

**GUAM HOUSING AND  
URBAN RENEWAL AUTHORITY**

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**SINGLE AUDIT AND HUD REPORTS  
And  
SUPPLEMENTARY INFORMATION**

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**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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**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

I 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 (GHURA) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise GHURA's basic financial statements, and have issued our report thereon dated May 26, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, I considered GHURA'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 GHURA's internal control. Accordingly, I do not express an opinion on the effectiveness of GHURA'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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 GHURA's financial statements are free from material misstatement, I 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 my audit, and accordingly, I 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 my 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 "J. Scott Magliari & Company". The signature is written in a cursive, flowing style.

Hagåtña, Guam  
May 26, 2015

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE 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**

I have audited the Guam Housing and Urban Renewal Authority's (GHURA) 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 GHURA's major federal programs for the year ended September 30, 2014. GHURA'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***

My responsibility is to express an opinion on compliance for each of GHURA's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 GHURA's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of GHURA's compliance.

### ***Basis for Modified Opinion on CFDA No. 14.850 – Public and Indian Housing***

As described in the accompanying schedule of findings and questioned costs, GHURA did not comply with requirements regarding its CFDA 14.850 Public and Indian Housing as described in finding number 2014-01, 2014-02 and 2014-06 for Special Tests and Provisions and 2014-03, 2014-04 and 2014-05 for Eligibility. Compliance with such requirements is necessary, in my opinion, for GHURA to comply with the requirements applicable to that program.

### ***Modified Opinion on CFDA No. 14.850 – Public and Indian Housing***

In my opinion, except for the noncompliance described in the Basis for Modified Opinion paragraph, GHURA, 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 program for the year ended September 30, 2014.

### ***Unmodified Opinion on Each of the Other Major Federal Programs***

In my opinion, GHURA 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, 2014.

GHURA's response to the noncompliance findings identified in my audit is described in the accompanying schedule of findings and questioned costs. GHURA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of GHURA 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, I considered GHURA'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, I do not express an opinion on the effectiveness of GHURA's internal control over compliance.

My 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, I 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. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2014-01, 2014-03, and 2014-05 to be material weaknesses.

*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. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2014-02, 2014-04, and 2014-06 to be significant deficiencies.

GHURA's response to the internal control over compliance findings identified in my audit is described in the accompanying schedule of findings and questioned costs. GHURA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I 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.



Hagåtña, Guam  
May 26, 2015

**GUAM HOUSING AND URBAN RENEWAL AUTHORITY**

Schedule of Expenditures of Federal Awards  
For Year Ended September 30, 2014

<u>CFDA#</u>	<u>AGENCY/PROGRAM</u>	<u>2014 Fiscal Year Expenditures</u>
<b>Direct Grants:</b>		
<b><u>U. S. Department of Housing and Urban Development (HUD)</u></b>		
	<b>Housing Voucher Cluster:</b>	
14.871	Section 8 Housing Choice Vouchers	\$ 31,226,743 *
14.879	Mainstream Vouchers	-
14.880	Family Unification Program	-
	Sub-total – Housing Voucher Cluster	<u>31,226,743</u>
	<b>Capital Fund Project Cluster:</b>	
14.872	Public Housing Capital Fund Program	1,177,820
14.884	ARRA – Public Housing Capital Fund Competitive	-
14.885	ARRA – Public Housing Capital Fund Stimulus (Formula)	-
	Sub-total – Housing Voucher Cluster	<u>1,177,820</u>
14.157	Supportive Housing for the Elderly	414,830 *
14.191	Multifamily Housing Service Coordinators	56,311
14.225	Community Development Block Grants/Special Purpose Grants/Insular Area	2,406,636 *
14.231	Emergency Shelter Grants Program	353,094
14.235	Supportive Housing Program	771,203
14.238	Shelter Plus Care Program	328,657
14.239	HOME Investment Partnerships	1,840,428*
14.850	Public and Indian Housing	3,923,633*
14.870	Resident Opportunity and Supportive Services	<u>66,039</u>
	Total HUD Program Award Expenditures	<u>\$ 42,565,394</u>
<b>Passed through the Government of Guam Department of Administration:</b>		
<b><u>U. S. Department of the Interior</u></b>		
15.875	Economic, Social and Political Development of the Territories – Compact Impact	484,793
<b><u>U. S. Department of Energy</u></b>		
81.042	ARRA – Weatherization Assistance for Low-Income Persons	<u>1,173</u>
	Total Passed through the Government of Guam Department of Administration	<u>527,352</u>
	Total Expenditures of Federal Awards Subject to OMB Circular A-133 Testing	<u>\$ 43,051,360</u>
	Percentage of Federal Awards Tested	<u>92%</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, 2014

