

**GUAM HOUSING AND
URBAN RENEWAL AUTHORITY**

SINGLE AUDIT REPORTS

FOR THE YEAR ENDED SEPTEMBER 30, 2000

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING 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:

We have audited the 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, 2000 and have issued our report thereon dated August 29, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether GHURA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying Schedule of Findings and Questioned Costs as items 00-01 through 00-12. We also noted certain immaterial instances of noncompliance that we have reported to management of GHURA which are included in the accompanying Schedule of Findings and Questioned Costs.

Internal Control over Financial Reporting

In planning and performing our audit, we considered GHURA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect GHURA's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 00-01, 00-05, 00-06, 00-08, and 00-09.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in the amount that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended for the information of the management, and Board of Commissioners of the Guam Housing and Urban Renewal Authority, federal awarding agencies and the cognizant audit and other federal awarding agencies and is not intended to be, and should not be, used by anyone other than the specified users.

Agana, Guam
August 29, 2001

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

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

Compliance

We have audited the financial statements of Guam Housing and Urban Renewal Authority (GHURA), a component unit of the Government of Guam, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2000. GHURA's major federal programs are identified in the Summary of Auditor's Results section on page 111 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 GHURA's management. Our responsibility is to express an opinion on GHURA's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we 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 GHURA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of GHURA's compliance with those requirements.

As described in items 00-02, 00-03, and 00-05 in the accompanying Schedule of Findings and Questioned Costs, GHURA did not comply with requirements regarding eligibility, special tests and provisions that are applicable to its Section 8 Cluster – Housing Assistance Payment Programs. Compliance with such requirements is necessary, in our opinion, for GHURA to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, GHURA complied, in all material respects, with the requirements referred to above that applicable to each of its major federal programs for the year ended September 30, 2000. The results of our auditing procedures also disclosed other immaterial instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

The management of GHURA 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 our audit, we considered GHURA's internal control over compliance with requirements that could have a direct and material effect on a major program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect GHURA's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 00-06, 00-07, 00-08, 00-09, 00-10, 00-11 and 00-12.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Guam Housing and Urban Renewal Authority as of and for the year ended September 30, 2000, and have issued our report thereon dated August 29, 2001. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards on page 108, is presented for additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information of the management, Board of Commissioners of the Guam Housing and Urban Renewal Authority, federal awarding agencies and the cognizant audit and other federal awarding agencies and is not intended to be, and should not be used by anyone other than the specified users.

Agana, Guam
August 29, 2001

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2000

<u>CFDA#</u>	<u>AGENCY/PROGRAM</u>	<u>2000 Fiscal Year Expenditures</u>
<u>U. S. Department of Housing and Urban Development</u>		
14.219	Community Development Block Grant (CDBG)	\$ 2,082,448
14.231	Emergency Shelter Grant	147,974
14.239	HOME Investment Partnership	<u>2,937,926</u>
	Total CDBG	<u>5,168,348</u>
14.182	Low Income Housing Assistance Program	4,577,395
14.859	Comprehensive Grant Program	255,636
14.854	Public and Indian Housing Drug Elimination Program	37,448
14.157	Economic Development and Supportive Services Program	—
<u>42,177</u>		
	TOTAL PUBLIC HOUSING	<u>4,912,656</u>
	Section 8 Cluster - Housing Assistance Payments Programs (HAP):	
14.857	Section 8 Existing/Certificate	8,699,618
14.855	Voucher Program	3,760,026
14.856	Moderate Rehabilitation	1
14.157	Elderly Housing	—
<u>390,995</u>		
	TOTAL HAP	<u>12,850,640</u>
	Total Expenditures of Federal Financial Awards	<u>\$</u>
<u>22,931,644</u>		
	Percentage of Federal Awards Tested	<u>100%</u>

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.

Note 2. Major Programs

All of the above programs are classified as major programs and, accordingly, were subjected to applicable audit procedures as required by OMB Circular A-133. Additionally, the Home Investment Partnerships Program (CFDA #14.239) and the Public and Indian Housing Drug Elimination Program (CFDA #14.854) were included in the CDBG and Low Income Housing Assistance program, respectively, due to homogeneity.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Expenditures of Federal Awards, Continued
For the Year Ended September 30, 2000

Note 3. Subrecipients

Certain program funds are passed through the Guam Housing and Urban Renewal Authority to subrecipient organizations. 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, GHURA provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant	14.219	\$ 709,432
HOME Investment Partnership	14.239	\$ 1,077,083
Emergency Shelter Grant	14.231	<u>\$ 126,834</u>
Total		<u><u>\$ 1,913,349</u></u>

**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:

We have audited the 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, 2000 and have issued our report thereon dated August 29, 2001.

