

**GUAM HOUSING AND
URBAN RENEWAL AUTHORITY**

SINGLE AUDIT REPORTS

FOR THE YEAR ENDED SEPTEMBER 30, 1999

**INDEPENDENT AUDITORS' 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, 1999 and have issued our report thereon dated August 19, 1999. 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 99-9, 99-10 and 99-18. 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 99-14, 99-15, 99-19, 99-20, 99-21, 99-22, 99-25, 99-26, 99-27 and 99-28.

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, of the reportable conditions described above, we consider 99-14, 99-26 and 99-27 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to management of GHURA which are included in the accompanying Schedule of Findings and Questioned Costs.

This report is intended for the information of the management, and Board of Commissioners of the Guam Housing and Urban Renewal Authority, and other federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

Agana, Guam
August 19, 2000

INDEPENDENT AUDITORS' 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, 1999. GHURA's major federal programs are identified in the Summary of Auditor's Results section on page 103 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 99-9, 99-10, 99-16 and 99-18 in the accompanying Schedule of Findings and Questioned Costs, GHURA did not comply with requirements regarding eligibility and reporting that are applicable to its Low Income Housing federal program and regarding the Davis-Bacon Act that is applicable to its Community Development Block Grant program. 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, 1999. 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 99-7, 99-9, 99-10, 99-12, 99-15, 99-16, 99-18, 99-24, 99-25, 99-26 and 99-27.

A material weakness is a condition in which the design or operation 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, of the reportable conditions described above, we consider items 99-16, 99-25, 99-26 and 99-27 to be material weaknesses.

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, 1999, and have issued our report thereon dated August 19, 2000. 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 100, 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 and Board of Commissioners of the Guam Housing and Urban Renewal Authority, and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

Agana, Guam
August 19, 2000

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 1999

<u>CFDA#</u> <u>Expenditures</u>	<u>AGENCY/PROGRAM</u>	1999 Fiscal Year
	<u>U. S. Department of Housing and Urban Development</u>	
14.219	Community Development Block Grant (CDBG)	\$ 4,157,277
14.182	Low Income Housing Assistance Program	5,372,031
	Section 8 Cluster - Housing Assistance Payments Programs (HAP):	
14.857	Section 8 Existing/Certificate	10,668,333
14.855	Voucher Program	1,272,457
14.856	Moderate Rehabilitation	-
14.857	Elderly Housing	<u>402,802</u>
	TOTAL HAP	<u>12,343,592</u>
	Total Expenditures of Federal Financial Awards	<u>\$ 21,872,900</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. Subrecipients

Of the federal expenditures presented in this schedule, GHURA provided federal awards from the CDBG program (CFDA#14.219) to subrecipients totaling \$58,490, as of September 30, 1999.

Note 3. 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. The 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.

**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, 1999 and have issued our report thereon dated August 19, 2000.

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, 1999.

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 19, 2000

**GUAM HOUSING AND
URBAN RENEWAL AUTHORITY**

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

FOR THE YEAR ENDED SEPTEMBER 30, 1999

GUAM HOUSING AND URBAN DEVELOPMENT AUTHORITY

Schedule of Findings and Questioned Costs
Year Ended September 30, 1999

SUMMARY OF AUDIT RESULTS

Financial Statements

We have audited the basic financial statement 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 Section 8 Housing Assistance Programs and expresses a qualified opinion on the Community Development Block Grant and Low Income Public Housing 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 reported in accordance with section 510(a) of Circular A-133?

