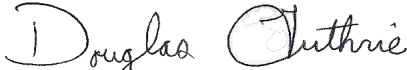


Report of the President & CEO

November 18, 2021

RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR HIS DESIGNEE, TO WRITE OFF UNCOLLECTIBLE ACCOUNTS RECEIVABLE OF \$282,914 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), HACL A 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 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 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. 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.

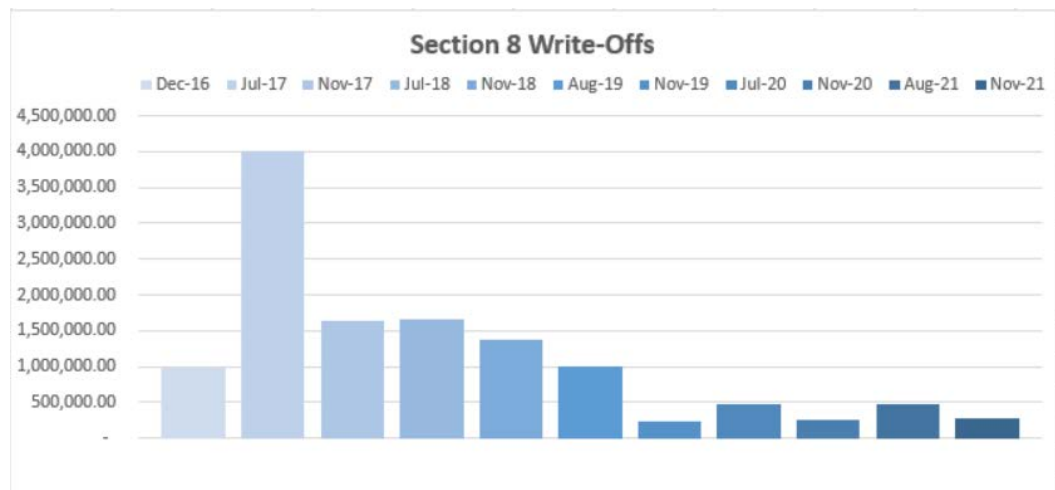
Section 8 Programs

For Calendar Year 2020, the Housing Authority paid approximately \$632.3 million to more than 13,200 private landlords on behalf of approximately 49,200 participant families.

The Authority proposes to write off \$282,914 or 0.05% of total housing assistance payments of a one-year period. However, this write-off amount includes receivables dating back to 2014, and as a percent of total funding for this comprehensive period, the amount written off is 0.01%.

Write-Off Trend

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 2021 annual operating budget.

Environmental Review: Not applicable

Section 3: Not Applicable.

Attachments:

1. Resolution
2. Section 8 Proposed Write-off as of September 30, 2021

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR HIS DESIGNEE, TO WRITE OFF UNCOLLECTIBLE ACCOUNTS RECEIVABLE OF \$282,914 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, 2021 totaled \$282,914; 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 \$282,914 for Section 8 Programs are hereby deemed to be uncollectible, and the President and CEO 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:
JAMES JOHNSON

HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES

BY: _____
General Counsel

BY: _____
Chairperson Cielo Castro

DATE ADOPTED: _____

Attachment 2

Section 8 Programs Proposed Write-off as of September 30, 2021

Year	Debtor ID	AR	Year	Debtor ID	AR
2014	0955	1,928	2020	5953	2,016
2014 Total		1,928		8341	1,761
2017	4939	55,433		6539	2,900
	8526	592		5342	1,814
	0362	1,800		1991	1,584
2017 Total		57,825		6006	1,802
2018	8615	6,600		6968	1,036
	5014	13,692		5502	825
	5334	770		4066	2,637
	4977	687		6515	1,148
	5972	1,237		5597	898
	8198	609		4776	165
2018 Total		23,595		8536	960
2019	1469	4,277		2459	5,424
	9923	464		5777	1,199
	8561	3,775		5508	971
	2814	55,031		7434	119
	5247	2,306		9181	1,984
	9182	958		6666	499
	9309	1,635		2654	4,071
	4513	591		5316	368
	9636	1,210		8653	1,224
	2276	127		8034	1,001
	4951	1,280		8510	772
	4227	1,064		8394	3,012
	1886	1,711		2025	1,299
	5445	2,070		0050	2,494
	4040	1,440		2572	919
	0651	941		8738	1,442
	8928	1,666		2912	1,293
	0526	3,309		1630	1,099
	2538	565		4126	764
	1379	541		2188	1,250
	6736	1,898		8823	2,430
	0383	1,048		5329	947
	5056	1,182		5626	1,253
	4604	1,992		0724	2,072
	4517	591		9125	1,161
	0481	2,049		8883	5,580
	1106	1,287		2779	2,184
	6641	1,820		2087	3,999
	2062	1,512		0425	10,136
	2806	212		0658	1,125
	7953	1,876		6713	2,701
	1270	497		5397	776
	5430	1,530	2020 Total		85,114
	5349	964	Grand Total		282,914
	7090	3,072			
	0511	1,024			
	5342	936			
	0038	682			
	7244	1,004			
	9987	1,208			
	4917	267			
	6555	989			
	6503	875			
	9060	976			
2019 Total		114,452			