



Guam Housing and Urban Renewal Authority FY 2012 Financial Highlights

June 27, 2013

The Guam Housing and Urban Renewal Authority (GHURA) ended fiscal year (FY) 2012 with a decrease in net assets of \$4.5 million (M), a significant decline from the \$530,000 (K) increase in net assets in FY 2011. The net decrease is primarily due to the considerable decline in total subsidies and grants, which decreased by \$23.2M compared to the \$73.1M from the prior year. GHURA also experienced an overall decline in operating revenues, down by \$21.2M, and expenditures decreased by \$17.6M during the year.

Independent auditors, J. Scott Magliari & Company, rendered an unqualified or “clean” opinion on the financial statements. For the reports issued on compliance; the auditor’s included a qualified opinion on the Supportive Housing for Elderly Program and an unqualified opinion on the remaining three federal programs. Auditors identified four material weaknesses and five significant deficiencies. Material weaknesses pertained to income verification, tenant file documentation, GHURA’s administrative plan, and a conflict of interest with the authority’s legal counsel, which resulted in questioned costs of \$98K. Additionally, a management letter identified three deficiencies relative to Inventory, Accounting Policies and fiscal divisions Accounting System.

Declining Revenues and Expenditures

GHURA’s operating revenues declined by 30%, or \$21.2M, going from \$70M in 2011 to \$48.8M in 2012. The decrease is primarily attributed to the \$14.3M decline in US Department of the Treasury’s IRS Section 1602 funds, \$2.3M decrease in Department of the Interior Funds, \$1.2M decline in Capital Funds, and a \$2.2M decline in GHURA’s Low Rent Housing Program.

Other revenue categories, i.e. Housing and Urban Development Public Housing Assistance (HUD PHA) Operating Grants, and Tenant Rental Income, experienced a decrease from the prior year. GHURA’s main sources of revenue come from HUD PHA (representing 65% of revenues) and Other Federal Grants (representing 34% of revenues).

Expenditures also declined significantly in 2012, decreasing by \$17.6M, largely due to the reduction in project costs of \$14.3M, from \$19.4M to \$5.1M. The US Department of Treasury IRS Section 1602 Grants made assistance available for developers to construct rental housing for low-income families and individuals. There were two projects funded by this grant, Phase I and II, to construct 132 units in Tamuning and were completed as of September 2012. Other notable decreases stem from the decline of \$2.2M in repairs and maintenance and the reduction of \$1.2M in GHURA’s administrative expenses, going from \$3.7M to \$2.5M in the year.

Asset Management Properties (AMP)

GHURA owns and operates 750 Public Housing units comprising four AMPs. For FY 2012, the authority received \$1.7M in Operating Subsidy Funds for its Public Housing units. GHURA had 729 units occupied with a 97% occupancy rate and an adjusted rate of 98% which include 9 units under modernization. The tenant’s breakdown by country are as follows: Guam represents 53%, Federated States of Micronesia (FSM) at 23%, Philippines at 8%, Commonwealth of the Northern Mariana Islands (CNMI) at 8%, USA at 6%, and others represent 2%.

GHURA Housing Voucher Program

GHURA administered 2,545 vouchers for its Section 8 – Housing Choice Voucher (HCV) Program and received \$32M to fund the monthly rental assistance paid to property owners on behalf of eligible participants. The average annual household income was \$12,108. GHURA noted that 82% of participating families are from female head-of-households (HOH), while 18% represented male HOH, and 99% receive some form of general assistance, or Temporary Assistance for Needy Families. Additionally, HOH from Guam represented 44% of tenants and FSM represented 40%. The remaining 16% were from CNMI, Philippines, and others.

Community Planning and Development Program

Community Planning and Development (CPD) represented the greatest diversity of projects engaged to benefit low and moderate income populations and special needs populations. During FY 2012, GHURA administered \$10.4M in eligible CPD-funded activities. Of this amount, \$1.1M was approved for activities in the year. GHURA utilized the funding for the Family service center, Guma Hinemlo, and the Nurturing Neighborhood Networks. GHURA also utilized funding for public facilities, such as the construction of Sagan Bonita, Catherine's Home, Liheng Apartments for the elderly, and the Macheche Neighborhood facility.

Reports on Compliance and Internal Controls

GHURA's report on compliance and internal controls was qualified for one of the four major programs, and unqualified for the remaining three. However, GHURA had four material weaknesses and five significant deficiencies. The five significant deficiencies identified were a lack of annual recertification, annual inspections, required clearances, capital needs assessments and non-compliance with Federal Accessibility Standards. The material weaknesses identified were:

- **Upfront Income Verification** – for two or 22% of transactions tested, GHURA failed to use HUD's centralized Enterprise Income Verification system or the Tenant Assessment Subsystem to validate tenant reported income.
- **Missing and Incomplete Documentation**– GHURA lacks proper tenant file maintenance, and the File Document Review is not being utilized to ensure all required eligibility determination documentation is obtained prior to the tenant's admission into the program.
- **Administrative Plan** – GHURA is required to maintain an up-to-date Elderly Program Administrative Plan to manage the Guam Elderly Project, known as Guma Trankilidat. The plan has not been updated since 2004.
- **Conflict of Interest** - During June 2004, GHURA's legal attorney entered into a housing assistance program contract with GHURA for rental properties under Section 8 HCV Program. In March 2011, this attorney was then contracted as legal counsel to GHURA and had certified that he had no conflict of interest with regards to legal services being provided to GHURA and housing payments received through GHURA tenants. In a one year period from January 2011 through 2012 the attorney received direct payments for Housing Assistance Payment (HAP) contracts totaling \$113K. Of this amount, \$98K is being questioned for non-compliance with 24 CFR § 982.161 of HUD's policies. GHURA had consulted with HUD and hired a special conflicts attorney to determine if any conflicts truly exist. The conflicts attorney opined that no such conflict exists, and GHURA is awaiting response from HUD if a COI waiver will be granted. In May 2013, GHURA's legal counsel officially resigned from his position.

For a more detailed commentary, refer to the Management Discussion and Analysis in the audit report. Visit GHURA's website at www.ghura.org or OPA's website at www.guamopa.org to view the reports in their entirety.