☒ yes ☐ no

GUAM HOUSING AND URBAN DEVELOPMENT AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 1999

SUMMARY OF AUDIT RESULTS, continued

Identification of major programs:

<u>CFDA#</u>	<u>PROGRAM</u>
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14.219	Community Development Block Grant
14.182	Low Income Housing Assistance 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 ☒ no

FINDINGS - FINANCIAL STATEMENTS

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

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

We noted certain reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs which are presented in the following pages as items 99-1 through 99-28.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs

Year Ended September 30, 1999

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>		<u>Questioned Costs</u>
LIPH	99-01	14.182	<u>Criteria:</u>	\$
-				

In accordance with GHURA's Payroll Procedures Section 2.2, the Payroll Accountant reviews all time sheets and leave applications to ensure that all time sheets are signed by both the employee and supervisor to ensure completeness and accuracy. If time sheets are incomplete or inaccurate, the Payroll Accountant should notify the respective employee and/or employee's supervisor. All discrepancies must be adequately resolved prior to processing payroll.

Condition:

Mr. Robert Paulino's timesheet for PPE 5/22/99 was not signed by his department supervisor prior to the processing of the check. The department supervisor signed the timesheet on 12/06/99.

Cause:

The cause of this condition is unknown.

Effect:

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

Recommendation:

All employee timesheets should be reviewed and signed off by supervisors for proper approval prior to payroll processing.

Auditee Response/Corrective Action Plan:

It is the Fiscal Division policy that all payroll checks will be withheld from employee until both the employee and supervisor's signatures have been completed on the employee's timesheet. However, the withholding of the supervisor's check is also being considered as an amendment to this policy.

Questioned

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs

Year Ended September 30, 1999

The information on the check should match the information on the manual cash disbursement journal and general ledger.

Condition:

Although immaterial, check number 1976 dated 10/02/98 in the amount of \$34.00 was erroneously posted to the cash disbursement journal as \$9.00. However, the error was found and corrected during the bank reconciliation process for the month of October 1999.

Cause:

The amount on the check stub was relied upon to record the entries on the manual cash disbursement journal.

Effect:

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

Recommendation:

We recommend that GHURA use the check carbon copies for posting to the cash disbursement journal. If such are not available, we recommend that check amounts be posted directly to the cash disbursement journal upon check preparation.

Auditee Response/Corrective Action Plan:

The amount that was listed on the check stub was incorrect. The accountant relied upon the check stub information to complete the cash disbursement journal. However, the error was caught by the same accountant when reconciling the general ledger control account with the bank reconciliation. The accountant prepared a timely manual journal voucher (MJV) to correct the actual amount of the disbursed check.

Questioned

Program **Item No.** **CFDA No.**
Costs

 GEHP 99-04 14.857 **Criteria:**
\$ -

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs

Year Ended September 30, 1999

The information on the check should match the information on the manual cash disbursement journal and general ledger.

Condition:

For 1 of 25 items tested, check number 1992 in the amount of \$102.00 was erroneously posted on the cash disbursement journal. The date on the cancelled check is 4/4/99, while the date on the cash disbursement journal is 4/07/99.

Cause:

The cause of this condition is unknown.

Effect:

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

Recommendation:

We recommend that GHURA use the check carbon copies for posting to the cash disbursement journal. If such are not available, we recommend that check amounts be posted directly to the cash disbursement journal upon check preparation.

Auditee Response/Corrective Action Plan:

The accountant did prepare and post a correcting MJV, which resulted in the general ledger reflecting the actual amount of the check disbursed. Although we realize that the actual dates on the check should match the cash disbursements journal, the actual date information for each check is not entered into the system. The checks for this program are prepared and summarized manually in the cash disbursements journal and are entered, at an aggregate summarized level, into the general ledger by means of a MJV.

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>	<u>Costs</u>	<u>Questioned</u>
GEHP	99-05	14.857	<u>Criteria:</u>	\$ -

In accordance with the Accounts Payable Procedures 2.1, the Section 8 accountant should begin the

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs

Year Ended September 30, 1999

payment process four days prior to each month-end, which includes entering the adjustments received from the Section 8 Division. Utility reimbursements (UR's) should be prepared and disbursed on a monthly basis.