We 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, 2000.

Our 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. Our 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, we do not express such an opinion.

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

This report is intended for the information of the Board of Commissioners, management, and the Department of Housing and Urban Renewal Development. However, this report is a matter of public record and its distribution is not limited.

Agana, Guam
August 29, 2001

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2000

PART I - SUMMARY OF AUDIT RESULTS

Financial Statements

We have audited the basic financial statements of GHURA and issued an unqualified opinion.

Internal control over financial reporting:

- Material weaknesses were identified? ☐ yes ☒ no
- Reportable conditions identified that are not considered to be material weaknesses? ☒ yes ☐ none reported
- Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over financial reporting:

- Material weaknesses were identified? ☐ yes ☒ no
- Reportable conditions identified that are not considered to be material weaknesses? ☒ yes ☐ none reported

The auditor's report on major program compliance for GHURA having three major programs included an unqualified opinion for the Community Development Block Grants and the Low Income Housing Assistance Programs and expresses a qualified opinion on the Section 8 Cluster – Housing Assistance Payments Programs based on identified reportable conditions, which, in our opinion, are not considered to be material weaknesses.

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

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2000

PART I - SUMMARY OF AUDIT RESULTS, continued

Identification of major programs:

CFDA#

PROGRAM

14.219 Community Development Block Grant
14.239 HOME Investment Partnership
14.231 Emergency Shelter Grant

14.182 Low Income Housing Assistance Program
14.854 Public and Indian Housing Drug Elimination Program
14.157 Economic Development and Supportive Services Program

Section 8 Cluster - Housing Assistance Payments Programs:

14.857 Section 8 Existing/Certificate
14.855 Voucher Program
14.856 Moderate Rehabilitation
14.857 Elderly Housing

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk audit? _____ yes ____x____ no

PART 11 - FINDINGS - FINANCIAL STATEMENTS

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

We noted certain reportable conditions and instances of noncompliance which are presented in the following pages as items 00-01 through 00-12.

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
00-01	Eligibility/Special Tests and Provisions	\$ -
00-02	Eligibility/Special Tests and Provisions	-
00-03	Special Tests and Provisions	-
00-04	Special Tests and Provisions	-

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs
Year Ended September 30, 2000

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, Continued

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
00-05	Eligibility/Special Tests and Provisions	\$ -
00-06	Eligibility/Special Tests and Provisions	-
00-07	Special Tests and Provisions	-
00-08	Special Tests and Provisions	-
00-09	Eligibility	-
00-10	Special Tests and Provisions	-
00-11	Special Tests and Provisions	-
00-12	Special Tests and Provisions	-
		<hr/>
	Total Questioned Costs	<u>\$ -</u>

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2000

Finding No: 00-01
Program: Section 8 HAP
CFDA No. 14.857

Criteria:

The Authority is required to examine family income and composition at least once every 12 months and adjust the total rent and housing assistance payment as necessary in accordance with 24 CFR Sections 5.617 and 982.516. The Authority must verify income eligibility and calculate tenant's rent as promulgated by 24 CFR Sections 5.613 & 982.516. The Authority must also determine adjusted gross income in accordance with 24 CFR Sections 5.6001-5.617 & 982.201.

Condition:

The recertification documents submitted by the tenants regarding changes in family income and household composition did not agree with the total annual income as calculated by GHURA. In some cases, income calculations from the previous year or term were rolled over the next year's recertification despite the fact that tenants submitted the necessary documents to notify GHURA of applicable changes prior to the recertification date. We noted the following:

	Tenant <u>Rent</u>	<u>HAP</u>	Utility <u>Reimbursement</u>
1. HAP #5369			
Amount per calculation	\$ 0	\$ 1,175	\$ 73
Amount per income	<u>0</u>	<u>1,175</u>	<u>94</u>
Monthly variance	<u>\$ 0</u>	<u>\$ 0</u>	<u>(\$ 21)</u>

2. HAP #7115

Corrected income does not change the tenant rent and assistance payment because of prorated TTP.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2000

Finding No. 00-01
Program: Section 8 HAP
CFDA No. 14.857

Condition: continued

	<u>Tenant Rent</u>	<u>HAP</u>	<u>Utility Reimbursement</u>
3. HAP #7316			
Amount per calculation	\$ 337	\$ 363	N/A
Amount per income	<u>362</u>	<u>338</u>	
Monthly variance	<u>(\$ 25)</u>	<u>(\$ 25)</u>	
4. HAP #5221			
Amount per calculation	\$ 265	\$ 794	N/A
Amount per income	<u>268</u>	<u>791</u>	
Monthly variance	<u>(\$ 3)</u>	<u>(\$ 3)</u>	

Cause:

It appears that the Tenant files were not properly reviewed by Contract Control Analyst (CCA's) and examined for completeness and accuracy during the recertification process.

