

**GUAM HOUSING AND  
URBAN RENEWAL AUTHORITY**

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**SINGLE AUDIT AND HUD REPORTS  
And  
SUPPLEMENTARY INFORMATION**

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**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

GUAM

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners  
Guam Housing and Urban Renewal Authority:

I have audited the financial statements of Guam Housing and Urban Renewal Authority (GHURA) as of and for the year ended September 30, 2012, and have issued my report thereon dated May 29, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing the audit, I considered the Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Authority's internal control over financial reporting.

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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

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Compliance and Other Matters

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As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated May 29, 2013.

GHURA's responses to the findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. I did not audit GHURA's response and, accordingly, I express no opinion on it.

This report is intended solely for the information of the Board of Commissioners and management of the Guam Housing and Urban Renewal Authority, the Office of the Public Accountability – Guam, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies and is not intended to be, and should not be used by anyone other than the specified users. However, this report is also a matter of public record.



Hagåtña, Guam  
May 29, 2013

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

The Board of Commissioners  
Guam Housing and Urban Renewal Authority:

Compliance

I have audited the compliance of the Guam Housing and Urban Renewal Authority (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2012. The Authority's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. My responsibility is to express an opinion on the Authority's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Authority's compliance with those requirements.

As described in Findings 12-03 through 12-11 in the accompanying Schedule of Findings and Questioned Costs, the Authority did not comply with eligibility and special tests and provisions requirements that are applicable to the Supportive Housing for the Elderly Program (CFDA 14.157) and the Section 8 Housing Choice Vouchers Program (CFDA 14.871). Compliance with such requirements is necessary, in my opinion, for GHURA to comply with requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

#### Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be material weaknesses and other deficiencies that I consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings number 12-03, 12-04, 12-10 and 12-11 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. I consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings number 12-05 through 12-09 to be significant deficiencies.

The Authority's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit the Authority's responses and, accordingly, I express no opinion on the responses.

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Schedule of Expenditures of Federal Awards

I have audited the basic financial statements of the Authority as of and for the year ended September 30, 2012, and have issued my report thereon dated May 29, 2013. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures and federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information of the Board of Commissioners and management of the Guam Housing and Urban Renewal Authority, the Office of the Public Accountability – Guam, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than those specified parties. However, this report is also a matter of public record.



Hagåtña, Guam  
May 29, 2013



**GUAM HOUSING AND URBAN RENEWAL AUTHORITY**

Schedule of Expenditures of Federal Awards  
For Year Ended September 30, 2012

<u>CFDA#</u>	<u>AGENCY/PROGRAM</u>	<u>2012 Fiscal Year Expenditures</u>
<b>Direct Grants:</b>		
<b><u>U. S. Department of Housing and Urban Development (HUD)</u></b>		
	<b>Housing Voucher Cluster:</b>	
14.871	Section 8 Housing Choice Vouchers	\$ 35,028,743 *
14.879	Mainstream Vouchers	-
14.880	Family Unification Program	-
	Sub-total – Housing Voucher Cluster	<u>35,028,743</u>
	<b>Capital Fund Project Cluster:</b>	
14.872	Public Housing Capital Fund Program	859,874
14.884	ARRA – Public Housing Capital Fund Competitive	-
14.885	ARRA – Public Housing Capital Fund Stimulus (Formula)	-
	Sub-total – Housing Voucher Cluster	<u>859,874</u>
14.157	Supportive Housing for the Elderly	384,610 *
14.191	Multifamily Housing Service Coordinators	38,987
14.225	Community Development Block Grants/Special Purpose Grants/Insular Area	3,168,424 *
14.231	Emergency Shelter Grants Program	79,231
14.235	Supportive Housing Program	502,846
14.238	Shelter Plus Care Program	264,535
14.239	HOME Investment Partnerships	798,529
14.257	ARRA – Homelessness Prevention and Rapid Re-Housing Program	135,478
14.850	Public and Indian Housing	1,725,318 *
14.870	Resident Opportunity and Supportive Services	<u>41,676</u>
	Total HUD Program Award Expenditures	<u>\$ 43,028,251</u>
<b>Passed through the Government of Guam Department of Administration:</b>		
<b><u>U. S. Department of Agriculture</u></b>		
10.500	Cooperative Extension Service	943
<b><u>U. S. Department of the Interior</u></b>		
15.875	Economic, Social and Political Development of the Territories – Compact Impact	737
<b><u>U. S. Department of Energy</u></b>		
81.042	ARRA – Weatherization Assistance for Low-Income Persons	<u>275,422</u>
	Total Passed through the Government of Guam Department of Administration	<u>277,102</u>
	Total Expenditures of Federal Awards Subject to OMB Circular A-133 Testing	<u>\$ 43,305,353</u>
	Percentage of Federal Awards Tested	<u>93%</u>

\* Denotes a major program as defined by OMB Circular A-133 and based upon audit requirements imposed in the audit.

**GUAM HOUSING AND URBAN RENEWAL AUTHORITY**

Schedule of Expenditures of Federal Awards  
For Year Ended September 30, 2012

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the grant activity of GHURA and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Programs Subject to Single Audit

The Schedule of Expenditures and Federal Awards presents each Federal program related to the U.S. Department of Housing and Urban Development, U.S. Department of Agriculture, U.S. Department of the Interior, U.S. Department of Energy and the U.S. Department of Health and Human Services.

During fiscal year 2012, the Authority received and expended \$5,110,058 in *Grants to States for Low-Income Housing in Lieu of Housing Credits for 2009* under Section 1602 of the American Recovery and Reinvestment Act of 2009 from the U.S. Department of the Treasury. Pursuant to the U.S. Department of the Treasury, the Section 1602 program, as a program in lieu of tax credits, is not subject to OMB Circular A-133 and are not considered federal financial assistance. Therefore, this program was not considered in the determination of major programs for Single Audit.

The Authority has outstanding debt exceeding \$500,000 and the U.S. Department of Agriculture Rural Development requested the Supportive Housing Program for the Elderly be audited as a major program despite below the major program threshold for 2012. Therefore this program was audited as a major program.

Note 2 American Recovery and Reinvestment Act of 2009 (ARRA)

In February 2009, the Federal Government enacted the American Recovery and Reinvestment Act of 2009 (ARRA). As of September 30, 2012, the Authority's grant award notifications and expenditures subject to Single Audit are as follows:

<u>CFDA Program</u>	<u>Grant Amount</u>	<u>FY 2012 Expenditures</u>
CFDA #12.257	\$ 1,221,922	\$ 135,478
CFDA #81.042	<u>1,123,466</u>	<u>275,422</u>
Total	<u>\$ 2,345,388</u>	<u>\$ 410,900</u>



**GUAM HOUSING AND URBAN RENEWAL AUTHORITY**

Schedule of Expenditures of Federal Awards  
For Year Ended September 30, 2012

Note 3 Subrecipients

The Authority administers certain programs through subrecipient organizations. Those subrecipients are also not considered part of the Guam Housing and Urban Renewal Authority reporting entity. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how subrecipient outside of GHURA's control utilized those funds. Federal awards provided to subrecipients are treated as expenditures when paid to the subrecipient.

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the Authority provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant	14.225	\$ 375,631
Supportive Housing Program	14.235	532,582
Emergency Shelter Grants Program	14.231	109,484
Shelter Plus Care Program	14.238	118,809
ARRA – Homeless Prevention Program	14.257	<u>440,758</u>
Total		<u>\$ 1,577,264</u>

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC  
REQUIREMENTS APPLICABLE TO AFFIRMATIVE FAIR HOUSING  
AND NON-DISCRIMINATION**

To the Board of Commissioners  
Guam Housing and Urban Renewal Authority:

I have audited the basic financial statements of Guam Housing and Urban Renewal Authority (GHURA), a component unit of the Government of Guam, as of and for the year ended September 30, 2012 and have issued my report thereon dated May 29, 2013.

I have applied procedures to test GHURA's compliance with the Affirmative Fair Housing and Non-Discrimination requirements applicable to its HUD assisted programs, for the year ended September 30, 2012.

My procedures were limited to the applicable compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of Inspector General. My procedures were substantially less in scope than an audit, the objective of which would be the expression of an opinion on GHURA's compliance with the Affirmative Fair Housing and Non-Discrimination requirements. Accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance with the Affirmative Fair Housing and Non-Discrimination requirements under the Guide.

This report is intended solely for the information of the management and Board of Commissioners of the Guam Housing and Urban Renewal Authority, the Office of the Public Accountability – Guam, and the Department of Housing and Urban Development 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 record.



Hagåtña, Guam  
May 29, 2013

# GUAM HOUSING AND URBAN RENEWAL AUTHORITY

## Schedule of Findings and Questioned Costs Year Ended September 30, 2012

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

#### Financial Statements

I have audited the basic financial statements of Guam Housing and Urban Renewal Authority (the Authority) and issued an unqualified opinion.

Internal control over financial reporting:

- Material weaknesses were identified?      \_\_\_\_\_ yes        x   no
  
- Significant deficiency(ies) identified that are not considered to be material weaknesses?      \_\_\_\_\_ yes        x   none reported
  
- Noncompliance material to financial statements noted?      \_\_\_\_\_ yes        x   no

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified?        x   yes      \_\_\_\_\_ no
  
- Significant deficiency(ies) identified that are not considered to be material weaknesses?        x   yes      \_\_\_\_\_ no

The auditor’s report on major program compliance for the Authority having four major programs included a qualified opinion on the Supportive Housing for the Elderly Program and an unqualified opinion on the remaining three federal programs.

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?        x   yes      \_\_\_\_\_ no

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

### Schedule of Findings and Questioned Costs Year Ended September 30, 2012

#### **PART I – SUMMARY OF AUDITOR’S RESULTS, continued**

The Authority’s major programs are as follows:

<u>CFDA#</u>	<u>PROGRAM</u>
14.157	Supportive Housing for the Elderly
14.225	Community Development Block Grants/Special Purpose Grants/Insular Areas
14.850	Public and Indian Housing
14.871	Section 8 Housing Choice Voucher Program (HCV)

Dollar threshold used to distinguish between type A and type B programs: \$1,299,161

The Authority did not qualify as a low-risk auditee as defined in OMB Circular A-133.

#### **PART II – FINANCIAL STATEMENT FINDINGS**

There were no instances of noncompliance noted that should be reported in accordance with *Government Auditing Standards*.

#### **PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were instances of noncompliance noted that should be reported in accordance with Section 510(a) of OMB Circular A-133, which are presented in the following pages as item 2011-01 through 2011-03.

