

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

**(A COMPONENT UNIT OF THE
GOVERNMENT OF GUAM)**

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 2019

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

SINGLE AUDIT REPORTS
Year Ended September 30, 2019

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Guam Housing and Urban Renewal Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Guam Housing and Urban Renewal Authority (GHURA), which comprise the statement of net position as of September 30, 2019, and the related statements of revenues and expenses and changes in net position, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 7, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered GHURA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GHURA's internal control. Accordingly, we do not express an opinion on the effectiveness of GHURA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-005 that we consider to be significant deficiencies.

Compliance and Other Matters

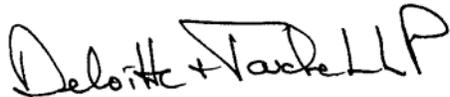
As part of obtaining reasonable assurance about whether GHURA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

GHURA's Response to Findings

GHURA's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. GHURA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, slightly stylized font.

August 7, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
Guam Housing and Urban Renewal Authority:

Report on Compliance for Each Major Federal Program

We have audited the Guam Housing and Urban Renewal Authority's (GHURA's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of GHURA's major federal programs for the year ended September 30, 2019. GHURA's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of GHURA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about GHURA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of GHURA's compliance.

Basis for Qualified Opinion on CFDA 14.267 Continuum of Care Program and CFDA 14.872 Public Housing Capital Fund

As described in items 2019-003 and 2019-006 in the accompanying Schedule of Findings and Questioned Costs, GHURA did not comply with requirements regarding the following:

| <i>Item #</i> | <i>CFDA #</i> | <i>Program Name</i> | <i>Compliance Requirement</i> |
|---------------|---------------|-----------------------------|--|
| 2019-003 | 14.267 | Continuum of Care | Special Tests and Provisions |
| 2019-006 | 14.872 | Public Housing Capital Fund | Procurement and Suspension and Debarment |

Compliance with such requirements is necessary, in our opinion, for GHURA to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 14.267 Continuum of Care Program and CFDA 14.872 Public Housing Capital Fund

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, GHURA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 14.267 Continuum of Care Program and CFDA 14.872 Public Housing Capital Fund for the year ended September 30, 2019.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, GHURA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2019.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-002, 2019-004 and 2019-005. Our opinion on each major federal program is not modified with respect to these matters.

GHURA's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. GHURA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

GHURA's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. GHURA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of GHURA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered GHURA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of GHURA's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2019-003 and 2019-006 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2019-002, 2019-004 and 2019-005 to be significant deficiencies.

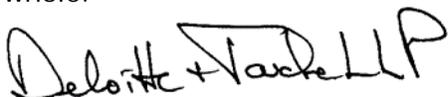
GHURA's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. GHURA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

GHURA's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. GHURA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of GHURA as of and for the year ended September 30, 2019, and have issued our report thereon dated August 7, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.



August 7, 2020

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Passed Through to Subrecipients | Federal Expenditures |
|--|------------------------|------------------------------------|-------------------------|
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: | | | |
| Direct Programs: | | | |
| Supportive Housing for the Elderly | 14.157 | | \$ 779,210 |
| Multifamily Housing Service Coordinators | 14.191 | | 84,419 |
| CDBG - Entitlement Grants Cluster: | | | |
| Community Development Block Grants/Special Purpose Grants/Insular Area | 14.225 | \$ 412,772 | <u>3,573,273</u> |
| CDBG - Entitlement Grants Cluster Total | | | 3,573,273 |
| Emergency Solutions Grant Program | 14.231 | 356,544 | 393,503 |
| Home Investment Partnerships Program | 14.239 | 19,576 | 5,448,477 |
| Continuum of Care Program | 14.267 | 573,394 | 897,383 |
| Public and Indian Housing | 14.850 | | 5,884,386 |
| Resident Opportunity and Supportive Services - Service Coordinators | 14.870 | | 37,076 |
| Housing Voucher Cluster: | | | |
| Section 8 Housing Choice Vouchers | 14.871 | | <u>30,921,419</u> |
| Housing Voucher Cluster Total | | | 30,921,419 |
| Public Housing Capital Fund | 14.872 | | 3,377,156 |
| Family Self-Sufficiency Program | 14.896 | | <u>133,262</u> |
| Total U.S. Department of Housing and Urban Development | | \$ <u>1,362,286</u> | \$ <u>51,529,564</u> |
| Total Expenditures of Federal Awards | | \$ <u>1,362,286</u> | \$ <u>51,529,564</u> |

See accompanying notes to Schedule of Expenditures of Federal Awards.

