

**GUAM HOUSING AND
URBAN RENEWAL AUTHORITY**

SINGLE AUDIT AND HUD REPORTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015



**INDEPENDENT AUDITOR'S REPORT 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***

To the Board of Commissioners
Guam Housing and Urban Renewal Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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 and Urban Renewal Authority (the Authority), a component unit of the Government of Guam, which comprise the statement of net position as of September 30, 2015, and the related statements of revenues, expenses and changes in net position, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 a 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 Authority's financial statements are free from 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 my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in black ink that reads "Benigno C. Maglasi". The signature is written in a cursive style with a large initial "B".

Tamuning, Guam
June 1, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE; AND REPORT EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Commissioners
Guam Housing and Urban Renewal Authority

Report on Compliance for Each Major Federal Program

We have audited the Guam Housing and Urban Renewal Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2015. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on my audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Basis for Modified Opinion on CFDA No. 14.850 – Public and Indian Housing and CFDA No. 14.871 Section 8 Housing Choice Voucher

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding its CFDA 14.850 Public and Indian Housing Program as described in finding numbers 2015-01 and 2015-02 for Eligibility and its CFDA 14.871 Section 8 Housing Choice Voucher Program as described in findings numbers 2015-03 and 2015-04 for Special Tests and Provision and Eligibility, respectively. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

Modified Opinion on CFDA No. 14.850 – Public and Indian Housing and CFDA No. 14.871 Section 8 Housing Choice Voucher

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Public and Indian Housing and Section 8 Housing Choice Voucher programs for the year ended September 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2015.

The Authority’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, we considered the Authority’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2015-01 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2015-02, 2015-03, and 2015-04 to be significant deficiencies.

The Authority's response to the internal control over compliance findings identified in my audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 We have audited the financial statements of the Authority as of and for the year ended September 30, 2015, and have issued our report thereon dated June 1, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole



Tamuning, Guam
June 1, 2016

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Expenditures of Federal Awards
For Year Ended September 30, 2015

<u>CFDA#</u>	<u>AGENCY/PROGRAM</u>	<u>2015 Fiscal Year Expenditures</u>
Direct Grants:		
<u>U. S. Department of Housing and Urban Development (HUD)</u>		
	Housing Voucher Cluster:	
14.871	Section 8 Housing Choice Vouchers	\$ 31,784,853 *
14.879	Mainstream Vouchers	-
14.880	Family Unification Program	-
	Sub-total – Housing Voucher Cluster	<u>31,784,853</u>
	Capital Fund Project Cluster:	
14.872	Public Housing Capital Fund Program	1,022,723
14.884	ARRA – Public Housing Capital Fund Competitive	-
14.885	ARRA – Public Housing Capital Fund Stimulus (Formula)	-
	Sub-total – Capital Fund Project Cluster	<u>1,022,723</u>
14.157	Supportive Housing for the Elderly	448,396 *
14.191	Multifamily Housing Service Coordinators	55,031
14.225	Community Development Block Grants/Special Purpose Grants/Insular Area	2,196,185 *
14.231	Emergency Shelter Grants Program	190,241
14.235	Supportive Housing Program	940,604
14.238	Shelter Plus Care Program	270,115
14.239	HOME Investment Partnerships	328,742
14.850	Public and Indian Housing	4,217,943 *
14.870	Resident Opportunity and Supportive Services	58,708
14.896	Family Self Sufficiency Program	<u>63,090</u>
	Total HUD Program Award Expenditures	<u>41,576,631</u>
Passed through the Government of Guam Department of Administration:		
<u>U. S. Department of the Interior</u>		
15.875	Economic, Social and Political Development of the Territories – Compact Impact	1,783,529 *
<u>U. S. Department of Health and Human Services</u>		
93.243	Substance Abuse and Mental Health Services – Projects of Reginal & National Significance	928
93.505	Affordable Care Act – Maternal Infant & Early Childhood Home Visiting Program	<u>10,208</u>
	Total HHS Program Award Expenditures	<u>11,136</u>
	Total Passed through the Government of Guam Department of Administration	<u>1,794,665</u>
	Total Expenditures of Federal Awards Subject to OMB Circular A-133 Testing	<u>\$ 43,371,296</u>
	Percentage of Federal Awards Tested	<u>93%</u>

* Denotes a major program as defined by OMB Circular A-133 and based upon audit requirements imposed in the audit.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Expenditures of Federal Awards
For Year Ended September 30, 2015

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the grant activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* (“Single Audit”). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Programs Subject to Single Audit

The Schedule of Expenditures and Federal Awards presents each Federal program related to the U.S. Department of Housing and Urban Development, U.S. Department of the Interior and the U.S. Department of Health and Human Services.

The Authority has outstanding debt exceeding \$500,000 and the U.S. Department of Agriculture Rural Development requested the Supportive Housing Program for the Elderly be audited as a major program despite below the major program threshold for 2015. Therefore this program was audited as a major program.

Note 2 Subrecipients

The Authority administers certain programs through subrecipient organizations. Those subrecipients are also not considered part of the Guam Housing and Urban Renewal Authority reporting entity. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how subrecipient outside of GHURA’s control utilized those funds. Federal awards provided to subrecipients are treated as expenditures when paid to the subrecipient.