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the grant activity of GHURA 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*. 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 Agriculture, U.S. Department of the Interior and the U.S. Department of Energy.

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 2014. Therefore this program was audited as a major program.

Note 2 American Recovery and Reinvestment Act of 2009 (ARRA)

In February 2009, the Federal Government enacted the American Recovery and Reinvestment Act of 2009 (ARRA). As of September 30, 2014, the Authority's grant award notifications and expenditures subject to Single Audit are as follows:

<u>CFDA Program</u>	<u>Grant Amount</u>	<u>FY 2014 Expenditures</u>
CFDA #81.042	1,123,466	\$ 1,173
Total	\$ 1,123,466	\$ 1,173

Note 3 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	14.235	\$ 587,617
Emergency Solutions Grant Program	14.231	332,538
Community Development Block Grant	14.225	248,700
Supportive Housing Program	14.235	140,158
Shelter Plus Care Program	14.238	61,106
Total		\$ 1,370,119



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**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:

I have audited the basic financial statements of Guam Housing and Urban Renewal Authority (GHURA), a component unit of the Government of Guam, as of and for the year ended September 30, 2014 and have issued my report thereon dated May 26, 2015.

I 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, 2014.

My 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. My 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, I do not express such an opinion.

The results of my 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.



Hagåtña, Guam  
May 26, 2015

**GUAM HOUSING AND URBAN RENEWAL AUTHORITY**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2014

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

We have audited the basic financial statements of 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, Section 8 Housing Choice Voucher, HOME Investment Partnerships, Supportive Housing for the Elderly and a modified opinion on the Low Income Housing Assistance Programs based on identified reportable conditions, which, in my opinion, are considered to be material weaknesses.

**GUAM HOUSING AND URBAN RENEWAL AUTHORITY**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2014

**PART I - SUMMARY OF AUDITOR'S RESULTS, continued**

Identification of major program:

<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
14.239	HOME Investment Partnerships
14.850	Public and Indian Housing
14.871	Section 8 Housing Choice Voucher Program (HCV)

Dollar threshold used to distinguish between type A and type B programs: \$1,291,541

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 2014-01 through 2014-06.

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
2014-01	Special Tests and Provisions – Utility Allowance	\$ -
2014-02	Eligibility – Annual Inspections	-
2014-03	Eligibility – Income Verification	-
2014-04	Eligibility – Annual Inspections	-
2014-05	Eligibility – Income Verification	-
2014-06	Special Tests and Provisions – Declaration of Trust	-
Total Questioned Costs		<u>\$ -</u>

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2014

**Finding No.:** 2014 – 01  
**CFDA Program:** 14.850 – Public and Indian Housing  
**Area:** Special Tests and Provisions  
**Questioned Costs:** \$0

### Criteria:

In accordance with 24 CFR 965.507 and the Authority's Admissions and Continued Occupancy Policy, it must review its schedule of utility allowances each year. Between annual reviews, the Authority must revise the utility allowance schedule if there is a rate change that by itself or together with prior rate changes not adjusted for, results in a change of 10 percent or more from the rate on which such allowances were based.

### Condition:

For all 40 files tested, we noted that the Authority did not update or review its Utility Allowance Schedule for the fiscal year ending September 30, 2014.

