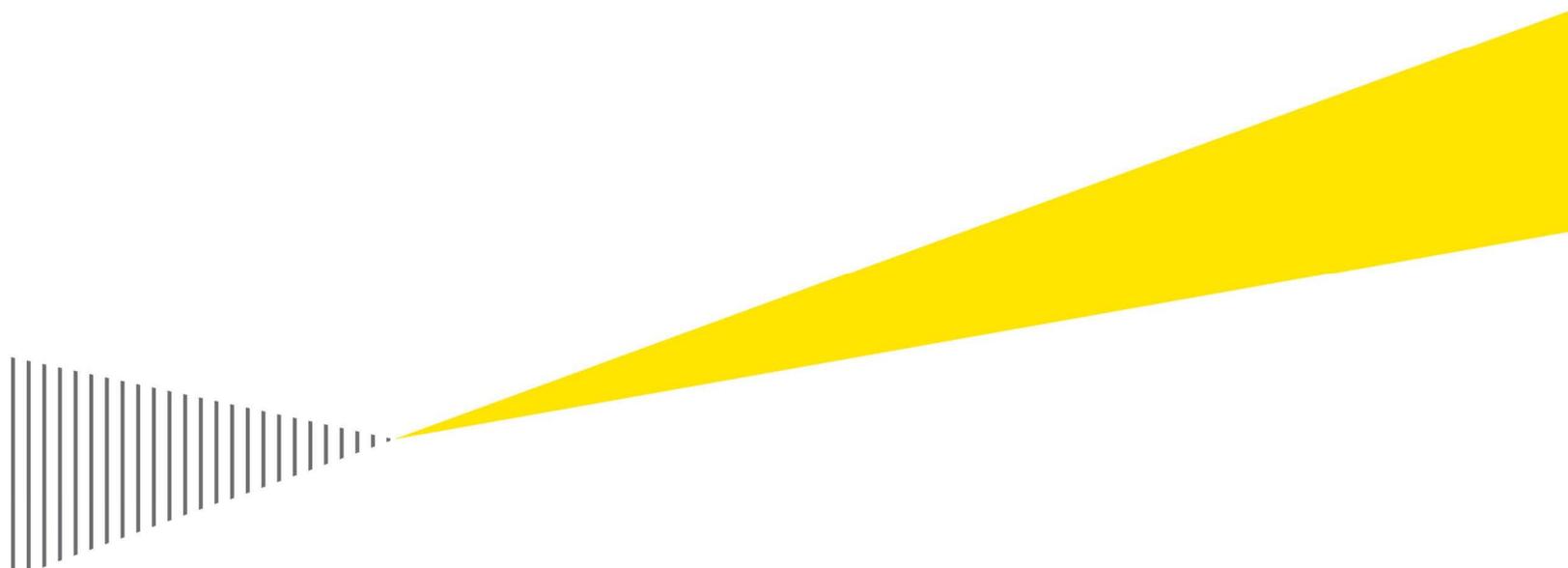


Compliance and Internal Control

Guam Housing Corporation

(A Component Unit of the Government of Guam)

Year ended September 30, 2018



**Building a better
working world**

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Report on Compliance and Internal Control

Year ended September 30, 2018

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Ernst & Young LLP
231 Ypao Road
Suite 201 Ernst & Young Building
Tamuning, Guam 96913

Tel: +1 671 649 3700
Fax: +1 671 649 3920
ey.com

Report of Independent Auditors 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*

Management and the Board of Directors
Guam Housing Corporation

We have audited, in accordance with auditing standards generally accepted in the United States 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 the Guam Housing Corporation (the Corporation), which comprise the statement of net position as of September 30, 2018, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2019.

Internal control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item number 2018-001.

Corporation's Response to Findings

The Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Corporation'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.

Ernst + Young LLP

March 28, 2019

Guam Housing Corporation
(A Component Unit of the Government of Guam)

September 30, 2018

Schedule of Findings and Responses

Finding No.: 2018-001

Criteria:

According to the Guam Administrative Rules and Regulations (GARR), Administration, Division 4, Chapter 3, Section 3109, Paragraph (d), a minimum of 15 days of bidding time shall be provided unless a shorter time is deemed necessary for a particular procurement as determined in writing by the procurement office.

Condition

For one invitation for bid (IFB) procurement, we noted the duration between the announcement and the close of the bid was 14 days. There was no memorandum on file to document the reason for the shorter bidding period.

Cause

The announcement in the Corporation's website was made later than required.

Effect or potential effect:

The IFB did not completely meet the requirements set out by the GARR.

Recommendation

We recommend the Corporation ensure that announcements meet the minimum requirements of GARR.

Management's Response

Management agrees with the finding. Please refer to the separately issued Corrective Action Plan for details.