



**Lansing Housing Commission
Policy No. 2011-3
Process for Write-Offs and Collections Policy**

Overview

Vacated residents with outstanding account balances have 10 days from the date they move-out of a LHC Property to submit a final rent payment to LHC prior to the account balance being turned over to a third party for collections. On a monthly basis, upon settling the vacated resident's account the Director of Asset Management will run the Aged Accounts Receivable Report for vacated tenants. He/she will identify the former resident balances that he/she is recommending be written-off and submit that report to the Finance Division. The Finance Division will review and if approved, write-off the full amount of the approved resident's outstanding balance. Vacated resident accounts are considered for write-off immediately after the lease termination date, based on the following criteria:

- There is an outstanding balance
- The resident moved-out

The Finance Division prepares a Vacated Resident Accounts Write-Off Report, listing those resident accounts written off, and sends it to the Executive Director for review and analysis and approval or disapproval. Once the ED approves the report, the Finance Division will write off the approved balances and submit all accounts written-off to a third-party agency for collections. By processing a write-off for a vacated resident account balance, LHC removes the outstanding receivable balance and related allowance from its financial records, as the likelihood of collecting this balance is minimal.

Manage and Process Write-Offs and Collections

Revenue Cycle: Resident Billing, Accounts Receivables & Cash Receipts (AR)

Once the Finance Division sends the written-off resident accounts to the collection agency, LHC is no longer responsible for the direct collection of any future payments. Instead, the collection agency oversees the payment collection for written-off resident accounts, provides the Finance Division with a monthly analysis of payments received, and submits the actual payments (i.e. cash receipts) as they are-collected. Payments

collected for written-off accounts in collection are monitored by the Finance Department to ensure LHC receives quality services throughout the year.



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The primary owner of this sub-process is the Finance Accountant, who is responsible for overseeing the AR sub-ledger, which is different from the owner of all other sub-processes within the Resident Billing, Accounts Receivable and Cash Receipts process. The Finance Accountant is the designated owner due to the unique nature of write-offs and collections, as the balances are no longer receivables in the AR sub-ledger; rather, they are recorded as bad debt expenses in the GL.

Finance Division Policies

The following Finance Division policies have been developed as the overall guidelines for the “Manage and Process Write-Offs and Collections” sub-process:

- 1.1 The Asset Managers shall have limited access to the General Ledger (e.g. read only), restricting him/her from being able to post entries.
- 1.2 The Executive Director must review and approve all resident account write-offs before adjusting the resident’s account in the AR sub-ledger and sending the write-off to a third-party collection agency.
- 1.3 On a monthly basis LHC’s Finance Division will send all written-off resident account receivables to a third-party agency for collections.

Monthly/Quarterly

The overall outcome of this sub-process is to write-off outstanding account balances for vacated residents, who do not submit final rent payments upon the lease termination date. The determination of write-offs occurs monthly by analyzing vacated residents accounts receivable balances.

Those resident accounts that meet the criteria for write-off are maintained on the Vacated Resident Accounts Write-Off Report until the balances have been approved and written-off.

- During the first week of the month, the Director of Asset Management, who is responsible for overseeing the AR sub-ledger, generates a Vacated Resident Accounts Receivable Aging report from the financial system that lists all vacated residents with outstanding balances, recommends write offs Executive Director.
- A vacated resident, who makes a partial payment after moving out to reduce



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his/her outstanding account balance, should not be considered for write off, at this point, as there is a strong likelihood that he/she will continue to make additional payments until the balance is paid in full. If the vacated resident does not make any payments during the next 30 days, then he/she should be considered for write-off on the next month's report.

- The Finance Manager, will review the Vacated Tenant Accounts Receivable Aging report received from the Asset Manager that contains the write-off recommendations and approves the accounts to be written off. If approved, the Finance Manager will perform the actual write-off in the AR sub-ledger.
- The Finance Manager will provide the Executive Director a list of all vacated tenant write-offs and send a copy of this write-off list to a third-party collections agency.

Procedures

The standard operating procedures, for executing the activities within this sub-process, support the policies documented above and are detailed in the following section according to each procedure's frequency (e.g. Daily, Weekly, Monthly, Annual, and as-needed).

<u>Inputs</u>	<u>Outputs</u>
* List of vacated residents with Accounts outstanding balances	* Approved Vacated Resident Write-Off Report
* Miscellaneous cash receipt packet, including a copy of recovery payments and a copy the completed Cash Receipts Log ("Miscellaneous Cash Receipts" worksheets only)	* Approved copies of the resident ledgers for Write Off
* Processed Bank deposit Miscellaneous cash receipts	* GL interface transaction file
	* Monthly reconciliation and account Journal entry and related supporting



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documentation (including the processed Miscellaneous cash receipts packet and deposit slips) for recording the miscellaneous cash receipts as recovery payments

1. Each month, the Finance Manager reviews the Vacated Resident Accounts Write-Off Reports received from the Asset Managers
2. The Finance Manager then prepares and submits a report of recommended write-offs for the month and submits it to the Executive Director for approval.
3. The finance Manager will write-off Resident Account in the finance system after approval by the Executive Director.
4. Each Month the Financial Manager submits a write off/bad debt report to a third-party collections agency for collections.