### Cause:

The Authority failed to review and update its schedule for utility allowances in a timely manner.

### Effect:

The Authority is in noncompliance with 24 CFR 965.507 and its Admissions and Continued Occupancy Policy. The potential exist for tenant rents to be misstated.

### Prior Year Status:

The above condition was cited as a similar finding in the prior year audit of the Authority.

### Recommendation:

We recommend that management review and update its schedule of utility allowances each year. Between annual reviews, the Authority should revise the utility allowance schedule if there is a rate change that by itself or together with prior rate changes not adjusted for, results in a change of 10 percent or more from the rate on which such allowances were based.

### Auditee Response:

GHURA agrees with this finding.

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2014

**Finding No.:** 2014 – 02  
**CFDA Program:** 14.850 – Low Income Housing Assistance Program  
**Area:** Special Tests and Provisions – Annual Inspections  
**Questioned Costs:** \$0

### Criteria:

Pursuant to the Public Housing Assessment System (PHAS) regulations (24 CFR 902), the Authority must conduct annual inspections of dwelling and non-dwelling units annually. Furthermore, per the Authority's Admission & Continued Occupancy Policies, inspections should be done at move in prior to occupancy, periodically (but not less than annually) prior to lease renewal, and at move out to determine whether tenant maintains a safe, decent and sanitary dwelling unit. Failure to maintain the dwelling unit will result in termination of the tenant's lease.

### Condition:

For three (3) or 7% of the forty (40) tenant files tested, there was either no inspection report on file prior to lease renewal or inspection report indicated a failed inspection and there were no work orders or re-inspections to evidence that the deficiencies were corrected in a timely manner for the following units:

1. 5JCR Unit was not inspected during tenant annual recertification.
2. 64KAL Unit failed inspection twice and no further inspections were conducted.
3. 212JQQ Unit was inspected 40 days after Tenant's recertification anniversary date of March 1, 2014.

### Cause:

The Authority lacks effective internal controls to monitor and ensure that all units are inspected annually in a timely manner.

### Effect:

The Authority is in noncompliance with the PHAS regulations and its HQS policies set forth in the Admission & Continued Occupancy Policies.

**GUAM HOUSING AND URBAN RENEWAL AUTHORITY**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2014

**Finding No.:** 2014 – 02, continued  
**CFDA Program:** 14.850 – Low Income Housing Assistance 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 annual inspections of dwelling units are conducted in a timely manner and documented within the tenant's folder.

Auditee Response:

GHURA agrees with this finding. The Authority will strengthen its current processes and controls.

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2014

**Finding No.:** 2014 – 03  
**CFDA Program:** 14.850 – Public and Indian Housing  
**Area:** Eligibility – Income Verification  
**Questioned Costs:** \$0

### Criteria:

In accordance with the Authority's Admissions and Continued Occupancy Policy, the Authority must complete the following forms during the initial admission or recertification of tenant eligibility: (a) certification that the information provided to the Authority is correct; (b) one or more release forms to allow the Authority to obtain information from third parties; (c) a federally-prescribed general release form for employment information; (d) a privacy notice; obtain police and perform a unit inspection. Additionally, the Authority must obtain the necessary information and documentation to verify income eligibility as a condition of admission or continued occupancy.

### Condition:

For two or 5% of 40 tenant files tested, Upfront Income Verification via HUD's Enterprise Income Verification (EIV) system was not conducted for eligible household members for tenants residing in Units #212JQQ and 4MAO.

### Cause:

The Property Site Manager did not adhere to the internal control procedures in ensuring that all the required documents are obtained and completed at the time of the annual or recertification process. Additionally, there is a lack of consistent quality control monitoring or review procedures in place to ensure the adequacy and completeness of the admission and certification of tenants.

### Effect:

There is no material effect on the financial statements as a result of this condition. However, the Authority is not in compliance with federal regulations and its policies and procedures set forth in the Admissions and Continued Occupancy Policy.

