

Policy for HCV Fraud Receivable and Allowance for Doubtful Account

POLICY: HCV fraud receivable records should be accurate, complete and maintained in a manner to indicate the length of time the tenant debt has been outstanding.

GENERAL: HCV fraud receivable arises from tenants enrolled in the Housing Choice Voucher Program that failed to report income or change in income. The Agency will maintain a list of all tenants owing a balance.

PROCEDURES: In order to be able to reconcile the Financial Data Schedule (FDS Schedule) filed with REAC at year end and the Voucher Management System (VMS) reporting on a monthly basis. The following entry will be made to record the fraud receivable:

Fraud Receivable	DR	
Allowance for Doubtful Account – Fraud		CR

As payments are collected from the tenants, the following entries will be posted:

Cash	DR	
EIV Income – Admin		CR
EIV Income – HAP		CR
Allowance for Doubtful Account – Fraud	DR	
Fraud Receivable		CR

Although this is not in accordance with General Acceptance Accounting Principle, the above entries are necessary because the FDS schedule reports the financial statements on the accrual basis and the VMS reporting is on a cash basis.

On a regular basis (every 6 months), the Fee Accountant will review the aged receivable report to identify balances that should be recorded for Allowance for Doubtful Account. The Fee Accountant will use his discretions and prior year write off to determine that balance for doubtful account.

Based on this analysis the Fee Accountant will record a journal entry to set-up a bad debt expense. The entry will be as follows:

Bad Debt Expense - Fraud	DR	
Allowance for Doubtful Account		CR

Management will review the tenant with outstanding balance to determine which balances should be written off. A list of all tenants to be written off will be generated and approved by the Director. The approved list will be forwarded to the Fee Accountant to write off the balance from the accounting records. The following journal entry will be prepared and entered in the accounting records:

Allowance for Doubtful Account	DR	
Fraud Receivable		CR