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Guam Housing and Urban Renewal Authority – FY 2020 Financial Highlights

April 1, 2021

Hagåtña, Guam – The Office of Public Accountability released the Guam Housing and Urban Renewal Authority’s (GHURA) financial statements, report on compliance and internal control, management letter, and letter to those charged with governance for fiscal year (FY) 2020. GHURA ended FY 2020 with a decrease in net position (net loss) of \$2.2 million (M), which increased its net loss by \$669 thousand (K) compared to the prior year’s net loss of \$1.5M.

Independent auditors, Deloitte & Touche, LLP, rendered an unmodified (clean) opinion on both GHURA’s FY 2020 financial statements and its compliance for major federal programs. However, in the compliance report, auditors identified three significant deficiencies in internal control over financial reporting and four significant deficiencies in internal control over compliance related to federal awards. Auditors also issued a separate management letter with three comments.

While improvement is still needed, GHURA is commended for issuing their audited FY 2020 financial statements comparatively earlier and reducing the number of qualified opinions and deficiencies from FY 2019. Their FY 2019 financial audit was issued in August 2020 with two modified opinions, two material weaknesses, and four significant deficiencies. The delay of GHURA’s FY 2019 audited financial statements adversely impacted the completion and issuance of the Government of Guam’s FY 2019 financial statements.

Coronavirus (COVID-19) Pandemic Impact and Outlook

In March 2020, the Governor of Guam issued Executive Order 2020-03, declaring a state of emergency in response to the COVID-19 pandemic. This led to the closure of non-essential government services, private businesses, and schools for an extended period, including GHURA’s offices. With uncertainty surrounding the duration of the COVID-19 pandemic, GHURA is unable to reasonably estimate its ultimate financial impact.

GHURA was awarded Coronavirus Aid, Relief, and Economic Securities Act funds directly through the U.S. Department of Housing and Urban Development’s (HUD) Office of Community Planning and Development (CPD) in two separate allocations of \$2.7M and \$3.5M for the Community Development Block Grant and the Emergency Solutions Grant, respectively. These funds are intended to prevent, prepare, and respond to the community’s needs as a result of the pandemic. GHURA was awarded also \$1.2M for its Section 8 Housing Choice Voucher (HCV) program and is authorized to disburse \$745K to its Public Housing programs. As of September 30, 2020, \$41K was expended, of which \$901 (or 2%) was spent on administrative expenses and \$40K (or 98%) on Tenant Services.

Increase in Operating Revenues and Expenditures

GHURA’s operating revenues totaled \$45.8M in FY 2020, a \$3.4M increase from the \$42.5M in FY 2019. This increase is due to mainly the \$3.4M increase in grants from HUD, which increased from \$41.3M in FY 2019 to \$44.7M in FY 2020. Tenant rental income decreased by \$111K from \$860K in FY 2019 to \$749K in FY 2020 due to charges for the period and the COVID-19 pandemic.

Operating expenses totaled \$49.1M in FY 2020, a \$3M increase from the \$46.1M spent in FY 2019. Housing Assistance Payments (HAP) of \$32.5M is GHURA's largest expense, which increased by \$3.9M (or 14%) from \$28.6M in FY 2019. The increase in HAP is attributed to an increase in Section 8 HCVs due to higher monthly leasing costs for units. Salaries and wages of \$4.7M, depreciation of \$3.4M, employee benefits of \$2.2M, and other administrative expenses of \$2M were GHURA's other major expenses. Repairs and maintenance of \$1.8M in FY 2020, decreased significantly by 57% (or \$2.4M) from \$4.2M in FY 2019.

Section 8 Housing Choice Voucher Program

In 2020, the Section 8 HCV Program had to cope with the paramount challenge of trying to meet its mission in the midst of a pandemic. The Section 8 program operated by appointments only and implemented some key measures that would ensure families are provided continued assistance, which included a moratorium on evictions, as well as HUD waivers and alternatives to the following policies on family income annual and interim re-examinations, housing quality standards inspections, family self-sufficiency contract of participation, oral briefings, term of voucher extensions, approval of assisted tenancy (HAP contract execution), absence from the unit, family unification program (youth) age eligibility and length of assistance, Section Eight Management Assessment Program, and Public Housing Agency reporting (HUD form 50058).

Community Planning and Development Funds

Of the many HUD-funded activities administered by GHURA, the activities funded through CPD represent the greatest diversity of projects engaged to benefit populations of low and moderate-income, and special needs. These funds find their way into the community to support activities that meet the needs of persons over a multitude of diverse economic and social backgrounds from the homeless to those trying to afford their first home purchase. During FY 2020, GHURA administered \$5.5M in eligible CPD-funded activities.

Reports on Compliance and Internal Controls

GHURA received a "clean" opinion on its compliance for major federal programs. However, auditors identified three significant deficiencies in their internal control over financial reporting and four significant deficiencies in their internal control over compliance related to federal awards.

To correct these deficiencies, auditors recommended that GHURA: (1) develop and implement controls over the timely preparation and reconciliation of the Schedule of Expenditures of Federal Awards (SEFA) and obtain training for accounting personnel relative to Uniform Guidance requirements for SEFA; (2) enforce compliance with applicable reporting requirements and continue to coordinate with HUD to resolve technical issues with the Section 3 Performance Evaluation and Registry System; (3) enforce compliance with applicable special tests and provisions requirements over the residual receipts account; and (4) enforce compliance with its written procurement policy and monitor the policy to timely align with any future changes to the Government of Guam's procurement regulations accordingly.

Management Letter

A separate management letter was issued identifying three comments for which the auditors recommended that management: (1) review and consider correction of long outstanding accounts; (2) revisit the methodology on the allowance for doubtful accounts and consider a periodic analysis of all past due accounts; and (3) revisit the appropriateness of the capitalized costs, assigned useful lives, and depreciation on fixed assets.

For a more detailed discussion of GHURA's operations, see the Management's Discussion and Analysis, as well as the audit reports in their entirety, at www.ghura.org or www.opaguam.org