



# SAN FRANCISCO HOUSING AUTHORITY

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TO: SAN FRANCISCO HOUSING AUTHORITY COMMISSION

Presented by: Anthony Ihejeto, Director of Public Housing Operations

SUBJECT: RESOLUTION APPROVING THE WRITE-OFF OF VACATED TENANT ACCOUNTS RECEIVABLE (TARs) IN THE AMOUNT OF 342,504.76 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

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## **OVERVIEW**

The San Francisco Housing Authority Board of Commissioners is requested to authorize the write-off of tenant accounts receivable (TARs) totaling \$ 342,504.76 for the fiscal year period of October 1, 2008 to September 30, 2009 (FY 2009). This amount represents unpaid account balances owed by 271 former tenants who have vacated or abandoned their units, been evicted, found new housing or are deceased.

## **BACKGROUND**

Pursuant to and in compliance with HUD Handbook 7511.1, Chapter 11, Section 1, every year the San Francisco Housing Authority (SFHA) writes off TARs with no collection activity. These TARs are balances owed to the SFHA for the non-payment of rent and/or other charges by tenants no longer living in their housing units. Writing off these unpaid accounts does not preclude the SFHA from pursuing collection actions against past tenants, and efforts to collect these outstanding accounts continue to be a priority. These vacated accounts are tracked in a separate file and are consistently monitored in terms of possible collection. Currently, the SFHA participates in the State of California's Franchise Tax Board (FTB) Intercept Program whereby the FTB collects debts owed to state agencies like the SFHA from taxpayers' with state income tax refunds or lottery winnings. The pertinent information from the TAR write-offs including uncollected prior years' accounts is sent to the FTB in time for the 2010 income tax filing period. In addition, the SFHA has a working relationship with the San Francisco City Treasurer's office for assistance in collecting these bad debts. Finally, individuals who vacate without paying off their delinquent accounts are reported to credit agencies and are not qualified to receive public housing assistance in the future as long as balances are outstanding.

## **OBJECTIVE**

The objective of writing off \$342,504.76 in vacated TARs is to comply with HUD guidelines and to follow generally accepted accounting principles (GAAP) for fiscal year-end recording and financial statement reporting purposes.

## **PRESENT SITUATION**

Once the Board of Commissioners approves this resolution, the SFHA will be able to record TARs write-off in order to meet the statutory deadline to submit the unaudited financial statements to HUD REAC.

## **ANTICIPATED OUTCOME**

The write-off of uncollectible TARs allows the Authority to accurately present outstanding TAR balances as of the fiscal year ended September 30, 2009. GAAP requires entities to carry-over from their prior fiscal year to the next those accounts receivable that are considered collectible. Thus, the TAR accounting ledger will contain only accounts receivable balances for tenants owing rent and other charges to the SFHA. As a result, the write-off will help improve the Authority's HUD Public Housing Assessments System (PHAS) score on the Financial Condition-Tenant Receivables Outstanding component by reducing the number of days the accounts receivable are outstanding.

## **WHO BENEFITS**

This resolution benefits the Authority by ensuring compliance with HUD and GAAP guidelines and by accurately reflecting the Tenant Receivables Outstanding component for HUD's PHAS score. Write-off of uncollectible TARs is not anticipated to affect the proposed Students and Volunteers Engaged for Rent Relief (SAVERR) Program, since only current residents will be eligible to participate in SAVERR.

## **BUDGET CONSIDERATIONS**

The actual amount of collection losses of \$342,504.76 for fiscal year 2009 substantially decreased by \$387,268.15 or 53 percent when compared to fiscal year 2008's write-off of \$729,772.91. Funding for this write-off is available in the Low-Income Operating Program Budget. In FY 2009, \$663,545 was budgeted for Collection Losses. The proposed write-off exceeds the budget by \$321,040. However, TAR recoveries during FY 2009 were \$81,469. This amount was not anticipated in the FY 2009 budget. Therefore, the budgetary impact of the proposed TAR write-off to SFHA is reduced by this amount to \$261,035.76.

## **RECOMMENDATION**

It is recommended that the Board of Commissioners approve the attached resolution authorizing the write-off of vacated tenant accounts receivable in the amount of \$342,504.76 for the fiscal year ended September 30, 2009.