



Guam Housing and Urban Renewal Authority FY 2009 Financial Highlights

June 4, 2010

The Guam Housing and Urban Renewal Authority (GHURA) closed the fiscal year (FY) 2009 with a change in net assets (net losses) of \$1.2 million (M), its second year of losses. Independent auditors J. Scott Magliari and Company rendered an unqualified “clean” opinion on GHURA’s financial statements. However, the accompanying reports on compliance and internal controls were again qualified since FY 2002 due to material weaknesses in the Section 8 Housing Choice Voucher (HCV) Program and the Financial Accounting System.

Net Losses

GHURA had a negative change in net assets (net losses) of \$1.2M; an improvement from the negative \$3.1M in net assets reported in FY 2008. The operating expenditures for FY 2009 is \$48.8M and operating revenues is \$45.2M.

Operating expenditures increased by \$774K from \$48.1M to \$48.8M, primarily from increases in housing assistance payments and salaries and benefits. Housing assistance payments increased from \$29.7M to \$31.5M. Salaries and benefits increased by \$430K from \$4.8M to \$5.2M. Other expense categories that declined; repair and maintenance dropped \$782K from \$3.6M to \$2.9M, bad debts decreased \$249K from \$283K to \$34K and tenant services decreased from \$302K to \$149.

Operating revenues increased by \$4.8M or 12% from \$40.4M to \$45.2M. These include a \$3.7M increase in HUD Public Housing Agency (PHA) Operating Grants from \$38.5M to \$42.2M, and \$846K increase in other federal grants from \$3K to \$849K. The HUD PHA Operating Grant is GHURA’s main source of revenue, representing 93% of total Federal revenues. Section 8 HCV Program receives the bulk of the PHA grant and enables lower income families to reside in existing privately-owned housing. In 2009, 2,463 or 98% of the 2,515 authorized housing vouchers were leased with associated expenditures of \$31.5M.

The Low Income Housing Program is where GHURA rents its 750 units to low-income households. The program operates under an Annual Contribution Contract with the U.S. Department of Housing & Urban Development (HUD), provides subsidies to enable GHURA to provide housing at a rent based on 30% of household income. In FY 2009, the program received \$4.2M, in which 728 units were leased.

Qualified Reports on Compliance and Internal Controls

The accompanying reports on internal control and compliance were again qualified. This year’s qualifications were due to two material weaknesses related to GHURA’s financial accounting system and rent reasonableness for the Section 8 HCV Program and five other audit findings. This is a decrease from the 10 findings reported in FY 2008. Five of the seven findings were

repeat findings from the prior year related to the financial accounting system, eligibility, and rent reasonableness. There was also a new finding on income calculation.

- **Financial Accounting System** - The Fiscal Division is unable to produce the current and complete financial statements on a monthly and annual basis. There is a consistent two to three months delay in closing the books each month and at fiscal year-end and numerous accounts are not properly reconciled timely. This finding is due to the lack of sufficient qualified accountants to ensure that accounting functions continue to be performed in the absence of key accounting personnel during critical periods of the year. This has been an on-going material weakness.
- **Special Tests and Provisions-Community Service** – There is a lack of internal controls and monitoring procedures to ensure that community service requirements of the Low Income Housing Assistance Programs are met by tenants and are properly evaluated on this factor at each re-examination period.
- **Eligibility** – Four findings dealt with eligibility; three findings in the Section 8 HCV Program and one finding in Lowing Income Public Housing program. Deficiencies were found in the areas of income calculation, missing file documents, unsigned and incomplete forms, and asset value calculation.
- **Rent Reasonableness** – Utilization of rent comparisons in other areas outside the proposed location when determining rent reasonableness were without proper justification. This has been an on-going material weakness.

J. Scott Magliari & Company also issued a separate letter to the Board outlining accounting policies, required communication and adjustments. A detailed commentary of GHURA's operations can be found in the Management's Discussion and Analysis of the audit report at www.guamopa.org.