



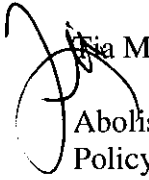
Berkeley Housing Authority

1401 Farwell St., Berkeley, CA 94703
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Office of the Executive Director

Item 7A
NEW BUSINESS
May 13, 2010

To: Honorable Chairperson and
Members of the Housing Authority Board

From:  Fia M. Ingram, Executive Director

Subject: Abolishing the Write-Off Policy adopted in April 2008, and Adopting a new Write-Off Policy

RECOMMENDATION

Approve a resolution abolishing the Write-Off Policy adopted in April 2008, and adopting a new Write-Off Policy

BACKGROUND

All Public Housing Authorities (PHAs) are required to have a Write-Off Policy. The Write-Off Policy addresses how and when accounts receivable are to be written off (dismissed) and how physical assets are to be accounted for. BHA was specifically required to adopt a policy under the initial Memorandum of Agreement (MOA) with HUD. BHA Board adopted a Write-Off Policy on April 21, 2008, and revised said policy in May 2009.

During the Fiscal Year 2008-09 Audit, it was noted that the policy did not indicate the amount of time that could elapse before an account was deemed “uncollectible” and that we did not have an adequate system for tagging items in our fixed asset inventory. We advised that we would recommend policy revisions to the Board of Commissioners, and we corrected the labeling issue while the Auditors were on site.

A revised policy was developed and presented to the Board for consideration at the April 8, 2010 meeting; no action was taken on the item. The policy before you this evening reflects changes in response to comments from our auditor, and additional analysis the Board requested with regard to use of a private, for-profit collection agency. Also as requested, presented is an edited version of the policy (see underlined and striked text as proposed).

Collections

In accordance with HUD regulation (24 CFR 792.202), BHA is allowed to retain 50% of any collections resulting from fraud investigations. The remaining 50% becomes a component of the Net Restricted Asset or Reserve available only for payment of Housing Assistance Payments (HAP).

All of our participants and residents have limited financial means, and a great number are “judgment proof.” However, most recognize the value of the rental assistance they have, and respond well to repayment requirements, especially when they are seeking to transfer to another unit. The majority of

our landlords (Section 8) are small “*mom and pop*” owners, with 1-5 units in the Section 8 Program. Over the past two years, we have sent a clear and consistent (and timely) message, that any excess rental subsidy (HAP) must be returned; the response has been favorable.

Collection Methods

1. Restrictions on Moves. An “alert” is placed in the electronic database file for every family with a debt to BHA. This flag is addressed by the Housing Specialist during the annual recertification and any other time the family requests to move to another unit. This method has proved very effective in collecting the full amount, resumption of regular payments, or at minimum, a down-payment and new repayment agreement.
2. Periodic statements from BHA Finance Department. For the past year our Finance Department has sent periodic payment demands on past due amounts. The letter did not have any “real teeth,” but we always achieved increased (if not sustained) collections immediately following the notices. Recently we revised the letter to include a threat of termination if there is no response. Families have to appeal the proposed termination by requesting an Informal Hearing. The first of these letters was mailed in March 2010; we are awaiting the result.
3. Small Claims Action. For a filing fee, ranging from \$30 to \$100, we can file a Small Claims action for up to \$5,000. This method can be effective for our clients (program participants and owners) with regular sources of income.
4. Collection Agency. We obtained quotes from three potential vendors. All will take a case without any upfront cost; all retain a portion of any collection; and all assess a fee of 15% if collection is cancelled by BHA. Our research of policies used by other public housing authorities confirmed that those that use outside agencies, use them primarily to collect excess HAP from landlords; few use agencies for tenant/participant receivables. We are pursuing an agreement with Credit Bureau Associates (CBA) which has a 25-75% split, allowing BHA to retain 37.50% of the debt ($100\% - 25\%/2=37.5\%$). We have included this option in the collection efforts, primarily for owner collections, with limited use for tenant receivables.

FINANCIAL IMPACTS OF RECOMMENDATION

Potential to increase collections of past due amounts owed to BHA by Landlords and Program Participants.

CONTACT PERSON

Jesy Yturralde, Finance Manager, 981-5488
Tia M. Ingram, Executive Director, 981-5471

Attachments:

1. Proposed Write-Off Policy (showing revisions)
2. Resolution
3. Write-Off Policy (clean copy)

(Adopted: ~~May 14, 2009~~ BHA Resolution No. ~~09-22~~)
May 13, 2010 10-

WRITE-OFF POLICY: DELINQUENT ACCOUNT BALANCES & INVENTORY DISPOSITION

APPLICABILITY

This policy shall apply to balances accruing from the participation of any individual in any of the rental housing programs administered by the Housing Authority, as well as other programs offered by the Housing Authority, such as the Security Deposit Loan Program.

I. TENANT/PARTICIPANT/LANDLORD ACCOUNT RECEIVABLES

It is the policy of the Berkeley Housing Authority to make a reasonable effort to attempt to collect all monies due to the Housing Authority from property owners, Section 8 Program participants and tenants of Berkeley Housing Authority owned rental units for un- and under paid rent, administrative charges, loans, maintenance charges for tenant caused damage and overpayment of Housing Assistance Payments (HAP). BHA shall attempt collection from the tenant, Section 8 Participant or landlord before pursuing collection via an agency or court, or recommending that the account be written off. The Board of Commissioners authorizes BHA staff to make determinations from time to time and present to the Board, in an open meeting, the Accounts that staff believe are not collectible or whose estimated cost of recovery outweigh the amount to be collected. The Board will then consider the recommendation, and as appropriate, resolve through written resolution to remove these amounts from the active tenant accounts.