Reconciliation of total operating expenses to total expenditures of Federal awards:

| | |
|--|----------------------|
| Total Operating expenses | \$ 46,080,120 |
| Plus HOME loans receivable, beginning balance | 4,416,905 |
| Plus Management fees | 1,097,288 |
| Plus Asset management fees | 90,000 |
| Plus Bookkeeping fees | 275,753 |
| Less Pension expense included in employee benefits | (126,346) |
| Less Retiree healthcare costs and other pension benefits | (414,341) |
| Variance | <u>110,185</u> |
| Expenditures of Federal awards per above | \$ <u>51,529,564</u> |

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

1. Scope of Audit

The Guam Housing and Urban Renewal Authority (GHURA), a component unit of the Government of Guam, was formed primarily to provide safe, decent, sanitary, and affordable housing for low- to moderate-income families and elderly families in the Territory of Guam. Only the operations of GHURA are included within the scope of the Single Audit. The U.S. Department of Housing and Urban Development is the oversight agency for GHURA's Single Audit.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of GHURA under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of GHURA, it is not intended to and does not present the financial position, changes in net position or cash flows of GHURA.

3. Summary of Significant Accounting Policies

a. Basis of Accounting

For purposes of this Schedule, certain accounting procedures were followed, which help illustrate the expenditures of the individual programs. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Disbursements made to subrecipients related to the grant agreements are reported as expenditures.

b. Subgrants

Certain program funds are passed through GHURA to subrecipient organizations. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how the subrecipients outside of GHURA's control utilized the funds.

c. Funds Received

GHURA received all the funds indicated on this Schedule in a direct capacity in fiscal year 2019. GHURA also administers all the funds and is responsible for compliance with the laws and regulations.

d. Indirect Costs

GHURA does not have an indirect cost negotiation agreement and does not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance in accordance with 2 CFR §200.414.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Notes to Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2019

4. Loan Funds

GHURA, on behalf of the Government of Guam, has been designated the responsibility of implementing and carrying out the objectives of the HOME Program. The program is designed to increase homeownership and affordable housing opportunities for low- and very low-income Americans. HOME loan applicants that have been determined to be eligible for financial assistance are required to comply with the terms and requirements. Balances and transactions relating to the HOME program are included in GHURA's financial statements. Loans made during the year and the balances of loans from previous years for which the federal government imposes continuing compliance requirements are included in the federal expenditures presented in the Schedule. As of September 30, 2019, the HOME Program expenditures include \$1,031,572 in current year disbursements and \$4,416,905 in outstanding HOME loans from previous years with continuing compliance requirements. The balance of HOME Investment Partnerships grant loans outstanding and recorded by GHURA at September 30, 2019 is \$4,593,495.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs
Year Ended September 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

1. Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- 2. Material weakness(es) identified? No
- 3. Significant deficiency(ies) identified? Yes
- 4. Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- 5. Material weakness(es) identified? Yes
- 6. Significant deficiency(ies) identified? Yes
- 7. Type of auditors' report issued on compliance for major federal programs:

| | |
|--------------------------|------------|
| CFDA 14.267 | Qualified |
| CFDA 14.872 | Qualified |
| All other major programs | Unmodified |

8. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

9. Identification of major federal programs:

| <u>CFDA</u> <u>Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|-------------------------------|---|
| 14.239 | Home Investment Partnerships Program |
| 14.267 | Continuum of Care Program |
| 14.850 | Public and Indian Housing Housing Voucher Cluster: |
| 14.871 | Section 8 Housing Choice Vouchers |
| 14.879 | Mainstream Vouchers |
| 14.872 | Public Housing Capital Fund |

10. Dollar threshold used to distinguish between Type A and Type B Programs: \$1,545,887

11. Auditee qualified as low-risk auditee? No

Section II - Financial Statement Findings

Reference Number Findings

| | |
|----------|---|
| 2019-001 | General Ledger and Schedule of Expenditures of Federal Awards Reporting |
| 2019-005 | |