Effect:

The applicable changes in income and family composition affect Total Tenant Payment (TTP), tenant rent, and HAP.

Recommendation:

We are cognizant that the Authority experienced staff shortages and turnover during the fiscal year and we commend the Section 8 personnel for the efforts. However, we recommend that CCA's conduct more detailed and thorough review of all tenant files recertified by HAP Specialists. Consideration should be given to increasing the sample sizes of the HAP files be internally audited for quality assurance by the Quality Control Analyst to ensure that such discrepancies noted above are detected and corrected in a timely manner. We also recommend that formal training be provided to newly or less experienced HAP Specialist to enhance their HAP program knowledge and skills.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2000

Finding No. 00-01

Program: Section 8 HAP

CFDA No. 14.857

Auditee Response/Corrective Action Plan:

We agree with the finding on HAP #5369. During this period, Section 8 Program suffered a severe staffing problem. Out of three Contract Control Analyst (CCA), only one (1) CCA with experience was available. Out of five (5) Housing Assistance Program Specialist (HAPS) authorized four (4) had no prior HAP experience when recruited during this period. In addition, Section 8 Program received an additional 203 vouchers via grants. The increased workload coupled with new staff resulted in some late recertifications. Due to the late recertification of this file, the TTP from previous year was used for the recertification process. Staff should have processed an upward adjustment after giving the tenant the proper 30-day notice.

To prevent this type of finding from happening again, the form File Document Review and Checklist for CCA's and a computer printout of recertification listing issued to HAP's 90-120 days prior to anniversary dates of contracts will be utilize for better planning and preparation.

We agree with the finding on HAP #7115. The situation is the same as in the preceding finding. Tenant did not submit required documents. Due to Delay in processing recertification, the previous year's information was used by the staff. Corrective measure was being done but the family was no longer in the Section 8 Program due to Section 214, Non-U.S. Citizen Rule.

We agree with the finding on HAP #7316. The staff used previous year's TTP due to late recertification of family. Staff should have processed an upward adjustment after giving the family a proper 30-day notice. The Contract Control Analyst (CCA) is now using the File Document Review and Checklist to verify documents to ensure proper recertifications. In addition, a computer generated listing is sent to HAP 90-120 days before recertification to prepare files.

We agree with the finding on HAP #5221. Staff should have processed an upward adjustment after giving the family proper 30-day notice. Staff should have been more careful with the calculations. An RFP for an entire Housing Services Division staff training has been issued and should take place within the next few months. The last comprehensive staff training was conducted by NAHRO and Nan McKay about 4 years ago.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2000

Finding No. 00-02
Program: Section 8 HAP
CFDA No. 14.857

Criteria:

The Authority is required to maintain a HAP contract register or similar record in which to record the Authority's obligation for monthly HAPs. This record must provide information as to the name and address of the family; the name and address of the owner; dwelling unit size; the beginning date of the lease term; the monthly contract rent payable to the owner; monthly rent payable by the family; and the monthly HAP as required by 24 CFR section 982.158.

Condition:

During our testing of the 25 HAP files, we noted that 6 files or 24% of the files tested lacked the following:

<u>Tenant</u>	<u>Documents not signed</u>	<u>Missing signature</u>
1. HAP #1195	-contract & lease agreement dated 11/10/99 -tenant data summary dated 11/10/99	-landlord. Tenant & HAP official -tenant & HAP official
2. HAP #7115	-contract & lease agreement dated 5/17/99	-owner & HAP official
3. HAP #5221	-form HUD 50058 dated 11/17/99 -summary application dated 11/17/99	-HAP official -HAP official
4. HAP #2300	-HAP contract dated 11/29/99	-landlord & HAP
5. HAP #7790	-form HUD 52635 dated 03/08/99 -form HUD 52535.1 dated 3/08/99	-landlord & HAP official -HAP official
6. HAP #7316	-contract & lease agreement dated 7/23/99	-HAP official

In addition, the HAP contract for HAP #2300, effective 11/29/99, is missing the name of the name of a 12-year old daughter who is a household member.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2000

Finding No. 00-02

Program: Section 8 HAP

Finding No. 00-03

CFDA No. 14.857

Cause:

These files were not properly processed and signatures not obtained. It also appears that tenant files were not adequately reviewed by CCA's to ensure that all tenants are proper certified and that documentation and signatures are properly obtained and signed to ensure completeness.