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
12-01	Eligibility – Drug Abuse and Criminal Activity	\$ -
12-02	Eligibility – Drug Abuse and Criminal Activity	-
12-03	Eligibility – Upfront Income Verification	-
12-04	Eligibility – File Maintenance	-
12-05	Eligibility – Annual Recertification	-
12-06	Eligibility – Annual Inspections	-
12-07	Eligibility – Drug Abuse and Criminal Activity	-
12-08	Special Tests and Provisions – Project Capital Needs Assessment	-
12-09	Special Tests and Provisions – Civil Rights Laws' Accessibility Requirements	-
12-10	Special Tests and Provisions – Administrative Plan	-
12-11	Eligibility – Conflict of Interest	<u>97,751</u>
Total Questioned Costs		<u>\$ 97,751</u>

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

### Schedule of Findings and Questioned Costs Year Ended September 30, 2012

**Finding No.:** 12-01  
**CFDA Program:** 14.850 – Public and Indian Housing  
**Area:** Eligibility – Criminal Activity  
**Questioned Costs:** \$0

#### Criteria:

Pursuant to the Authority's Admissions and Continued Occupancy Policy, in order to be eligible for continued occupancy, each applicant adult family member will be evaluated to determine whether, based on their recent behavior, such behavior could reasonably be expected to result in noncompliance with the public housing lease. The Authority will look at past conduct as an indicator of future conduct. The Authority will consider objective and reasonable aspects of the family's background, including among others, the following:

History of criminal activity by any household member involving crimes or physical violence against persons or property and any other criminal activity including drug-related criminal activity that would adversely affect the health, safety, or well-being of other tenants or staff or cause damage to property. A criminal background check shall be made on all adult household members, including live-in aides. This check will be made through State or local law enforcement or court records.

In addition a check with the State's lifetime sex offender registration program for each adult household member will be conducted, including live-in aides. No individual registered with this program will be admitted to public housing.

#### Condition:

For 8 or 12% of the 69 files tested, we noted that a Police Clearance was not obtained for the households.

#### Cause:

Police clearances were requested; however, responses were not received in a timely manner.

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

**Finding No.:** 2012-1, Continued  
**CFDA Program:** 14.850 – Public and Indian Housing  
**Area:** Eligibility – Criminal Activity  
**Questioned Costs:** \$0

### Effect:

There is no known material effect on the financial statements as a result of this finding. However, the Authority is in noncompliance with its Admissions and Continued Occupancy Policy.

### Prior Year Status:

The above condition was cited as a similar finding in the prior year audit of the Authority.

### Recommendation:

Efforts should be made to coordinate with the appropriate law officials to obtain background checks in order to promptly identify any household member having a history of criminal activity involving crimes or physical violence against persons or property and any other criminal activity including drug-related criminal activity that would adversely affect the health, safety, or well-being of other tenants or staff or cause damage to property. Management should implement internal controls monitoring procedures to ensure that police clearances are requested from appropriate law officials with additional follow-up procedures in a timely manner.

### Auditee Response/Corrective Action Plan:

Internal control procedures that would ensure police clearances are received in a timely manner are in place. Unfortunately, internal issues which impede in the timely submission of police clearances being experienced by the Guam Police Department are beyond GHURA's control. In the past five years, GHURA has been quite diligent in working collaboratively with the Guam Police Department by providing essential resources that included personnel and access to a computer system. During the review period, Police clearances for the nine participant families have been received and have been documented in each of the participant family's file.

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

### Schedule of Findings and Questioned Costs Year Ended September 30, 2012

**Finding No.:** 12-02  
**CFDA Program:** 14.871 – Section 8 Housing Choice Voucher Program (HCV)  
**Area:** Eligibility – Criminal Activity  
**Questioned Costs:** \$0

#### Criteria:

In accordance with the Authority's Section 8 Housing Choice Voucher Administrative Plan, the Authority will conduct criminal background checks on all adult household members, including live-in aides. The Authority will deny assistance to a family because of drug-related criminal activity or violent criminal activity by family members. This check will be made through State or local law enforcement or court records. If the individual has live outside the local area, the Authority may contact law enforcement agencies where the individual last resided. In addition a check with the State's lifetime sex offender registration program for each adult household member will be conducted, including live-in aides. No individual registered with this program will be admitted to public housing.

#### Condition:

For 9 or 13% of the 69 HCV files tested, we noted that a Police Clearance was not obtained for program participants.

#### Cause:

Police clearances were requested; however, responses were not received in a timely manner.

#### Effect:

There is no known material effect on the financial statements as a result of this finding. However, the Authority is in noncompliance with its Section 8 Housing Choice Voucher Administrative Plan.

#### Prior Year Status:

The above condition was cited as a similar finding in the prior year audit of the Authority.



## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

**Finding No.:** 12-02, Continued  
**CFDA Program:** 14.871 – Section 8 Housing Choice Voucher Program (HCV)  
**Area:** Eligibility – Criminal Activity  
**Questioned Costs:** \$0

### Recommendation:

Management should implement internal controls procedures to ensure that police clearances are requested from appropriate law officials with additional follow-up procedures in a timely manner. Efforts should be made to coordinate with the appropriate law officials to obtain background checks in order to promptly identify any household member having a history of criminal activity involving crimes or physical violence against persons or property and any other criminal activity including drug-related criminal activity that would adversely affect the health, safety, or well-being of other tenants or staff or cause damage to property.

### Auditee Response/Corrective Action Plan:

Internal control procedures that would ensure police clearances are received in a timely manner are in place. Unfortunately, internal issues which impede in the timely submission of police clearances being experienced by the Guam Police Department are beyond GHURA's control. In the past five years, GHURA has been quite diligent in working collaboratively with the Guam Police Department by providing essential resources that included personnel and access to a computer system. During the review period, Police clearances for the nine participant families have been received and have been documented in each of the participant family's file.

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

**Finding No.** 12-03  
**CFDA Program:** 14.157 – Supportive Housing for the Elderly  
**Area:** Eligibility – Upfront Income Verification (UIV)  
**Questioned Costs:** \$0

### Criteria:

HUD strongly encourages PHA's to use HUD's centralized Enterprise Income Verification (EIV) System to validate tenant reported income and inform tenants of its capability and intent to compare tenant reported information with UIV data. The UIV is the verification of income, before or during a family reexamination, through an independent source that systematically and uniformly maintains income information in computerized form for a large number of individuals. This tool allows the PHA to view employment information, wages, unemployment benefits and social security benefit information at any point in time. It also compares PHA verified/tenant reported wages, unemployment compensation and social security benefit information reported on HUD form 50058 with the UIV reported amounts for the same income sources to identify families that have substantially underreported their household income. PHA's should put forth a conscience effort to ensure that they use available resources, including the UIV techniques to obtain verification of tenant reported (unreported or underreported) income. All PHA's are required to use HUD's Tenant Assessment Subsystem (TASS) or the UIV to verify social security and supplemental security income of current participants and household members.

### Condition:

For two (2) or 22% of the nine (9) tenant files tested, the Authority failed to use HUD's centralized Enterprise Income Verification (EIV) System or the TASS to validate tenant reported income for tenants occupying Unit #B-1 and Unit #H-1.

### Cause:

The Property Site Manager (PSM) is responsible for handling all of the day-to-day operations including processing all tenant applications and failed to perform the income verification procedure in a timely manner. It appears that the Authority has fully implemented internal control procedures to utilize the EIV system as part of reexamination process.

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

**Finding No.** 12-03, continued  
**CFDA Program:** 14.157 – Supportive Housing for the Elderly  
**Area:** Eligibility – Upfront Income Verification (UIV)  
**Questioned Costs:** \$0

Effect:

The potential exist for families to underreport their household income and go undetected.

Recommendation:

The Authority should adhere to its procedures to utilize HUD's centralized Enterprise Income Verification (EIV) System to validate tenant reported income and inform tenants of its capability and intent to compare tenant reported information with UIV data during the certification process when determining family eligibility, computing income and rent calculations and total tenant payments.

Auditee Response/Corrective Action Plan:

GHURA agrees with this finding. To ensure compliance EIV hard copies will be placed in residents' folders.

Each resident folder has a list of documents required for each flap. The PSM will ensure that all documents will be enclosed within the flap based on the checklist and sign off when completed. For quality control purposes, the Central Office Cost Center (COCC) will designate either the S8 Compliance or an AMP Property Manager to conduct a 20% quality review on a quarterly basis.

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

### Schedule of Findings and Questioned Costs Year Ended September 30, 2012

**Finding No.**            **12-04**  
**CFDA Program:**       **14.157 – Supportive Housing for the Elderly**  
**Area:**                   **Eligibility – File Maintenance**  
**Questioned Costs:**   **\$0**

Criteria:

In accordance with the Authority's Elderly Program Administrative Plan, the Authority must complete the following forms during interview with the tenant: (a) certification that the information provided to the Authority is correct; (b) one or more release forms to allow the Authority to obtain information from third parties; (c) a federally-prescribed general release form for employment information; and (d) a privacy notice. Additionally, the Authority must obtain the necessary information and documentation to verify income eligibility as a condition of admission or continued occupancy.

Condition:

Of the nine (9) tenant files tested, tenant folders either lacked certain documentation for the current period or had missing signatures from the Authority's officials for the following:

1. For 1 or 11% of the files tested, the original Application for Admission was not signed dated by both the applicant and the Property Site Manager for the tenant residing in Unit #B-2.
2. For 4 or 44% of the 9 files tested, the USDA Rural Development Form RD 3560-8 was signed by the Property Site Manager for tenants residing in Units #A-4, #B-2, #E-5 and #H-1.
3. For 2 or 22% of the 9 files tested, HUD Form 9887-A (Application's/Tenant's Consent to Release information) and the Consent of Disclosure GHURA Form were not signed and dated by Project Site Manager for tenants residing in Units #A-4 and #E-5.
4. The lease agreement was not on file for inspection for the tenant residing in Unit #A-2.
5. Intra-Office Memo was not completed by PSM to inform Fiscal Division of the rent increase from \$155 to \$168 for tenant residing in Unit #G-2.
6. Intra-Office Memo was not completed by PSM to inform Fiscal Division of the rent decrease from \$177 to \$147 for tenant residing in Unit #H-1.

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

### Schedule of Findings and Questioned Costs Year Ended September 30, 2012

**Finding No.** 12-04, continued  
**CFDA Program:** 14.157 – Supportive Housing for the Elderly  
**Area:** Eligibility – File Maintenance  
**Questioned Costs:** \$0

Cause:

GHURA lacks proper tenant file maintenance. There is a File Document Review and Checklist that is placed in all tenants' folders during the recertification process; however, it is not being properly used for ensuring that all required eligibility determination documentation is obtained prior to the tenant's admission to the program. The Property Site Manager did not adhere to the internal control procedures in ensuring that all the required documents are complete and accurate at the time of the annual or recertification process. Additionally, there are no independent internal control monitoring or review procedures in place to ensure the adequacy and completeness of the admission and certification of tenants.