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Section III - Federal Award Findings and Questioned Costs

| <u>Reference Number</u> | <u>CFDA Number</u> | <u>Findings</u> | <u>Questioned Costs</u> |
|-----------------------------|------------------------|--|-----------------------------|
| 2019-002 | 14.239 | Program Income | \$ - |
| 2019-003 | 14.267 | Special Tests and Provisions-Reasonable Rental Rates | 5,914 |
| 2019-004 | 14.850 | Eligibility | 1,188 |
| 2019-005 | 14.871/14.879 | Reporting | - |
| 2019-006 | 14.872 | Procurement and Suspension and Debarment | - |
| | | Total Federal Questioned Costs | \$ <u>7,102</u> |

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019

Finding No.: 2019-001
Area: General Ledger Reconciliations, Schedule of Expenditures of Federal Awards and Timely Issuance of External Financial Statements

Criteria:

General ledger balances and the Schedule of Expenditures of Federal Awards should be periodically reconciled and a detailed fixed asset register should be maintained and be periodically reconciled to a physical inventory of those assets. Timely reconciliations will facilitate timely external financial reporting. Sufficient accounting personnel should be on hand to allow these tasks to be completed. If this matter is not adequately addressed, the Government of Guam audit report can be adversely impacted.

Condition #1:

An updated Schedule of Expenditures of Federal Awards was provided on August 6, 2020. Approximately \$100,000 of expenditures remains unreconciled between the general ledger and the SEFA.

Condition # 2:

Reconciled fixed asset registers were not provided for audit until July 20, 2020. Such registers do not contain clear asset descriptions and tag numbers and are not reconciled to the physical inventory performed on a periodic basis. Furthermore, our audit procedures noted four residential properties that were acquired by GHURA, which were not capitalized in the general ledger. An audit adjustment was proposed for \$706K to recognize capital assets resulting in a restatement of beginning net position. Finally, certain fixed assets were capitalized that did not conform to GHURA's capitalization policy.

Condition # 3:

Deferred revenue was overstated by \$4.5M. An audit adjustment was proposed to correct this misstatement resulting in a restatement of beginning net position. Furthermore, we noted certain asset and liability accounts amounting to \$539K and \$941K, respectively, that represented long outstanding accounts with little or no activity and for which no reconciliations were provided. As these amounts were not considered material, audit adjustments were proposed but included in the uncorrected misstatements.

Timely external financial reporting is adversely impacted by these matters and it appears that a root cause may relate to inadequate numbers of accounting personnel. This matter also causes delays in issuing the Government of Guam's audit report.

Cause:

The cause of the above conditions appears to primarily relate to the absence of sufficient numbers of accounting personnel to meet timely preparation and issuance of external financial statements and external audits.

Effect:

On an interim basis, the SEFA and other general ledger balances may be materially misstated and a fixed asset register has not been reconciled. These conditions impact the ability to facilitate timely and accurate interim and external financial reporting. In turn, the lack of timely completion of external audited financial statements adversely impacts the completion and issuance of the Government of Guam reporting entity financial statements. Failure to include the GHURA financial statements as a component unit may potentially result in an adverse opinion on the Government of Guam reporting entity financial statements. This in turn impacts the ability of the Government of Guam to timely report to its stakeholders, including bondholders and to the federal government.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-001, Continued
Area: General Ledger Reconciliations, Schedule of Expenditures of Federal Awards and Timely Issuance of External Financial Statements

Recommendation:

GHURA should document whether a sufficient number of accounting personnel currently exists to meet internal and external reporting requirements. We recommend consultation with HUD officials relative to accounting staffing patterns in other potentially similar authorities. External audits should commence no later than immediately following the July 31 closing to allow for timely resolution of compliance and accounting issues and adherence to external financial reporting deadlines. A fixed asset register should be prepared and be periodically reconciled against physical inventory results. All other significant general ledger accounts should be timely reconciled and prepared prior to the commencement of the audit process.

Views of Responsible Officials:

GHURA's Corrective Action Plan provides details to address the finding and recommendation.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-002
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.239 HOME Investment Partnership Program
Federal Award No.: M18ST660202
Area: Program Income
Questioned Costs: \$0

Criteria:

In accordance with applicable program income requirements, the participating jurisdiction must report all program income in HUD's computerized disbursement and information system (IDIS).