Effect:

The contracts executed without signatures may not be valid.

Recommendation:

We recommend that the Authority's CCA's perform detailed reviews of all tenant files during the initial and recertification process to that all tenants are proper certified and that documentation and signatures are properly obtained and signed to ensure completeness.

The Authority maintains a documentation checklist that is kept in all tenant files. We recommend that this tool be utilized to ensure that all documentation is obtained prior to certification.

We further recommend that each of the above-mentioned tenants be contacted to sign and execute the dwelling lease.

Auditee Response/Corrective Action Plan:

We agree with the finding. Due to massive turnover of staff during this period, some files and documents were not filed and reviewed by the CCA. These files were not properly processed and signatures not obtained. Since this audit finding, documents in question have been reviewed and signatures obtained with the exception of HAP #1195. The tenant did not sign the documents for renewal that was to be effective February 2000. The tenant was ill and missed the time of his scheduled contract signing on November 11, 1999. The tenant passed away in December 1999.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2000

Finding No.: 00-03

Program: Section 8 HAP

CFDA No.: 14.857

Criteria:

The Authority must verify eligibility of applicants including immigration status in accordance with 24 CFR sections 880.603, 881.601, 882.514, 833.701, 884.214, 886.119, and 886.318.

Condition:

For HAP #5869, we noted that the tenant file had numerous copies of naturalization certificates. According to a note in the certificates, "It is punishable by U. S. Law to copy, print, or photograph the certificate without lawful authority."

Cause:

The Authority failed to adhere to its policy for documenting the verification of tenant immigration status. The cause of this condition appears to relate to the lack of understanding of such regulations by the new HAP Specialists.

Effect:

The Authority is not in compliance with 24 CFR sections 880.603, 881.601, 882.514, 833.701, 884.214, 886.119, and 886.318.

Recommendation:

We recommend that the CCA's properly train new HAP Specialist to ensure that they are fully cognizant of all pertinent HAP regulations. Additionally, we recommend that the Authority review all tenant files during the recertification process to remove Naturalization Certificates and replace with the appropriate forms issued by HAP.

Auditee Response/Corrective Action Plan:

We agree with the finding. Naturalization Certificates should not be reproduced without lawful authority. The reproduced copy of Naturalization Certificate had been replaced by a form issued by HAP.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2000

Finding No.: 00-04
Program: Section 8 HAP
CFDA No.: 14.857

Criteria:

In accordance with 24 CFR Sections 982.4, 982.54 (d) (15), 982.152 (f) (7), & 982.503, the Authority must maintain records to document the basis for the determination that rent to owner is a reasonable rent.

Condition:

For one (1) or 4% of the (25) twenty-five HAP files tested, we noted that HAP #2300, is under the certificate program, but the Lease Agreement that was signed by the tenant and landlord on 11/17/99 is for "Voucher" tenancy (form HUD-52641-L). In addition, the term of the lease and rent amount fields were left blank.

Cause:

The cause of this condition appears to be attributable to a lack of understanding of the new Certificate/Voucher Merger policies and procedures.

Effect:

There is no effect on the financial statements as a result of this condition.

Recommendation:

We recommend that the Authority's CCA contact the tenant have them sign the Rental Certificate Program form HUD-52641-L. Additionally, the term of the lease and the monthly rent should be documented on form HUD-52641-L.

Auditee Response/Corrective Action Plan:

We agree with the finding. The staff's confusion was partly created by the new Certificate/Voucher Merger Policy during this period.

Certificate holders are not automatically converted to the Voucher Program but are given a two (2) year option before converting to the mandatory Voucher Program. Ms. Carrel had the option to remain in the Certificate Program but the staff processed the Voucher Tenancy Form. Corrected signed copies of the Rental Certificate Program HUD 52635-L had been submitted.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2000

Finding No.: 00-05
Program: Section 8 Voucher
CFDA No.: 14.855

Criteria:

Pursuant to 24 CFR sections 5.617 & 982.516, the Authority must reexamine family income and composition at least once every 12 months and adjust the total rent and housing assistance payment as necessary. As promulgated by 24 CFR sections 5.6133 & 982.516, the Authority must verify income eligibility and calculate tenant's rent. The Authority must also determine adjusted gross income in accordance with 24 CFR sections 5.601-5.617 & 982.201.

Condition:

For one (1) or 4% of the HAP Voucher tenant files tested, we noted that the HAP Specialist used the same income as the prior year to calculate the current rent for contract #264. The recertification stated that the tenant was receiving welfare. Although, there is a document in the file that was received on 03/03/99 stating that this person was no longer receiving welfare assistance, and there is also a document received on 03/02/99 stating that this person is receiving Social Security benefits. These changes are not reflected on the recertification dated 5/01/99. If the changes were applied, the TTP should be \$120 as opposed to \$111.