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the Authority provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Supportive Housing Program	14.238	\$ 865,248
Emergency Shelter Grants	14.231	176,710
Community Development Block Grant	14.222	118,545
HOME Investment Partnerships	14.239	<u>61,265</u>
Total		<u>\$ 1,221,768</u>



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC
REQUIREMENTS APPLICABLE TO AFFIRMATIVE FAIR HOUSING
AND NON-DISCRIMINATION**

To the Board of Commissioners
Guam Housing and Urban Renewal Authority:

We have audited the basic financial statements of Guam Housing and Urban Renewal Authority (the Authority), a component unit of the Government of Guam for the year ended September 30, 2015 and have issued our report thereon dated June 1, 2016.

We have applied procedures to test GHURA's compliance with the Affirmative Fair Housing and Non-Discrimination requirements applicable to its HUD assisted programs, for the year ended September 30, 2015.

Our procedures were limited to the applicable compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of Inspector General. Our procedures were substantially less in scope than an audit, the objective of which would be the expression of an opinion on GHURA's compliance with the Affirmative Fair Housing and Non-Discrimination requirements. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance with the Affirmative Fair Housing and Non-Discrimination requirements under the Guide.

This report is intended solely for the information of the management and Board of Commissioners of the Guam Housing and Urban Renewal Authority, the Office of the Public Accountability – Guam, and the Department of Housing and Urban Development and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is also a matter of public record.

A handwritten signature in black ink that reads "Burger Comer Magliari".

Tamuning, Guam
June 1, 2016

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

We have audited the financial statements of the Guam Housing and Urban Renewal Authority and issued an unmodified opinion.

Internal control over financial reporting:

- Material weaknesses were identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported
- Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes

Type of report issued on compliance of major program:

The auditor's report on major program compliance for GHURA having five major programs included an unmodified opinion for the Community Development Block Grants, the Economic, Social and Political Development of the Territories – Compact Impact, Supportive Housing for the Elderly and a modified opinion on the Section Housing Choice Voucher and Low Income Housing Assistance Programs based on identified reportable conditions, which, in our opinion, are considered to be three significant deficiencies and one material weakness.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

PART I - SUMMARY OF AUDITOR'S RESULTS, continued

Identification of major programs:

<u>CFDA#</u>	<u>PROGRAM</u>
14.157	Supportive Housing for the Elderly Program
14.225	Community Development Block Grants/Special Purpose Grants/Insular Areas
14.850	Public and Indian Housing
14.871	Section 8 Housing Choice Voucher Program (HCV)
15.875	Economic, Social and Development of the Territories

Dollar threshold used to distinguish between type A and type B programs: \$1,301,139

The Authority did not qualify as a low-risk auditee as defined in OMB Circular A-133.

PART II - FINANCIAL STATEMENT FINDINGS SECTION

No items are reportable.

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were instances of noncompliance noted that should be reported in accordance with Section 510(a) of OMB Circular A-133, which are presented in the following pages as findings 2015-01 through 2015-04.

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
2015-01	Eligibility	\$ -
2015-02	Eligibility	-
2015-03	Special Tests and Provisions	-
2015-04	Eligibility	-
Total Questioned Costs		<u>\$ -</u>

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

Finding No.: 2015 – 01
CFDA Program: 14.850 – Public and Indian Housing
Area: Eligibility
Questioned Costs: \$0

Criteria:

During the term of each public housing tenancy, and for at least four years thereafter, GHURA will keep all documents related to a family's eligibility, tenancy, and termination. GHURA must keep the last three years of the Form HUD-50058 and supporting documentation during the term of each assisted lease, and for a period of at least three years from the end of participation date pursuant to 24 CFR 908.101 and its Public Housing Admissions and Continued Occupancy Policy (ACOP) Part V.

Condition:

For one (1) or 2% of the sixty (60) tenant files tested for eligibility, the Authority was not able to locate and provide the recertification eligibility documentation for independent inspection. The tenant was subsequently recertified during the 2016 year and eligibility documentation was on-file.

Cause:

The Authority failed to retain tenant eligibility recertification documentation and did not adhere to the Authority's file retention policy.

Effect:

The Authority is in noncompliance with 24 CFR 908.101 and its ACOP records retention policy.

Recommendation:

We recommend that management review its records retention and internal control procedures with all Property Site Managers to ensure compliance with 24 CFR 908.101 and the Authority's ACOP records retention policy.

Auditee Response/Corrective Action Plan:

We agree with this finding. The Property Site Manager will review all retention records and internal control procedures to ensure compliance with 24 CFR 908.101 and the Authority's ACOP records retention policy effective immediately.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

Finding No.: 2015 – 02
CFDA Program: 14.850 – Public and Indian Housing
Area: Eligibility
Questioned Costs: \$0

Criteria:

All Public Housing Agencies (PHAs) are required to use HUD's EIV system in its entirety, including but not limited to Debts Owed/ Termination Module, in accordance with HUD regulations at 24 CFR 5.233. All PHA are required to use Form HUD 52675 – *Debts Owed to Public Housing Agencies and Terminations* for collecting the information and provide the notice to all applicants and program participants and require all applicants and program participants to acknowledge receipt of the notice by signing page 2. Applicants and tenants age 18 and older are required to sign the form – one time only.

Condition:

For one (1) or 2% of the sixty (60) tenant files tested for eligibility, Form HUD 52675 was not signed by an adult member of the family household.

Cause:

The Property Site Manager did not follow file checklist and failed to properly verify all household members 18 years and older completed Form HUD 52675 during the tenant recertification process.

Effect:

The Authority is in noncompliance with 24 CFR 5.233.