Condition:

Check number 1992 dated 4/7/99 in the amount of \$102 was for 3 months (February, March and April 1999). The checks should be prepared on a monthly basis.

Cause:

There may have been a delay in receiving the information prior to cutting checks.

Effect:

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

Recommendation:

We recommend that GHURA use the check carbon copies for posting to the cash disbursement journal. If such are not available, we recommend that check amounts be posted directly to the cash disbursement journal upon check preparation.

Auditee Response/Corrective Action Plan:

The Elderly Program utilizes a manual check disbursement process; the timing of the preparation of the UR is dependent on the amounts listed by Section 8 Program staff in their monthly receivable subsidiary and project worksheet reports.

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>	<u>Questioned Costs</u>
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LIPH	99-06	14.182 <u>Criteria:</u>	\$ -
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In accordance with GHURA's stale date check policy, checks disbursed are valid for 90 days from the date of issuance and any check outstanding beyond 90 days is considered stale-dated and should be voided.

Condition:

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs

Year Ended September 30, 1999

Check number 10970 dated 2/5/99 was outstanding check as of 9/30/99 or 238 days. This check should have been voided in June 1999. We also noted that certain banks honor checks outstanding in excess of 90 days even though checks state that such are void after 90 days.

Cause:

Checks are not voided because of cost to void, process a stop payment, and issue another check.

Effect:

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

Recommendation:

GHURA should review its existing stale-date check policy and consider revising it if GHURA does not intend to enforce the policy. GHURA should contact banks and request enforcement of its stale-date check policy until such time the policy is revised.

Auditee Response/Corrective Action Plan:

We are considering changing our policy, since the amount is not uniform for all checking accounts, and additional costs are involved in stale-dating checks. Instead of the 90-day policy, a more reasonable date of six months or one year may be established. All reference to the 90-day policy would be removed from all future check orders.

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>		<u>Questioned</u> <u>Costs</u>
LIPH	99-07	14.182	<u>Criteria:</u>	\$ -

In accordance with the Public Housing Manager's Resource Manual, verification of eligibility must be made for income, assets, family size and composition, age of family members, alien status, displacement status, non-economic selection criteria, and handicaps or disabilities.

Condition:

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs

Year Ended September 30, 1999

For three (2) or 8% of the twenty-five (25) files tested, copies of birth certificates were not on file for the following:

1. Tenant: Evelyn Delgado (18AVDPEREMO)
Household Member: Henry Delgado
2. Tenant: Loreto Agot, (D20WSBARBDE)
Household Member: Mary Ann Agot

Cause:

There is a lack of internal control to ensure that birth certificates are obtained during initial eligibility determination or annual re-certification.

Effect:

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

Recommendation:

The family composition should be verified and documented at the initial certification and upon annual re-certification.

Auditee Response/Corrective Action Plan:

The Tenant Relations Advisor (TRA) will thoroughly work on the files to ensure that compliance is met. Senior TRA and TRA will make sure that the client checklist is strictly adhered to which includes birth certificates.

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>		<u>Questioned Costs</u>
LIPH	99-8	14.182	<u>Criteria:</u>	\$ -

The Tenant Relations Advisor (TRA) and the tenant should sign all required HUD forms in a timely manner.

Condition:

The tenant, Evelyn Delgado (Unit #: 18AVDPEREMO) signed Form HUD 50058 on September 3, 1998, and the TRA did not sign the form until March 30, 1999.

Cause:

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs

Year Ended September 30, 1999

The cause of this condition is unknown.

Effect:

This condition does not effect the financial statements.

Recommendation:

We recommend that management adhere to its existing policies which require that the TRA issue a 30 day notice for non-compliance for tenants to sign all required documents for eligibility determination and approval for program participation. Further, we recommend that the Authority use a checklist to ensure that all documents are signed by tenants and properly verified prior to program participation.

