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Guam Housing and Urban Renewal Authority – FY 2021 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, single audit reports, management letter, and letter to those charged with governance for fiscal year (FY) 2021. GHURA ended FY 2021 with an increase in Net Position (net income) of \$943 thousand (K), or a \$3.1 million (M) increase in net position compared with the prior year's decrease (net loss) of \$2.2M.

Independent auditors, Deloitte & Touche, LLP, rendered an unmodified (clean) opinion on GHURA's FY 2021 financial statements. However, GHURA received a **qualified opinion** on the Community Development Block Grant Cluster, a major federal program. All other major federal programs received an unmodified opinion. Auditors identified two material weaknesses and two significant deficiencies in internal control over compliance related to major federal programs. Auditors also issued a separate management letter with three findings related to long outstanding accounts, allowance for doubtful accounts, and net position reconciliation.

Coronavirus (COVID-19) Pandemic

GHURA received direct Coronavirus Aid, Relief, and Economic Securities Act (CARES Act) funds through the U.S. Department of Housing and Urban Development (HUD)'s Office of Community Planning and Development in two separate allocations of \$2.7M and \$3.5M for Community Development Block Grant (CDBG) and the Emergency Solutions Grant (ESG), respectively. Funds are intended to prevent, prepare, and respond to the community's needs as a result of the pandemic. GHURA was also awarded \$1.2M for its Section 8 Housing Choice Voucher (HCV) program and is authorized to disburse \$745K for its Public Housing Programs.

Revenues and Expenditures Increased

GHURA's operating revenues totaled \$51.9M in FY 2021, a \$6.1M increase from the \$45.8M in FY 2020. The increase is mainly due to the \$5.6M increase in operating grants from HUD, which went from \$44.7M in FY 2020 to \$50.3M in FY 2021. In comparing other income for years 2020 and 2021 of \$360K and \$798K, respectively, there was an increase of \$438K slightly impacting total operating revenues.

Total operating expenses were \$53.2M in FY 2021, a \$4.1M increase from the \$49.1M in FY 2020. The Housing Assistance Payments (HAP) of \$38M is GHURA's largest expense, which increased by \$5.5M (or 17 %) from \$32.5M in FY 2020. The increase is attributed to an increase in Section 8 HCV due to higher unit month leasing costs. Salaries and wages of \$4.9M, Employee benefits of \$2.5M, Retiree healthcare cost and other pension benefits of \$1.4M, and Other administrative expenses of \$1.9M are GHURA's other major expenses. In FY 2021, Repairs and maintenance of \$1.2M decreased significantly by \$545K (or 30%) from \$1.8M in FY 2020.

Public Housing – Asset Management Properties (AMP)

GHURA owns and operates 750 public housing units consisting of four AMPs with sites in the Central, Southeast, Southwest, and Northern regions. Each AMP has a property site manager directly responsible for their respective property management activities. GHURA had 704 units occupied with a 97% occupancy rate and an adjusted rate of 96.4% with 27 units under modernization. Of the 1,345 heads of households that occupy the AMPs, 805 were born in Guam, 270 were born in Chuuk, 74 were born in the Philippines, and the remaining were born in the Federated States of Micronesia, Japan, Korea, Marshall Islands, Commonwealth of the Northern Mariana Islands, Palau, Samoa, and the United States.

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 2021, the program enrolled 45 new families and serviced 174 participants, of which two families had graduated. FSS Coordinators conducted workshops for families to impart life skills for housing success and lifelong values. FSS Coordinators concluded 2021 by successfully organizing its 5th annual Toys-for-Tots toy drive, which allowed for the distribution of 172 Christmas gifts for FSS families and GHURA tenant families with children aged 0-17 years.

Supportive Housing for the Elderly (Guma Trankilidat Project)

The Guma Trankilidat Project is an elderly housing rental program, consisting of 50 dwelling units (49 one-bedroom and 1 two-bedroom unit). Annual rental grants of approximately \$600K are provided through project-based vouchers through the U.S. Department of Housing and Urban Development's Multifamily Housing program. These grants cover both annual operating expenses and mortgage payments.