Effect:

There is no material effect on the financial statements as a result of this condition. However, the Authority is not in compliance with its policies and procedures set forth in the Elderly Program Administrative Plan for the Supportive Housing for Elderly program.

Recommendation:

The Authority should enforce and monitor its existing internal control policies and procedures to ensure that all required documents are submitted and complete during the admission or recertification process. There is a File Document Review and Checklist that is in the tenant's folder that should be completed to ensure that all the necessary documents are obtained, properly completed and on-file for independent verification. Supervisors and management must examine files to ensure completeness and accuracy.

Greater quality control and internal control monitoring procedures should be implemented to mitigate errors and omissions. The Authority's Compliance Specialist should periodically test a sample of tenant files for quality control and document the results to correct any deficiencies in a timely manner to strictly enforce adherence to the Elderly Program Administrative Plan and federal regulations.

**GUAM HOUSING AND URBAN RENEWAL AUTHORITY**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

**Finding No.** 12-04, continued  
**CFDA Program:** 14.157 – Supportive Housing for the Elderly  
**Area:** Eligibility – File Maintenance  
**Questioned Costs:** \$0

Auditee Response/Corrective Action Plan:

GHURA agrees with this finding. To ensure compliance, the PSM will review each noted finding and make the necessary correction.

Each resident folder has a list of documents required for each flap. The PSM will ensure that all documents will be enclosed within the flap based on the checklist and sign off when completed. For quality control purposes, COCC will designate either the S8 Compliance or an AMP Property Manager to conduct a 20% quality review on a quarterly basis on residents' files.

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

### Schedule of Findings and Questioned Costs Year Ended September 30, 2012

**Finding No.** 12-05  
**CFDA Program:** 14.157 – Supportive Housing for the Elderly  
**Area:** Eligibility – Annual Recertification  
**Questioned Costs:** \$0

#### Criteria:

Pursuant to the Elderly Program Administrative Plan, the Authority must reexamine family income and composition at least once every twelve months make appropriate adjustments in the tenant rent using documentation from third-party verification. The Property Site Manager is required to commence the annual reexamination process 90 to 120 days before the anniversary date of the initial lease; and all appointments should be completed no later than 45 days before the effective date of lease in order to meet the requirement of providing at least 30 days written notice of any increase in rent.

#### Condition:

For 3 or 33% of nine (9) tenant files tested, the following was noted:

1. For the tenant residing in Unit #A-2, the tenant's anniversary date was 8/1/12; however, recertification was completed 10/16/12 or 66 days after the tenant's anniversary date.
2. For the tenant residing in Unit #E-5, the tenant's anniversary date for recertification was 2/1/12; however, tenant was recertified effective 5/18/12 or 107 day after the tenant's anniversary date. In addition, the 30-day notice prior of the anniversary date was not provided to tenant for increased rent and Letter of Adjustment dated 5/18/12 stated the rent increase was effective 2/1/12.
3. For the tenant residing in Unit #B-2, the tenant's rent was adjusted from \$179 to \$205 on 5/14/12 to be effective 6/1/12; however, tenant was not given 30-day notice.

#### Cause:

GHURA lacks proper tenant file maintenance. The Property Site Manager did not properly monitor tenant recertification dates to ensure that all tenants are subjected annual reexaminations in a timely manner. Procedures were not enforced to ensure the timeliness of tenant recertification. Additionally, there are no independent internal control monitoring or review procedures in place to ensure the adequacy and completeness of the admission and certification of tenants.



## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

### Schedule of Findings and Questioned Costs Year Ended September 30, 2012

**Finding No.** 12-05, continued  
**CFDA Program:** 14.157 – Supportive Housing for the Elderly  
**Area:** Eligibility – Annual Recertification  
**Questioned Costs:** \$0

#### Effect:

There is no material effect on the financial statements as a result of this condition. However, the Authority is not in compliance with its policies and procedures set forth in the Elderly Program Administrative Plan for the Supportive Housing for Elderly program.

#### Recommendation:

The Authority should monitor and enforce its existing internal quality control policies and procedures to ensure that all tenants reexamined annually in a timely manner. The Property Site Manager should monitor tenant recertification dates to ensure that all tenants are subjected annual reexaminations in a timely manner.

Greater quality control and internal control monitoring procedures should be implemented to review file maintenance. The Authority's Compliance Specialist should periodically test a sample of tenant files for quality control and document the results to correct any deficiencies in a timely manner to strictly enforce adherence to the Elderly Program Administrative Plan and federal regulations.

#### Auditee Response/Corrective Action Plan:

GHURA agrees with this finding and adjustments will be made accordingly regarding tenants' rents. The PSM will print the annual recertification report for the year and properly schedule on calendar. Notices will be given to the residents at least 90-120 days prior to recertification date to begin the recertification process. During the annual recertification process and it is noted that an upward/downward adjustment is required, the Memo to Fiscal (MTF) will be prepared and submitted accordingly. However, during an interim recertification process and it is noted that an upward/downward adjustment is required, the MTF will be prepared and submitted accordingly. In this case, a downward adjustment will become effective immediately (the following month); an upward adjustment will become effective the month after (30 days). The MTF will be forwarded to Fiscal for processing with a copy in resident's file. Upon completion by the Fiscal Division, the *yellow copy* will then be returned to PSM to be placed in resident's file to replace the copy. Each resident folder has a list of documents required for each flap. The PSM will ensure that all documents will be enclosed within the flap based on the checklist and sign off when completed. For quality control purposes, COCC will designate either the S8 Compliance or an AMP Property Manager to conduct a 20% quality review on a quarterly basis on residents' files.

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

**Finding No.** 12-06  
**CFDA Program:** 14.157 – Supportive Housing for the Elderly  
**Area:** Eligibility – Annual Inspections  
**Questioned Costs:** \$0

### Criteria:

Pursuant to the Elderly Program Administrative Plan for the Supportive Housing for Elderly program to conduct annual inspections to ensure that it maintain its housing units in a manner that meets the physical conditions standards set forth in 24 CFR 5.703 in order to be considered decent, safe and in good repair.

### Condition:

For three (3) or 33% of the nine (9) tenant files tested, there was either no inspection report on file prior to lease renewal or inspection report indicated a failed inspection and there were no work orders or re-inspections to evidence that the deficiencies were corrected in a timely manner for the following:

1. Unit #A-2: No evidence that the unit was inspected prior to recertification.
2. Unit #G-2: No was not inspected during the recertification process.
3. Unit #J-6: Inspection Report was not dated to evidence when the inspection was conducted.

### Cause:

The Property Site Manager has not fully implemented procedures to conduct housing inspections according to scheduled time frames to coincide with the annual inspections prior to a tenant's recertification period.

### Effect:

There is no material effect on the financial statements as a result of this condition. Additionally, the Authority is not in compliance with its policies and procedures set forth in the Elderly Program Administrative Plan for the Supportive Housing for Elderly program to conduct annual inspections to ensure that it maintain its housing units in a manner that meets the physical conditions standards set forth in 24 CFR 5.703.

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

**Finding No.** 12-06, continued  
**CFDA Program:** 14.157 – Supportive Housing for the Elderly  
**Area:** Eligibility – Annual Inspections  
**Questioned Costs:** \$0

### Recommendation:

The Authority should enforce its existing internal control policies and procedures to ensure that annual inspections of dwelling units are conducted in a timely manner and documented within the tenant's folder.

### Auditee Response/Corrective Action Plan:

GHURA agrees with this finding. To address this finding, copies of the inspection reports will be placed in the residents' folders.

The PSM will print the annual recertification report for the year and properly schedule on the monthly calendar. Notices will be given to the residents at least 90-120 days prior to recertification date to begin the recertification process. Unit inspections will take place within the 90-120 days prior to recertification. If the unit failed, this will give the tenant the opportunity to correct the deficiency before the final process is completed. A copy of the unit inspection report will be placed in the resident folder along with any work orders required to correct the deficiency. Each resident folder has a list of documents required for each flap. The PSM will ensure that all documents will be enclosed within the flap based on the checklist and sign off when completed. For quality control purposes, COCC will designate either the S8 Compliance or an AMP Property Manager to conduct a 20% quality review on a quarterly basis on residents' files.

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

**Finding No.** 12-07  
**CFDA Program:** 14.157 – Supportive Housing for the Elderly  
**Area:** Eligibility – Drug Abuse and Criminal Activity  
**Questioned Costs:** \$0

### Criteria:

Pursuant to the Authority's Pursuant to the Elderly Program Administrative Plan for the Supportive Housing for Elderly program and 24 CFR Sections 982.553 982.516, the Authority may prohibit admission to the program, if the PHA determines that any household member is currently engaged in, or has engaged in during a reasonable time before admission:

1. Drug-related criminal activity;
2. Violent criminal activity;
3. Other criminal activity which threaten the health, safety, or right to peaceful enjoyment of the premises by other residents or persons residing in the immediate vicinity; or
4. Other criminal activity which may threaten the health or safety of the owner, property management staff, or persons performing a contract administration function or responsibility on behalf of the PHA (including a PHA employee or a PHA contractor, subcontractor or agent).

### Condition:

As part of the Authority's admission process, it requires adult household members to obtain a Police/Court Clearance. The Authority's Administrative Plan states that it shall determine involvement in criminal activity through the police or court clearances for criminal activity. For three (3) or 33% of the nine (9) of 49 units selected, the Police/Court Clearance was not obtained tenants residing in Units #B-4, #D-1 and J-6.

### Cause:

The Authority did not adhere to its administrative plan for screening applicants and tenants for family behavior or suitability for tenancy.

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

**Finding No.** 12-07, continued  
**CFDA Program:** 14.157 – Supportive Housing for the Elderly  
**Area:** Eligibility – Drug Abuse and Criminal Activity  
**Questioned Costs:** \$0

### Effect:

The Authority did not adhere to its Elderly Program Administrative Plan for the Supportive Housing for Elderly program for exercising due diligence to prohibit admission of drug criminals. The potential exist for participants with criminal activity or engaging in illegal drug activity to be admitted to the program and not be detected in a timely manner.

### Recommendation:

The Authority should enforce its existing internal control policies and procedures to ensure that all police and court clearances are obtained during the admission and recertification process. A quality control procedure should be established and implemented to ensure compliance.

### Auditee Response/Corrective Action Plan:

GHURA agrees with this finding for Unit D-1. As for Units B4 and J6, the Administrative Plan states that police clearances are only required at the initial move-in. The residents in units B4 and J6 had moved in since 2006 and 2007, respectively. Copies of their police clearances will be pulled from their previous folders and placed in current folder.

