



Guam Housing and Urban Renewal Authority FY 2013 Financial Highlights

April 4, 2014

The Guam Housing and Urban Renewal Authority (GHURA) ended fiscal year (FY) 2013 with a decrease in net position (net loss) of \$3.6 million (M), which is \$819 thousand (K) lower than the FY 2012 loss of \$4.5M. These two year losses of \$8.1M have been financed through agency reserves. The net loss is primarily due to the decline in total subsidies and grants of \$5.1M, which majority was from Other Federal Grants through the American Recovery and Reinvestment Act funds.

Independent auditors, J. Scott Magliari & Company, rendered an unmodified 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 unmodified opinion on the remaining federal programs. There were six material weakness and seven significant deficiencies identified. A Management Letter was also issued commenting of six areas for improvements.

GHURA operates four main programs, with three of the programs making up 90% of GHURA’s revenue being the Section 8 Housing Choice Voucher Program (75%), Public Housing consisting of four Asset Management Properties (8%), and the Community Planning and Development Program (6%). The fourth program is the Supportive Housing for the Elderly, better known as Guma Trankilidat.

GHURA Housing Voucher Program

GHURA is authorized to administer 2,545 vouchers for its Section 8 – Housing Choice Voucher Program and received \$32M to fund the monthly rental assistance paid to property owners on behalf of eligible participants. GHURA received \$1.7M less in U.S. Housing and Urban Development (HUD) Public Housing Authority (PHA) operating grants, which went from \$35M in FY 2012 to \$33.3M in FY 2013. Despite the decrease, GHURA was able to increase Housing Assistance Payments slightly to \$33.2M. For FY 2013, this program ended with a loss of \$1.9M or 53% of GHURA’s total loss of \$3.6M.

Asset Management Properties (AMP)

GHURA owns and operates 750 Public Housing units consisting of four AMPs. For FY 2013, operating revenue increased under the low income housing by 61% or \$1.3M, going from \$2.1M in FY 2012 to \$3.4M, which was mainly due to an increase in HUD PHA Operating Grants. Operating expenses decreased by 18% or \$1.1M, going from \$6.2M in FY 2012 to \$5.1M in FY 2013. The main decrease in expense was in Repairs and Maintenance, which decreased by 76% or \$1M, going from \$1.3M in FY 2012 to \$321K in FY 2013. A temporary deferral of repairs and maintenance means higher expenditures in ensuing years. The Public Housing program ended FY 2013 with a \$1.6M loss or 45% of GHURA’s total loss, yet this program contributes only 8% of total revenues.

Community Planning and Development Program

Community Planning and Development represented the greatest diversity of projects engaged to benefit low and moderate income populations and special needs populations. During FY 2013, operating revenues under the Community Development Block Grant (CDBG) slightly decreased by \$398K, going from \$3.2M in FY 2012 to \$2.8M in FY 2013. Operating expenses also decreased by \$385K, going from \$3.2M in FY 2012 to \$2.8M in FY 2013. The top five CDBG projects were the Emergency

Receiving Home (\$829K), Staff Housing Rental Rehabilitation – Dededo & Yigo (\$680K), Kurason Ysengsong (\$450K), Lighthouse Recovery Center – Operations (\$184K), and the Nurturing Neighborhood Networks (3N)(\$104K).

Declining Revenues and Expenditures

GHURA's overall operating revenues declined by 10%, or \$4.9M, going from \$48.8M in FY 2012 to \$43.9M in FY 2013, and is primarily attributed to the \$4.9M decline in Other Federal Grants. Expenditures also continued to decline in FY 2013, decreasing by \$5.5M largely due to the removal of project costs of \$5.1M.

Reports on Compliance and Internal Controls

Compliance continues to be an issue for GHURA, as it had six material weaknesses and seven significant deficiencies. Of these thirteen findings, nine were for the Supportive Housing for the Elderly, three were for the AMPs, and one for Section 8. However, there were no questioned costs.

Material weaknesses identified include:

- **Waiting List**– Applicant names had not reached the top of the waiting list prior to program admittance.
- **Upfront Income Verification**– GHURA failed to use HUD's centralized Enterprise Income Verification System or the TASS to validate tenant report income.
- **File Maintenance and Utility Allowance**– Tenant folders lacked certain documentation or had missing signatures.
- **Administrative Plan** – GHURA has not updated or revised its Administrative Plan since 2004.
- **HAP Contract** – A contract was executed by a person who did not have legal capacity to sign on behalf of the owner.

Significant deficiencies identified include:

- **Annual Inspections**– No inspections were performed at the time of move-in or in a timely manner for certain units.
- **Drug Abuse and Criminal Activity**– Police and Court clearances were not obtained for several tenants.
- **Civil Rights Laws' Accessibility Requirements** – GHURA has not updated and submitted its 504 Assessment to Rural Development for review and approval. Additionally, they did not perform a self-evaluation and develop a related transition plan identifying physical obstacles that limit accessibility of disabled person.
- **Program Requirements** – Facilities cannot be set aside for use of only for religious purposes.
- **Utility Allowance** – GHURA is using an outdated Utility Allowance Schedule.

Management Letter Comments

Additionally, a management letter identified six deficiencies related to lack of segregation of duties for editing tenant and landlord payment information, lack of obtaining business licenses for existing landlord recertification process, lack of organization of landlord files, high utility consumption for the Supportive Housing for the Elderly Program, inventory unit of measurement needs to be updated, and merging of Accounting Systems is needed.

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.