

Management Letter

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Year ended September 30, 2015



**Building a better
working world**



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Management and the Board of Directors
Guam Housing Corporation

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

During our audit, we noted the following deficiencies in internal control (as described above) and other matters:

First-time Homeowner Assistance Program

Condition:

In January 2012, the Housing Trust Fund Act was signed into law as Public Law (P.L.) 31-166 which allowed eligible recipients of the program financial assistance of up to \$10,000 (4% of purchase price including down payment and closing costs amount maximum of \$250,000) to be used for down-payment assistance or closing costs.

First-time Homeowner Assistance Program, continued

During our audit procedures on the Corporation's compliance with the P.L. 31-166 requirements, we noted the following:

- Section 4703 (b) (2) of PL 31-166 states that the applicant must be a United States (U.S.) citizen or a permanent resident alien in order to qualify for assistance in this Program. For 1 out of 12 samples selected for testing, there is no evidence to support the applicant's status such as a copy of the applicant's U.S. passport or permanent resident card.
- Section 4703 (b) (5) of PL 31-166 states that the applicant must attend and complete a home ownership education program/workshop or other similar program, as approved or provided by the Corporation. For 2 out of 7 joint applicant samples selected for testing, only one of the persons in the joint application submitted the required document.

Recommendation:

We understand that the Corporation has amended its checklist requiring the primary applicant's name to be on the certificate effective February 10, 2015. We recommend that management establish a policies and procedures manual in accepting and processing FTHAP assistance to ensure compliance with, and consistent application of, the requirements of P.L. 31-166.

Management's response:

For the issue on citizenship, every applicant executes a notarized affidavit stating that he/she/they are a U.S. Citizen(s) or a Permanent Resident(s). These affidavits are on file. Should this be a false statement, GHC can have the recipient repay the grant. However, after last year's audit review, GHC has amended its processing checklist to ensure that a copy of the passport or other evidence verifying their citizenship is on file.

As for the issue on the home ownership counseling workshop, we have also amended our checklist to ensure all applicants are listed on the Certificate. We must note that if there are more than two, the system would not allow a third individual's name on the certificate. If they are to include another, this will be at cost to the applicant.

Annual Leave

Condition:

During our audit procedures on the Corporation's accrued compensated absences, we noted the following:

- For 1 out of 5 employees selected for testing, we noted that the vacation leave hours taken per the employee's timesheet do not correspond with the approved vacation leave hours.

Annual Leave, continued

Condition, continued:

- For 1 out of 5 employees selected for testing, there was no approved vacation leave form for the leave hours taken.

Recommendation:

We recommend that a reconciliation of the vacation leave hours taken per employee timesheet to the approved vacation leave form be performed to ensure that actual leave hours taken are recorded. Management should also revisit its existing controls to ensure vacation leave hours are supported by an approved vacation form.

Management's response:

The balances of all of the employees' annual and sick leave are accurate despite the errors on the timesheet. Corrections on the timesheet were made with the employee's acknowledgment. Reviews are being done, however due to the amount of leave taken, changes in salary, and various adjustments on deductions and direct deposits that must be completed within a limited time, the errors on the timesheet were overlooked. We acknowledge the auditor's recommendation.

This communication is intended solely for the information and use of the Board of Directors and management of the Guam Housing Corporation, the Office of Public Accountability, and others within the entity 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 information.

The Corporation's written responses to the deficiencies and other matters identified in our audit were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Ernst + Young LLP