

**RESOLUTION AUTHORIZING THE PRESIDENT AND CEO TO WRITE OFF  
UNCOLLECTIBLE ACCOUNTS RECEIVABLE OF \$245,380 FOR THE SECTION 8  
PROGRAMS**




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Douglas Guthrie  
President and CEO




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Patricia Kataura  
Director of Finance

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**Purpose:** To comply with federal regulations and Generally Accepted Accounting Principles (GAAP), HACLA 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 inactive program participants and landlords 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 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 debts owed and termination information of participants who leave the program into HUD's Enterprise Income Verification Module. 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. In addition, the Housing Authority enters entity alerts for both participants and landlords into the Housing Authority's business system to prevent admission until the amounts owed are fully paid.

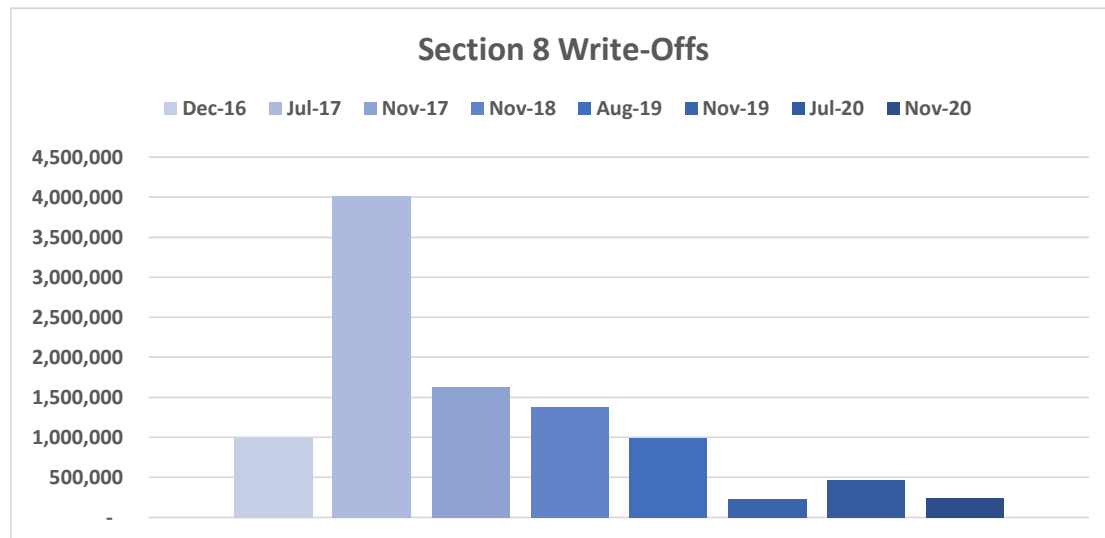
## Section 8 Programs

For Calendar Year 2019, the Housing Authority paid approximately \$602.2 million to more than 13,100 private landlords on behalf of approximately 49,200 participant families.

The Authority proposes to write off \$245,380 or 0.04% of total housing assistance payments of a one-year period. However, this write-off amount includes receivables dating back to 2013, and as a percent of total funding for this comprehensive period, the amount written off is 0.006%.

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.



**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 2020 annual operating budget.

**Environmental Review:** Not applicable

**Section 3:** Not Applicable.

**Attachments:**

1. Resolution
2. Section 8 Proposed Write-off as of September 30, 2020

RESOLUTION NO. \_\_\_\_\_

**RESOLUTION AUTHORIZING THE PRESIDENT AND CEO TO WRITE OFF UNCOLLECTIBLE ACCOUNTS RECEIVABLE OF \$245,380 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, 2020 totaled \$245,380; 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 schedule totaling \$245,380 for Section 8 Programs are hereby deemed to be uncollectible, and the President and CEO is authorized 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:  
JAMES JOHNSON

HOUSING AUTHORITY OF THE  
CITY OF LOS ANGELES

BY: \_\_\_\_\_  
General Counsel

BY: \_\_\_\_\_  
Chairperson Ben Besley

DATE ADOPTED: \_\_\_\_\_

Attachment 2 - Section 8 Programs Proposed Write-off as of Sep 30, 2020

Year	Debtor ID	AR	Year	Debtor ID	AR	Year	Debtor ID	AR
2013	3926	2,755	2017	1588	530	2019	9737	1,775
<b>2013 Total</b>		<b>\$ 2,755</b>		6165	498		6840	2
2015	0845	2,223		4544	3,189		2511	36
	2625	560		9440	2,051		1122	54
	6161	174		2131	4,284		0157	52
<b>2015 Total</b>		<b>2,957</b>		5687	1,036		6914	5
2016	4003	9,341		3836	1,202		2742	6,605
	2310	11		7682	7,344		9674	1,039
	3200	62		8442	173		5691	1,676
	8602	1,112		9549	996		9217	15,849
	3217	1,031	<b>2017 Total</b>		<b>\$ 21,303</b>		9078	756
	2148	1,325	2018	1373	77		8192	1,349
	3085	1,061		9330	5		7209	1,818
	0702	2,361		8290	60		5635	1,149
	7323	1,130		4730	1,055		9039	4,248
	4974	2,804		3350	1,652		9167	1,289
	8953	974		8602	4,100		4518	2,724
	6970	2,458		9662	4,836		2267	1,383
	5848	1,121		1740	1,800		6665	512
	2877	2,078		5455	2,808		5791	1,140
	9820	1,617		7211	208		4877	926
	8520	1,098		9923	803		8588	54
	3796	1,010		5790	448		0955	940
	5421	1,103		2742	1,239		5255	2,164
	4939	1,187		2306	3,123		6000	2,442
	9257	800		6275	675		8837	30,524
	8660	1,434		8495	979		8221	866
	7897	1,224		8070	1,956		4016	934
	6646	1,137		2981	8,136		8230	449
	0445	644		6702	37,802		9099	1,141
	1358	3,109	<b>2018 Total</b>		<b>\$ 71,762</b>		0227	715
<b>2016 Total</b>		<b>\$ 41,232</b>					8046	1,122
							0232	680
							4659	2,388
							3818	8,829
							0503	2,455
							6835	1,356
							7427	1,489
							3474	2,436
						<b>2019 Total</b>	<b>\$</b>	<b>105,371</b>
						<b>Grand Total</b>	<b>\$</b>	<b>245,380</b>