



## OFFICE OF PUBLIC ACCOUNTABILITY

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### Guam Housing and Urban Renewal Authority – FY 2022 Financial Highlights

September 28, 2023

Hagåtña, Guam -- The Office of Public Accountability released the Guam Housing and Urban Renewal Authority's (GHURA) Financial Statements, Report on Compliance, Management Letter, and The Auditor's Communication With Those Charged With Governance for fiscal year (FY) 2022. GHURA ended FY 2022 with an increase in Net Position (net income) of \$9.1 million (M), representing an \$8.1 M increase in net position compared with the prior year's increase of \$943 thousand (K).

Independent auditors, Ernst & Young LLP, rendered an unmodified (clean) opinion on GHURA's FY 2022 financial statements. However, GHURA received a **qualified opinion** on the Community Development Block Grant (CDBG) - Entitlement Grants Cluster and Housing Voucher Cluster, both major federal programs. All other major federal programs received an unmodified opinion. Auditors identified three material weaknesses and two significant deficiencies in internal control over compliance related to major federal programs. Auditors also issued a separate management letter with two findings related to the allowance for doubtful accounts and net position reconciliation.

#### **Coronavirus (COVID-19) Pandemic**

GHURA received two separate allocations of Coronavirus Aid, Relief, and Economic Securities Act (CARES Act) funds through the U.S. Department of Housing and Urban Development's (HUD) Office of Community Planning and Development. CDBG and Emergency Solutions Grant (ESG) funds are intended to fund activities and programs that would directly address the COVID-19 pandemic emergency. The total allocation of CDBG funds amounted to \$4.7M, while the total allocation of ESG funds amounted to \$3.5M. Guam will amend its existing 5-Year Consolidated Plan and the Program Year 2019 Annual Action Plan to proposed projects for COVID-19 purposes. Both programs made liberal adjustments to program rules that positively affected the use of funds to maximize their reach to the populations rendered vulnerable due to the emergency.

#### **Operating Revenues and Expenditures Increased**

GHURA's operating revenues totaled \$67.2M in FY 2022, a \$15.3M increase from the \$51.9M in FY 2021. The increase is mainly due to the \$12.5M increase in operating grants from HUD, which rose from \$50.3M in FY 2021 to \$62.9M in FY 2022. In comparing other income for FYs 2021 and 2022 of \$798K and \$3.1M, respectively, there was an increase of \$2.3M impacting total operating revenues.

Total operating expenses were \$60.7M in FY 2022, a \$7.5M increase from the \$53.2M in FY 2021. The Housing Assistance Payments (HAP) of \$41.2M constitute GHURA's largest expense, which increased by \$3.1M (or 8%) from \$38.0M in FY 2021. The increase in the current year expenses is attributed to increases in Section 8 Housing Choice vouchers for the period due to higher unit month leasing costs. Salaries and wages of \$5.8M, employee benefits of \$2.0M, retiree healthcare

cost and other pension benefits of \$1.3M, and other administrative expenses of \$4.7M are GHURA's other major expenses. In FY 2022, Repairs and maintenance of \$2.8M increased by \$1.5M (or 122%) from \$1.2M in FY 2021.

### **Public Housing – Asset Management Properties (AMP)**

GHURA owns and operates 750 public housing units consisting of four AMPs with sites in the Central, Southeast, Southwest, and Northern regions. Each AMP has a property site manager directly responsible for their respective property management activities. At the end of FY 2022, GHURA had 684 units occupied with a 91% occupancy rate and an adjusted rate of 94% with 21 units under modernization. In FY 2021, GHURA had 704 units occupied with a 97% occupancy rate an adjusted rate of 96.4% with 27 units under modernization. Of the 750 heads of households that occupy the AMPs, 296 were born in Guam, 226 were born in the Federated States of Micronesia (including Chuuk, Pohnpei, and Yap), 40 were born in the Commonwealth of the Northern Mariana Islands, and the remaining were born in Japan, Korea, Marshall Islands, Palau, Philippines, Samoa, and the United States.

