

CHAPTER 4. INDICATOR #3. RENTS UNCOLLECTED.

4-1 GENERAL. This indicator examines the PHA's ability to collect dwelling rent owed by residents in possession during the assessment year by measuring the balance of dwelling rent uncollected as a percentage of total dwelling rent to be collected.

4-2 DWELLING RENT TO BE COLLECTED.

A. The following two categories are included in dwelling rent to be collected:

1. The dwelling rent owed by tenants in possession at the beginning of the assessed fiscal year. This might be the total of form HUD-52295, Tenant Accounts Receivable (TAR), blocks C2 and C3, at the end of the prior fiscal year if all of those tenants are still in possession at the beginning of the assessed FY; and
2. The recurring monthly dwelling rent charges to tenants in possession during the assessed fiscal year. This is neither the amount that would be reported in form HUD-52295, block B3, nor the amount recorded in General Ledger, Account 3110, Dwelling Rent, for the FY, since those amounts include utility reimbursement credits.

B. Examples of items to exclude from the calculation of dwelling rent to be collected include, but are not limited to:

1. Any damage charges due or paid;
2. Late fees due or paid;
3. Excess utility surcharges due or paid;
4. Legal fees; and
5. Retroactive rent charges. These are additional rent charges discovered to be due from prior periods because of unreported income. The intent of this exclusion is to avoid penalizing a PHA for identifying and/or pursuing retroactive rent charges due to tenant fraud.

4-3 DWELLING RENT UNCOLLECTED. Dwelling rent uncollected is any of the dwelling rent to be collected that was not paid

during the assessed FY, i.e., that remains unpaid on the

last day of the assessed FY.

- A. Included in this calculation is the unpaid dwelling rent at FYE of any tenant who was in possession during the assessed FY.
- B. There are no exclusions to dwelling rent uncollected. Unlike form HUD-52295, a PHA does not exclude from the calculation of this indicator the accounts receivable balances of tenants who vacated during the year, or tenants who have repayment agreements, or tenants in occupancy who are in the process of being evicted.
 - 1. Neither the General Ledger accounts receivable balance nor form HUD-52295 will necessarily reflect the amount of rent uncollected reportable for this indicator.
 - 2. The total of blocks C2 and C3 of form HUD-52295 reports the accounts receivable balance for tenants in possession at month end. However, this FYE total must be adjusted, if applicable, for the balance of any dwelling rent not paid by tenants who vacated during the assessment year, and for any dwelling rent paid between the report cutoff date and the last day of the assessed fiscal year.

4-4 CALCULATION METHOD.

- A. The calculation of rent uncollected is straight forward, as follows:

Dwelling Rent Uncollected

Rent uncollected during the assessed year = $\frac{\% \text{ dwelling rent uncollected}}{\text{rent uncollected}}$

- B. The calculation of rent uncollected is completed by the IBS PHMAP module, by dividing the total amount of rent uncollected during the assessed PHA FY by the total amount of rent due during the assessed PHA FY. PHAs will supply all of the raw numbers relating to rent uncollected, which are the basis for the score for this indicator.
- C. The complexity of determining performance under this indicator and validating it relates to sorting everything out of the

record except for dwelling rent to be collected and dwelling rent uncollected.

- 1. Excluded categories of tenant accounts receivable

activity must be taken out of both the denominator in the calculation, i.e., dwelling rent to be collected for the year being assessed, as well as from the numerator, i.e., dwelling rent uncollected during the assessed year.

2. It is critical that there be a thorough discussion with PHA personnel to understand the potential data adjustments that are needed to obtain an accurate grade for this indicator.

D. Sources. Dwelling rents are set forth in the monthly rent rolls for the 12 months of the FY being assessed and in the dwelling rent owed by residents in possession carried forward from the previous year. Uncollected dwelling rent is the portion of that amount not collected during the assessed FY, even if those rents were due from residents who have since vacated during the year, including those that were subsequently written off as a collection loss. Unlike the prior PHMAP indicator for rents uncollected, collection loss is not taken out of the equation, nor are rents on the rent roll for residents undergoing eviction taken out of the equation.

1. There are a variety of tenant accounting systems, both manual and automated. Even PHAs using the same computer software may or may not have separate transaction coding schemes identifying different categories of charges.
2. Some PHAs may have a rent roll register (separate from the required General Ledger Account 3110) where the rent roll data can be easily accessed. In this case, aggregating the monthly rent is straight forward for preparation and validation purposes.
3. In some automated systems the rent roll is updated with each month's changes and a new rent roll as such is established, with no ongoing historic register. If the monthly rent roll has not been printed, there may not be a record of each month's actual rent roll. These data may exist on stored data tape, etc.