Auditee Response/Corrective Action Plan:

The tenant signed the Form HUD 50058 on 9/3/98 and the TRA signed it on 3/30/99. TRA renewed the lease agreement on 9/3/98 and forgot to make the tenant sign it on that day. Tenant gave the TRA a hard time coming into the office to sign HUD Form 50058 but finally came in on 3/30/99. This is a rare case. TRA's will ensure that it does not happen again. TRA should have given a 30-day notice for non-compliance for tenant refusing to sign document. This tenant was eventually terminated from the program.

Program Item No. CFDA No.
Costs

LIPH 99-9 14.182 Criteria:

Questioned

\$ -

In accordance with the Public Housing policies and procedures, the move-in process requires the unit to be inspected prior occupancy to ensure adherence to Housing Quality Standards (HQS).

Condition:

For 1 of 25 or 4% of the tenant files tested, the move-in inspection was not conducted until approximately two months after the tenant moved into the unit. The tenant, Anna Marie Boose (Unit#: 26ADAMIAN TO), moved into the unit on 1/25/99 and the date of inspection was 3/23/99. The inspection checklist was not available for independent verification.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs

Year Ended September 30, 1999

Cause:

The Authority has not established internal control policies to ensure that all housing units are properly inspected in accordance with HQS prior to tenants occupying the housing unit.

Effect:

It appears that the Authority is not adhering to HQS as a result of this condition.

Recommendation:

We recommend management examine existing internal control policies and procedures to ensure compliance its Public Housing policies and procedures in order to adhere to HQS and 24 CFR 882.109.

Auditee Response/Corrective Action Plan:

The TRA misplaced the move-in inspection that was originally conducted on 1/25/99. Upon the Senior TRA's review of the files, he/she must make sure that the files are complete. Move-in inspection report should be on the checklist.

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>		<u>Questioned Costs</u>
LIPH	99-10	14.182	<u>Criteria:</u>	\$
-				

In accordance with the Public Housing policies and procedures, verification of eligibility must be for income, assets, family size and composition, age of family members, alien status, displacement status, non-economic selection criteria, and handicaps or disabilities.

Condition:

Mr. Munoz (9AERONSI) is the head of household. A copy of the Social Security card or number was not obtained for Theresa Benavente who was listed as his dependent.

Cause:

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs

Year Ended September 30, 1999

The cause of this condition is unknown.

Effect:

The potential exists for the family composition, eligibility and tenant rent to be incorrectly determined.

Recommendation:

Although procedures currently exist, we recommend that management exercise due care to ensure adherence HUD occupancy and eligibility standards. Senior Tenant Relations Advisors should review checklist items annotated and compare such to actual documentation on file to ensure completeness.

Auditee Response/Corrective Action Plan:

The TRA failed to follow-up with the client to submit a copy of Theresa Benavente's social security card. The TRA will ensure that during the annual re-certification, files will be reviewed to account for what is required based on file checklist. The Senior TRA will do quality control checks on these files.

Questioned

Program Item No. CFDA No.
Costs

LIPH 99-11 14.182 Criteria: \$ -

In accordance with the Public Housing policies and procedures, all residents must be re-certified annually. The dwelling lease is a contract, which confers certain property rights to the tenant and imposes certain obligations on the Authority and the tenant.

Condition:

The Dwelling Lease states that the lease term was from 2/01/97 to 4/30/98, and an amendment was made to extend this lease to 5/31/99. The tenant, (Jose C. Munoz, Unit# 9AERONS), signed the amendment on 5/8/99, and the Housing Manager signed it on 5/27/99. Tenant.

Cause:

The Tenant Relations Advisor may have overlooked the file, which caused the delay in renewing the contract.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs

Year Ended September 30, 1999

Effect:

There is effect on the financial statements.

Recommendation:

The annual re-certification process should be completed in a timely manner to ensure continued occupancy and leasing standards are being met.