### **Federal Award Programs and HUD**

GHURA participates in a number of federal award programs for specific purposes that are subject to review and audit by HUD. A certain amount of questioned costs exists as of September 30, 2022. The questioned costs will be resolved by HUD and due to GHURA's inability to predict the ultimate outcome of this matter, no provision for any liability, if any that may result from this matter has been made in the accompanying financial statements. Such questioned costs could lead to requests for reimbursements from the grantor agency for expenditures disallowed under the terms of the applicable grant.

During FY 2015, GHURA received a letter from HUD informing them of an on-site review that was performed. Based on the results of that review, several instances of conflict of interest were cited, including one pertaining to GHURA's prior legal counsel who was a landlord with the Section Housing 8 Housing Choice Voucher (HCV) while serving as legal counsel for GHURA. The review recommended that GHURA repay \$578K from its non-federal funds for the amounts paid to the attorney as a landlord and for legal services paid while serving as GHURA's legal counsel. The report is under review with HUD's Honolulu Field Office and has been shared with GHURA for further discussions. No decisions have been made at this time.

During FY 2004, GHURA transferred \$1.7M from its HCV Program's unrestricted net assets to its Low Rent Public Housing Program to construct a new building for its central operations. GHURA spent approximately \$295K, but a new building was not constructed. HUD's Departmental Enforcement Center recommended that GHURA use non-federal funds to repay \$1.4M to the HCV Program for the unused funds.

### **Report on Compliance**

In its Report on Compliance, the independent auditors identified three material weaknesses and two significant deficiencies in internal control over compliance related to major federal programs.

GHURA had three material weaknesses and received a qualified opinion on its compliance with CDBG - Entitlement Grants Cluster and Housing Voucher Cluster, two major federal programs.

However, there were no questioned costs. Certain amounts reported in CDBG's Financial Summary Report did not agree with underlying accounting records and subawards were not reported in the Federal Funding Accountability and Transparency Act Subaward Reporting System. Auditors found that GHURA did not effectively implement monitoring controls over compliance with applicable reporting requirements with these two programs. These findings are prior year audit findings that were unresolved as of FY 2022 (2021-004, 2021-005, and 2017-01).

To correct these deficiencies, auditors recommended responsible personnel should implement monitoring controls over compliance with applicable reporting requirements. Prior to certifying reports, responsible personnel should examine and maintain underlying accounting records to determine the accuracy and completeness of reported data.

The two significant deficiencies identified in federal programs were related to special tests and provisions for obligation, expenditure, and payment requirements and procurement and suspension and debarment.

### **Schedule of Expenditures of Federal Awards**

In FY 2022, GHURA was responsible for 20 direct programs with a combined \$76.8M total expenditures of federal awards. For FY 2022, GHURA received all of its federal awards from HUD. Of the \$76.8M in expenditures, the top five expenditures recorded include \$42.9M on Section 8 Housing Choice Vouchers, \$11.4M on the Community Development Block Grants Section 108 Loan Guarantees, \$5.7M on Public and Indian Housing, \$4.4M on Home Investment Partnerships Program, and \$3.5M on Community Development Block Grants/Special Purpose Grants/Insular Area.

### **Management Letter**

Independent auditors issued a Management Letter that identified two findings and recommendations. These are (1) no allowance was considered for doubtful accounts receivable of approximately \$349K and (2) beginning net position as of September 30, 2022, did not agree to prior-year ending net position resulting in an unreconciled variance of \$45K. The auditors recommended that management perform timely reconciliation of the beginning net position balance.

For a more detailed discussion of GHURA's operations, see Management's Discussion and Analysis as well as the reports in their entirety at [www.ghura.org](http://www.ghura.org) or [www.opaguam.org](http://www.opaguam.org).