In addition, the preparer did not sign this document (form HUD-50058), and there is no Lease Amendment for this period.

Cause:

Due to this being an upward adjustment, a 30-day notice is to be given to the tenant if the error is on GHURA's part. Also, the tenant came in on 05/23/99 to sign the form. Additionally, this tenant recertification was processed by a new HAP Specialist and was not properly reviewed by the CCA for quality control.

Effect:

There is a balance due of \$90 that the tenant owes GHURA. There is no material effect on the financial statements as a result of this condition.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2000

Finding No.: 00-05

Program: Section 8 Voucher

CFDA No.: 14.855

Recommendation:

We recommend that the Authority's CCA's perform detailed reviews of all tenant certifications processed by newly hired HAP Specialist until they are to demonstrate program knowledge and competency. We also recommend that formal training be provided to newly or less experienced HAP Specialist to enhance their HAP program knowledge and skills.

Auditee Response/Corrective Action Plan:

We agree with this finding. This is one of the few files that was processed by a new HAP and did not get reviewed by the assigned CCA for quality control. As a result, required documents were not reviewed, wrong computations were used and a Lease Amendment was not processed for the Landlord's signature. The staff should have processed an upward adjustment effective July 1999.

The form File Document Review and Checklist for CCA's will be utilized to enable the HAP and CCA to properly process recertifications, computations and verification of required documents.

Finding No.: 00-06

Program: Section 8 Voucher

CFDA No.: 14.855

Criteria:

In accordance with 24 CFR Sections 5.617 & 982.516, the Authority must examine family income and composition at least once every 12 months and adjust the total rent and housing assistance payment as necessary. The Authority must verify income eligibility and calculate tenant's rent per 24 CFR sections 5.613 & 982.516. Pursuant to 24 CFR sections 5.601-5.617 & 982.201, the Authority must also determine adjusted gross income.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2000

Finding No.: 00-06

Program: Section 8 Voucher

CFDA No.: 14.855

Condition:

For one (1) or 4% of the twenty-five (25) Voucher tenant files tested, we noted that the HAP Specialist used the same income as in the prior year. The recertification stated that the tenant was employed at this time. However, documentation (dated 02/04/99) was on file stating that the tenant (Contract #51) was terminated 02/01/99. Additionally, there was also an Affidavit of Zero Income in the tenant file dated 01/14/99. These changes were not reflected as an interim adjustment during the recertification dated 05/01/99. Based on the correct information, the tenant should have been receiving a utility reimbursement of \$57. In addition, there is no Lease Amendment for this period.

Cause:

The tenant recertification was processed by a new HAP Specialist and was not properly reviewed by the CCA for quality control.

Effect:

GHURA owes the tenant \$684 of utility reimbursement.

Recommendation:

We recommend that the Authority remit \$684 to the tenant for the amount of the utility reimbursement due resulting from the miscalculation. We recommend that the Authority's CCA's perform detailed reviews of all tenant certifications processed by newly hired HAP Specialist until they are to demonstrate program knowledge and competency. We also recommend that formal training be provided to newly or less experienced HAP Specialist to enhance their HAP program knowledge and skills.

Auditee Response/Corrective Action Plan:

We agree with the finding. The assigned staff have processed an interim adjustment due to report of "zero" income and a Lease Amendment. The HAP Specialist should not have used the previous year's income for computation. This is another file that was improperly processed by a new HAP Specialist and was also not forwarded for a complete review by the CCA.

GHURA has processed the utility reimbursement for the tenant and the Lease Amendment for signature. Accomplishing the File Document Review and Checklist for CCAs should help eliminate errors described in this finding.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2000

Finding No.: 00-07

Program: Section 8 Voucher

CFDA No.: 14.855

Criteria:

In accordance with 24 CFR section 982.158, the Authority is required to maintain a HAP contract register or similar record in which to record the PHAs obligation for monthly HAP's. This record must provide information as to the name and address of the family, the name and address of the owner, dwelling unit size, the beginning date of the lease term, the monthly contract rent payable to the owner, the monthly rent payable by the family, and the monthly HAP.

Condition:

For one (1) or 4% of the twenty-five (25) Voucher tenant files tested, we noted that the Housing Services Manager failed to sign form HUD-52641 for Contract #103.

Cause:

The Authority failed to adhere to its existing internal control policies and procedures to ensure that all required HUD forms are properly reviewed and signed the appropriate Housing management personnel.