Auditee Response/Corrective Action Plan:

We agree with this finding. The TRA overlooked the file. The Sr. TRA will monitor files to ensure that no delay will occur again. As a management tool, in addition to the TRA checklist, Sr. TRA prints out annual re-certification list 120 days ahead along with the late re-certifications and reports. Also, where the Housing Service Manager (HSM) was signing and dating on the day file was received, now, HSM signs and dates the same date the tenant signs.

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>	<u>Questioned Costs</u>
Section 8 HAP	99-12	14.857 <u>Criteria:</u>	\$ -

The landlord and the tenant are to receive the payments they are entitled to.

Condition:

A landlord and tenant, Tanota Partners and HAP #7518, respectively, received payments for which they were not entitled. The landlord was aware that the tenant moved out on 11/18/98, but the Authority was not notified until 12/17/98. The landlord and the tenant subsequently received checks for November 1999 and December 1999. The landlord reimbursed the payment for the month of December. However, an outstanding balance remains in the amount of \$864 due from the landlord. The tenant has left the island and has not reimbursed the \$130 utility reimbursement for December 1998 and January 1999.

Cause:

The Authority was not aware of the move-out until the landlord questioned his payment for December.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs

Year Ended September 30, 1999

Effect:

GHURA's HAP and utility expenses are immaterially over-stated by \$864 and \$130, respectively.

Recommendation:

We recommend that the Authority contact the landlord and tenant to arrange for reimbursement.

Auditee Response/Corrective Action Plan: continued

We agree with the finding. Tanota Partners is being contacted to reimburse the remaining amount due to the Agency for November 1998. Letter was sent on 3/30/00 requesting for reimbursement.

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>		<u>Questioned</u>
<u>Costs</u>				
Section 8	99-13	14.855	<u>Criteria:</u>	\$
-				
Voucher				

In accordance with GHURA's stale date check policy, checks disbursed are valid for 90 days for the date of issuance and any check outstanding beyond 90 days is considered stale-dated and should be

Condition:

Check No. 9998 dated 6/1/99 for Antonia Debita in the amount of \$2 was cashed on 9/29/99. The face of the check states that the checks are not valid after 90 days. In this case, the 90 days has lapsed and the tenant is still able to cash the check.

Cause:

Checks are not voided because of cost to void, process a stop payment, and issue another check.

Effect:

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

Recommendation:

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs

Year Ended September 30, 1999

GHURA should review its existing stale-date check policy and consider revising it if GHURA does not intend to enforce the policy. GHURA should contact banks and request enforcement of its stale-date check policy until such time the policy is revised.

Auditee Response/Corrective Action Plan:

We are considering changing our policy, since the amount is not uniform for all checking accounts, and additional costs are involved in stale-dating checks. Instead of the 90-day policy, a more reasonable date of six months or one year may be established. All reference to the 90-day policy would be removed from all future check orders.

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>		<u>Questioned</u>
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Costs

Section 8 Voucher	99-14	14.855	<u>Criteria:</u>	\$ -
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All check disbursements should be posted to the applicable cash disbursement journal. The manual cash disbursement journal monthly totals should agree to the general ledger.

Condition:

The following voided checks were not reflected in the manual check disbursement journal although it was reflected in the general ledger.

Check # 09541	\$ 748.00
Check # 10238	\$ 765.00
Check # 10508	\$ 707.00

Cause:

When a check is voided in the Tenmast accounting system, it is automatically posted. The manual cash disbursement journal was not corrected to reflect the voided checks, hence the monthly totals did not agree to the general ledger.

Effect:

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

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Year Ended September 30, 1999

Recommendation:

Any checks voided should be recorded as such in the applicable manual cash disbursements journal.

Auditee Response/Corrective Action Plan:

Since the check disbursements function for both Section 8 HAP programs (Certificate and Voucher) are automated and post directly to the general ledger, the manual cash disbursement journal represents a duplication of effort, and as such, will be discontinued effective with FY 2000.