Recommendation:

We recommend that management establish internal control procedures to verify all household members 18 years and older completed Form HUD 52675 during the tenant recertification process. The completed forms should be retained and carried-forward and compared to all household members listed on HUD Form 50098 – Family Report prior to eligibility certification.

Auditee Response/Corrective Action Plan:

We concur with this finding. The Property Site Manager informed the Housing Staff and signature was obtained from the adult household family member immediately.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

Finding No.: 2015 – 03
CFDA Program: 14.871 – Section 8 Housing Choice Voucher Program
Area: Special Tests and Provisions – Annual Inspections
Questioned Costs: \$0

Criteria:

The PHA must inspect the unit leased to a family at least annually to determine if the unit meets Housing Quality Standards (HQS) and the PHA must conduct quality control re-inspections. The PHA must prepare a unit inspection report (24 CFR sections 982.158(d) and 982.405(b)).

Condition:

For eight (8) or 20% of the forty (40) tenant files tested, the Inspection Report was not signed by the landlord, tenant or Housing Inspector for the following:

<u>#</u>	<u>Voucher No.</u>
1	03-0255
2	07-0321
3	07-0072
4	04-0026
5	04-0278
6	04-0214
7	01-0258
8	07-0006VT

Cause:

The Authority lacks effective internal controls to monitor and ensure that Inspection Reports are properly completed and signed by the Housing Inspector, tenant and/or landlord.

Effect:

The Authority is in noncompliance with 24 CFR sections 982.158(d) and 982.405(b) and its Housing Quality Standards policies set forth in the Administrative Plan.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

Finding No.: 2015 – 03, continued
CFDA Program: 14.871 – Section 8 Housing Choice Voucher Program
Area: Special Tests and Provisions – Annual Inspections
Questioned Costs: \$0

Recommendation:

The Authority should enforce its existing internal control policies and procedures to ensure that Inspection Reports for dwelling units are properly completed and signed by Housing Inspectors, tenants and/or landlords.

Auditee Response/Corrective Action Plan:

We agree with this audit finding. Unfortunately, the Inspector in question is a seasoned employee; he was trained and is fully aware of internal policies and procedures but has continually overlooked this requirement. The inspector has been counseled, and all inspectors are being re-trained and quality control reviewers have added this process to their list of items to review.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

Finding No.: 2015 – 04
CFDA Program: 14.871 – Section 8 Housing Choice Voucher Program
Area: Eligibility
Questioned Costs: \$0

Criteria:

Pursuant 24 CFR 982.201(c), is required to determine family composition by acquiring birth certificate or other official record of birth is the preferred form of age verification for all family members. For elderly family members an original document that provides evidence of the receipt of social security retirement benefits is acceptable. Each family must identify the individuals to be included in the family at the time of application, and must update this information if the family’s composition changes.

Condition:

For one (1) or 3% of the forty (40) tenant files tested, the Authority failed include an eligible family member under Voucher #08-0224. The initial certification was effective 5/1/15 and the birth certificate and proof of citizenship was obtained 6/2/15; however, an interim recertification was not conducted. The change should have been effective 7/1/15 which would have reduced the tenant’s month rent by \$12 as follows:

	HUD Form 50058		
	<u>Original</u>	<u>Change</u>	<u>Corrected</u>
Total annual income	\$ 19,978	\$ -	\$ 19,978
Total allowances	\$ 960	\$ 480	\$ 1,440
Annual adjusted income	\$ 19,018	\$ (480)	\$ 18,538
Monthly adjusted income	\$ 1,585	\$ (40)	\$ 1,545
10% of monthly total income	\$ 167	\$ -	\$ 167
30% of monthly adjusted income	\$ 476	\$ (12)	\$ 464
Welfare rent	\$ -	\$ -	\$ -
Minimum rent	\$ 50	\$ -	\$ 50
Total family contribution	\$ 476	\$ (12)	\$ 464
Utility allowance	\$ 321	\$ -	\$ 321
Tenant rent	\$ 155	\$ (12)	\$ 143
Utility allowance	\$ -	\$ -	\$ -
Assistance payment	\$ 1,059	\$ 12	\$ 1,071

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

Finding No.: 2015 – 04, continued
CFDA Program: 14.871 – Section 8 Housing Choice Voucher Program
Area: Eligibility
Questioned Costs: \$0

Cause:

The Authority failed to perform an interim recertification and prepare the related HUD Form 50058 to reflect the change of family composition. There is a lack of internal control to ensure that interim recertification are performed in a timely manner.

Effect:

The Authority is in noncompliance with 24 CFR 982.201(c) and its Family Household Composition Housing determination policies and procedures set forth in the Administrative Plan. The tenant was overcharged \$120 (\$12 per month from July 2015 through April 2016 or ten months) and the related HAP payment was understated by \$120 for the same period.

Recommendation:

Though the Authority corrected the omission during the course of the audit, we recommend that enhance its internal control policies and procedures to ensure that all interim changes are processed on HUD Form 50058 in a timely manner.