Effect:

There is no material effect on the financial statements as a result of this condition.

Recommendation:

We recommend that the Authority enforce its existing internal control policies and procedures to ensure that all required HUD forms are properly reviewed and signed the appropriate Housing management personnel.

Auditee Response/Corrective Action Plan:

We agree with the finding. The assigned new HAP Specialist did not properly process and forward this file to the CCA for review. Once reviewed by the CCA, the file should have been forwarded to the Housing Services Manager for signature.

Since this finding, the file has been reviewed and form HUD-52641 was signed by the Housing Services Manager. Form File Document Review and Checklist for CCAs will be utilized to eliminate this type of error.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2000

Finding No.: 00-08

Program: Section 8 Voucher

CFDA No.: 14.855

Criteria:

In accordance with 24 CFR sections 5.617 and 982.516, the Authority must reexamine family income and composition at least once every 12 months and adjust the total rent and housing assistance payment as necessary. Additionally, the Authority must verify income eligibility and calculate tenant's rent as promulgated by 24 CFR sections 5.613 and 982.516 and must determine adjusted gross income pursuant to 24 CFR sections 5.601-5.617 & 982.201.

Condition:

For one (1) or 4% of the twenty-five (25) files Voucher tenant files tested, we that for the Contract #226, the annual recertification date was on February of each year, although the recertification conducted February 1999. There was no recertification done for 1998. However, the 1999 recertification was completed on 5/20/99. Due to it being a late recertification, the previous TTP was used for the annual recertification. An interim adjustment should have been completed thereafter to reflect the changes in income, but such was performed. The TTP should have been \$632 instead of \$658 if the adjustment was made.

We also noted that there was no Lease Amendment prepared for this period.

Cause:

It appears that the Authority has not established internal control policies and procedures to ensure that HAP Specialist adequately informed or advised of the recertification dates of all tenants in a timely manner.

Effect:

There is no effect on the financial statements as a result of this condition; however, the tenant owes the Authority \$338.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2000

Finding No.: 00-08

Program: Section 8 Voucher

CFDA No.: 14.855

Recommendation:

We commend the Authority for its implementation of providing computer generated tenant recertification listing. We recommend that the CCA monitor and distribute such listing to each of the Authority's HAP Specialist and ensure that recertifications are conducted in a timely manner. We further recommend that CCA's review all tenant files upon recertification to ensure that Lease Addendums and all other required documents are completed, on-file, and checked off on the checklist maintained in each tenant files.

Auditee Response/Corrective Action Plan:

We agree with this finding. This file was recertified late for February 1999. However, the recertification was done for 1998. The recertification notice is dated 12/21/97 for the amount of \$632. No Lease Amendment was processed for this contract since the amount of Contract Rent did not change from the initial execution of the contract on January 3, 1995.

HAP Specialists are now issued a computer-generated re-exam listing 90-120 days before contract anniversary dates. This re-exam listing along with the attached File Document Review and Checklist for CCA's should eliminate errors described in this finding.

Finding No.: 00-09

Program: Section 8 Voucher

CFDA No.: 14.855

Criteria:

The Total Tenant Payment (TTP) shall be the highest of the following: (1) 30% of monthly-adjusted income; (2) 10% of monthly income; or (3) the minimum rent if the family receives welfare assistance from a public agency.

Condition:

The Tenmast software calculates the TTP. For 1 of 25 or 4% of the files tested, the formula on HUD 50058 to calculate the TTP is not taking the highest of the three amounts for Contract #187. This resulted in the tenant receiving utility reimbursement (UR) of \$13 that it was not entitled if the calculation was done correctly. The tenant should have paid \$337 for rent.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2000

Finding No.: 00-09

Program: Section 8 Voucher

CFDA No.: 14.855

Cause:

The cause of this condition appears to be system related.

Effect:

The family incorrectly received a UR of \$13 and underpaid its monthly rent of \$337 per month. However, there is no material effect on the financial statements as a result of this condition.

Recommendation:

We recommend that the Authority contact its software vendor to investigate and correct the software bug. Until the software bug can be fully investigated and corrected, we recommend that the HAP Specialists and CCA's recalculate the TTP to ensure that the highest amount is used.

Auditee Response/Corrective Action Plan:

The formula on the HUD-50058 to calculate the TTP did not take the highest of the three amounts as in the case of Tanya Dominguez (Section 8 Voucher) dated 9/99. Inquiry was made with Tenmast and the response stated that the calculation was correct.