During the recertification process, the residents will continue to sign GPD clearance forms and forms will be placed in resident folders. These forms will only be used should there be an altercation or noted in the GPD blotter. As a new folder is created, the required documents will be moved/copied from old folder and placed in new one. Such documents would include birth certificates, SS# cards, GPD clearances, etc. Each resident folder has a list of documents required for each flap. The PSM will ensure that all documents will be enclosed within the flap based on the checklist and sign off when completed. For QC purposes, COCC will designate either S8 Compliance or an AMP Property Manager to conduct a 20% quality review on a quarterly basis on residents' files.

### Auditor's Response:

Police clearance forms for tenants residing in Units #B4 and J6 were not on-file for independent inspection and verification.

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

**Finding No.** 12-08  
**CFDA Program:** 14.157 – Supportive Housing for the Elderly  
**Area:** Special Tests and Provisions – Project Capital Needs  
Assessment  
**Questioned Costs:** \$0

### Criteria:

In accordance with the Rural Development HB-2-3560 Chapter 5, a capital needs assessment (CNA) must be prepared and provided to Rural Development that identifies the immediate and future capital needs of a project. It is based on a physical inspection and a life-cycle analysis of a project's major building components systems, equipment, and exterior amenities, such as the site lighting and parking lots. The CNA includes a useful life of each item, and estimates when they will need to be replaced and the cost.

### Condition:

The Program has not updated its CNA or submitted such to Rural Development for review and approval.

### Cause:

The Program's management failed to update and submit its CNA to Rural Development and there is a lack of internal control to ensure that such is prepared in a timely manner.

### Effect:

There is no known material effect on the financial as a result of this condition; however, is the Program is in noncompliance with Rural Development HB-2-3560 Chapter 5 requirements.

### Recommendation:

The Program should update and submit its Management Plan in accordance with the Rural Development HB-2-3560 Chapter 5 requirements.

**GUAM HOUSING AND URBAN RENEWAL AUTHORITY**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

**Finding No.** 12-08, continued  
**CFDA Program:** 14.157 – Supportive Housing for the Elderly  
**Area:** Special Tests and Provisions – Project Capital Needs  
Assessment  
**Questioned Costs:** \$0

Auditee Response/Corrective Action Plan:

GHURA agrees with this finding. The PSM is working with GHURA's Architectural and Engineer (A/E) Manager to update Guma Trankilidat's Capital Needs Assessment. Upon completion of the assessment, it will be forwarded to USDA for approval.

At least three months before the end of each fiscal year, the PSM will update its Capital Needs Assessment (CNA) based on proposed projects completed for the year. Upon completion of this review, the PSM will meet with the A/E Manager to evaluate the CNA and plan a proposed project for the upcoming budget year. The completed CNA will be submitted to USDA along with budget and other required documents.



## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

**Finding No.** 12-09  
**CFDA Program:** 14.157 – Supportive Housing for the Elderly  
**Area:** Special Tests and Provisions – Civil Rights Laws' Accessibility Requirements  
**Questioned Costs:** \$0

### Criteria:

The Uniform Federal Accessibility Standards outlines the uniform standards for the design, construction and alteration of buildings so that physically handicapped persons will have ready access to and use of them in accordance with the Architectural Barriers Act, 42 U.S.C. 4151-4157.

Relating to those standards, the Department of Agriculture (USDA) implemented Section 504 of the Rehabilitation Act of 1973, on June 10, 1982, by issuing 7 CFR 15b. Section 504's purpose is to assure that no otherwise qualified person with a disability is solely by reason of his or her disability excluded from benefits, or subjected to discrimination under any federally assisted program or activity. Correspondingly, on June 11, 1982, USDA issued 7 CFR 15b, which required all borrowers to conduct self-evaluations within 1 year of the USDA regulation. In the event that structural changes were necessary, recipients were required to develop transition plans that set forth the steps necessary to complete such changes.

### Condition:

The Program has not updated and submitted its 504 Assessment to Rural Development for review and approval. Additionally, the Program did not perform a self-evaluation and develop a related transition plan identifying physical obstacles that limit accessibility of its program to disabled persons; methods to be used to make facilities accessible; and specification of the steps necessary to achieve full program accessibility and related period of time of the transition plan.

### Cause:

The Program's management failed to update and submit its 504 Assessment to Rural Development for review and approval as and there is a lack of internal control monitoring procedures to ensure that the self-evaluation and transition were conducted in a timely manner.

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

**Finding No.** 12-09, continued  
**CFDA Program:** 14.157 – Supportive Housing for the Elderly  
**Area:** Special Tests and Provisions – Civil Rights Laws' Accessibility Requirements  
**Questioned Costs:** \$0

Effect:

There is no known material effect on the financial as a result of this condition. However, is the Program is in noncompliance with Rural Development HB-2-3560 Chapter 5 requirements.

Recommendation:

The Program should update and submit its Management Plan in accordance with the Rural Development HB-2-3560 Chapter 5 requirements.

Auditee Response/Corrective Action Plan:

GHURA agrees with this finding. The PSM is working with the Acting Chief Planner to update its 504 Assessment and Transition Plan. Upon completion of the assessment, it will be forwarded to USDA for approval.

At least three months before the end of each Fiscal Year, the PSM will update its 504 Assessment and Transition Plan. Upon completion of this review, the PSM will meet with the Chief Planner to evaluate the 504 Assessment and Transition Plan for the upcoming budget year. The completed 504 Assessment and Transition Plan will be submitted to USDA along with budget and other required documents.

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

**Finding No.** 12-10  
**CFDA Program:** 14.157 – Supportive Housing for the Elderly  
**Area:** Special Tests and Provisions – Administrative Plan  
**Questioned Costs:** \$0

### Criteria:

The Authority is required to maintain an up-to-date Elderly Program Administrative Plan to manage the Guam Elderly Project, commonly known as “Guma Trankilidat” which is financed through the Rural Development and Community Development Service under Section 515 New Construction. The purpose of the Administrative Plan is to establish policies and procedure not covered under Federal Regulations and to further the goal of the Authority to maintain full occupancy, reduce turnover, collect rents owed, preserve the project’s physical condition and adhere to applicable laws and regulations. Changes to the Plan must be approved by the Board of Commissioners and a copy provided to the U.S. Department of Housing and Urban Development (HUD).

### Condition:

The Authority has not updated or revised its Administrative Plan since 2004.

### Cause:

The Program’s management failed to update or revise the existing Administrative Plan for approval by the Board of Commissioners and submission to HUD. The Authority was using a combination of the existing Administrative Plan along with the Section 8 Housing Choice Voucher Administrative Plan to tailor its current policies and procedures for managing the Project.

### Effect:

There is no known material effect on the financial as a result of this condition. However, failure to maintain an updated Administrative Plan exposes the Authority to potential noncompliance with Federal regulations.

# GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

**Finding No.** 12-10, continued  
**CFDA Program:** 14.157 – Supportive Housing for the Elderly  
**Area:** Special Tests and Provisions – Administrative Plan  
**Questioned Costs:** \$0

Recommendation:

The Authority should update or revise the existing Administrative Plan for approval by the Board of Commissioners and submission to HUD. A copy should also be submitted to Rural Development.

Auditee Response/Corrective Action Plan:

GHURA agrees with this finding. The PSM is reviewing the current Plan to make the necessary revisions. Upon completion of the review, the Administrative Plan will be announced to the public for a 45 day comment period. After the comment period, a public hearing will be held. After the public hearing, and if no adjustments are to be made, the Administrative Plan will be forwarded to the Board of Commissioners for review and approval. Upon approval, a copy will be forwarded to HUD's Field Office, Multi-Family Division.

The Administrative Plan will be reviewed on an annual basis to ensure for compliance with HUD's rules and regulations.

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

### Schedule of Findings and Questioned Costs Year Ended September 30, 2012

**Finding No.:** 12-11  
**CFDA Program:** 14.871 – Section 8 Housing Choice Voucher Program  
**Area:** Eligibility – Conflict of Interest  
**Questioned Costs:** \$97,751

#### Criteria:

Pursuant to 24 CFR § 982.161, HUD's Conflict of interest states,

(a) Neither the PHA nor any of its contractors or subcontractors may enter into any contract or arrangement in connection with the tenant-based programs in which any of the following classes of persons has any interest, direct or indirect, during tenure or for one year thereafter: (1) Any present or former member or officer of the PHA (except a participant commissioner); (2) Any employee of the PHA, or any contractor, subcontractor or agent of the PHA, who formulates policy or who influences decisions with respect to the programs; (3) Any public official, member of a governing body, or State or local legislator, who exercises functions or responsibilities with respect to the programs; or (4) Any member of the Congress of the United States.

(b) Any member of the classes described in paragraph (a) of this section must disclose their interest or prospective interest to the PHA and HUD, or (c) The conflict of interest prohibition under this section may be waived by the HUD field office for good cause.

Per HUD's Part B of Housing Assistance Payments (HAP) Contract, conflict of interest is defined follows:

a. "Covered individual" means a person or entity who is a member of any of the following classes: (1) Any present or former member or officer of the PHA (except a PHA commissioner who is a participant in the program); (2) Any employee of the PHA, or any contractor, sub-contractor or agent of the PHA, who formulates policy or who influences decisions with respect to the program; (3) Any public official, member of a governing body, or State or local legislator, who exercises functions or responsibilities with respect to the program; or (4) Any member of the Congress of the United States.

b. A covered individual may not have any direct or indirect interest in the HAP contract or in any benefits or payments under the contract (including the interest of an immediate family member of such covered individual) while such person is a covered individual or during one year thereafter.

c. "Immediate family member" means the spouse, parent (including a stepparent), child (including a stepchild), grandparent, grandchild, sister or brother (including a stepsister or stepbrother) of any covered individual.

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

### Schedule of Findings and Questioned Costs Year Ended September 30, 2012

**Finding No.:** 12-11, continued  
**CFDA Program:** 14.871 – Section 8 Housing Choice Voucher Program  
**Area:** Eligibility – Conflict of Interest  
**Questioned Costs:** \$97,751

Criteria: (continued)

d. The owner certifies and is responsible for assuring that no person or entity has or will have a prohibited interest, at execution of the HAP contract, or at any time during the HAP contract term.

e. If a prohibited interest occurs, the owner shall promptly and fully disclose such interest to the PHA and HUD.

f. The conflict of interest prohibition under this section may be waived by the HUD field office for good cause.

g. No member of or delegate to the Congress of the United States or resident commissioner shall be admitted to any share or part of the HAP contract or to any benefits which may arise from it.

Condition:

During June 2004, GHURA's current legal counsel entered into a HAP contract with GHURA under its Section 8 HCV Program. The legal counsel submitted a "Conflict of Interest" letter dated March 10, 2011 and pursuant the requisites for the RFP, and certified that there is no conflict of interest with regards to the legal services to be provided to GHURA. On March 11, 2011, GHURA executed an Attorney-Client Fee Agreement with this attorney to provide legal representation to GHURA. For the period covering from January 14, 2011 through January 1, 2012, this attorney received direct payments as a landlord from GHURA for thirteen (13) HAP contracts totaling \$112,925. Of that amount, \$97,751 was received by the attorney during the period while under contract as legal counsel.