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2014

**Finding No.:** 2014 – 03, continued  
**CFDA Program:** 14.850 – Public and Indian Housing  
**Area:** Eligibility  
**Questioned Costs:** \$0

### Recommendation:

The Authority should enforce and monitor its existing internal control policies and procedures to ensure that all required documents are submitted and complete during the admission or recertification process. Greater quality control and internal control monitoring procedures should be implemented to mitigate errors and omissions. The Authority's Compliance Specialist should periodically test a sample of tenant files for quality control and document the results to correct any deficiencies in a timely manner to strictly enforce adherence to the Admissions and Continued Occupancy Policy and federal regulations.

### Auditee Response:

GHURA agrees with this finding. The Authority will continue to enforce and monitor its existing internal control policies and procedures to ensure compliance with all federal requirements for the Public Housing Program.



## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2014

**Finding No.:** 2014 – 04  
**CFDA Program:** 14.850 – Public and Indian Housing  
**Area:** Eligibility – Annual Recertification  
**Questioned Costs:** \$0

### Criteria:

Pursuant to 24 CFR Section 960.257, the Authority must conduct a reexamination of family income and composition at least once every twelve months and make appropriate adjustments in the rent after consultation with the family and upon verification of the information.

### Condition:

For one (1) or 3% of the forty (40) tenant files tested, tenant residing in Unit #212JQQ anniversary date for recertification was March 1, 2014; however, the annual recertification was conducted May 8, 2014 or 69 days after the recertification date.

We also noted that for the tenant residing in Unit #2MAO, the marital status was not verified for the spouse listed as the husband on Form 50058, as a marriage certificate was not obtained.

### Cause:

It appears that the Low Income Public Housing personnel did not process the required documentation necessary during the reexamination to verify tenant's income eligibility and compute tenant's rent based on third-party verification forms.

### Effect:

The Authority is not in compliance with 24 CFR Section 960.257 and its internal control policies and procedures set forth in the Admission & Continued Occupancy Policies for Low Income Public Housing program.

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2014

**Finding No.:** 2014 – 04, Continued  
**CFDA Program:** 14.850 – Public and Indian Housing  
**Area:** Eligibility – Annual Recertification  
**Questioned Costs:** \$0

### Recommendation:

GHURA should enforce its existing internal control policies and procedures to ensure that all required documents are submitted and complete during the recertification process. There is a File Document Review and Checklist for Senior TRA (Tenant Relations Advisor) that is enclosed in the tenant's folder, which should be used to ensure that all the necessary documents are on file and properly completed. Supervisors and management must make periodic file examinations to ensure policies and procedures are being properly implemented.

### Auditee Response:

GHURA agrees with this finding. The Authority will continue to enforce and monitor its existing internal control policies and procedures to ensure compliance with all federal requirements for the Public Housing Program.

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2014

**Finding No.:** 2014 – 05  
**CFDA Program:** 14.850 – Public and Indian Housing  
**Area:** Eligibility – Income Verification  
**Questioned Costs:** \$0

### Criteria:

In accordance with the Authority's Admissions and Continued Occupancy Policy, the Authority must complete the following forms during the initial admission or recertification of tenant eligibility: (a) certification that the information provided to the Authority is correct; (b) one or more release forms to allow the Authority to obtain information from third parties; (c) a federally-prescribed general release form for employment information; (d) a privacy notice; obtain police and perform a unit inspection. Additionally, the Authority must obtain the necessary information and documentation to verify income eligibility as a condition of admission or continued occupancy.

### Condition:

For one or 3% of the 40 tenant files tested, the Authority failed to properly verify and document the income for the tenant residing in Unit #A18 as follows:

1. The social security income was verified. The Authority relied upon amounts posted on the tenant's bank statements and reported such on the Form 50058.
2. Food Stamp and Welfare assistance was not independently verified and documented.
3. The Affidavit of Zero Income of Adult Member was not completed and documented for the head of household.