Maintenance of Records. Records of accounts charged-off for reporting purposes shall be kept in perpetuity in order that they be pre-paid by any client re-applying for admission before said application is considered for placement in a current program of the Berkeley Housing Authority, or any property owner seeking a new Housing Assistance Payment Contract.

FAMILIES ASSISTED IN JURISDICTION

1. A minimum of three attempts shall be made to collect the amount due, including demanding payment at each annual recertification. As appropriate, BHA will offer the family an opportunity to enter a Repayment Agreement.
2. BHA will deny the family the right to transfer to another unit (Public Housing), or to move outside the jurisdiction (Section 8), if there is any unsatisfied debt.
3. BHA will report in the HUD "PIC" system, all program participants with debts to BHA as a flag to other jurisdictions.
4. If there is no effort on the part of the family to make payments staff will:

- a. Assign the account to a collection agency; or
- b. Seek recovery via an appropriate action in the applicable court of jurisdiction; or
- c. Propose termination of assistance; and
- d. If no recovery is made at least twelve months after the third attempt or assignment to a collection agency, recommend that the account be written off.

FAMILIES NO LONGER ASSISTED IN THE JURISDICTION

1. BHA will seek to determine if the family is assisted in another jurisdiction. If so, BHA will notify the public housing authority of that jurisdiction of the outstanding debt, and request assistance with collection, including proposing termination of assistance.
2. If the family is not assisted in another jurisdiction, and there is no response to a request for payment mailed to the last known address, BHA will:
 - a. Assign the account to a collection agency; and
 - b. If no payment is received at least twelve months after the request for payment is mailed or assignment to a collection agency, recommend that the account be written off.

Note: BHA will consider excusing the debt if the remaining household members were not a direct party to the creation of the debt (e.g., a change in head of household).

LANDLORDS

If a landlord receives excess subsidy, BHA will advise the owner of the amount of excess subsidy that must be repaid within 30-calendar days of discovery, and allow 30-days for repayment.

If the landlord has other Housing Assistance Payment contracts, the amount of overpayment will be deducted from eligible subsidy beginning on the first payment 60-days after the initial notice to landlord for payment.

If the landlord does not have other Housing Assistance Payment contract, BHA will:

- a. Assign the account to a collection agency; or
- b. Seek recovery by filing an action in the appropriate court of jurisdiction.
- c. If no payment is received at least twelve months after assigning to a collection agency, recommend that the account be written off.

Depending upon the amount due, and the underlying cause for the debt, BHA will, as appropriate, also refer the matter to the HUD Inspector General for investigation and recovery.

II. PHYSICAL ASSETS

BHA shall identify all fixed physical assets, including all computers, printers, fax machines, and other office equipment valued at \$500 or more. An inventory tag shall be affixed to all said items in a location readily visible. The Board of Commissioners also directs staff to determine items of inventory (including fixed assets) to be declared at the end of a usable life-span. Said items shall be made available for purchase at minimal cost or donation, as appropriate, as follows:

- a. ~~The Low Income Public Housing Resident Council;~~
- b. Low Income Public Housing Residents;
- c. Participants in the Section 8 Tenant or Project Based Voucher Program;
- d. Non-profit agencies serving low-income families in the City of Berkeley;
- e. BHA Staff; or
- f. If none of the above desires the item, the Board of Commissioners will direct staff to dispose of the item using any legal means available.

BERKELEY HOUSING AUTHORITY
RESOLUTION NO. 10-_____

ABOLISHING THE WRITE-OFF POLICY ADOPTED IN APRIL 2008, SUBSEQUENTLY REVISED AND ADOPTED ON MAY 14, 2009 (RESOLUTION NO. 09-22), AND ADOPTING A NEW WRITE-OFF POLICY

WHEREAS, every Public Housing Authority is required to adopt a Write-Off Policy; and

WHEREAS, BHA was required to adopt a Write-Off Policy as part of the Memorandum of Agreement with the U.S. Department of Housing and Urban Development (HUD); and

WHEREAS, BHA adopted a HUD compliant Write-Off Policy on April 21, 2008; and

WHEREAS, the Write-Off Policy was subsequently revised and adopted on May 14, 2009 under Resolution No. 09-22.

NOW, THEREFORE BE IT RESOLVED, that the Write-Off Policy adopted under Resolution No. 08-12 and revised under Resolution No. 09-22 is abolished.

FURTHER RESOLVED, that a new Write-Off Policy, attached hereto and identified as Exhibit A, and incorporated by reference is adopted.

The foregoing Resolution was adopted by the Board of the Berkeley Housing Authority on May 13, 2010 by the following vote:

Ayes:

Abstain:

Absent:

Attest: _____
Tia M. Ingram, Secretary

WRITE-OFF POLICY: DELINQUENT ACCOUNT BALANCES & INVENTORY DISPOSITION**APPLICABILITY**

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