On November 15, 2011, GHURA's legal counsel executed a Quitclaim Deed to convey and transfer ownership of his land and apartments to a third-party. The third-party executed and gave a Special Power of Attorney document appointing legal counsel's immediate family member to operate and manage the Section 8 rental units (HAP contracts) which were the same properties quitclaim deeded to him by GHURA's legal counsel.

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

**Finding No.:** 12-11, continued  
**CFDA Program:** 14.871 – Section 8 Housing Choice Voucher Program  
**Area:** Eligibility – Conflict of Interest  
**Questioned Costs:** \$97,751

### Condition: (continued)

On April 12, 2012, legal counsel signed and submitted a “Disclosure of Conflict of Interest” GHURA document certifying compliance with HUD’s Conflict of Interest policy.

Per the Board of Commissioners’ Minutes of April 12, 2012, the Board recommended that the Authority consult with HUD for a resolution on this matter.

On June 13, 2012, the attorney-in-fact, acting on behalf of the third-party, completed “Landlord Direct Deposit Authorization Form” instructing GHURA to deposit all HAP payments to local financial institution in the name of the third-party.

On September 20, 2012, the Executive Director ordered the suspension all HAP rental payments to the property owners who were considered to have direct or indirect interest with respect to the Section 8 HCV Program until a waiver was granted by HUD pursuant to 24 CFR § 982.161; however, actual landlord HAP payments to GHURA’s legal counsel ceased after January 1, 2012.

During April 2013, GHURA contracted another attorney to act as its Conflict of Interest legal counsel who issued an opinion concluding that GHURA’s legal counsel had no conflict of interest in the Section 8 HCV Program. The opinion did not address legal counsel’s potential conflict of interest for the period covering March 11, 2011 through January 1, 2012 while providing legal representation to GHURA during which time legal counsel received landlord payments from GHURA for thirteen (13) HAP contracts totaling \$97,751.

### Cause:

The Authority did not properly interpret and adhere to its existing policies and procedures to ensure compliance with 24 CFR § 982.161 and Part B of the Housing Assistance Payments Contract.



# GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

**Finding No.:** 12-11, continued  
**CFDA Program:** 14.871 – Section 8 Housing Choice Voucher Program  
**Area:** Eligibility – Conflict of Interest  
**Questioned Costs:** \$97,751

Effect:

It appears that GHURA did not comply with 24 CFR § 982.161, HUD's Conflict of interest and Part B of Housing Assistance Payments Contract. Consequently, a potential questioned cost exist totaling \$97,751.

Recommendation:

We understand that GHURA has sought assistance from HUD and the potential conflict of interest is being evaluated by HUD's Washington D.C. to obtain a waiver. We recommend that GHURA strengthen its adherence to its existing policies and procedures for conflict of interest to ensure compliance with 24 CFR § 982.161 and Part B of the Housing Assistance Payments Contract.

Auditee Response/Corrective Action Plan:

GHURA recognizes the ambiguity and language in the Consolidated Annual Contribution Contract (CACC) and HUD regulations (24 CFR §982.161 and Part B of the HAP Contract) intended in this finding. GHURA with the assistance of the HUD Hawaii Field Office is awaiting response on the potential conflict of interest, which is being evaluated by HUD's Washington D.C. office to obtain a waiver.

# GUAM HOUSING AND URBAN RENEWAL AUTHORITY

## Summary Schedule of Prior Year Audit Findings Year Ended September 30, 2012

### **Audit Finding #**

- 2011 – 01      This finding is not fully unresolved. The Authority's Plan of Corrective Action was implemented but did not resolve this finding. A similar deficiency was cited in current year Finding No. 12 – 01.
- 2011 – 02      This finding is not fully unresolved. The Authority's Plan of Corrective Action was implemented but did not resolve this finding. A similar deficiency was cited in current year Finding No. 12 – 02.
- 2011 – 03      This finding is considered resolved.

**GUAM HOUSING AND URBAN RENEWAL AUTHORITY**

Summary of Unresolved Questioned Costs  
Year Ended September 30, 2012

	<u>Questioned Costs</u>	<u>Costs Allowed</u>	<u>Costs Disallowed</u>	<u>Unresolved Questioned Costs</u>
FY 2012 Questioned costs	\$ <u>97,751</u>	\$ -	\$ -	\$ <u>97,751</u>
Total unresolved questioned costs at September 30, 2012	\$ <u>97,751</u>	\$ -	\$ -	\$ <u>97,751</u>

# GUAM HOUSING AND URBAN RENEWAL AUTHORITY

## Management's Plan of Corrective Action Federal Award Findings and Questioned Costs September 30, 2012

**Finding No.:** 12-01  
**CFDA No.:** 14.850  
**Program:** Public and Indian Housing  
**Area:** Eligibility – Criminal Activity

### Condition:

For 8 or 12% of the 69 files tested, we noted that a Police Clearance was not obtained for the households.

### Corrective Action Stated and Taken:

During the recertification process, the residents will continue to sign Guam Police Department (GPD) clearance forms and forms will be placed in resident folders. These forms will only be used should there be an altercation or noted in the GPD blotter. As a new folder is created, the required documents will be moved/copied from old folder and placed in new one. Such documents would include birth certificates, SS# cards, GPD clearances, etc. Each resident folder has a list of documents required for each flap. The PSM will ensure that all documents will be enclosed within the flap based on the checklist and sign off when completed.

For quality control purposes, COCC will designate either the S8 Compliance Manager or an AMP Property Manager to conduct a 20% quality review on a quarterly basis on residents' files.

### Responsible Party:

Property Site Manager

### Anticipated Date of Completion:

Police clearances have been submitted to GPD and anticipate receiving a response by September 30, 2013.

# GUAM HOUSING AND URBAN RENEWAL AUTHORITY

## Management's Plan of Corrective Action Federal Award Findings and Questioned Costs September 30, 2012

**Finding No.:** 12-02  
**CFDA No.:** 14.871  
**Program:** Section 8 Housing Choice Voucher Program (HCV)  
**Area:** Eligibility – Criminal Activity

### Condition:

For 9 or 13% of the 69 HCV files tested, we noted that a Police Clearance was not obtained for program participants.

### Corrective Action Stated and Taken:

During the recertification process, the residents will continue to sign Guam Police Department (GPD) clearance forms and forms will be placed in resident folders. These forms will only be used should there be an altercation or noted in the GPD blotter. As a new folder is created, the required documents will be moved/copied from old folder and placed in new one. Such documents would include birth certificates, SS# cards, GPD clearances, etc. Each resident folder has a list of documents required for each flap. The PSM will ensure that all documents will be enclosed within the flap based on the checklist and sign off when completed.

For quality control purposes, management has designated the Section 8 Compliance Manager to conduct a 20% quality review on a quarterly basis on residents' files.

### Responsible Party:

Section 8 Housing Manager and Section 8 Compliance Manager

### Anticipated Date of Completion:

Police clearances have been submitted to GPD and anticipate receiving a response by September 30, 2013.

Corrective action has been taken; however, the current year deficiencies were noted which did not fully resolve the finding.

# GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Management's Plan of Corrective Action  
Federal Award Findings and Questioned Costs  
September 30, 2012

**Finding No.** 12 – 03  
**CFDA No.:** 14.157  
**Program:** Supportive Housing for the Elderly Program  
**Area:** Eligibility – Upfront Income Verification (UIV)

Condition:

For two (2) or 22% of the nine (9) tenant files tested, the Authority failed to use HUD's Enterprise Income Verification (EIV) System or the TASS to validate tenant reported income for tenants occupying Unit #B-1 and Unit #H-1.

Corrective Action Stated and Taken:

GHURA agrees with this finding. To ensure compliance, the Property Site Manager will use the EIV System or TASS to validate tenants' reported income and hard copies will be placed in residents' folders.

Each resident folder has a list of documents required for each flap. The PSM will ensure that all documents will be enclosed within the flap based on the checklist and sign off when completed. For quality control purposes, the Central Office Cost Center (COCC) will designate a person to conduct a 20% quality review on a quarterly basis.

Responsible Party:

Property Site Manager

Anticipated Date of Completion:

April 13, 2013 and May 24, 2013 for Units #B-1 and #H-1, respectively.

# GUAM HOUSING AND URBAN RENEWAL AUTHORITY

## Management's Plan of Corrective Action Federal Award Findings and Questioned Costs September 30, 2012

**Finding No.:** 12 – 04  
**CFDA No.:** 14.157  
**Program:** Supportive Housing for the Elderly Program  
**Area:** Eligibility – File Maintenance

### Condition:

Of the nine (9) tenant files tested, tenant folders either lacked certain documentation for the current period or had missing signatures from the Authority's officials for the following:

1. Original Application for Admission was not signed, dated by both the applicant and the PSM for the tenant residing in Unit #B-2.
2. For 4 or 44% of the nine files tested, the USDA Rural Development Form RD 3560-8 was signed by the PSM for tenants residing in Units #A-4, #B-2, #E-5 and #H-1.
3. For 2 or 22% of the 9 files tested, HUD Form 9887-A (Application's/Tenant's Consent to Release Information) and the Consent of Disclosure GHURA Form were not signed and dated by PSM for tenants residing in Units #A-4 and #E-5.
4. The lease agreement was not on-file for inspection for the tenant residing in Unit #A-2.
5. Intra-Office Memo was not completed by PSM to inform Fiscal Division of the rent increase from \$155 to \$168 for tenant residing in Unit #G-2.
6. Intra-Office Memo was not completed by PSM to inform Fiscal Division of the rent decrease from \$177 to \$147 for tenant

### Corrective Action Stated and Taken:

GHURA agrees with this finding. To ensure compliance, the Property Site Manager will review each noted finding and make the necessary correction. Each resident folder has a list of documents required for each flap. The PSM will ensure that all documents will be enclosed within the flap based on the checklist and sign off when completed. For quality control purposes, the Central Office Cost Center will designate a person to conduct a 20% quality review on a quarterly basis.