### Cause:

The Property Site Manager did not adhere to the internal control procedures in ensuring that all the required documents are obtained and completed at the time of the annual or recertification process. Additionally, there is a lack of consistent quality control monitoring or review procedures in place to ensure the adequacy and completeness of the admission and certification of tenants.

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2014

**Finding No.:** 2014 – 05, continued  
**CFDA Program:** 14.850 – Public and Indian Housing  
**Area:** Eligibility  
**Questioned Costs:** \$0

### Effect:

There is no material effect on the financial statements as a result of this condition. However, the Authority is not in compliance with federal regulations and its policies and procedures set forth in the Admissions and Continued Occupancy Policy.

### Recommendation:

The Authority should enforce and monitor its existing internal control policies and procedures to ensure that all required documents are submitted and complete during the admission or recertification process. Greater quality control and internal control monitoring procedures should be implemented to mitigate errors and omissions. The Authority's Compliance Specialist should periodically test a sample of tenant files for quality control and document the results to correct any deficiencies in a timely manner to strictly enforce adherence to the Admissions and Continued Occupancy Policy and federal regulations.

### Auditee Response:

GHURA agrees with this finding. The Authority will continue to enforce and monitor its existing internal control policies and procedures to ensure compliance with all federal requirements for the Public Housing Program.

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2014

**Finding No.:** 2014 – 06  
**CFDA Program:** 14.850 – Public and Indian Housing  
**Area:** Declaration of Trust Against Public Housing Property  
**Questioned Costs:** \$0

### Criteria:

A current Declaration of Trust (DOT), in a form acceptable to HUD, must be recorded against all public housing property owned by PHAs (or private entities for public housing developed under 24 CFR part 941, subpart F) that has been acquired, developed, maintained, or assisted with funds from the US Housing Act of 1937.

A current DOT would include all improvement and modernization efforts on the project. A DOT naming HUD as an interested party must remain in place for (1) 40 years for acquired and developed property, beginning on the date on which the project becomes available for occupancy as determined by HUD; (2) 20 years for property modernized or receiving assistance of Capital Funds beginning on the latest date on which modernization is complete or assistance is provided with Capital Funds; and (3) 10 years for property receiving Operating Funds, beginning upon the conclusion of the fiscal year of the PHA for which such amounts were provided.

PHAs should have a list of all property (including land and non-residential inventory, as well as dwelling units and modernization efforts) that a PHA owns and insures that is maintained or financed from the public housing Operating Fund or other US Housing Act of 1937 funds.

### Condition:

The Authority was not able to provide Declaration of Trusts documentation to evidence that its public housing property has been properly recorded with the Guam Department of Land Management and submitted to HUD.

### Cause:

The Authority failed updated its DOT's and submit such to HUD in a time manner.

### Effect:

The Authority is in noncompliance with 24 CFR 941, subpart F and PIH Notice 2009-28 (HA).

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2014

**Finding No.:** 2014 – 06  
**CFDA Program:** 14.850 – Public and Indian Housing  
**Area:** Declaration of Trust Against Public Housing Property  
**Questioned Costs:** \$0

### Recommendation:

We recommend that management review and update its list of all property (including land and non-residential inventory as well as dwelling units and modernization efforts) owned and insures and ensure that the DOT's such properties have been recorded with the Guam Department of Land Management and with HUD.

### Auditee Response:

GHURA agrees with this finding. GHURA will review the areas of compliance documented by the Auditor to ensure that the filing of the Deed of Trust documents is consistent with the Authority's transition of public housing management from central-based to site-based management, and in consideration of the 40 year minimum timeframe. GHURA will continue to track improvements funded by the Capital Fund Program over the 20 year period of affordability.

