



## OFFICE OF PUBLIC ACCOUNTABILITY

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### **Guam Housing and Urban Renewal Authority – FY 2018 Financial Highlights**

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Hagåtña, Guam – The Office of Public Accountability released the Guam Housing and Urban Renewal Authority’s (GHURA) financial statements, report on compliance and internal control, management letter and letter to those charged with governance for fiscal year (FY) 2018. Independent auditors Burger, Comer, & Magliari, LLC rendered an unmodified (clean) opinion on GHURA’s FY 2018 financial statements. However, GHURA received a modified opinion on the report on compliance in three of its four major federal programs due to a number of material weaknesses and significant deficiencies.

Before prior period adjustment on other post-employment benefits (OPEB), GHURA ended FY 2018 with a decrease in net position (net loss) of \$1.7 million (M). This was a larger net loss compared to FY 2017’s \$165K, or a \$1.5M increase in net loss. As of FY 2018, GHURA’s total net position amounted to \$8.8M, an overall decrease by \$15.3M from the prior year.

GHURA restated its FY 2017 financial statements because of the implementation of Governmental Accounting Standards Board No. 75, which pertains to the accounting and reporting of post-employment medical, dental, and life insurance benefits to retirees, spouses, children, and survivors. This reduced GHURA’s net position by \$13.6M as of FY 2017. GHURA’s OPEB expense in FY 2018 was \$1.2M, and its OPEB liability was \$14.9M as of FY 2018.

#### **Reports on Compliance and Internal Controls**

Since FY 2012, GHURA has consistently received modified opinions on major federal programs. FY 2018 was an improvement as only three of its four major federal programs had modified opinions. The Supportive Housing for the Elderly and the Public and Indian Housing (Low Income Housing) programs had material weaknesses related to annual recertification, eligibility documentation, and file maintenance. These two programs also had significant deficiencies related to housing inspections, file maintenance, and required community service. These findings were found on 52 tenant files tested. Meanwhile, the Section 8 Housing Choice Voucher (HCV) program had significant deficiencies related to eligibility and rent reasonableness documentation, which were found on ten tenant files tested.

The material weaknesses cited were due to document deficiencies such as: 1) required forms not on file, incomplete or incorrect, not signed by officials, or signed off by the same person; 2) late recertification; 3) inaccurate rent calculation; and 4) incorrect recording of information resulting to discrepancies.

The significant deficiencies were due to: 1) housing inspection reports not on file, untimely, or not signed by officials; 2) required 96 hours of community service not performed or incomplete; 3) Criminal History/Sex Offender Certification not signed off or verified; and 4) required forms not on file, incomplete, not signed off by officials, or signed off by the same person.

#### **Management Letter**

The independent auditors issued a separate Management Letter that identified eight new findings and three repeat findings. The eight new findings include: 1) two separate accounting systems hindered

operational efficiency and resulted in unreconciled discrepancies of \$49K; 2) co-mingling of various funds due to reporting requirements; 3) maintenance of 20 local funds, many of which have minimal or no activity; 4) interest income from tenants' security deposits not tracked or allocated per tenant; 5) lack of monitoring procedures and untimely review of tenant files; 6) inconsistent checklists, forms, and file maintenance; 7) Family Unification Program not well-defined in GHURA's HCV Administrative Plan; and 8) no guideline in the valuation of Chamorro Land Trust properties.

### **Revenues and Expenditures**

In achieving its mission to provide quality housing for low-income persons and other community development related activities, GHURA operates a number of housing and grant funds (programs), which includes four major enterprise funds, 12 non-major enterprise funds, and three other enterprise funds.

GHURA's operating revenues increased by \$672K or \$42.6M in FY 2018 due to increases in other income of \$572K and a grant from the U.S. Department of Housing and Urban Development (HUD) of \$292K. The increase in operating revenues was offset by a decrease in non-operating revenues, mainly from capital grants by \$753K. Total revenues slightly decreased by \$143K, from \$43.5M in FY 2017 to \$43.4M in FY 2018.

HUD is GHURA's largest and primary source of operating revenues. For FY 2018, GHURA received \$40.8M from HUD, with Section 8 HCV program as the biggest recipient for \$30.1M or 74%. In FY 2018, GHURA's total expenditures of \$45.1M exceeded its total revenues resulting in a net loss of \$1.7M. The expense account that had the largest increase was the repairs and maintenance by \$1.8M, from \$3.5M in FY 2017 to \$5.3M in FY 2018.

Of the major funds, the Low Income Housing program incurred the largest net loss of \$506K. Only the Supportive Housing for the Elderly program generated a net income of \$368K.

### **Family Self-Sufficiency (FSS) Program**

The FSS program enables families to increase their earned income and reduce dependency on welfare assistance and rental subsidies. At the end of 2018, the program serviced 151 participating families, of which two had graduated. FSS Coordinators conducted workshops for families to impart life skills for housing success and lifelong values. FSS Coordinators also provided numerous job announcements in 2018, which resulted in the employment of 28 heads of households.

### **Low-Income Housing Tax Credit (LIHTC) Program**

The LIHTC program has been the primary tool in support of affordable rental housing development in Guam. As of FY 2018, 919 units were in service while two projects for 116 units were under construction. One project for 66 units is in the final phase of a 399-unit development in Dededo, Guam.

### **Contingencies and Subsequent Events**

The contingent liability of approximately \$2M recommended by HUD in FY 2015 for GHURA to repay using non-federal funds remains unresolved as of FY 2018. The former Executive Director pleaded guilty of the misdemeanor charge of violating the Open Government Law. The Guam Environmental Protection Agency cited GHURA for illegal dumping at one of the public housing sites.

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](http://www.ghura.org) or [www.opaguam.org](http://www.opaguam.org).