### Responsible Party:

Property Site Manager

### Anticipated Date of Completion:

May 31, 2013

# GUAM HOUSING AND URBAN RENEWAL AUTHORITY

## Management's Plan of Corrective Action Federal Award Findings and Questioned Costs September 30, 2012

**Finding No.:** 12 – 05  
**CFDA No.:** 14.157  
**Program:** Supportive Housing for the Elderly Program  
**Area:** Eligibility – Annual Recertification

### Condition:

For 3 or 33% of nine (9) tenant files tested, the following was noted:

1. For the tenant residing in Unit #A-2, the tenant's anniversary date was 8/1/12; however, recertification was completed 10/16/12 or 66 days after the tenant's anniversary date.
2. For the tenant residing in Unit #E-5, the tenant's anniversary date for recertification was 2/1/12; however, tenant was recertified effective 5/18/12 or 107 day after the tenant's anniversary date. In addition, the 30-day notice prior of the anniversary date was not provided to tenant for increased rent and Letter of Adjustment dated 5/18/12 stated the rent increase was effective 2/1/12.
3. For the tenant residing in Unit #B-2, the tenant's rent was adjusted from \$179 to \$205 on 5/14/12 to be effective 6/1/12; however, tenant was not given 30-day notice.

### Corrective Action Stated and Taken:

The adjustments will be made accordingly regarding tenants' rents. The PSM will print the annual recertification report for the year and properly schedule on calendar. Notices will be given to the residents at least 90-120 days prior to recertification date to begin the recertification process.

During the annual recertification process and it is noted that an upward/downward adjustment is required, the Memo to Fiscal (MTF) will be prepared and submitted accordingly. However, during an interim recertification process and it is noted that an upward/downward adjustment is required, the MTF will be prepared and submitted accordingly. In this case, a downward adjustment will become effective immediately (the following month); an upward adjustment will become effective the month after (30 days). The MTF will be forwarded to Fiscal for processing with a copy in resident's file. Upon completion by the Fiscal Division, the *yellow copy* will then be returned to PSM to be placed in resident's file to replace the copy.



# GUAM HOUSING AND URBAN RENEWAL AUTHORITY

## Management's Plan of Corrective Action Federal Award Findings and Questioned Costs September 30, 2012

**Finding No:** 12 – 05, continued  
**CFDA No.:** 14.157  
**Program:** Supportive Housing for the Elderly Program  
**Area:** Eligibility – Annual Recertification

### Corrective Action Stated and Taken: (continued)

Each resident folder has a list of documents required for each flap. The PSM will ensure that all documents will be enclosed within the flap based on the checklist and sign off when completed. For quality control purposes, COCC will designate either the S8 Compliance or an AMP Property Manager to conduct a 20% quality review on a quarterly basis.

### Responsible Party:

Property Site Manager

### Anticipated Date of Completion:

Note for future recertifications and will implement immediately.

# GUAM HOUSING AND URBAN RENEWAL AUTHORITY

## Management's Plan of Corrective Action Federal Award Findings and Questioned Costs September 30, 2012

**Finding No.:** 12-06  
**CFDA No.:** 14.157  
**Program:** Supportive Housing for the Elderly  
**Area:** Eligibility – Annual Inspections

### Condition:

For three (3) or 33% of the nine (9) tenant files tested, there was either no inspection report on file prior to lease renewal or inspection report indicated a failed inspection and there were no work orders or re-inspections to evidence that the deficiencies were corrected in a timely manner for the following:

1. Unit #A-2: No evidence that the unit was inspected prior to recertification.
2. Unit #G-2: No was not inspected during the recertification process.
3. Unit #J-6: Inspection Report was not dated to evidence when the inspection was conducted.

### Corrective Action Stated and Taken: (continued)

The PSM will print the annual recertification report for the year and properly schedule on the monthly calendar. Notices will be given to the residents at least 90-120 days prior to recertification date to begin the recertification process. Unit inspections will take place within the 90-120 days prior to recertification. If the unit failed, this will give the tenant the opportunity to correct the deficiency before the final process is completed. A copy of the unit inspection report will be placed in the resident folder along with any work orders required to correct the deficiency. Each resident folder has a list of documents required for each flap. The PSM will ensure that all documents will be enclosed within the flap based on the checklist and sign off when completed.

For quality control purposes, COCC will designate either the S8 Compliance or an AMP Property Manager to conduct a 20% quality review on a quarterly basis on residents' files.

### Responsible Party:

Property Site Manager

### Anticipated Date of Completion:

May 24, 2013

# GUAM HOUSING AND URBAN RENEWAL AUTHORITY

## Management's Plan of Corrective Action Federal Award Findings and Questioned Costs September 30, 2012

**Finding No.:** 12-07  
**CFDA No.:** 14.157  
**Program:** Supportive Housing for the Elderly  
**Area:** Eligibility – Drug Abuse and Criminal Activity

### Condition:

As part of the Authority's admission process, it requires adult household members to obtain a Police/Court Clearance. The Authority's Administrative Plan states that it shall determine involvement in criminal activity through the police or court clearances for criminal activity. For three (3) or 33% of the nine (9) of 49 units selected, the Police/Court Clearance was not obtained tenants residing in Units #B-4, #D-1 and J-6.

### Corrective Action Stated and Taken:

The Program agrees with this finding for Unit D-1. As for Units B4 and J6, the Administrative Plan states that police clearances are only required at the initial move-in. The residents in units B4 and J6 had moved in since 2006 and 2007, respectively. Copies of their police clearances will be pulled from their previous folders and placed in current folder.

During the recertification process, the residents will continue to sign Guam Police Department (GPD) clearance forms and forms will be placed in resident folders. These forms will only be used should there be an altercation or noted in the GPD blotter. As a new folder is created, the required documents will be moved/copied from old folder and placed in new one. Such documents would include birth certificates, SS# cards, GPD clearances, etc. Each resident folder has a list of documents required for each flap. The PSM will ensure that all documents will be enclosed within the flap based on the checklist and sign off when completed.

For quality control purposes, COCC will designate either S8 Compliance or an AMP Property Manager to conduct a 20% quality review on a quarterly basis on residents' files.

### Responsible Party:

Property Site Manager

### Anticipated Date of Completion:

Police clearances have been submitted to GPD and anticipate receiving a response by September 30, 2013.

# GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Management's Plan of Corrective Action  
Federal Award Findings and Questioned Costs  
September 30, 2012

**Finding No:** 12-08  
**CFDA No.:** 14.157  
**Program:** Supportive Housing for the Elderly  
**Area:** Special Tests and Provisions – Project Capital Needs Assessment

Condition:

The Program has not updated its CNA or submitted such to Rural Development for review and approval.

Corrective Action Stated and Taken:

The Program agrees with this finding. The PSM is working with GHURA's Architectural and Engineer (A/E) Manager to update Guma Trankilidat's Capital Needs Assessment. Upon completion of the assessment, it will be forwarded to USDA for approval.

At least three months before the end of each Fiscal Year, the PSM will update its Capital Needs Assessment (CNA) based on proposed projects completed for the year. Upon completion of this review, the PSM will meet with the A/E Manager to evaluate the CNA and plan a proposed project for the upcoming budget year. The completed CNA will be submitted to USDA along with budget and other required documents.

Responsible Party:

Property Site Manager

Anticipated Date of Completion:

August 16, 2013

## GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Management's Plan of Corrective Action  
Federal Award Findings and Questioned Costs  
September 30, 2012

**Finding No.:** 12-09  
**CFDA No.:** 14.157  
**Program:** Supportive Housing for the Elderly  
**Area:** Special Tests and Provisions – Civil Rights Laws' Accessibility Requirements

Condition:

The Program did not update and submit its 504 Assessment to Rural Development for review and approval. Additionally, the Program did not perform a self-evaluation and develop a related transition plan identifying physical obstacles that limit accessibility of its program to disabled persons; methods to be used to make facilities accessible; and specification of the steps necessary to achieve full program accessibility and related period of time of the transition plan.

Corrective Action Stated and Taken:

The Program agrees with this finding. The PSM is working with the Acting Chief Planner to update its 504 Assessment and Transition Plan. Upon completion of the assessment, it will be forwarded to USDA for approval.

At least three months before the end of each Fiscal Year, the PSM will update its 504 Assessment and Transition Plan. Upon completion of this review, the PSM will meet with the Chief Planner to evaluate the 504 Assessment and Transition Plan for the upcoming budget year. The completed 504 Assessment and Transition Plan will be submitted to USDA along with budget and other required documents.

Responsible Party:

Property Site Manager

Anticipated Date of Completion:

September 30, 2013

# GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Management's Plan of Corrective Action  
Federal Award Findings and Questioned Costs  
September 30, 2012

**Finding No.: 12-10**

**CFDA No.: 14.157**

**Program: Supportive Housing for the Elderly**

**Area: Special Tests and Provisions – Administrative Plan**

Condition:

The Authority has not updated or revised its Administrative Plan since 2004.

Corrective Action Stated and Taken:

The Program agrees with this finding. The PSM is reviewing the current Plan to make the necessary revisions. Upon completion of the review, the Administrative Plan will be announced to the public for a 45-day comment period. After the comment period, a public hearing will be held. After the public hearing, and if no adjustments are to be made, the Administrative Plan will be forwarded to the Board of Commissioners for review and approval. Upon approval, a copy will be forwarded to HUD's Field Office, Multi-Family Division.

The Administrative Plan will be reviewed on an annual basis to ensure for compliance with HUD's rules and regulations.

Responsible Party:

Property Site Manager

Anticipated Date of Completion:

September 30, 2013

# GUAM HOUSING AND URBAN RENEWAL AUTHORITY

## Management's Plan of Corrective Action Federal Award Findings and Questioned Costs September 30, 2012

**Finding No.:** 12-11  
**CFDA No.:** 14.871  
**Program:** Section 8 Housing Choice Voucher  
**Area:** Eligibility – Conflict of Interest

### Condition:

During June 2004, GHURA's current legal counsel entered into a HAP contract with GHURA under its Section 8 HCV Program. The legal counsel submitted a "Conflict of Interest" letter dated March 10, 2011 and pursuant the requisites for the RFP, and certified that there is no conflict of interest with regards to the legal services to be provided to GHURA. On March 11, 2011, GHURA executed an Attorney-Client Fee Agreement with this attorney to provide legal representation to GHURA. For the period covering from January 14, 2011 through January 1, 2012, this attorney received direct payments as a landlord from GHURA for thirteen (13) HAP contracts totaling \$112,925. Of this amount, \$97,751 was received by the attorney during the period while under contract as legal counsel.

### Corrective Action Stated and Taken:

GHURA with the assistance of the HUD Hawaii Field Office is awaiting response on the potential conflict of interest, which is being evaluated by HUD's Washington D.C. office to obtain a waiver.

Upon receipt of the Disclosure form, the HR Administrator will coordinate with the Section 8 Administrator on the validity of the Disclosure form. Once the information is verified, it will be placed in the personnel jacket and copied to the Executive Director. In the event of a potential, the Executive Director will proceed with procedures indicated in 24 CFR §982.161 and Part B of the HAP Contract.

The Section 8 Administrator will complete the revisions to the Section 8 Landlord Handbook to address the 24 CFR §982.161 and Part B of the HAP Contract within the next 90-days.