4. The rent roll should include only recurring monthly dwelling rent. Repayment agreement amounts due and retroactive rents due monthly should not be on the rent roll.
5. If a PHA does not maintain a rent roll and if the General Ledger Account 3110 is the only source of

information, the verification process could become more complicated, as many PHAs have retroactive rent as well as other charges in Account 3110 even though, theoretically, this account is defined as including only dwelling rent.

6. Another issue that will differ from PHA to PHA involves the need to allocate payments received from residents to what may be a variety of charges. This becomes particularly relevant when the resident does not pay enough to cover all charges, i.e., rent, excess utilities, etc. On a micro-level, i.e., for each resident, State law may be the most relevant factor guiding PHAS. For eviction purposes, courts often view any funds received as being applied first to rent due. In any event, the PHA should have an established, consistent approach to the allocation of payments received to categories of amounts due.
7. In automated systems, frequently there is an allocation system that distributes payments received against charges in a hierarchy that the PHA can set in the system, i.e., first: rent; second: repayment agreement amounts; third: damage charges, etc. At a macro-level, the PHA may not, for PHMAP performance measurement purposes, distribute payments received from residents, collectively in such a manner, i.e., applying all funds received for damage charges and late fees against any rent not received.

4-5 STEPS TO BE TAKEN IN ORDER TO VERIFY INDICATOR #3.

- A. Obtain the supporting worksheets that support the PHA's data submission and review any calculations to ensure accuracy. The degree of verification, using the following steps, should be dependent upon the quality of supporting documentation. If the documentation is clear and limited verification confirms a

4/97

4-4

7460.5 G

PHA's certification, additional verification may not be warranted.

- B. There are two types of verification to be performed, one stemming from the numerator, and one stemming from the denominator:
 1. The total rent to be collected; and
 2. The total rent unpaid and uncollected.
- C. Total dwelling rent to be collected.

1. Examine the basis for the PHA's determination of this figure. Discuss how the PHA obtained the total dwelling rent to be collected, the management information system sources, the intermediate summary reports and the eventual raw source documents that feed the information system. Determine what adjustments had to be made to meet the criteria for indicator 13, and what problems the PHA staff encountered.
2. Confirm that the PHA did not include utility reimbursements when calculating the amount of dwelling rent to be collected, i.e., that the gross amount of dwelling rent charged on the rent rolls was used and not the net amount after subtracting the utility reimbursement. This would be an understandable mistake since PHAs are instructed to use a net amount when filling out block B3 of form HUD-52295. However, using such a net figure would obviously understate the amount of rent that actually needs to be collected.
3. Determine if the PHA used Account 3110. If the amount of the total dwelling rent to be collected and Account 3110 are the same, determine if any tenant in possession during the assessment year:
 - a. Had an accounts receivable balance at the beginning of the assessment year; and/or
 - b. Received utility reimbursements during the assessment year.
4. Compare the PHA's reported total dwelling rent to be collected against the assessed year's 12 months of rent rolls for each development, if available, and the year

end form HUD-52295, blocks C2 and C3. The use of this report to determine dwelling rents to be collected that are brought forward for those in possession from the former year to the assessed year, assumes that those present on the last day of the previous year were present on the first day of the assessed year. These rent rolls and form HUD-52295 should total to the total dwelling rents to be collected, or the PHA should be able to explain why it does not.

5. Examine the 12 months of rent rolls for large monthly variations, particularly at the beginning and end of the FY. If variations are detected, determine whether the cause(s) of these deviations are PHMAP-relevant factors that might impact the

accuracy of the certification.

6. The validity of the rent roll can be tested against the ultimate rent source document, form HUD-50058, Multifamily Tenant Characteristics System (MTCS). This can be accomplished by taking a limited sample of individual names from a specific development's rent roll to validate that an individual resident's rent level entries in the rent roll are the same as that individual resident's rent on form HUD-50058. This will also aid in determining if only rent amounts migrate into the rent rolls and eventually to the PHMAP-calculation. The MTCS, if accurate and up-to-date, may facilitate this process.

D. Total dwelling rent uncollected. Neither the General Ledger accounts receivable balance nor form HUD-52295 will necessarily reflect the dwelling rent uncollected reportable for this indicator.

1. Start with the PHA's supporting work papers. Determine where the PHA's total dwelling rent uncollected amount come from. If summary reports were used, obtain the breakout data sources until they can validated with actual source documents.
2. Determine if other charges, i.e., damage charges, late fees, etc., have been excluded from the total dwelling rent to be collected during the assessed year. This may be easily determined if a coding system is used for these items.

4/97

4-6

7460.5 G

3. Determine if payments on retroactive rent balances are deleted from amounts collected. This may have to be accomplished through a manual adjustment, in some cases using information maintained only at the development level. In subsequent years, PHAs may more easily segregate retroactive rent balances by setting up separate subsidiary tenant accounts receivable accounts for retroactive rent charges.

4/97

4-7

7460.5