Condition:

Program income reported in the IDIS PR01 - HUD Grants and Program Income report differs from GHURA's schedule of program income, as follows:

| | <u>FY 2019 Program Income</u> |
|------------------------------|-------------------------------|
| Schedule of Program Income | \$ 274,353 |
| IDIS PR01 report | <u>37,285</u> |
| Underreported program income | \$ <u>237,068</u> |

Cause:

GHURA did not enforce compliance with applicable program income requirements.

Effect:

GHURA is in noncompliance with applicable program income requirements. No questioned cost is presented as the program income cash is deposited in GHURA's designated HOME Program Income bank account as of September 30, 2019.

Recommendation:

Responsible personnel should periodically monitor program income receipts for complete and accurate reporting in IDIS in accordance with applicable program income requirements.

Views of Responsible Officials:

GHURA's Corrective Action Plan provides details to address the finding and recommendation.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-003
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.267 Continuum of Care
Federal Award No.: GU0011L9C001607, GU0011L9C001708
Area: Special Tests and Provisions - Reasonable Rental Rates
Questioned Costs: \$5,914

Criteria:

In accordance with applicable special tests and provisions requirements, where grants are used to pay for rent for all or a part of a structure, the rent paid must be reasonable in relation to rents being charged in the area for comparable space. In addition, the rent may not exceed rents currently being charged by the same owner for comparable unassisted space. (24 CFR section 578.49(b)(1)). Where grants are used to pay rent for individual housing units, the rent paid must be reasonable in relation to rents being charged for comparable units taking into account relevant features. In addition, the rents may not exceed rents currently being charged by the same owner for comparable unassisted units, and the portion of rents paid with grant funds may not exceed HUD-determined fair market rents. (24 CFR sections 578.49(b)(2) and 578.51(g).

Condition:

For four (or 80%) of five tenants tested, aggregating \$4,000 of \$384,177 in rental and leasing costs, no documents were provided to substantiate compliance with applicable requirements for reasonable rental rates.

| <u>Tenant</u> | <u>Monthly Rent</u> | <u>Potential Excess Rent</u> | <u>Months in 2019</u> | <u>Questioned Cost</u> |
|---------------|---------------------|------------------------------|-----------------------|------------------------|
| RM | \$800 | \$200 | 2 | \$ 400 |
| JT | \$800 | \$211 | 12 | 2,532 |
| NP | \$800 | \$211 | 12 | 2,532 |
| AR | \$800 | \$ 75 | 6 | <u>450</u> |
| | | | | \$ <u>5,914</u> |

Cause:

GHURA did not establish and implement internal controls over compliance with applicable special tests and provisions for reasonable rental rates.

Effect:

GHURA is in noncompliance with applicable special tests and provisions for reasonable rental rates. The total questioned cost is \$5,914.

Recommendation:

Responsible personnel should establish and implement internal controls over compliance with applicable special tests and provisions for reasonable rental rates.

Views of Responsible Officials:

GHURA's Corrective Action Plan provides details to address the finding and recommendation.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-004
 Federal Agency: U.S. Department of Housing and Urban Development
 CFDA Program: 14.850 Public and Indian Housing
 Federal Award No.: GQ001000003
 Area: Eligibility
 Questioned Costs: \$1,188

Criteria:

In accordance with applicable eligibility requirements, the Public Housing Agency (PHA) must do the following:

- (1) As a condition of admission or continued occupancy, require the tenant and other family members to provide necessary information, including Declaration of Section 214 Status form and proof of community service of eight hours each month.
- (2) For both family income examinations and reexaminations, obtain and document third-party verification of income, including HUD’s Enterprise Income Verification (EIV) system in its entirety.

Additionally, the required documentation should be complete and accurate at the time of admission or recertification.

