

Collection Loss / Bad Debt Write Off

Knox County Housing Authority
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Article I. Purpose / Scope of the Policy

- Section 1.01** The Bad Debt Write-off procedures specify steps that must be taken to designate an account as uncollectible and to remove such accounts from the general ledger account fund balance (e.g. write it off).
- Section 1.02** Effective debt collection is done in accordance with regulations and established debt collection procedures described in 24 CFR 17, in the Delinquent Debt Collection Handbook, HUD Handbook 1900.25, REV-3, and in the Federal Acquisition Regulations (FAR).
- Section 1.03** All other measures are taken to prevent uncollectible debt. If uncollectible debt arises, the debt will be resolved promptly per the procedures and regulations summarized in this document.

Article II. Internal Control Objectives

- Section 2.01** Collection loss/bad debt procedures are established and documented.
- Section 2.02** Potential uncollectible debt accounts are identified, evaluated, and serviced in accordance to with HUD debt collection guidelines.
- Section 2.03** All known uncollectible accounts are recommended for close-out or termination/write off with proper authorization, in accordance with HUD guidelines

Article III. Applicability

- Section 3.01** All accounts receivable at the Knox County Housing Authority. The property managers have primary responsibility for ensuring compliance with these procedures.
- (a) Once an account receivable has been created, it becomes subject to the Knox County Housing Authority "Accounts Receivable Collection Procedures".
 - (b) The property managers are responsible for maintaining all of the tenants' accounts receivable subsidiary ledgers and managing the collection process for overdue accounts.
 - (c) The property managers will review outstanding receivables monthly.

Section 3.02 The property managers will determine which accounts are considered uncollectible and write them off quarterly.

- (a) An account is determined to be uncollectible if it meets one or more of the following criteria:
 - i. KCHA's collection procedures have been followed and the account remains unpaid.
 - ii. The debtor cannot be located, nor any of the debtor's assets.
 - iii. The debtor has no assets and there is no expectation they will have any in the future.
 - iv. The debt is disputed and the Housing Authority has insufficient documentation to pursue collection efforts.
 - v. The debt is discharged in bankruptcy.
 - vi. The debtor has died and there is no known estate or guarantor.
 - vii. It is determined that it is not cost effective to continue collection efforts.

- (b) Only the property managers, finance department, and the executive director are authorized to determine if an account is uncollectible and to write-off the associated charges.
 - i. For accounting and financial reporting purposes, write-offs of uncollectible receivables are to be made against the appropriate allowance or revenue accounts.
 - ii. The property managers along with the finance department annually makes adjustments to the allowance accounts based on a three-year average of write off amounts or other appropriate basis.
 - iii. Transactions to write-off charges on a tenant account are handled through a Student Account Entry document.
 - iv. Supporting documentation for a write-off will at a minimum include a listing of what is required in the IDROP upload template such as the tenant's ID, name, amount being written off, SS#, last known address, date debt occurred from/to, etc. This listing will be approved and signed by the Knox County Board of Directors prior to entry.

- (c) The finance department shall review all accounts written off in accordance with the following guidelines:
 - i. For accounts between \$0.01 and \$9.99 the finance coordinator will write the debt off of the books.
 - ii. For accounts with balances of \$10.00 or more and within the last seven (7) years the finance coordinator will upload these debtors into the state's IDROP program for collection purposes and then write the debt off of the books.

- (d) The property managers will track tenants that have been written-off in the HA's Bad Debt Banned List in the shared file. These debtors on the list owe the HA money and cannot reenlist with the HA until all of the debt has been paid back to the HA.

- i. Any future housing at KCHA will be denied until the uncollectible balance has been paid in full.
- ii. However, this provision will not apply if the debt is fully discharged in bankruptcy or if the account was disputed and KCHA has insufficient documentation to pursue collection.

Article IV. Definitions

Section 4.01 *Accounts Receivable*: Money owed to the Housing Authority for rents or services provided to tenants and/or other parties.

- (a) All tenants are required to pay their rent by the fifth (5th) of each month
- (b) All tenants are required to pay any charges they incur by the fifth (5th) of each month. (I.e. late-fee charge, maintenance labor to fix/replace damages to the units or equipment in the units, fines)

Section 4.02 *IDROP*: Illinois Debt Recovery Offset Portal, a collection program set up by the State of Illinois in order to collect uncollectible debts.

Section 4.03 *Past Due*: Any debt that has not been paid by the specified due date.

- (a) Rent or charges paid after the fifth (5th) of each month

Section 4.04 *Tenant*: Is a renter who pays fair market rent and obtained the rental/lease as a result of an arm's length transaction. (Per the Recovery Act and HUD Bridge Notice)

Section 4.05 *Tenant Accounts*: Accounts containing charges and payments for normal tenant activities, such as rents and fees, tenant unit charges, and other miscellaneous items.

- (a) Tenants personal information such as address, family info, social security number, phone number, date of birth, etc.

Section 4.06 *Write off*: Zeroing out the tenants A/R balance owed to the HA.