Auditee Response/Corrective Action Plan:

We agree with this finding. The finding was corrected during the course of the audit, as noted by auditor. The difference of \$120.00 for the underpayment of HAP for the 10 months indicated was reimbursed on 5/12/2016.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Summary Schedule of Prior Year Audit Findings
Year Ended September 30, 2015

Audit Finding #

2014 – 01	This finding is resolved.
2014 – 02	This finding is resolved.
2014 – 03	This finding is resolved.
2014 – 04	This finding is resolved.
2014 – 05	This finding is resolved.
2014 – 06	This finding is resolved.
2012 – 11	This finding is resolved.
2013 – 10	This finding is resolved.
2013 – 12	This finding is resolved.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Summary of Unresolved Questioned Costs
Year Ended September 30, 2015

	<u>Questioned Costs</u>	<u>Costs Allowed</u>	<u>Costs Disallowed</u>	<u>Unresolved Questioned Costs</u>
FY 2015 Questioned costs	\$ -	\$ -	\$ -	\$ -
FY 2012 Questioned costs	<u>97,751</u>	<u>-</u>	<u>-</u>	<u>97,751</u>
Total unresolved questioned costs at September 30, 2015	<u>\$ 97,751</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,751</u>

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Plan of Corrective Action
Federal Award Findings and Questioned Costs
September 30, 2015

Finding No. 2015 – 01
CFDA No. 14.850 – Public and Indian Housing Program

Condition:

For one (1) or 2% of the sixty (60) tenant files tested for eligibility, the Authority was not able to locate and provide the recertification eligibility documentation for independent inspection. The tenant was subsequently recertified during the 2016 year and eligibility documentation was on-file.

Corrective Action Stated and Taken:

The Property Site Manager will review all retention records and internal control procedures to ensure compliance with 24 CFR 908.101 and the Authority's Admissions and Continued Occupancy Policy (ACOP) records retention policy effective immediately.

Responsible Party:

Property Site Manager.

Anticipated Date of Completion:

June 2016

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Plan of Corrective Action
Federal Award Findings and Questioned Costs
September 30, 2015

Finding No. 2015 – 02

CFDA No. 14.850 – Public and Indian Housing Program

Condition:

For one (1) or 2% of the sixty (60) tenant files tested for eligibility, Form HUD 52675 was not signed by an adult member of the family household.

Corrective Action Stated and Taken:

The Property Site Manager informed the Housing Staff and signature was obtained from the adult member of the family household immediately.

Responsible Party:

Property Site Manager.

Anticipated Date of Completion:

June 2016.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Plan of Corrective Action
Federal Award Findings and Questioned Costs
September 30, 2015

Finding No. 2015 – 03
CFDA No. 14.871 – Section 8 Housing Choice Voucher Program

Condition:

For eight (8) or 20% of the forty (40) tenant files tested, the Inspection Report was not signed by the landlord, tenant or Housing Inspector for the following:

<u>#</u>	<u>Voucher No.</u>
1	03-0255
2	07-0321
3	07-0072
4	04-0026
5	04-0278
6	04-0214
7	01-0258
8	07-0006VT

Corrective Action Stated and Taken:

The Inspector in question is a seasoned employee. He was trained and is fully aware of internal policies and procedures; but has continually overlooked this requirement. The Inspector has been counseled; and all inspectors are being re-trained and quality control reviewers have added this process to their list of items to review.

Responsible Party:

Section 8 Administrator

Anticipated Date of Completion:

June 2016.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Plan of Corrective Action Federal Award Findings and Questioned Costs September 30, 2015

Finding No. 2015 – 04
CFDA No. 14.871 – Section 8 Housing Choice Voucher Program

Condition:

For one (1) or 3% of the forty (40) tenant files tested, the Authority failed include an eligible family member under Voucher #08-0224. The initial certification was effective 5/1/15 and the birth certificate and proof of citizenship was obtained 6/2/15; however, an interim recertification was not conducted. The change should have been and effective 7/1/15 which would have reduced the tenant's month rent by \$12 as follows:

	HUD Form 50058		
	<u>Original</u>	<u>Change</u>	<u>Corrected</u>
Total annual income	\$ 19,978	\$ -	\$ 19,978
Total allowances	\$ 960	\$ 480	\$ 1,440
Annual adjusted income	\$ 19,018	\$ (480)	\$ 18,538
Monthly adjusted income	\$ 1,585	\$ (40)	\$ 1,545
10% of monthly total income	\$ 167	\$ -	\$ 167
30% of monthly adjusted income	\$ 476	\$ (12)	\$ 464
Welfare rent	\$ -	\$ -	\$ -
Minimum rent	\$ 50	\$ -	\$ 50
Total family contribution	\$ 476	\$ (12)	\$ 464
Utility allowance	\$ 321	\$ -	\$ 321
Tenant rent	\$ 155	\$ (12)	\$ 143
Utility allowance	\$ -	\$ -	\$ -
Assistance payment	\$ 1,059	\$ 12	\$ 1,071

Corrective Action Stated and Taken:

The finding was corrected during the course of the audit, as noted by auditor. The difference of \$120.00 for the underpayment of HAP for the 10 months indicated was reimbursed on 5/12/2016.

Responsible Party:

Property Site Manager

Anticipated Date of Completion:

Corrected immediately.



BURGER · COMER · MAGLIARI
CERTIFIED PUBLIC ACCOUNTANTS

June 1, 2016

To The Board of Commissioners
Guam Housing and Urban Renewal Authority

We have performed an audited the financial statements of Guam Housing and Urban Renewal Authority (“the Authority”) as of and for the year ended September 30, 2015 in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and have issued my report thereon dated June 1, 2016.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Authority is responsible.

Our Responsibility under Generally Accepted Auditing Standards and Generally Accepted Government Auditing Standards

Our responsibility under auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated October 22, 2015. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of the Authority’s financial statements and the accompanying supplementary information, in relation to the financial statements as a whole, for the year ended September 30, 2015 (the financial statements), in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), in all material respects, and to perform specified procedures on the required supplementary information for the year ended September 30, 2015;
- To express an opinion on whether the supplementary information that accompanies the financial statements, including the schedule of expenditures of federal awards, is fairly stated, in all material respects, in relation to the financial statements taken as a whole;
- To report on the Authority’s internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2015 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in generally accepted auditing standards; and
- To report on the Authority’s compliance with requirements applicable to each major federal program and on internal control over compliance in accordance with the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* (OMB Circular A-133).