Finding No.: 00-010

Program: Section 8 Voucher

CFDA No.: 14.855

Criteria:

Pursuant to 24 CFR sections 5.617 and 982.516, the Authority must re-examine family income and composition at least once every 12 months and adjust the total rent and housing assistance payment as necessary. Additionally, PHA's must verify income eligibility and calculate tenant's rent in accordance with 24 CFR sections 5.613 and 982.516. PHA must determine adjusted gross income as required by 24 CFR sections 5.601-5.617 & 982.201.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2000

Finding No.: 00-010

Program: Section 8 Voucher

CFDA No.: 14.855

Condition:

For one (1) of the twenty-five (25) files tested, for Contract #273, there is no signed form HUD-50058 in the file that reflects payment of receipt #11184 for \$703 dated 01/01/00, and there is no Lease Amendment in the file for the recertification dated 9/15/99.

Cause:

The cause of this condition appears to be related to program software changes and updates.

Effect:

There is no material effect on the financial statements as a result of this condition. However, the above condition resulted in a decrease in the tenant's rent and an increase in the landlord's payment.

Recommendation:

We recommend that the CCA's examine tenant files for completeness to ensure that all signatures are obtained on HUD forms prior to certification.

Auditee Response/Corrective Action Plan:

We agree with the finding. Due to the Ten Mast Computer program update and changes under "Tenant Type" "Shopping Incentive", it resulted in the tenant's share and an increase in payment to the Landlord.

A corrected Form HUD-50058 has been processed for signature of parties involved. Since the changes did not alter the Contract Rent amount, a Lease Amendment is not required.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2000

Finding No.: 00-011

Program: Section 8 Voucher

CFDA No.: 14.855

Criteria:

The Authority must reexamine family income and composition at least once every 12 months and adjust the total rent and housing assistance payment as necessary per 24 CFR sections 5.617 & 982.516. In accordance with 24 CFR sections 5.613 and 982.516, the Authority must verify income eligibility and calculate tenant's rent. Pursuant to 24 CFR sections 5.601-5.617 and 982.201, the Authority must also determine adjusted gross income.

Condition:

The forms to support the payment was not signed or acknowledged by the tenant under HAP #50. The tenants signed the documents dated 12/15/99 for the TTP of \$209. The Quality Control Analyst reviewed it on 12/28/99, and there was an error in calculating the utility allowance. The change resulted in a \$4 increase for the TTP per month.

In addition, the Housing Services Manager did not sign the form HUD-52641. Also, the amount of HAP was changed on this form but not acknowledged by the landlord.

Cause:

Form HUD-52641 was not forwarded to the Housing Services Manager for review and signature.

Effect:

There is no material effect on the financial statements as a result of this condition.

Recommendation:

We recommend that the above tenant file be submitted to the Housing Services Manager for signature on the form HUD-52641. We also recommend that the CCA contact the landlord to be notified and informed of the change in the contract lease term. Furthermore, the Quality Control Analyst should be instructed to conduct thorough review of all tenant files to ensure program compliance and completeness of required documentation.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2000

Finding No.: 00-011

Program: Section 8 Voucher

CFDA No.: 14.855

Auditee Response/Corrective Action Plan:

We agree with the finding. HUD-52641 was not forwarded to the Housing Services Manager for signature. Also, the Landlord did not initial to acknowledge change of contract term.

Since then, the Housing Services Manager has signed Form HUD-52641 and the Landlord has been contacted to come into the office to acknowledge the change of contract term. Form File Document Review and Checklist for CCAs will be utilized to avoid the same mistake. Existing quality assurance by SEMAP Coordinator and assigned CCA also help prevent this type of findings.

Finding No.: 00-012

Program: Section 8 Voucher

CFDA No.: 14.855

Criteria:

In accordance with 24 CFR sections 5.617 and 982.516, the Authority must reexamine family income and composition at least once every 12 months and adjust the total rent and housing assistance payment as necessary. Pursuant to 24 CFR sections 5.613 and 982.516, PHA's must verify income eligibility and calculate tenant's rent. Additionally, per 24 CFR sections 5.601-5.617 and 982.201, the Authority must determine adjusted gross income.

Condition:

For one (1) or 4% of the twenty-five (25) files tested, we noted that the Housing Services Manager did not sign form HUD-52641 for Contract #53.

Cause:

The tenant file was not provided to the Housing Services Manager for review and signature in a timely manner.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2000

Finding No.: 00-012

Program: Section 8 Voucher

CFDA No.: 14.855

Effect:

There is no material effect on the financial statements as a result of this condition.

Recommendation:

We recommend that the Housing Services Manager design and implement internal control policies and procedures to ensure that for HUD-52641 and all other mandatory HUD forms be submitted for his review and signature in a timely manner.

