



## **Guam Housing and Urban Renewal Authority FY 2010 Financial Highlights**

May 4, 2011

The Guam Housing and Urban Renewal Authority (GHURA) ended fiscal year (FY) 2010 with an increase in net assets of \$1.5 million (M) compared to a decrease of \$1.2M in FY 2009. Independent auditors J. Scott Magliari & Company rendered an unqualified or “clean” opinion on GHURA’s financial statements. However, in order to receive a clean opinion, an audit adjustment was made which increased net assets by \$290,000. GHURA’s compliance report was again qualified and identified two significant deficiencies, which were deemed material weaknesses, with the late financial reporting to the Housing and Urban Development (HUD) and the inability for the Fiscal Division to produce timely financial statements.

### ***Significant Increase in Revenues and Expenditures***

GHURA’s revenues increased significantly by 43.7%, or \$19.8M, going from \$45.2M in 2009 to \$65.0M in 2010. The increases came primarily from HUD Public Housing Assistance (PHA) Operating Grants and Other Government Grants, which make up 95.6% of all operating revenues. The HUD PHA Operating Grants is GHURA’s main source of revenue, representing 78.1% of total Federal revenues and increased by \$8.6M, going from \$42.2M to \$50.8M. Other Government Grants represented 17.5% of revenues and increased by \$10.6M, going from \$738,000 to \$11.4M, primarily from American Recovery and Reinvestment Act (ARRA) grants.

The PHA program funds a variety of housing programs the largest of which is the Housing Choice Voucher program more commonly known as Section 8. During FY 2010, GHURA received over \$35.5M in Section 8 grants, representing over 58% of all programs. GHURA administered over 2,545 vouchers at a cost of \$32.7M representing rental income to hundreds of landlords. Other housing assistance programs include Home Investment Partnerships Program, Emergency Shelter Grants, Continuum of Care Grants, Low Rent Public Housing, and Supportive Housing for the Elderly.

Cumulatively, GHURA received \$11.3M in ARRA funding. Of this amount \$2.7M was used to fund the construction of the Guma San Jose Emergency Shelter, the new Southern Police Precinct, and the new Agat/Santa Rita Fire Station, \$632,000 was used for homelessness prevention and rapid re-housing programs, \$1.1M was used for renovations/improvements to public housing (such as water-blasting and roof coating, exterior painting and kitchen cabinets/counters). Another \$600,000 was used for weatherization assistance for low-income persons and the construction of the Southern Regional Community Health Center. IRS Section 1602 provided \$6.2M for low-income housing in lieu of housing credits used to pay for developer’s costs for construction of rental housing for low-income families and individuals.

### ***Fraud Recovery Income***

GHURA is to be commended for having an Earned Income Verification System (EIVS) in place. GHURA is able to independently verify the income reported by applicants. The lower the income, the more housing assistance an eligible applicant is entitled to receive. Through the EIVS, GHURA

has recovered monies from applicants who have under reported. GHURA is entitled to retain 50% of the funds recovered with the other 50% returned to HUD. For FY 2010, GHURA recovered \$120,000, a \$24,000 increase over prior year's \$96,000.

Operating expenditures also saw a significant increase of 37%, or \$18.1M, going from \$48.8M to \$66.9M, primarily from the \$11.3M in ARRA related projects noted above, project costs and housing assistance payments. Housing assistance payments increased 4% or \$1.2M, going from \$31.5M to \$32.7M. These increases were due to public facilities and improvement projects, homebuyer and homeowner projects and development costs for construction of rental housing for low-income families and individuals.

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

The accompanying reports on internal control and compliance were again qualified. This year's qualifications were due to two material weaknesses, one of which was a repeat finding, related to GHURA's late financial reporting to HUD and the inability for the Fiscal Division to produce timely financial statements.

- **Financial Data Schedule** – GHURA was unable to close its books and prepare timely annual financial statements utilizing the prescribed Financial Data Schedule to HUD's Real Estate Assessment Center. The auditors noted that this was due to a lack of qualified staff in the Fiscal Division.
- **Financial Accounting System** - The Fiscal Division is unable to timely produce the current and complete financial statements on a monthly and annual basis. There is a consistent two-to three-month delay in closing the books each month and at fiscal year-end. In addition, numerous accounts are not properly reconciled timely. This finding is due to the lack of sufficient qualified accountants to ensure that accounting functions continue to be performed in the absence of key accounting personnel during critical periods of the year. This has been an on-going material weakness.

There were also three management letter findings.

- **Rent Reasonableness** – Utilization of rent comparisons in other areas outside the proposed location when determining rent reasonableness were without proper justification and maintaining an up-to-date database for which to gauge comparable rents. This has been an on-going weakness.
- **Account Reconciliation** – Some accounts were not reconciled on a timely basis. Accounts must be reconciled prior to closing. This has been an on-going weakness.
- **Maintenance of Subsidiary Ledgers** – Subsidiary ledgers were not maintained or were maintained but did not tie to the general ledger. Subsidiary ledgers must be maintained and should match or tie to the general ledger. This has been an on-going weakness.

The independent auditors issued a separate document to the Board of Commissioners outlining audit strategies, emphasis, required communications, audit differences, and adjustments. For a more detailed commentary, refer to the Management Discussion and Analysis in the audit report. Visit GHURA's website at [www.ghura.org](http://www.ghura.org) or OPA's website at [www.guamopa.org](http://www.guamopa.org) to view the reports in their entirety.