SAIPAN OFFICE

SUITE 203 MH II BUILDING
MARINA HEIGHTS BUSINESS PARK
P.O. BOX 504053, SAIPAN, MP 96950
TEL NOS. (670) 235-8722 (670) 233-1837
FAX NOS. (670) 235-6905 (670) 233-8214

GUAM OFFICE

HENGI PLAZA, SUITE 104
278 SOUTH MARINE DRIVE
TAMUNING, GUAM 96911
TEL NOS. (671) 646-5044 (671) 472-2680
FAX NOS. (671) 646-5045 (671) 472-2686

Our Responsibility under Generally Accepted Auditing Standards and Generally Accepted Government Auditing Standards, continued

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements have been prepared by management with the oversight of the Board of Commissioners are fairly presented, in all material respects, in conformity with generally accepted accounting principles. The audit of financial statements does not relieve management or the Board of Commissioners of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion on the effectiveness of the Authority's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

We also considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Our audit does not, however, provide a legal determination of the Authority's compliance with those requirements.

Qualitative Aspects of the Authority's Significant Accounting Practices

We discussed our judgements about the quality, not just the acceptability, of the Authority's accounting principles as applied in its financial reporting, including consistency of the accounting principles and their application and the clarity and completeness of the financial statements and related note disclosures.

Significant Accounting Policies

Management of the Authority has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. As discussed in the Note 1 to the financial statements, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68* during the year ended September 30, 2015. As a result of adopting these standards, the Authority has restated its net position as of October 1, 2014 to reflect the adoption of these standards. Upon implementation of GASB Statements Nos. 68 and 71, the Authority recorded a charge to beginning net position of \$10,818,249 as October 1, 2014, and recorded deferred outflows of resources and deferred inflows of resources of \$1,318,033 and \$1,318,736, respectively.

Significant Accounting Policies, continued

The Authority also adopted GASB Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of this Statement did not have a material effect on the financial statements of the Authority.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements include management's estimate of the allowance for doubtful accounts is based on direct identification of management of items that are long outstanding; and management's estimate of depreciation expense which is based on estimated useful life of the respective capital assets. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole. During the year ended September 30, 2015, we not aware of any estimated of any significant changes in accounting estimates or in management's judgments relating to such estimates.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Uncorrected and Corrected Misstatements

Certain uncorrected misstatements accumulated by us (i.e., either identified by us or brought to our attention by management) were identified during the audit and pertaining to the latest period presented, which were determined by the Authority's management to be immaterial, both individual and in the aggregate, to the financial statements as a whole. Management has corrected all such misstatements (See Appendix B – Summary of Adjustments).

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of my audit.

Management Representations

We have requested certain representations from management that are included in the attached Appendix A – management representation letter dated June 1, 2016.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on matters. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that be expressed on those financial statements, our professional standards require the consulting accountant to check with me to determine the consultation has the relevant facts. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Major Issues Discussed with Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Fraud and Illegal Acts

The Authority's management has represented to us that the Authority has been served 18 subpoenas from the federal government from July 2015 to May 2016. The nature of the subpoenas are not available at this time. Additionally, federal and local investigators served the Authority with a search warrant. The nature of the investigation is not available at this time. There was a fraud committed by a now former employee who resigned and was prosecuted and the on-going investigation being conducted by Federal officials. Except for the foregoing matters, we are not aware of any fraud or illegal acts from October 1, 2014 through June1, 2016.

Control Related Matters

We have issued a separate report to you, dated June 1, 2016, on the Authority's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards*. We have also issued a separate report of you, also dated March 3, 2016, involving the Authority's compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.

Control Related Matters, continued

We have communicated to management, in a separate letter also dated June 1, 2016, certain deficiencies and other matters related to the Authority's internal control over financial reporting and to the Authority's internal control over its information technology environment that we identified during the audit.

Although we have included management's written responses to our comments, such responses have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.

Independence

We are not aware of any relationships between Burger Comer Magliari and the Authority, or any other matters that in our professional judgement, may reasonably be thought to bear on our independence. We confirm that we are independent with respect to the Authority within the meaning of the applicable published rules and pronouncements, interpretations and rulings.

This information is intended solely for the use of Board of Commissioners, the management of Guam Housing and Urban Renewal Authority and the Office of Public Accountability – Guam and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Burger Comer Magliari". The signature is written in a cursive style with a large initial 'B'.