# GUAM HOUSING AND URBAN RENEWAL AUTHORITY

## Summary Schedule of Prior Year Audit Findings Year Ended September 30, 2014

### Audit Finding #

2012 – 03	This finding is resolved.
2012 – 04	This finding is resolved.
2012 – 06	This finding is resolved.
2012 – 07	This finding is resolved.
2012 – 09	This finding is resolved.
2012 – 10	This finding is resolved.
2012 – 11	This finding is considered to be unresolved.
2013 – 01	This finding is resolved.
2013 – 02	This finding is resolved.
2013 – 03	This finding is resolved.
2013 – 04	This finding is resolved.
2013 – 05	This finding is resolved.
2013 – 06	This finding is resolved.
2013 – 07	This finding is resolved.
2013 – 08	This finding is resolved.
2013 – 09	This finding is resolved.
2013 – 10	This finding is considered resolved. A similar condition was cited in Finding 2014 -01.
2013 – 11	This finding is resolved.
2013 – 12	This finding is considered to be unresolved. Similar conditions were cited in Findings 2014-03 and 2014-05.
2013 – 13	This finding is resolved.

**GUAM HOUSING AND URBAN RENEWAL AUTHORITY**

Summary of Unresolved Questioned Costs  
Year Ended September 30, 2014

	<u>Questioned Costs</u>	<u>Costs Allowed</u>	<u>Costs Disallowed</u>	<u>Unresolved Questioned Costs</u>
FY 2014 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, 2014	<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, 2014

**Finding No. 2014 – 01**

**CFDA No. 14.850 – Public and Indian Housing Program**

### Condition:

For all 40 files tested, we noted that the Authority did update or review its Utility Allowance Schedule for the fiscal year ending September 30, 2014.

### Corrective Action Stated and Taken:

The PHA shall review at least annually the basis on which utility allowances have been established and, if reasonably required in order to continue adherence to the standards shall establish revised allowances. The review shall include all changes in circumstances (including completion of modernization and/or other energy conservation measures implemented by the PHA) indicating probability of a significant change in reasonable consumption requirements and changes in utility rates.

The PHA may revise its allowances for resident-purchased utilities between annual reviews if there is a rate change (including fuel adjustments) and shall be required to do so if such change, by itself or together with prior rate changes not adjusted for, results in a change of 10 percent or more from the rates on which such allowances were based.

The Authority is currently working on its utility allowance schedule. The Property Site Managers (PSM) along with the Asset Manager are reviewing the compiled data received from both Guam Power Authority (GPA) and Guam Waterworks Authority (GWA) regarding resident consumption. The Authority plans to implement the new Utility Schedule by July-August 2015.

### Responsible Party:

Prior to Fiscal Year 2016 the Property Site Managers (PSM) will begin to evaluate the utility allowance schedule. The Authority will have the option to (1) continue with its self-evaluation/review to update its Utility Allowance Schedule or (2) outsource to a third party to conduct the annual review of the utility allowance schedule.

### Anticipated Date of Completion:

Reviews will begin July-August 2015.

# GUAM HOUSING AND URBAN RENEWAL AUTHORITY

## Plan of Corrective Action Federal Award Findings and Questioned Costs September 30, 2014

**Finding No. 2014 – 02**

**CFDA No. 14.850 – Public and Indian Housing Program**

### Condition:

For three (3) or 7% of the forty (40) tenant files tested, there was either no inspection report on file prior to lease renewal or inspection report indicated a failed inspection and there were no work orders or re-inspections to evidence that the deficiencies were corrected in a timely manner for the following units:

1. 5JCR Unit was not inspected during tenant annual recertification.
2. 64KAL Unit failed inspection twice and no further inspections were conducted.
3. 212JQQ Unit was inspected 40 days after Tenant's recertification anniversary date of March 1, 2014

### Corrective Action Stated and Taken:

The Property Site Manager (PSM) will ensure that the Housing Specialist (HS) completes the inspections as scheduled and in a timely manner in accordance with policies and procedures. Original inspection reports will be filed in the tenants' folders along with completed work orders for any deficiencies cited in the units.

The PSM and the HS will print the annual recertifications report for the year and properly schedule on calendar. Notices are given to the residents at least 90-120 days prior to recertification dates to begin the recertification process. The notices also include scheduled dates for inspection and document submission.