Condition:

Of 60 case files tested, we noted deficiencies, as follows:

1. For one (or 2%), the head of household did not sign the Declaration of Section 214 Status form. No questioned cost is presented because alternative documentation demonstrates the household qualifies on the basis of citizenship.

| <u>Project</u> | <u>Unit #</u> | <u>Monthly Rent</u> | <u>Months in FY19</u> | <u>Total FY 2019 Tenant Payments</u> |
|----------------|---------------|---------------------|-----------------------|--------------------------------------|
| AMP3 | 127AND | \$546 | 12 | \$6,552 |

2. For three (or 5%), no EIV report was on file. No questioned cost is presented because GHURA subsequently provided the EIV reports on July 14, 2020, and such reports were consistent with compliant income eligibility calculations.

| <u>Project</u> | <u>Unit #</u> | <u>Monthly Rent</u> | <u>Months in FY19</u> | <u>Total FY 2019 Tenant Payments</u> |
|----------------|---------------|---------------------|-----------------------|--------------------------------------|
| AMP3 | 54KAL | \$428 | 3 | \$1,284 |
| AMP3 | 206JQQ | \$566 | 3 | 1,698 |
| AMP3 | 20MAO | \$226 | 9 | <u>2,034</u> |
| | | | | <u>\$5,016</u> |

3. For one (or 2%), no Community Service timesheet was on file. Furthermore, no documentation was on file to support an exemption from the community service requirement.

| <u>Project</u> | <u>Unit #</u> | <u>Monthly Rent</u> | <u>Months in FY19</u> | <u>Total FY 2019 Tenant Payments and Questioned Costs</u> |
|----------------|---------------|---------------------|-----------------------|---|
| AMP3 | 23MAO | \$396 | 3 | \$1,188 |

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-004, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.850 Public and Indian Housing
Federal Award No.: GQ001000003
Area: Eligibility
Questioned Costs: \$1,188

Cause:

GHURA did not effectively perform quality control reviews over compliance with applicable eligibility requirements.

Effect:

GHURA is in noncompliance with applicable eligibility requirements. The projected questioned cost exceeds the threshold, and the total known questioned cost is \$1,188.

Identification as a Repeat Finding: 2018-05 and 2018-09

Recommendation:

Responsible personnel should conduct quality control reviews on tenant files so that all required documentation is complete and accurate at the time of admission or recertification in accordance with applicable eligibility requirements.

Views of Responsible Officials:

GHURA's Corrective Action Plan provides details of corrective actions taken.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-005
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.871/14.879 Housing Voucher Cluster
Area: Reporting
Questioned Costs: \$0

Criteria:

The following reporting requirements are applicable:

1. PHA's must submit accurate *Financial Reports (OMB No. 2535-0107)*, namely accurate FDS equity line items. FDS Line 11180 – (Housing Assistance Payments Equity) represents the HAP equity for the HCVP only. Amounts reported in this line should not be comingled with other voucher-related activities.
2. Each recipient must submit *HUD 60002, Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons*.

Condition:

1. We identified inaccuracies in the reporting of FDS Line 11170 – (Administrative Fee Equity) and FDS Line 11180 – (Housing Assistance Payments Equity), as follows:

| <u>FDS Line</u> | <u>Amount Reported</u> | <u>Amount Tested</u> | <u>Variance</u> |
|-----------------|------------------------|----------------------|------------------|
| 11170 | \$(4,948,838) | \$(4,788,333) | \$(160,505) |
| 11180 | \$ 366,897 | \$ 127,727 | <u>239,170</u> |
| | | | \$ <u>78,665</u> |

GHURA comingled Mainstream Vouchers of \$78,665 in FDS Line 11180.

2. GHURA did not submit the required HUD 60002 report.

Cause:

GHURA did not enforce compliance with applicable reporting requirements.

Effect:

GHURA is in noncompliance with applicable reporting requirements. No questioned cost is presented as we are unable to quantify the extent of noncompliance.

Recommendation:

Responsible personnel should enforce compliance with applicable reporting requirements.

Views of Responsible Officials:

GHURA's Corrective Action Plan provides details to address the finding and recommendation.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-006
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.872 Public Housing Capital Fund
Federal Award No.: GQ08P001501-17
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Criteria:

In accordance with applicable procurement and suspension and debarment requirements, a state must follow the same policies and procedures it uses for procurements from its non-federal funds. Therefore, sealed bidding shall be used for all contracts that exceed the small purchase threshold of \$50,000 for construction. GHURA shall not break down requirements aggregating more than \$50,000 into several purchases that are less than the threshold merely to (1) permit use of the small purchase procedures or (2) avoid any requirements that apply to construction that exceeds \$50,000 to the greatest extent feasible.