In addition, the Disclosure of Organizational Conflict of Interest Affidavit will be included in all Invitation for Bids and Request for Proposals. This will be completed by the Procurement Manager within the next 30-days. Upon submission of the Disclosure form, the Procurement Manager will coordinate with the Section 8 Administrator on the validity of the Disclosure form. Once the information is verified, it will be placed in the personnel jacket and copied to the Executive Director. In the event of a potential, the Executive Director will proceed with procedures indicated in 24 CFR §982.161 and Part B of the HAP Contract.

### Responsible Party:

Procurement Manager, Section 8 and HR Administrators

### Anticipated Date of Completion:

Within 30 – 90-days.

**GUAM HOUSING AND URBAN RENEWAL AUTHORITY**

**Supplementary Information**

Schedule of Salaries, Wages and Benefits

For the Year Ended September 30, 2012  
(With comparative totals for the year ended September 30, 2011)

	<u>2012</u>	<u>2011</u>
Salaries	\$ 4,145,323	\$ 3,166,643
Retirement benefits	334,540	1,127,858
Benefits other than retirement	813,431	347,007
Overtime pay	<u>107,729</u>	<u>105,924</u>
Total salaries, wages and benefits	<u>\$ 5,401,022</u>	<u>\$ 5,747,433</u>
Employees at end of year	<u>104</u>	<u>116</u>

Note 1: The salaries, wages and benefits noted above are reported in the accompanying financial statements on a functional basis by program for the years ended September 30, 2012 and 2011.



**GUAM HOUSING AND URBAN RENEWAL AUTHORITY  
SUPPLEMENTAL INFORMATION**

**COMMUNITY DEVELOPMENT BLOCK GRANT**

Statements of Net Assets  
September 30, 2012  
(With comparative totals as of September 30, 2011)

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Accounts receivable - HUD	\$ 506,334	\$ 230,950
Prepaid and other assets	<u>1,327</u>	<u>1,327</u>
Total current assets	507,661	232,277
Capital assets, net	<u>24,464</u>	<u>9,115</u>
Total assets	<u>\$ 532,125</u>	<u>\$ 241,392</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current liabilities:		
Accounts payable	\$ 1,978	\$ 1,978
Due to other funds	315,775	121,496
Accrued salaries and wages	15,789	-
Compensated absences - current	4,878	1,946
Deferred revenues	<u>78,971</u>	<u>10,087</u>
Total current liabilities	417,391	135,507
Non-current liabilities:		
Compensated absences - noncurrent	<u>90,270</u>	<u>96,770</u>
Total non-current liabilities	<u>90,270</u>	<u>96,770</u>
Total liabilities	507,661	232,277
Net Assets:		
Invested in capital assets, net of related debt	24,464	9,115
Restricted	-	-
Unrestricted	<u>-</u>	<u>-</u>
Total net assets	<u>24,464</u>	<u>9,115</u>
Total liabilities and net assets	<u>\$ 532,125</u>	<u>\$ 241,392</u>

The accompanying notes are an integral part of these financial statements.

**GUAM HOUSING AND URBAN RENEWAL AUTHORITY  
SUPPLEMENTAL INFORMATION**

**COMMUNITY DEVELOPMENT BLOCK GRANT**

Statements of Revenues, Expenses and Changes in Net Assets  
September 30, 2012

(With comparative totals as of September 30, 2011)

	<u>2012</u>	<u>2011</u>
Revenues:		
Federal contributions	\$ 3,168,423	\$ 2,813,895
Other	30,680	4,510
	<u>3,199,103</u>	<u>2,818,405</u>
Operating expenses:		
Repairs and maintenance	2,079,318	1,579,799
Other	314,181	430,277
Administrative salaries	521,628	533,889
Employee benefits	188,366	188,601
Management fees	-	-
Professional fees	11,629	12,436
Advertising and marketing	4,214	9,380
Depreciation	-	-
Office expense	67,685	72,182
Travel	2,029	4,793
Compensated absences	(3,568)	(15,412)
Insurance	716	2,460
Protective services	-	-
	<u>3,186,198</u>	<u>2,818,405</u>
Operating income	<u>12,905</u>	<u>-</u>
Non-operating revenues:		
Other income	2,444	115,960
Other expense	-	(146,750)
	<u>2,444</u>	<u>(30,790)</u>
Total non-operating revenues (expense), net	<u>2,444</u>	<u>(30,790)</u>
Change in net assets	15,349	(30,790)
Total net assets, beginning of year	<u>9,115</u>	<u>39,905</u>
Total net assets, end of year	<u>\$ 24,464</u>	<u>\$ 9,115</u>

The accompanying notes are an integral part of these financial statements.

**GUAM HOUSING AND URBAN RENEWAL AUTHORITY**  
**SUPPLEMENTAL INFORMATION**

**COMMUNITY DEVELOPMENT BLOCK GRANT**

Statements of Cash Flows  
September 30, 2012  
(With comparative totals as of September 30, 2011)

	2012	2011
Cash flows from operating activities:		
Cash flows from operating activities:	\$ 3,357,485	\$ 3,151,173
Operating grants received	-	4,510
Receipts from customers	(2,900,972)	(2,627,892)
Payments to suppliers	(443,608)	(527,791)
	12,905	-
Net cash provided by operating activities		
Cash flows from capital and related financing activities:		
Acquisition of fixed assets	(15,349)	-
	(15,349)	-
Net cash used in capital and related financing activities		
Cash flows from investing activities:		
Increase in investments	2,444	-
	2,444	-
Net cash provided by investing activities		
Net increase (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at beginning year	-	-
Cash and cash equivalents at end of year	\$ -	\$ -
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating income	\$ 12,905	\$ -
Adjustments to reconcile net loss to net cash provided by (used) operating activities:		
Depreciation	-	-
(Increase) decrease in assets:		
Accounts receivable - HUD	246,855	395,071
Prepaid and other assets	364	364
Increase (decrease) in liabilities:		
Compensated absences	(15,412)	(15,412)
Due to other funds	(215,466)	(363,218)
Accrued salaries and wages	(8,852)	(9,314)
Deferred revenues	(7,489)	(7,491)
	12,905	-
Net cash provided by (used in) operating activities	\$ 12,905	\$ -

The accompanying notes are an integral part of these financial statements.

**GUAM HOUSING AND URBAN RENEWAL AUTHORITY  
SUPPLEMENTAL INFORMATION**

**LOW INCOME PUBLIC HOUSING**

Statements of Net Assets  
September 30, 2012  
(With comparative totals as of September 30, 2011)

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash:		
Cash - General Fund	\$ 2,260,373	\$ 3,334,857
Restricted cash - FSS Eserow	-	-
Restricted cash - other	-	-
Total cash	<u>2,260,373</u>	<u>3,334,857</u>
Accounts receivable:		
Tenants	27,665	42,062
Other	2,784	1,471
HUD	812	812
Due from other programs	5,155,775	5,903,331
Interest	<u>135</u>	<u>134</u>
	5,187,171	5,947,810
Allowance for doubtful accounts	<u>(20,484)</u>	<u>(30,366)</u>
Total accounts receivable	<u>5,166,687</u>	<u>5,917,444</u>
Inventories	<u>134,993</u>	<u>233,263</u>
Investments:		
General fund	1,017,942	1,016,729
Restricted - security deposits	<u>183,813</u>	<u>183,593</u>
Total investments	<u>1,201,755</u>	<u>1,200,322</u>
Prepaid and other current assets	<u>32,229</u>	<u>32,229</u>
Total current assets	<u>8,796,037</u>	<u>10,718,115</u>
Noncurrent assets:		
Capital assets:		
Land	2,130,777	2,130,777
Infrastructure	688,676	651,548
Buildings and improvements, at cost	73,514,947	71,530,778
Furniture and equipment, at cost	2,449,594	2,117,812
Accumulated depreciation	<u>(60,966,118)</u>	<u>(58,801,072)</u>
Net capital assets	<u>17,817,876</u>	<u>17,629,843</u>
Total assets	<u>\$ 26,613,913</u>	<u>\$ 28,347,958</u>

The accompanying notes are an integral part of these financial statements.

**GUAM HOUSING AND URBAN RENEWAL AUTHORITY  
SUPPLEMENTAL INFORMATION**

**LOW INCOME PUBLIC HOUSING**

Statements of Net Assets, Continued  
September 30, 2012  
(With comparative totals as of September 30, 2011)

<u>LIABILITIES AND NET ASSETS</u>	<u>2012</u>	<u>2011</u>
Liabilities:		
Payable to HUD	\$ 38,631	\$ 38,631
Tenant security deposits	129,350	128,081
Due to other funds	1,053,432	500,915
Accrued salaries and wages	39,859	26,301
Compensated absences, current portion	12,763	4,733
Other current liabilities	916	916
Accrued liabilities	<u>111,504</u>	<u>84,704</u>
Total accounts payable	1,386,455	784,281
Deferred credits	<u>(13,813)</u>	<u>(13,954)</u>
Total current liabilities	<u>1,372,642</u>	<u>770,327</u>
Noncurrent liabilities:		
Compensated absences, net of current portion	102,150	104,139
Other - sick leave, net of current portion	<u>69,028</u>	<u>52,654</u>
Total noncurrent liabilities	<u>171,178</u>	<u>156,793</u>
Total liabilities	<u>1,543,820</u>	<u>927,120</u>
Net assets:		
Invested in capital assets, net of related debt	17,817,876	17,629,843
Restricted	183,767	183,593
Unrestricted	<u>7,068,450</u>	<u>9,607,402</u>
Total net assets	<u>25,070,093</u>	<u>27,420,838</u>
Total liabilities and net assets	<u>\$ 26,613,913</u>	<u>\$ 28,347,958</u>

The accompanying notes are an integral part of these financial statements.