Unit inspections will take place at least 60-90 days prior to recertification. If the unit fails the first inspection, the tenant is given at least one week to correct any tenant-related damages. Upon re-inspection, if the unit fails the second inspection, a 30-day termination letter will be issued to the resident along with the Grievance Procedure. The PSM and Housing Specialist will work with Hearing Officer for timely hearing sessions.

### Responsible Party:

To ensure full compliance, the PSM has increased quality control (QC) file review from 20% to 100% on all resident folders after the HS completes the recertification process. After QC review, the PSM will work closely with the HS to discuss the review and recommend changes in policies/procedures, forms and documentation requirements in accordance with review findings and Admissions and Continued Occupancy Policy (ACOP).

### Anticipated Date of Completion:

Regulatory training and certification will be provided to the Public Housing Staff. Training is tentatively scheduled in the fourth quarter of Fiscal Year 2015.

# GUAM HOUSING AND URBAN RENEWAL AUTHORITY

## Plan of Corrective Action Federal Award Findings and Questioned Costs September 30, 2014

**Finding No. 2014 – 03**

**CFDA No. 14.850 – Public and Indian Housing Program**

Condition:

For two or 5% of 40 tenant files tested, Upfront Income Verification via HUD's Enterprise Income Verification (EIV) system was not conducted for eligible household members for tenants residing in Units #212JQQ and 4MAO.

Corrective Action Stated and Taken:

To ensure full compliance, the Property Site Manager (PSM) has increased quality control (QC) file review from 20% to 100% on all resident folders after the Housing Specialist (HS) completes the recertification process. After QC review, the PSM will work closely with the HS to discuss the review and recommend changes in policies/procedures, forms and documentation requirements in accordance with review findings and Admissions and Continued Occupancy Policy (ACOP).

Each resident folder has Flaps that lists documents required for each flap. The HS will ensure that all documents will be enclosed within the flap based on the checklist and sign off when completed. Upon completion of the recertification, the HS will submit the resident folder to the PSM for final review to ensure that folder is in compliance with the ACOP.

Responsible Party:

Property Site Manager

Anticipated Date of Completion:

Regulatory training and certification will be provided to the Public Housing Staff. Training is tentatively scheduled in the fourth quarter of Fiscal Year 2015.

# GUAM HOUSING AND URBAN RENEWAL AUTHORITY

## Plan of Corrective Action Federal Award Findings and Questioned Costs September 30, 2014

**Finding No. 2014 – 04**

**CFDA No. 14.850 – Public and Indian Housing Program**

### Condition:

For one (1) or 3% of the forty (40) tenant files tested, tenant residing in Unit #212JQQ anniversary date for recertification was March 1, 2014; however, the annual recertification was conducted May 8, 2014 or 69 days after the recertification date.

We also noted that for the tenant residing in Unit #2MAO, the marital status was not verified for the spouse listed as the husband on Form 50058, as a marriage certificate was not obtained.

### Corrective Action Stated and Taken:

To ensure full compliance, the Property Site Manager (PSM) has increased quality control (QC) file review from 20% to 100% on all resident folders after the Housing Specialist (HS) completes the recertification process. After QC review, the PSM will work closely with the HS to discuss the review and recommend changes in policies/procedures, forms and documentation requirements in accordance with review findings and Admissions and Continued Occupancy Policy (ACOP).

Each resident folder has Flaps that lists documents required for each flap. The HS will ensure that all documents will be enclosed within the flap based on the checklist and sign off when completed. Upon completion of the recertification, the HS will submit the resident folder to the PSM for final review to ensure that folder is in compliance with the ACOP.

Regulatory training and certification will be provided to the Public Housing Staff. Training is tentatively scheduled in the fourth quarter of Fiscal Year 2015.

### Responsible Party:

Property Site Manager

### Anticipated Date of Completion:

Regulatory training and certification will be provided to the Public Housing Staff. Training is tentatively scheduled in the fourth quarter of Fiscal Year 2015.