Condition:

For one (or 7%) of 15 transactions tested, aggregating \$746,880 of \$1,877,176 in total non-payroll Program expenditures with contractors, the small purchase procurement method was used to procure a construction contract in excess of \$50,000, as follows:

| <u>Project</u> | <u>Document ID</u> | <u>Date</u> | <u>Vendor No.</u> | <u>Amount Tested</u> | <u>Contract Amount</u> |
|----------------|--------------------|-------------|-------------------|----------------------|------------------------|
| AMP3 | 2019-11-501 | 11/14/2018 | VN00092615 | \$ 53,000 | \$ 53,000 |

Cause:

GHURA did not enforce compliance with applicable procurement requirements. It appears GHURA used the construction cost per unit, instead of the overall construction contract cost, as the basis for applying small purchase procedures.

Effect:

GHURA is in noncompliance with applicable procurement requirements. No questioned cost is presented as the applicable small purchase threshold for the Government of Guam as a whole is \$100,000.

Recommendation:

Responsible personnel should revisit GHURA's existing written procurement policy and the Government of Guam's procurement regulations and should adopt applicable thresholds accordingly. Responsible procurement personnel should enforce compliance with GHURA's written procurement policy.

Views of Responsible Officials:

GHURA's Corrective Action Plan provides details to address the finding and recommendation.



GHURA

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GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Plan of Corrective Action

Federal Award Findings and Questioned Costs, Continued

September 30, 2019

Lourdes A. Leon Guerrero
Governor of Guam

Joshua F. Tenorio
Lt. Governor of Guam

Sabino P. Flores
Chairman

Monica O. Guzman
Vice Chairwoman

Anisia S. Delia
Commissioner

Frank T. Ishizaki
Commissioner

George F. Pereda
Commissioner

Joseph M. Leon Guerrero
Resident Commissioner

Ray S. Topasna
Executive Director

Elizabeth F. Napoli
Deputy Director

Finding No.: 2019-001
Area: General Ledger Reconciliations, Schedule of Expenditures of Federal Awards and Timely Issuance of External Financial Statements

Condition:

An updated Schedule of Expenditures of Federal Awards was provided on August 6, 2020. Approximately \$100,000 of expenditures remains unreconciled between the general ledger and the SEFA. Complete fixed asset registers were provided on July 20, 2020. Such registers do not contain clear asset descriptions and tag numbers and are not reconciled to the physical inventory performed on a periodic basis. Timely external financial reporting is adversely impacted by these matters and it appears that a root cause may relate to inadequate numbers of accounting personnel. This matter also causes delays in issuing the Government of Guam's audit report.

Corrective Action Stated and Taken:

Additional accounting personnel resources will be put in place in the immediate future to address accounting reconciliations, as well as SEFA preparation, with the ultimate goal of interim reconciliations, to ensure the completeness and accuracy of the SEFA.

Responsible Party:

Controller

Anticipated Date of Completion:

On-going.



GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Plan of Corrective Action Federal Award Findings and Questioned Costs September 30, 2019

Finding No.: 2019-002
Federal Agency: U.S. Department of Housing and Urban Renewal
CFDA Program: 14.239 HOME Investment Partnership Program
Federal Award No.: M18ST660202
Area: Program Income
Questioned Costs : \$0

Condition:

Program income reported in the IDIS PR01 – HUD Grants and Program Income report differs from GHURA’s schedule of program income, as follows:

| | <u>FY 2019 Program Income</u> |
|------------------------------|-------------------------------|
| Schedule of Program Income | \$274,353 |
| IDIS PR01 report | <u>37,285</u> |
| Underreported program income | \$237,068 |

Corrective Action Stated and Taken:

GHURA will assess its current processes and revise its procedures to ensure a more routine and timely receipting of HOME program income into HUD’s Integrated Disbursement and Information System (IDIS). Program income on-hand will be receipted into IDIS immediately. GHURA will seek technical assistance from HUD to improve its planning for the use of program income.