**GUAM HOUSING AND URBAN RENEWAL AUTHORITY  
SUPPLEMENTAL INFORMATION**

**LOW INCOME PUBLIC HOUSING**

Statements of Revenues, Expenses and Changes in Net Assets  
For the Year Ended September 30, 2012  
(With comparative totals as of September 30, 2011)

	<u>2012</u>	<u>2011</u>
Operating revenues:		
HUD PHA operating grants	\$ 1,725,318	\$ 3,956,012
Tenant rental income	336,329	368,667
Other income	76,239	127,075
Total operating revenues	<u>2,137,886</u>	<u>4,451,754</u>
Operating expenses:		
Depreciation	1,743,930	1,944,553
Ordinary repairs and maintenance	1,356,464	334,996
Ordinary maintenance - salaries	545,186	509,302
Management fees	510,373	514,898
Administrative salaries	421,047	374,366
Other administrative expenses	330,268	192,002
Tenant services - salaries	246,955	286,772
Employee benefits - ordinary maintenance	187,444	165,812
Insurance	147,491	171,281
Utilities	146,416	149,936
Employee benefits - administrative	145,471	133,982
Offices supplies	96,279	120,566
Employee benefits - tenant services	95,183	106,093
Asset management fees	90,000	90,000
Bookkeeping fees	65,985	66,570
Payments in-lieu of taxes	26,800	29,870
Compensated absences	17,660	(57,368)
Travel	13,255	-
Advertising and marketing	6,048	4,442
Protective services	6,029	44,740
Legal and professional fees	5,754	11,495
Relocation costs	62	-
Bad debts	-	97,935
Total operating expenses	<u>6,204,100</u>	<u>5,292,243</u>
Operating loss	<u>(4,066,214)</u>	<u>(840,489)</u>
Non-operating revenues:		
Interest on general fund investments	2,045	1,689
Recovery of bad debts	94,434	-
Gain on sale of capital assets	6,637	-
Other income	58,044	23,528
Total non-operating revenues	<u>161,160</u>	<u>25,217</u>
Changes in net assets	(3,905,054)	(815,272)
Total net assets, beginning of year	27,420,838	28,236,110
Equity transfer-in	1,554,309	-
Total net assets, end of year	<u>\$ 25,070,093</u>	<u>\$ 27,420,838</u>

The accompanying notes are an integral part of these financial statements.

**GUAM HOUSING AND URBAN RENEWAL AUTHORITY  
SUPPLEMENTAL INFORMATION**

**LOW INCOME PUBLIC HOUSING**

Statements of Cash Flows  
For the Year Ended September 30, 2012  
(With comparative totals as of September 30, 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Operating grants received	\$ 1,725,318	\$ 3,953,740
Receipts from customers	425,619	495,775
Payments to suppliers	(1,442,226)	(1,804,296)
Payments to employees	(2,304,384)	(1,176,370)
Other receipts (payments)	<u>747,555</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>(848,118)</u>	<u>1,468,849</u>
Cash flows from noncapital financing activities:		
Transfers from the Revolving Fund	<u>1,554,309</u>	<u>1,869,974</u>
Net cash used in noncapital financing activities	<u>1,554,309</u>	<u>1,869,974</u>
Cash flows from capital and related financing activities:		
Acquisition of fixed assets	<u>(1,984,836)</u>	<u>(54,342)</u>
Net cash used in capital and related financing activities	<u>(1,984,836)</u>	<u>(54,342)</u>
Cash flows from investing activities:		
Interest and other income received	<u>204,161</u>	<u>25,291</u>
Net cash used in investing activities	<u>204,161</u>	<u>25,291</u>
Net increase in cash and cash equivalents	(1,074,484)	3,309,772
Cash and cash equivalents at beginning of year	<u>3,334,857</u>	<u>25,085</u>
Cash and cash equivalents at end of year	<u>\$ 2,260,373</u>	<u>\$ 3,334,857</u>
Reconciliation of operating loss assets to net cash provided by operating activities:		
Operating loss	\$ (4,066,214)	\$ (840,489)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,743,930	1,944,553
Bad debts	-	97,935
(Increase) decrease in assets:		
Accounts receivable:		
Other	(2,615)	(1,217)
Tenants	14,397	(8,671)
HUD	-	(532)
Due from other funds	747,556	-
Interest	(1)	74
Inventories	98,270	(47,970)
Prepaid and other assets	-	(5,462)
Increase (decrease) in liabilities:		
Compensated absences	22,415	(66,593)
Accounts payable - HUD	-	532
Due to other funds	552,517	355,417
Accrued salaries and wages	13,558	3,295
Security deposits	1,269	9,847
Other liabilities	26,800	29,870
Deferred credits	<u>-</u>	<u>(1,740)</u>
Net cash provided by (used in) operating activities	<u>\$ (848,118)</u>	<u>\$ 1,468,849</u>

The accompanying notes are an integral part of these financial statements.

**GUAM HOUSING AND URBAN RENEWAL AUTHORITY**

**SUPPLEMENTAL INFORMATION**

**HOUSING ASSISTANCE PAYMENTS PROGRAM**

Statements of Net Assets  
September 30, 2012

(With comparative totals as of September 30, 2011)

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash:		
Unrestricted	\$ 3,479,875	\$ 4,646,010
Restricted - FSS escrow account	404,132	989,649
Total cash	<u>3,884,007</u>	<u>5,635,659</u>
Accounts receivable:		
Tenants	79,634	127,215
HUD	59,037	-
Due from other funds	69	-
Interest	32	32
Other	40,290	101,007
Total accounts receivable	<u>179,062</u>	<u>228,254</u>
Prepaid expenses and other assets	-	9,089
Investments:		
Unrestricted	289,692	289,347
Restricted reserve fund	-	-
Total investments	<u>289,692</u>	<u>289,347</u>
Total current assets	<u>4,352,761</u>	<u>6,162,349</u>
Noncurrent assets:		
Capital Assets:		
Land, structures, and equipment	686,812	653,117
Accumulated depreciation	<u>(573,672)</u>	<u>(542,498)</u>
Total capital assets, net	113,140	110,619
Deferred assets	-	37,056
Total noncurrent assets	<u>113,140</u>	<u>147,675</u>
Total assets	<u>\$ 4,465,901</u>	<u>\$ 6,310,024</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts payable	\$ 73,720	\$ 51,754
Accrued salaries and wages	30,766	25,406
Due to other funds	625,274	2,143,718
Compensated absences, current portion	11,995	3,480
Other current liabilities	174,759	344,656
Total current liabilities	<u>916,514</u>	<u>2,569,014</u>
Noncurrent Liabilities:		
Compensated absences, net of current portion	100,772	95,440
Other liabilities - sick leave	59,251	54,227
Total noncurrent liabilities	<u>160,023</u>	<u>149,667</u>
Total Liabilities	<u>1,076,537</u>	<u>2,718,681</u>
Net Assets:		
Invested in capital assets, net of related debt	113,140	110,619
Restricted	3,022,368	3,095,707
Unrestricted	253,856	385,017
Total Net Assets	<u>3,389,364</u>	<u>3,591,343</u>
Total Liabilities and Net Assets	<u>\$ 4,465,901</u>	<u>\$ 6,310,024</u>

The accompanying notes are an integral part of these financial statements.



**GUAM HOUSING AND URBAN RENEWAL AUTHORITY**

**SUPPLEMENTAL INFORMATION**

**HOUSING ASSISTANCE PAYMENTS PROGRAM**

Statements of Revenues, Expenses and Changes in Net Assets  
For the Year Ended September 30, 2012  
(With comparative totals for the year ended of September 30, 2011)

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Housing assistance payments	\$ 35,028,743	\$ 35,200,988
Other income	-	-
Total operating revenues	<u>35,028,743</u>	<u>35,200,988</u>
Operating expenses:		
Housing assistance payments	33,042,007	32,935,455
Administrative salaries	1,044,431	1,022,943
Management fees	435,553	495,160
Employee benefit contribution	365,259	364,814
Bookkeeping fees	212,700	216,997
Office expense	170,728	177,035
Other administrative expenses	123,723	130,114
Compensated absences	55,929	(8,501)
Depreciation	40,608	38,927
Professional fees	26,660	30,143
Travel	20,255	-
Insurance	6,510	6,103
Advertising and marketing	3,483	576
Total operating expenses	<u>35,547,846</u>	<u>35,409,766</u>
Operating loss	<u>(519,103)</u>	<u>(208,778)</u>
Non-operating revenues:		
Interest on operating reserve investments	873	2,251
Interest on general fund investments	4,326	12,181
Fraud recovery	29,901	64,847
Other income	282,024	60,808
Total non-operating revenues	<u>317,124</u>	<u>140,087</u>
Change in net assets	(201,979)	(68,691)
Total net assets, beginning of year	<u>3,591,343</u>	<u>3,660,034</u>
Total net assets, end of year	<u>\$ 3,389,364</u>	<u>\$ 3,591,343</u>

The accompanying notes are an integral part of these financial statements.

**GUAM HOUSING AND URBAN RENEWAL AUTHORITY**

**SUPPLEMENTAL INFORMATION**

**HOUSING ASSISTANCE PAYMENTS PROGRAM**

Statements of Cash Flows

For the Year Ended September 30, 2012

(With comparative totals for the year ended of September 30, 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Operating grants received	\$ 35,028,743	\$ 35,200,988
Assistance paid	(33,042,007)	(32,935,455)
Payments to suppliers	(2,974,695)	(3,899,270)
Payments to employees	<u>(1,096,365)</u>	<u>(1,010,447)</u>
Net cash provided by (used in) operating activities	<u>(2,084,324)</u>	<u>(2,644,184)</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of capital asset acquisitions	<u>-</u>	<u>390</u>
Net cash flows used for capital and related financing activities	<u>-</u>	<u>390</u>
Cash flows from investing activities:		
Interest income received	332,327	140,087
Decrease in restricted assets	<u>345</u>	<u>4,883,611</u>
Net cash provided by (used in) investing activities	<u>332,672</u>	<u>5,023,698</u>
Net decrease in cash and cash equivalents	(1,751,652)	2,379,904
Cash and cash equivalents at beginning of year	<u>5,635,659</u>	<u>3,255,755</u>
Cash and cash equivalents at end of year	<u>\$ 3,884,007</u>	<u>\$ 5,635,659</u>
Unrestricted cash	\$ 3,479,875	\$ 4,646,010
Restricted cash	<u>404,132</u>	<u>989,649</u>
Total cash and cash equivalents at end of year	<u>\$ 3,884,007</u>	<u>\$ 5,635,659</u>

The accompanying notes are an integral part of these financial statements.

**GUAM HOUSING AND URBAN RENEWAL AUTHORITY**

**SUPPLEMENTAL INFORMATION**

**HOUSING ASSISTANCE PAYMENTS PROGRAM**

Statements of Cash Flows, Continued

For the Year Ended September 30, 2012

(With comparative totals for the year ended of September 30, 2011)

	<u>2012</u>	<u>2011</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (519,103)	\$ (208,778)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	40,608	38,927
(Increase) decrease in assets:		
Accounts receivable:		
Tenants	47,581	(127,215)
HUD	(59,037)	-
Due from other funds	(69)	18,719
Interest	-	50
Other	60,717	110,361
Prepaid expenses and other assets	9,089	(6,300)
Increase (decrease) in liabilities:		
Accounts payable:		
Accrued salaries and wages	5,360	3,945
Compensated absences and sick leave	18,871	(8,501)
Due to other funds	(1,518,444)	(2,453,772)
Other current liabilities	<u>(169,897)</u>	<u>(11,620)</u>
Net cash used in operating activities	<u>\$ (2,084,324)</u>	<u>\$ (2,644,184)</u>

The accompanying notes are an integral part of these financial statements.