



Guam Housing and Urban Renewal Authority FY 2017 Financial Highlights

June 24, 2018

The Guam Housing and Urban Renewal Authority (GHURA) ended fiscal year (FY) 2017 with a decrease in Net Position (net loss) of \$165 thousand (K), compared to a \$228K net income in the prior year. The net loss was primarily due to the decrease in federal grants and subsidies by \$2.7 million (M). For FY 2017, GHURA received a total of \$42.2M in federal and other government grants and subsidies, of which \$40.6M (96%) was from the US Department of Housing and Urban Development (HUD).

Independent auditors, Burger • Comer • Magliari, rendered an unmodified opinion on GHURA's FY 2017 financial statements. However, for the report on compliance, GHURA again received modified opinions over four major federal programs. This is the sixth consecutive year since FY 2012 that GHURA has had modified opinions on compliance. The modified opinions were due to material weaknesses and significant deficiencies on Public Indian Housing (otherwise known as Low Income Housing Assistance program) (7 findings), Section 8 Housing Choice Voucher (HCV) program (4 findings), Supportive Housing for the Elderly (4 findings), and Public Housing Capital Fund program (1 finding). The FY 2017 compliance report cited 5 material weaknesses and 11 significant deficiencies, which increased from the six significant deficiencies in FY 2016. Generally, GHURA management responded that they would enforce its existing internal control policies and procedures.

Modified Opinions for Six Consecutive Years on Reports on Compliance and Internal Controls

Compliance continues to be a significant issue for GHURA, as it has consistently received modified opinions since FY 2012 due to material weaknesses and significant deficiencies on three to four major federal programs.

The material weaknesses cited were: 1) eligibility documentation were not on file or were not signed by Property Site Manager (PSM); 2) no inspection report or inspection report lacked required signatures, and failed inspection reports lacked documentation to evidence correction of deficiencies; and 3) erroneous calculation of tenant income.

The significant deficiencies are relative to: 1) unreconciled differences of \$49K between accounting records and close out cost certificate; 2) no criminal background check; 3) untimely recertification; 4) Declaration of Section 214 Status not properly completed; 5) no verification against National Sexual Registry; 6) incorrect flat rate amount; 7) tenants did not meet community service requirements; 8) no certification for non-filing of tax return; and 9) incorrect voucher size.

A Management Letter identified two new areas for improvement pertaining to lack of proper segregation of duties and lack of periodic tenant file quality control review. The nine repeat findings include: 1) inconsistent quality control testing of tenant files; 2) ineffective oversight functions of PSM;

3) incomplete documentation of reviews and certifications; 4) unsystematic filing of documents; 5) housing database needs updating; 6) inefficient accounting system; and 7) need for review of local fund accounts.

Revenues and Expenditures

GHURA operates a number of housing and grant programs including five major programs (funds), 12 non-major enterprise funds, and three other enterprise funds. Total operating revenues of \$42.0M decreased by \$3.3M from the prior year of \$45.3M. The five major programs encompass \$38.5M or 92% of the total operating revenues, of which the largest of \$31.1M is the Section 8 Housing Choice Voucher (HCV) Program. The other four major programs are the Low Income Housing Program, Community Development Block Grants, Supportive Housing for the Elderly, and Public Housing Capital Fund Program with total operating revenues of \$7.4M. Total operating expenditures of \$43.6M, continued to outweigh operating revenues despite decreases of \$2.6M, resulting in an operating net loss of \$1.7M. This significant decrease was mainly due to the decreases in Housing Assistance Payments (HAP) (\$1.6M), depreciation expense by \$898K, and in repairs and maintenance (\$492K). Total major funds' operating expenses of \$39.2M account for 90% of total expenditures with Section 8 HCV with the largest expenditures of \$30.9M.

FY 2016 Financial Statements Restatement

In FY 2017, GHURA implemented GASB No. 73, which aligns the reporting of pensions, ad hoc cost-of-living adjustments (COLA) and supplemental annuity payments. The implementation of this statement had a material effect on GHURA, resulting in the restatement (reduction) of its FY 2016 ending Net Position by \$2.1M. For FY 2017, GHURA's net pension liability increased by \$2.1M to \$13.3M, the agency's pro rata share of the Government of Guam's net pension liability of approximately \$1.4 Billion.

Section 8 Housing Choice Voucher Program (HCV)

GHURA's HCV Program ended FY 2017 with an increase in net position (net income) of \$491K, a decrease of \$619K from its FY 2016 net income of \$1.1M. The decrease was largely attributed to the \$2.2M decrease in HUD grants. The program's total expenditures of \$30.9M decreased by \$1.4M, mainly due to the decrease in HAP by \$1.6M.

Low Income Housing Program-Asset Management Properties (AMP)

GHURA owns 750 Public Housing units consisting of four AMPs, which are rented to low-income households. At the end of FY 2017, 740 units, (or 99%) were occupied, and eight units were under modernization. In FY 2017, the AMP program had net income of \$79K, a \$1.5M increase from the prior year's net loss of \$1.4M. This was primarily due to the increase in the HUD grants by \$228K and decrease in total operating expenditures by \$1.2M resulting from a significant decline in depreciation expense by \$944K and employee salaries and benefits by \$340K.

Contingencies and Subsequent Events

In FY 2015, HUD recommended that GHURA repay approximately \$2.0M for matters involving conflict of interest and unused funds for construction of a new building for GHURA. In February 2018, GHURA's six former Board of Commissions and Executive Director were accused of misdemeanor charges of conspiracy, official misconduct, and violating GovGuam Open Government Law. The case is ongoing and at various stages.

For a more detailed discussion of GHURA's operations, see Management Discussion and Analysis as well as the reports in their entirety at www.ghura.org or www.opaguam.org.