Responsible Party:

Chief Planner

Anticipated Date of Completion:

September 30, 2020



GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Plan of Corrective Action

Federal Award Findings and Questioned Costs, Continued

September 30, 2019

Finding No.: 2019-003
 Federal Agency: U.S. Department of Housing and Urban Renewal
 CFDA Program: 14.267 Continuum of Care
 Federal Award No.: GU0011L9C001607, GU0011L9C001708
 Area: Special Tests and Provisions – Reasonable Rental Rates
 Questioned Costs: \$5,914

Condition:

For four (or 80%) of five tenants tested, aggregating \$4,000 of \$384,177 in rental and leasing costs, no documents were provided to substantiate compliance with applicable requirements for reasonable rental rates.

| <u>Tenant</u> | <u>Monthly Rent</u> | <u>Potential Excess Rent</u> | <u>Months in 2019</u> | <u>Questioned Cost</u> |
|---------------|---------------------|----------------------------------|---------------------------|----------------------------|
| RM | \$800 | \$200 | 2 | \$ 400 |
| JT | \$800 | \$211 | 12 | 2,532 |
| NP | \$800 | \$211 | 12 | 2,532 |
| AR | \$800 | \$ 75 | 6 | 450 |
| | | | | <u>\$ 5,914</u> |

Corrective Action Stated and Taken:

The Authority will seek HUD technical assistance to ensure compliance efforts are acceptable. Internal controls guiding staff actions to comply with the rent reasonableness requirement will be reviewed for accuracy and completeness. Where applicable, internal controls will be updated to ensure they are in line with current program rules and regulations.

Responsible Party:

Chief Planner

Anticipated Date of Completion:

November 30, 2020



GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Plan of Corrective Action

Federal Award Findings and Questioned Costs, Continued

September 30, 2019

Finding No.: 2019-004
 Federal Agency: U.S. Department of Housing and Urban Renewal
 CFDA Program: 14.850 Public and Indian Housing
 Federal Award No.: GQ001000003
 Area: Eligibility
 Questioned Costs: \$1,188

Condition:

Of 60 case files tested, we noted deficiencies, as follows:

- For one (or 2%), the head of household did not sign the Declaration of Section 214 Status form. No questioned cost is presented because alternative documentation demonstrates the household qualifies on the basis of citizenship.

| <u>Project</u> | <u>Unit #</u> | <u>Monthly Rent</u> | <u>Months in FY 2019</u> | <u>Total FY 2019 Tenant Payments</u> |
|----------------|---------------|---------------------|--------------------------|--------------------------------------|
| AMP 3 | 127AND | \$546 | 12 | \$6,552 |

- For three (or 5%), no EIV report was on file. No questioned cost is presented because GHURA subsequently provided the EIV reports on July 14, 2020, and such reports were consistent with compliant income eligibility calculations.

| <u>Project</u> | <u>Unit #</u> | <u>Monthly Rent</u> | <u>Months in FY 2019</u> | <u>Total FY 2019 Tenant Payments</u> |
|----------------|---------------|---------------------|--------------------------|--------------------------------------|
| AMP 3 | 54KAL | \$428 | 3 | \$1,284 |
| AMP 3 | 206JQQ | \$566 | 3 | 1,698 |
| AMP 3 | 20MAO | \$226 | 9 | <u>1,284</u> |
| | | | | <u>\$5,016</u> |

- For one (2%). No Community Service timesheet was on file. Furthermore, no documentation was on file to support an exemption from the community service requirement.

| <u>Project</u> | <u>Unit #</u> | <u>Monthly Rent</u> | <u>Months in FY 2019</u> | <u>Total FY 2019 Tenant Payments and Questioned Costs 2019</u> |
|----------------|---------------|---------------------|--------------------------|--|
| AMP 3 | 23MAO | \$396 | 3 | \$1,188 |

Corrective Action Stated and Taken:

- Unit 127AND – Declaration of Section 214 Status signed by adult household member (U.S. Citizen). Tabbed in Flap 1.
- Three EIV reports – 54KAL/206JQQ/20MAO (New Admissions) – EIV reports printed. Tabbed in Flap 3.
- Unit 23MAO – Community Service time incomplete. Community Service work out agreement signed by adult Household Member and in Flap 4.

