



OFFICE OF THE PUBLIC AUDITOR

**Guam Housing and Urban Renewal Authority
FY 2007 Financial Highlights**

June 23, 2008

For the first time in four years, the Guam Housing and Urban Renewal Authority (GHURA) issued its financial audit by the June 30 deadline. GHURA's Fiscal Year (FY) 2007 ended with a \$1.3 million (M) increase in net assets and several completed community projects. However, during FY 2006, GHURA was cited for applying incorrect payment standards for the Section 8 Housing Choice Vouchers program, which resulted in a U.S. Housing and Urban Development (HUD) settlement agreement and subsequent payment of \$1.3M commencing in fiscal year 2008. In addition, the accompanying reports on compliance and internal controls were again qualified due to the material weaknesses in two of GHURA's major programs.

Increase in Net Assets

GHURA had a positive change in net assets of \$1.3M; down from \$3.2M in the prior year. Although operating revenues increased \$5.8M from \$39.4M to \$45.2M, this increase was offset by the \$7.9M increase in operating expenditures from \$38.2M to \$46.1M. The \$46.1M operating expenditures was primarily from housing assistance payments of \$28.4M, an increase of \$3.7M; and repairs and maintenance of \$6.1M, an increase of \$3.6M.

In addition, GHURA's total assets increased from \$56.2M to \$57.5M, an increase of \$1.3M. Of the \$57.5M, \$14.1M or 24.6% represents cash. Receivables increased by \$650,000 from \$1.4M to \$2.1M, while the allowance for doubtful accounts decreased by \$10,000.

Settlement Agreement for Incorrect Payment Standard Application

HUD cited GHURA for applying incorrect payment standards to the Section 8 Housing Choice Vouchers program. GHURA erroneously established two payment standards, one with utilities and one without utilities. The error resulted in the required repayment of \$1.3M from the Section 8 equity reserves beginning in January 2008.

Qualified Reports on Compliance and Internal Controls

The accompanying reports on internal control and compliance were again qualified due to material weaknesses noted in the Section 8 Housing Choice Vouchers and the Low Income Housing Assistance programs. Audit findings decreased from 17 in FY 2006 to 6 in FY 2007. All six findings were repeats from the prior year and include:

- **Annual Inspections** – In Finding 07-01, 8 of the 25 tenant files tested did not have inspection reports on file prior to lease renewal or the inspection reports indicated a failed inspection and no work orders or re-inspections to evidence that deficiencies were timely corrected.
- **Eligibility** – In Finding 07-02, 5 of 40 vouchers tested had missing or incomplete documentation.

- **Financial Accounting System** – In Finding 07-05, the Fiscal Division is unable to produce the current and complete financial statements on a monthly or annual basis and is consistently two or three months delayed in closing its books each month and at the fiscal year-end.
- **Management Information Systems (MIS) IT Audit** – In Finding 07-06, the MIS division has not been independently evaluated for review of controls, computer security, encryption and certification, intruder detection, network vulnerability, and firewall security.

Completed Projects

During FY 2007, GHURA completed seven projects, which were either partially funded by the Community Development Block Grants or fully funded by the HOME Investment Partnerships program funds. These include the:

- Expansion and upgrade of the Northern Regional Community Health Center in Dededo;
- Design and construction of a New Police Precinct, Fire Station in Dededo;
- Design and construction of a Skate Park in Dededo;
- Design and construction of a New Fire Station in Barrigada;
- Design and construction of the Haya Youth Resource Center to serve troubled and at-risk youth and their families;
- Design and construction of Caridad Group Home in Mangilao for adults with disabilities; and
- Design and construction of the Caridad Apartments in Mongmong to provide affordable rental housing for persons with disabilities.

Several ongoing projects include the installation of water and sewer lines at the Ironwood Manor, the Housing First Voucher Program, and the Lighthouse Recovery Center Aftercare Program.

The audit was conducted by independent auditors J. Scott Magliari and Company. For a more detailed commentary of GHURA's operations, refer to the Management Discussion and Analysis in the audit report at www.guamopa.org.