GHURA

Guam Housing and Urban Renewal Authority
 Aturidat Ginima' Yan Rinueban Siudad Guahan
 117 Bien Venida Avenue, Sinajana, GU 96910
 Phone: (671) 477-9851 · Fax: (671) 300-7565 · TTY: (671) 472-3701



Eddie Baza Calvo
 Governor of Guam

Ray Tenorio
 Lt. Governor of Guam

Annabelle M. Dancel
 Commissioner

Thomas E. B. Borja
 Commissioner

Joseph M. Leon Guerrero
 Resident Commissioner

Michael J. Duenas
 Executive Director

Pedro A. Leon Guerrero, Jr.
 Deputy Director

June 1, 2016

Burger Comer Magliari LLC
 Hengi Plaza, Suite 201
 278 South Marine Drive
 Tamuning, Guam 96911

This representation letter is provided in connection with your audit(s) of the financial statements of Guam Housing and Urban Renewal Authority (the Authority), which comprise the statements of net position as of September 30, 2015, and related statements of revenues, expenses, changes in net position and cash flows for the year then ended, and related notes to the financial statements for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of June 1, 2016, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 22, 2015, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) We acknowledge our responsibility for presenting the supplementary information accompanying the financial statements required by the U.S. Department of Housing and Urban Development (HUD) and the information submitted to HUD through the FASSMF submission templates (collectively, the supplementary information required by HUD) in accordance with HUD's *Uniform Financial Reporting Standards for HUD Housing Programs*, and



we believe the supplementary information required by HUD, including its form and content, is fairly presented in accordance with HUD's *Uniform Financial Reporting Standards for HUD Housing Programs*. The methods of measurement and presentation of the supplementary information required by HUD have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

- 3) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 4) As discussed in the Note 1 to the financial statements, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68* during the year ended September 30, 2015. As a result of adopting these standards, the Authority has restated its net position as of October 1, 2014 to reflect the adoption of these standards. Upon implementation of GASB Statements Nos. 68 and 71, the Authority recorded a charge to beginning net position of \$10,818,249 as October 1, 2014, and recorded deferred outflows of resources and deferred inflows of resources of \$1,318,033 and \$1,318,736, respectively.

	As previously <u>Reported</u>	<u>Adjustment</u>	<u>Restated</u>
Net Position, October 1, 2014	\$36,886,603	\$10,818,249	\$26,068,354

The Authority also adopted GASB Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of this Statement did not have a material effect on the financial statements of the Authority.

- 5) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 6) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 7) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 8) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 9) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.



- 10) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
- 11) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 12) Guarantees, whether written or oral, under which the Authority is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 13) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of Board of Commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 14) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
- 15) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 16) There was a fraud committed by a now former employee who resigned and was prosecuted and the on-going investigation being conducted by Federal officials; the Authority had been served 18 subpoenas from the federal government from July 2015 to May 2016 and the nature of the subpoenas are not available at this time. Federal and local investigators served the Authority with a search warrant. The nature of the investigation is not available at this time, except for these matters, we have no knowledge of any fraud or suspected fraud that affects the Authority and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 17) Except for the matters discussed above in item #16, we have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements communicated by employees, former employees, regulators, or others.



- 18) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 19) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 20) We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
- 21) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 22) We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.
- 23) We have a process to track the status of audit findings and recommendations.
- 24) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 25) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 26) The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 27) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
- 28) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 29) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 30) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 31) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for



disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

- 32) As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal awards. We acknowledge our responsibility as it relates to those nonattest/nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
- 33) Except for the Supportive Housing for the Elderly Program which has a loan from the United States Department of Agriculture Rural Development and Low-Income Public Housing which has Declaration of Trusts with the United States Department of Housing and Urban Development, the Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 34) The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 35) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 36) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34 .
- 37) All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 38) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 39) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 40) Provisions for uncollectible receivables have been properly identified and recorded.
- 41) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 42) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.



- 43) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 44) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 45) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 46) The government meets the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach.
- 47) We have appropriately disclosed the Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 48) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 49) The Authority is an exempt organization under Section 115 of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the entity's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 50) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 51) With respect to the Schedule of Funding Progress, the Schedule of the Authority's Proportionate Share of the Net Pension Liability, the Schedule of Pension Contributions, the Schedule of Salaries, Wages and Benefits and the Combining financial statements:
 - a) We acknowledge our responsibility for presenting the Schedule of Funding Progress, the Schedule of the Authority's Proportionate Share of the Net Pension Liability, the Schedule of Pension Contributions, the Schedule of Salaries, Wages and Benefits and the Combining financial statements in accordance with accounting principles generally accepted in the United States of America, and we believe that the Schedule of Funding Progress, the Schedule of the Authority's Proportionate Share of the Net Pension Liability, the Schedule of Pension Contributions, the Schedule of Salaries, Wages and Benefits and the Combining financial statements, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of this supplementary information has not changed from those used in the prior period, and we have



disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

- b) If the REAC Financial Data Schedule is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

52) With respect to federal award programs:

- a) We are responsible for understanding and complying with, and have complied with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.
- b) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.



- g) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h) Except for the United States Department of Agriculture Rural Development request for a Program Audit for the Supportive Housing for the Elderly, we have received no other requests from any other federal agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including, when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and [have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards OR confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards].
- j) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E) [and OMB Circular A-87, Cost Principles for State, Local, and Tribal Governments, if applicable].
- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.



- r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t) We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
- u) We have issued management decisions for audit findings that relate to federal awards made to subrecipients and such management decisions have been issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed-up ensuring that the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient.
- v) We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- w) We have charged costs to federal awards in accordance with applicable cost principles.
- x) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- y) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- z) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- aa) We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
- bb) We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