Responsible Party:

Property Site Manager

Anticipated Date of Completion:

September 30, 2020



GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Plan of Corrective Action

Federal Award Findings and Questioned Costs, Continued

September 30, 2019

Finding No.: 2019-005
Federal Agency: U.S. Department of Housing and Urban Renewal
CFDA Program: 14.871/14.879 Housing Voucher Cluster
Area: Reporting
Questioned Costs: \$0

Condition:

1. We identified inaccuracies in the reporting of FDS Line 11170 – (Administrative Fee Equity) and FDS Line 11180 – (Housing Assistance Payments Equity), as follows:

| <u>FDS Line</u> | <u>Amount Reported</u> | <u>Amount Tested</u> | <u>Variance</u> |
|-----------------|------------------------|----------------------|------------------|
| 11170 | \$(4,948,838) | \$(4,788,333) | \$(160,505) |
| 11180 | \$ 366,897 | \$ 127,727 | <u>239,170</u> |
| | | | <u>\$ 78,665</u> |

GHURA comingled Mainstream Vouchers of \$78,665 in FDS Line 11180.

2. GHURA did not submit the required HUD 60002 report.

Corrective Action Stated and Taken:

1. Reclass will be done prior to submitting the audited Financial Data Schedule.
2. A HUD Form 60002 report will be prepared and submitted accordingly.

Responsible Party:

1. Controller
2. Architectural & Engineering Manager

Anticipated Date of Completion:

September 30, 2020



GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Plan of Corrective Action
Federal Award Findings and Questioned Costs, Continued
September 30, 2019

Finding No.: 2019-006
Federal Agency: U.S. Department of Housing and Urban Renewal
CFDA Program: 14.872 Public Housing Capital Fund
Federal Award No.: GQ8P001501-17
Area: Procurement and Suspension and Debarment
Questioned Costs : \$0

Condition:

For one (or 7%) of 15 transactions tested, aggregating \$746,880 of \$1,877,176 in total non-payroll Program expenditures with contractors, the small purchase procurement method was used to procure a construction contract in excess of \$50,000, as follows:

| <u>Project</u> | <u>Document ID</u> | <u>Date</u> | <u>Vendor No.</u> | <u>Amount Tested</u> | <u>Contract Amount</u> |
|----------------|--------------------|-------------|-------------------|----------------------|------------------------|
| AMP 3 | 2019-11-501 | 11/14/2018 | VN00092615 | \$53,000 | \$53,000 |

Corrective Action Stated and Taken:

GHURA will align its Procurement Policy with federal and local laws and regulations governing small purchase procurement to correctly reflect the Authority's intent to comply with the existing maximum limits for such purchases and all purchases. Policy amendments will be proposed for adoption by the GHURA Board of Commissioners to increase the small purchase limit to the legal limit of \$100,000. GHURA procurement management will adhere to the Authority's approved policy moving forward.

Responsible Party:

Buyer Supervisor II

Anticipated Date of Completion:

September 25, 2020



GHURA

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Deputy Director

GUAM HOUSING AND URBAN RENEWAL AUTHORITY Summary Schedule of Prior Year Audit Findings Year Ended September 30, 2019

Audit Finding

| | |
|---------|--|
| 2018-12 | Corrective action has been taken. |
| 2018-11 | Corrective action has been taken. |
| 2018-10 | Corrective action has been taken. |
| 2018-09 | Corrective action has been taken. |
| 2018-08 | Corrective action has been taken. |
| 2018-07 | Corrective action has been taken. |
| 2018-06 | Corrective action has been taken. |
| 2018-05 | Corrective action has been taken. |
| 2018-04 | Corrective action has been taken. |
| 2018-03 | Corrective action has been taken. |
| 2018-02 | Corrective action has been taken. |
| 2018-01 | Corrective action has been taken. |
| 2017-12 | Corrective action has been taken. |
| 2017-11 | Corrective action has been taken. |
| 2017-10 | Corrective action has been taken. |
| 2017-09 | Corrective action has been taken. |
| 2017-07 | Corrective action has been taken. |
| 2017-06 | Corrective action has been taken. |
| 2017-05 | Corrective action has been taken. |
| 2017-04 | Corrective action has been taken. |
| 2017-03 | Corrective action has been taken. |
| 2017-02 | Corrective action has been taken. |
| 2017-01 | This finding is unresolved. The Capital Fund Grant reconciliations are ongoing. GHURA Fiscal Staff is looking at completing the reconciliations within a year. |
| 2016-13 | Corrective action has been taken. |
| 2016-09 | Corrective action has been taken. |
| 2012-11 | Questioned costs of \$97,751. Per 2CFR§200.511(b)(3), this finding does not warrant further action. |