



## Guam Housing and Urban Renewal Authority FY 2014 Financial Highlights

June 11, 2015

The Guam Housing and Urban Renewal Authority (GHURA) ended fiscal year (FY) 2014 with a decrease in net position (net loss) of \$1.5 million (M). This is the third consecutive year GHURA has experienced losses, from \$4.5M in FY 2012 and \$3.6M in FY 2013. These losses were subsidized through GHURA's reserves. Despite the decline in operating expenses by \$2.7M from FY 2013, total operating expenses of \$46.1M continued to outweigh revenues of \$43.7M. GHURA is still recovering from the effects of previous U.S. Housing and Urban Development (HUD) mandated budget cuts.

Independent auditors, Burger • Comer • Magliari, rendered an unmodified or "clean" opinion on the financial statements. For the reports issued on compliance, the auditors rendered a modified opinion on the Public and Indian Housing Program and an unmodified opinion on the remaining federal programs. There were three material weaknesses and three significant deficiencies identified. A Management Letter was also issued commenting on four areas for improvements.

GHURA operates five main programs, which make up more than 90% of its revenues: (1) Section 8 Housing Choice Voucher (HCV) Program (71%); (2) Public Housing consisting of four Asset Management Properties (10%); (3) Community Planning and Development Program (6%); (4) HOME Invest Partnership (4%); and (5) Supportive Housing for the Elderly, better known as Guma Trankilidat (1%).

### **GHURA Housing Choice Voucher Program**

Prior to the 2013 budget sequestration of federal funds imposed by the U.S Congress under the 2011 Budget Control Act, GHURA received more than \$32 million in housing assistance payments, and more than \$2 million in administrative fees. In 2013, GHURA downsized the number of participants through attrition, and several policies were also revised to help mitigate the impact of the budget cut. Re-issuance of vouchers did not start up again until the fall of 2014, in which 282 new participants were selected and/or admitted into the Section 8 Program. GHURA received \$2.1M less in HUD Public Housing Authority (PHA) operating grants, which went from \$33.3M in FY 2013 to \$31.2M in FY 2014. Housing Assistance Payments also decreased to \$30.2M. For FY 2014, this program ended with a loss of \$696 thousand (K) or 45% of GHURA's total loss of \$1.5M. At the end of fiscal year 2014, the Section 8 HCV Program assisted 2,309 families.

### **Asset Management Properties (AMP)**

GHURA owns and operates 750 Public Housing units consisting of four AMPs. At the end of FY 2014, the Authority had 711 units occupied with 94.8% occupancy rate and an adjusted rate of 97.8% with 23 units under modernization. Head of Household (HOH) tenants from Guam represented 51% of tenants, followed by HOH tenants from Federated States of Micronesia representing 26%, and the remaining 23% were from Philippines, Commonwealth of the Northern Mariana Islands, U.S.A. and other countries. For FY 2014, operating revenues under the Low Income Housing program increased nearly \$1M, going from \$3.4M in FY 2013 to \$4.4M, which was mainly due to an increase in HUD PHA Operating Grants. However, operating expenses amounted to \$5M, which slightly decreased by \$117K, from \$5.1M in FY 2013. The Public Housing program ended FY 2014 with a \$945K loss or 61% of GHURA's total loss, yet this program contributes only 10% of total revenues.

## **Community Planning and Development Program**

The Community Planning and Development program represented the greatest diversity of projects engaged to benefit low and moderate income populations and special needs populations. During FY 2014, operating revenues under the Community Development Block Grant (CDBG) declined by \$355K, going from \$2.8M in FY 2013 to \$2.4M in FY 2014. Operating expenses also declined by \$354K, going from \$2.8M in FY 2013 to \$2.4M in FY 2014. The top three CDBG projects were: (1) Construction of the Kattan (Central) Youth Resource Center (\$1.6M), (2) Renovation of the Talofofu Multipurpose Sports Field (\$450K), and (3) Lighthouse Recovery Center Operations (\$177K).

## **Expenses Outweigh Revenues**

Overall, operating expenses declined by \$2.7M from \$48.8M down to \$46.1M largely due to the decline in Housing assistance payment activity for the Section 8 Housing Choice Voucher program and lower unit month leasing costs. However, operating revenues also declined from \$43.9M to \$43.7M in FY 2014 due to the decline in HUD PHA operating grants, which comprises 96% of GHURA's revenues. As a result, GHURA experienced a loss of \$1.5M in FY 2014 as expenses continued to outweigh revenues. In FY 2013, GHURA's loss was at \$3.6M.

## **Subsequent Events and Contingent Liabilities**

Subsequent to September 30, 2014, HUD's Departmental Enforcement Center recommended to HUD that GHURA repay \$578K and \$1.4M for matters involving a conflict of interest and unused funds for the construction of new building for GHURA, respectively. These matters and the related amounts are under review with HUD's Honolulu Field Office and were shared with GHURA for further discussions. No decisions have been made at this time. Due to GHURA's inability to predict the ultimate outcome of these matters, no provision for any liability, if any, that may result from these matters has been made in GHURA's 2014 audited financial statements.

## **Reports on Compliance and Internal Controls and Management Letter**

Compliance continues to be an issue for GHURA as it had three material weaknesses (\*) and three significant deficiencies (^). All six findings were for the Low Income Housing Assistance program, however, there were no questioned costs identified. The findings involved the following:

- *Utility Allowance Schedule* (\*) - GHURA did not update or review the Utility Allowance Schedule for all 40 files tested. This was a prior-year finding.
- *Eligibility Income Verification* (\*) - Upfront income verification via HUD's Enterprise Income Verification system was not conducted for eligible household members.
- *Eligibility Income Verification* (\*) - Tenant income was not properly verified and documented.
- *Annual Inspections* (^) - 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
- *Eligibility: Annual Recertification* (^) - Recertification was untimely, which occurred 69 days after the required recertification date, and another tenant's marital status was not verified.
- *Declaration of Trust (DOT) Against Public Housing Property* (^) - GHURA was not able to provide the DOT documentation to evidence that its public housing property has been properly recorded with the Guam Department of Land Management and submitted to HUD.

Additionally, among the deficiencies noted in a separate management letter were related to the incorrect inventory unit of measurement; non-integrated accounting systems; and comingling of funds.

For a more detailed commentary, refer to the Management Discussion and Analysis in the audit report. Visit GHURA's website at [www.ghura.org](http://www.ghura.org) or OPA's website at [www.opaguam.org](http://www.opaguam.org) to view the reports in their entirety.