Signature: Michael J. Owens

Title: Executive Director

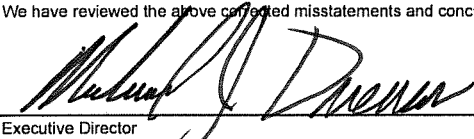
Signature: Lucile D. Leon Guerrero

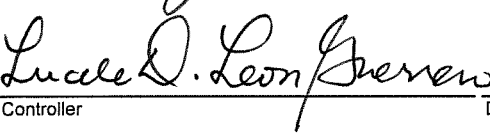
Title: Controller

Audit Adjusting Journal Entries
September 30, 2015

FDS Acct	Account Name	Account #	Assets		Liabilities	Net Position	Income	
			Dr. (Cr.)	Dr. (Cr.)	Dr. (Cr.)	Statement		
AJE - 1								
111	Cash - FSS Escrow Account	006.1111.02.1.000.00.0	\$	1,198.00				
111	Cash - BOG Savings 2501-002288	006.1111.05.0.000.00.0	\$	593,462.66				
311	Cash - Overdraft BOG Savings 2501-002288	006.1111.05.0.000.00.0	\$	80,665.68				
113	Cash - BOG Savings 2501-002288 - Restricted	006.1111.05.1.000.00.0			\$	(666,629.34)		
113	Cash Restricted - Admin Fee	006.1111.05.2.000.00.0			\$	(7,499.00)		
115	Cash - FSS Escrow Account	006.1111.01.0.000.00.0			\$	(1,198.00)		
To adjust Section 8 HCV cash accounts to for HUD FDS reporting.								
AJE - 2								
91300	Section 8 HCV - Management fees and other	006.4191.00.0.820.10.1					\$ 37,893.00	
91310	Section 8 HCV - Bookkeeping fees	006.4191.00.0.821.10.1					\$ 17,955.00	
144	Central Office Cost Center - Due to Revolving Fund	070.2119.00.0.900.00.0	\$	55,848.00				
144	Revolving Fund - Due from Section 8 HCV	900.1126.00.0.006.00.0	\$	55,848.00				
347	Section 8 HCV - Due to Revolving Fund	006.2119.00.0.900.00.0			\$	(55,848.00)		
70710	Central Office Cost Center - Management fees HCV Program	070.3720.06.0.110.01.0					\$ (37,893.00)	
70730	Central Office Cost Center - Bookkeeping fees HCV Program	070.3722.06.0.110.01.0					\$ (17,955.00)	
144	Revolving Fund - Due from Central Office Cost Center	900.1126.00.0.070.00.0			\$	(55,848.00)		
To record COCC charges to Section 8 HCV for July 2015 charges under invoice #COCC#2015-063.								
Total			\$	787,022.34	\$	(787,022.34)	\$ -	\$ -

We have reviewed the above corrected misstatements and concur with the adjustments. Furthermore, the above are not a result from fraud or illegal acts.

 06/01/2016
Executive Director Date

 06/01/16
Controller Date



BURGER · COMER · MAGLIARI
CERTIFIED PUBLIC ACCOUNTANTS

June 1, 2016

To the Board of Commissioners
Guam Housing and Urban Renewal Authority:

In planning and performing our audit of the financial statements of the Guam Housing and Urban Renewal Authority (the Authority) as of and for the year ended September 30, 2015, on which we have issued our report dated June 1, 2016, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Guam Housing and Urban Renewal Authority's internal control over financial reporting.

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 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 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 over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting. However, in connection with our audit, we identified, and included in the attached Appendix I, other matters as of September 30, 2015 that we wish to bring to your attention.

We have also issued a separate report to the Authority also dated June 1, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

This report is intended solely for the information and use of the Board of Commissioners and management of the Guam Housing and Urban Renewal Authority, the Office of Public Accountability – Guam, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Burger Comer Magliari".

APPENDIX I

SECTION I – CONTROL DEFICIENCIES

We noted certain matters related to control deficiencies involving the Authority's internal control over financial reporting as of September 30, 2015 that we wish to bring to your attention as follows:

Monthly Accounts Payable Aging Reports

Comment: The Authority was not able to produce monthly accounts payable aging reports due to system limitations. Although the Fiscal Division tracks the Authority's accounts payable via the payables journal, Accounts Payable Aging reports can only be produced at year-end closing. Consequently, the Authority is unable to properly monitor the aging of its accounts payable and effectively manage cash flows.

Recommendation: We recommend that the Authority consult with its software vendor and obtain a software patch or modification to generate monthly accounts payable aging reports.

Admission and Continued Occupancy Policies (ACOP)

Comment: During our Public Housing eligibility testing and review of the Authority's ACOP, we noted that chapter 7 page 4 of the ACOP, does not specifically state that UIV should be conducted for applicants. It does however state that *"income reports will be obtained for annual reexaminations on a monthly basis and the reports will be generated as part of the regular reexamination process as well as interim reexaminations."* It further states that income reports will be "compared to family-provided information as part of the annual reexamination process. Income reports may be used in the calculation of annual income, and to meet regulatory requirement for third party verification." In addition, "income reports will be used to identify and resolve discrepancies between reported income and income shown in the EIV system. If necessary EIV will be used to verify and calculate earned income, unemployment benefits, social security and/or SSI benefits."

Recommendation: We recommend that the Authority review its ACOP and update its policies and procedures. Effective January 31, 2010, HUD required Public Housing Authorities (PHAs) to use HUD's centralized Enterprise Income Verification (EIV) which replaced the Upfront Income Verification system, to validate tenant reported income (as well as unreported or underreported income) and inform tenants of the PHA's capability and intent to compare tenant-reported information with EIV data. PHAs are required to review the EIV Income Report of each family before or during mandatory annual and interim reexaminations of family income and/or composition to reduce tenant under reporting of income and improper subsidy payments.

