to reduce the allowance for doubtful accounts to the applicable developments and programs affected thereby.

BE IT FURTHER RESOLVED that this Resolution shall take effect immediately.

APPROVED AS TO FORM:

HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES

BY: _____
James Johnson, General Counsel

BY: _____
Cielo Castro, Chairperson

DATE ADOPTED: _____

Attachment 2 - Section 8 Programs Proposed Write-off as of September 30, 2022

Year	Debtor ID	AR
2018	9894	10,406
	5339	60,947
2018 Total		71,353
2019	6012	4,240
	4041	4,077
2019 Total		8,317
2020	2508	1,922
	0003	660
	5883	920
	2559	1,444
	7122	1,232
	9205	1,922
2020 Total		8,100
2021	4394	1,612
	9926	684
	4298	2,414
	0365	1,360
	5876	902
	9974	1,492
	0900	366
	3774	1,142
	4016	1,214
	1204	1,005
	0748	2,036
	3015	3,112
	4127	3,708
	6219	2,652
	6038	1,357
	7640	1,010
	5626	1,096
	3093	3,549
	3573	1,728
	8351	6,890
	3669	2,658
	7015	1,412
	6228	1,700
	9172	2,268
	1533	1,200
	0458	1,023
	7877	995
	9951	9,822
	2723	2,635
	8027	26
7762	2,560	
0706	6,966	
2585	2,564	
0340	2,482	
2021 Total		77,640
Grand Total		165,410