Community Planning and Development Funds

Of the many HUD-funded activities administered by GHURA, the activities funded through the HUD Office of Community Planning and Development (CPD) represent the greatest diversity of projects engaged to benefit low and moderate-income populations, and special needs populations. These funds find their way into the community to support activities that meet the needs of persons from a multitude of diverse economic and social backgrounds from the homeless to those trying to afford their first home purchase. During FY 2021, a total of \$4.4M was approved by HUD to fund eligible projects and activities with formula grant funds.

Single Audit Reports

In its Single Audit Reports, auditors identified one significant deficiency in internal control over financial reporting (a repeat finding) and two material weaknesses, and two significant deficiencies in internal control over compliance related to major federal programs. The two significant deficiencies in federal programs were related to GHURA's non-submission of the required FY2021 unaudited financial information in the Financial Assessment Subsystem (FASS-PH). This emanated from HUD's rejection of GHURA's audited FY 2019 financial information. As of April 2, 2022, HUD had not yet approved either GHURA's audited FY 2019 financial information or the unaudited FY 2020 financial information.

GHURA received a qualified opinion on its Community Development Block Grant Cluster for not complying with requirements for program income and reporting, with questioned costs of \$35K. Except for this noncompliance, GHURA complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on the Community Development Block Grant Cluster for FY 2021.

To correct these deficiencies, auditors recommended the following:

1. GHURA should develop and implement controls over the timely preparation and reconciliation of the Schedule of Expenditures of Federal Awards (SEFA) and obtain training for accounting personnel relative to SEFA Uniform Guidance requirements;
2. Implement monitoring controls over compliance with applicable program requirements; prior to certifying annual plan and entities in the Integrated Disbursement and Information System (IDIS) and entitlement grant draws, examine underlying accounting records to determine the accuracy and completeness of reported data, and verify that available program income has been exhausted prior to drawing entitlement grant funds; and
3. Coordinate with HUD and prioritize the resolution of HUD's rejections, allowing for the approvals of the FY 2020 and FY 2021 financial information in the FASS-PH for submission to HUD and testing.

Schedule of Expenditures of Federal Awards

In FY 2021, GHURA was responsible for 20 direct programs with a combined \$58.6M total expenditures of federal awards. For FY 2021, GHURA received \$51.9M federal awards from the HUD, which represents approximately 97% of their total operating and capital grant revenues. Of the \$58.7M in expenditures, the top five expenditures recorded include \$40.2M on Section 8 Housing Choice Vouchers, \$4.5M on the Home Investment Partnerships Program, \$4.2M on Public and Indian Housing, \$2.6M on Community Development Block Grants Section 108 Loan Guarantees, and \$2.1M on Public Housing Capital Fund.

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 was designed to increase homeownership and affordable housing opportunities for low- and very low-income Americans. The balance of HOME Investment Partnerships and CDBG grant loans outstanding and recorded by GHURA on September 30, 2021 is \$4.2M and \$306K, respectively.

In May 2021, GHURA entered into a \$12M loan with the U.S. Department of Housing and Urban Development to provide a source of low-cost, long-term financing loan to The Learning Institute through the Section 108 Loan Guarantee Program to construct a public facility for use as a school. The facility will be leased to the iLearn Academy Charter School by The Learning Institute. The balance of the Section 108 loan outstanding and recorded by GHURA on September 30, 2021, is \$2.5M.

Management Letter

Independent auditors issued a Management Letter that identified three findings and recommendations. These are: a) long outstanding accounts with a net impact of \$279K may no longer be valid but remained in the books; b) no allowance was considered for doubtful accounts receivable of approximately \$450K c) beginning net position as of September 30, 2021, did not agree to the FY 2020 ending net position and a reconciliation was not performed. The auditors recommended corrective actions through review of long outstanding accounts, periodic analysis of past due accounts, and timely reconciliation of net position.

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