Work Orders – Public Housing

Comment: We noted work orders are not completed in a timely manner. During the initial move-in inspection on 9/30/14, the Inspector noted that a window was missing and needed to be installed and generated WO #32150479 which was not completed until 1/27/15 or approximately 4 months after tenant move-in. The tenant was allowed to move in and the emergency repair was temporarily fixed by placing a wooden panel over the exposed area; however, the repair was untimely.

Recommendation: We recommend that management review its work order policies and procedures to ensure that all emergency repairs and work orders are completed in a timely manner. Work order reports should be independently reviewed and monitored to ensure compliance with HUD regulations.

APPENDIX I

Asset Management Project – Property Site Manager File Review

Comment: Tenant interviews and eligibility certification should be performed by Housing Specialist and reviewed and certified by the Property Site Managers (PSA). PSAs are not properly documenting their review and certification nor are the file checklist being properly signed and dated to evidence independent review.

Recommendation: To ensure proper segregation of duties, we recommend that all PSMs review all tenant files for completeness and proper certification of program eligibility and sign and date the checklist to evidence tenant file review.

Local Funds

Comment: GHURA reports on a “fund basis” and accounts for approximately eighty-five (85) different funds, of which, twenty (20) are local funds. Many of the local funds have nominal to no activity each year.

Recommendation: We recommend that management consider reviewing the mandate of each of its local funds to determine whether those mandates have been fulfilled and whether such funds can be closed out or consolidated under one separate fund.

Landlord Payment Processing

Comment: A landlord was overpaid \$3,616 on 1/1/15 due to holdover payment of tenant's subsidy via direct deposit on 12/1/14. The overpayment was corrected the following month.

Recommendation: Although overpayment was corrected the following month, the MIS Department and the Housing Manager should establish procedures to properly flag and identify all holdover payments be reviewed and approved prior to initialization and payment to prevent overpayments.

Information Technology System Implementation

Comment: The Authority upgraded its program and accounting software to WinTen 2 and chose not to run parallel systems for major system conversion.

Recommendation: The Authority consider running parallel systems during major system upgrades or migration to new software platforms to ensure that the new software generates the same outputs using the same input data for both systems. We further recommend that the MIS Department meet with the various departments are performing additional work or procedures to augment any system shortcomings or inconsistencies in data outputs as compared to the old system.

Employee Performance Evaluation

Comment: We noted that personnel performance evaluations are not conducted annually in a timely manner.

Recommendation: We recommend that management coordinate with the Human Resources Department to schedule and conduct employee performance evaluations in a timely manner.

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Fiscal Division – Accounting System

Comment: The Fiscal Division continues to maintain two locations to process and account for the funds managed by the Authority. While the Fiscal Division at the Authority's main office maintains the official accounting records, a separate general ledger is maintained at the Research, Planning and Evaluation (RP&E) Division to account for the Community Development and related Federal grant programs. The accounting systems used remain separate independent systems.

Recommendation: We made recommendation in prior years on the logistical structure of the Fiscal Division and the possibility of merging the two systems. We repeat those recommendations. Subsequent to September 30, 2014, the RPE Division was relocated to the Authority's central office.

We also recommend that management consider obtaining a new accountings system that reports on a fund basis, as the current accounting software platform is specifically program driven and not necessarily for financial reporting. Consequently, numerous manual journal entries must be made each month to record accounting transactions which too is cumbersome and requires numerous month-end reconciliations.

Fiscal Division – Comingling of Funds

Comment: The accounts of GHURA are organized and operated on the basis of funds and grant programs. Fund financial statements report detailed information about the Authority. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net position, revenues, and expenses. We continue to note that the Fiscal Division comingle various funds due to reporting requirements to HUD's Real Estate Assessment Center (REAC) for FDS reporting purposes.

Specifically, the Capital Fund Project funds are comingled with the four Asset Management Projects of the Public Housing program along with Central Office Cost Center (COCC); the Department of Interior Grant is comingled with the Revolving Fund; and the Multifamily Housing Service Coordinator grant is comingled with Supporting Housing for the Elderly Program.

Recommendation: While we understand the need to combine certain funds for HUD periodic reporting, we recommend these funds be separately reported within the general ledger in order to produce individual trial balances and financial statements in a timely manner rather than relying on pivot tables and supplemental spreadsheets.



BURGER · COMER · MAGLIARI
CERTIFIED PUBLIC ACCOUNTANTS

June 1, 2016

To the Board of Commissioners
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Guam Housing and Urban Renewal Authority's (GHURA) FY 2015 Financial Audit

06/26/2016



Guam Housing and Urban Renewal Authority's (GHURA) FY 2015 Financial Audit (/financial-audits/guam-housing-and-urban-renewal-authoritys-ghura-fy-2015-financial-audit)

Report No: FY 2015 |

Agency: Guam Housing and Urban Renewal Authority

The Office of Public Accountability has released the Guam Housing and Urban Renewal Authority's (GHURA) FY 2015 Financial Statements, Report on Compliance and Internal Controls, Management Letter, and Letter to Those Charged with Governance.

File Name
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File Size

Highlights

 ghura_fy15_hl.pdf
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2015 Financial Statements

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(629.07 KB)

2015 Report on Compliance and Internal Controls

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2015 Management Letter

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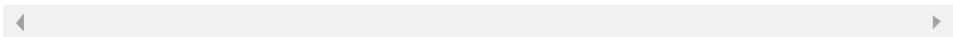
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2015 Letter to Those Charged with Governance

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(1.7 MB)





Tel:
(671) 475-0390



Fax:
(671) 472-7951



General Inquiries:
admin@guamopa.org
(mailto:admin@guamopa.org)



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