Auditee Response/Corrective Action Plan:

We agree with this finding. HUD-52641 was not forwarded for the signature of the Housing Services Manager in an efficient and timely manner. However, since then, the file has been reviewed and HUD-52641 was signed by the Housing Services Manager.

With the upcoming housing training for all Housing Services Division staff, this type of discrepancies should be eliminated. The strict enforcement and use of the File Document Review and Checklist for CCAs by HAP Specialist and CCAs should prevent findings of this nature in the future.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY
Auditors' Comments on Audit Resolution Matters
Relating to the HUD Programs

GHURA has not taken corrective action on findings from the fiscal year 1997 audit report, as follows:

<u>Page</u>	<u>Finding Number</u>	<u>Status</u>
154	97-7	GHURA agreed with the finding for not having an approved Indirect Cost Rate Proposal or Cost Allocation Plan. GHURA is working with a consultant to develop and submit such for HUD review and approval.
156	97-8	GHURA agreed with the finding. This finding relates to a high concentration of credit risk in excess of the FDIC insurance for cash deposits on-hand at local banks and other financial institutions. This finding is considered unresolved as such existed as of September 30, 1999.
178	97-17	GHURA responded that corrective measures will be taken to conduct HQS inspections on all housing units. This finding relates to HQS not being performed in a timely manner. This finding is considered unresolved, as several instances of similar were noted during the 1999 audit.

GHURA has not taken corrective action on findings from fiscal year 1998 audit report, as follows:

171	98-16	GHURA agreed with this finding. This finding relates to the implementation of a Financial Management System. (FMS). This finding is considered unresolved, as a FMS has not been obtained and implemented.
177	98-18	GHURA agreed with this finding. The Authority did not implement procedures to account for Astumbo receivables in the general ledger. This finding is considered unresolved, as we noted that such procedures had not been implemented during fiscal year 1999.
185	98-21	GHURA agreed with this finding. The Authority was not able to reconcile and properly account for amounts due to/due from the Revolving Fund. The is a repeat finding as the Authority has not been able to establish and implement procedures to reconcile the Revolving Fund due to/due from accounts on a periodic basis.

GHURA has not taken corrective action on findings from fiscal year 1999 audit report, as follows:

119	99-16	GHURA agreed with this finding. This finding relates to the implementation of a Financial Management System. (FMS). This finding is considered unresolved, as a FMS has not been obtained and implemented. See Finding number 00-09 in the Schedule of Findings and Questioned Costs.
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GUAM HOUSING AND URBAN RENEWAL AUTHORITY

SUMMARY OF UNRESOLVED QUESTIONED COSTS, Continued
SEPTEMBER 30, 2000

	Beginning Questioned Costs	Costs Allowed	Costs Disallowed	Unresolved Questioned Costs
Total unresolved questioned costs for fiscal year 1991	\$ 8,970	\$ (8,970)	\$ -	\$ -
Total unresolved questioned costs for fiscal year 1992	12,121	(12,121)	-	-
Total unresolved questioned costs for fiscal year 1993	5,238	(5,238)	-	-
Total unresolved questioned costs for fiscal year 1994	34,201	-	-	34,201
Total unresolved questioned costs for fiscal year 1995	1,670,236	(1,670,236)	-	-
Total unresolved questioned costs for fiscal year 1996	421,982	-	-	421,982
Total unresolved questioned costs for fiscal year 1997	728,945	(713,945)	-	15,000
Total unresolved questioned costs for fiscal year 1998	-	-	-	-
Total unresolved questioned costs for fiscal year 1999	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total unresolved questioned costs at September 30, 1999	2,881,693	(2,410,510)	-	471,183
Questioned costs for fiscal year ending 2000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total unresolved questioned costs at September 30, 2000	<u>\$ 2,881,693</u>	<u>\$ (2,410,510)</u>	<u>\$ -</u>	<u>\$ 471,183</u>

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

SUMMARY OF UNRESOLVED QUESTIONED COSTS, Continued **SEPTEMBER 30, 2000**

The Single Audit Act and AICPA Statement of Position 98-3, Section 6.61, states that a valid reason for considering a prior audit finding as not warranting further action is that all the following have occurred:

1. Two years have passed since the audit reports in which the finding occurred was submitted to the Federal Clearinghouse.
2. The federal agency or pass-through entity is not currently following-up with the auditee on the audit findings.
3. A management decision was not issued.

The above questioned cost considered resolved relates to the audit of fiscal year 1994. The 1994 audit report was submitted to the grantor agency in 1997. The Authority has not been advised as to the ultimate resolution of such questioned costs and no decision has been issued. Therefore, \$471,183 of the questioned costs as originally reported in prior years is considered resolved at September 30, 2000.