# GUAM HOUSING AND URBAN RENEWAL AUTHORITY

## Plan of Corrective Action Federal Award Findings and Questioned Costs September 30, 2014

**Finding No. 2014 – 05**

**CFDA No. 14.850 – Public and Indian Housing Program**

### Condition:

For one or 3% of the 40 tenant files tested, the Authority failed to properly verify and document the income for the tenant residing in Unit #A18 as follows:

1. The social security income was verified. The Authority relied upon amounts posted on the tenant's bank statements and reported such on the Form 50058.
2. Food Stamp and Welfare assistance was not independently verified and documented.
3. The Affidavit of Zero Income of Adult Member was not completed and documented for the head of household.

### Corrective Action Stated and Taken:

To ensure full compliance, the Property Site Manager (PSM) has increased quality control (QC) file review from 20% to 100% on all resident folders after the Housing Specialist (HS) completes the recertification process. After QC review, the PSM will work closely with the HS to discuss the review and recommend changes in policies/procedures, forms and documentation requirements in accordance with review findings and Admissions and Continued Occupancy Policy (ACOP).

Each resident folder has Flaps that lists documents required for each flap. The HS will ensure that all documents will be enclosed within the flap based on the checklist and sign off when completed. Upon completion of the recertification, the HS will submit the resident folder to the PSM for final review to ensure that folder is in compliance with the ACOP.

### Responsible Party:

Property Site Manager

### Anticipated Date of Completion:

Regulatory training and certification will be provided to the Public Housing Staff. Training is tentatively scheduled in the fourth quarter of Fiscal Year 2015.

# GUAM HOUSING AND URBAN RENEWAL AUTHORITY

## Plan of Corrective Action Federal Award Findings and Questioned Costs September 30, 2014

**Finding No. 2014 – 06**  
**CFDA No. 14.850 – Public and Indian Housing Program**

### Condition:

The Authority was not able to provide Declaration of Trusts documentation to evidence that its public housing property has been properly recorded with the Guam Department of Land Management and submitted to HUD.

### Corrective Action Stated and Taken:

GHURA's inventory of public housing units were constructed between 1970 and 1986, eight cycles of development in all. A cursory review of the original Deed of Trust documents for four of the original development sites indicate that the Authority appropriately filed Form 52190 (as required of the time) and recorded with the Dept. of Land Management.

The Community Development Division is tasked with physical custody of all property records. The digitization of archive documents (such as those discussed here) is an ongoing process and will continue until all files are backed up electronically. The Fiscal Division is tasked to document costs associated with the acquisition and improvement of real property. GHURA will continue to update the Authority's real property listing, inclusive of all holdings (residential and non-residential).

GHURA will review the areas of compliance documented by the Auditor to ensure that the filing of the Deed of Trust documents is consistent with the Authority's transition of public housing management from central-based to site-based management, and in consideration of the 40 year minimum timeframe. GHURA will continue to track improvements funded by the Capital Fund Program over the 20 year period of affordability.

### Responsible Party:

Property Site Managers

### Anticipated Date of Completion:

On-going and by 4th quarter of Fiscal Year 2015.

**GUAM HOUSING AND URBAN RENEWAL AUTHORITY**

**Supplementary Information**

Schedule of Salaries, Wages and Benefits

For the Year Ended September 30, 2014  
(With comparative totals for the year ended September 30, 2013)

	<u>2014</u>	<u>2013</u>
Salaries	\$ 4,016,089	\$ 4,313,317
Retirement benefits	1,206,032	1,263,504
Benefits other than retirement	306,151	373,641
Overtime pay	<u>73,784</u>	<u>36,422</u>
Total salaries, wages and benefits	<u>\$ 5,602,056</u>	<u>\$ 5,986,884</u>
Employees at end of year	<u>90</u>	<u>92</u>

Note 1: The salaries, wages and benefits noted above are reported in the accompanying financial statements on a functional basis by program for the years ended September 30, 2014 and 2013.