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>		<u>Questioned</u>
<u>Costs</u>				
Section 8 Voucher	99-15	14.855	<u>Criteria:</u>	\$ -

The payment to the landlord should be the amount that he is entitled to.

Condition:

Check #9211 dated 11/01/98 totaling \$424 and made payable to Nestor & Anita Valencia was short by \$1.00. There appears to be a system problem with rounding the numbers. Although immaterial, the landlord questioned this error and the \$1 was added to the landlord's January 1999 check.

Cause:

The problem appears to be within the Tenmast accounting software.

Effect:

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

Recommendation:

Although the error appears to be system related, we highly recommend that management investigate the true cause the problem. The potential exist whereby the accumulation of insignificant amounts could aggregate material amount that could be a result of embezzlement.

Auditee Response/Corrective Action Plan:

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The grantee has not responded to the condition cited above.

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>	<u>Questioned Costs</u>
Section 8	99-16	14.855 <u>Criteria:</u>	\$
Voucher	-		

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 TTP is calculated by the Tenmast software. 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 (10% monthly income, 30% of monthly-adjusted income, and minimum rent). This resulted in the tenant (Marites D. Johnson) receiving Utility Reimbursement (UR) of \$46. The tenant is not entitled to the utility reimbursement if the calculation was done incorrectly. The tenant should have paid \$10 for rent.

Cause:

The cause appears to be related to the system related.

Effect:

The family incorrectly received a UR of \$46 and underpaid its monthly rent of \$10 per month.

Recommendation:

We recommend that the Authority notify the family and re-certify the family for the correct TTP. We recommend that management investigate the cause of

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Schedule of Findings and Questioned Costs

Year Ended September 30, 1999

the problem.

Auditee Response/Corrective Action Plan:

We agree with the above the finding. Family has been re-certified and calculation corrected. The Management Information Systems Division is following up on this situation.

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>		<u>Questioned</u> <u>Costs</u>
Local Funds -Astumbo	99-17	N/A	<u>Criteria:</u>	\$ -

In accordance with the Astumbo Subdivision Rules and Regulations, Section VIII B.10, one of the purchase requirements is to have the signature of the Executive Director on the contract of sale prior to execution.

Condition:

The following tenants' contracts of sale did not have the signature of the Board of Commissioners nor the Executive Director. All four contracts were executed between April 1994 and October 1994. Two of the tenants since paid off this entire balance with the latest payment made on 1/10/00. One tenant paid off only the principal balance on 7/08/99. The fourth tenant's last payment was on 8/19/99.

<u>Tenant</u>	<u>Date Contract</u> <u>Signed</u>	<u>Last Payment</u> <u>Made</u>	<u>Balance</u>
Joann Manibusan	10/05/94	07/08/99	-
Dulcelen Cruz	09/20/94	08/19/99	\$ 587.01
Bernadette Perez	04/03/94	01/10/00	-
Mae Ann Siguenza	04/17/94	12/17/99	-

For Joann Manibusan, the contract of sale was not properly executed by GHURA.

For Dulcelen Cruz, the contract of sale has expired and tenant was given a chance to pay-off or face reversion.

For Bernadette Perez, the balance was not paid as of 9/30/99.

For Mae Ann Siguenza, the balance was not paid as of

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Year Ended September 30, 1999

9/30/99.

Cause:

The cause of the above condition is unknown.

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>		<u>Questioned</u> <u>Costs</u>
Local Funds -Astumbo	99-17	N/A	<u>Effect:</u>	\$ -

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

Recommendation:

We recommend that management review all existing Astumbo land sale contracts to determine which remain to be improperly executed. Upon identification, we suggest that management consult with legal counsel to determine the proper course of action to remedy this condition.

Auditee Response/Corrective Action Plan:

For some unexplained reasons, the Executive Director and Chairman under the previous Administration failed to sign about 150 contracts. When we discovered these discrepancies, we sought the opinion of legal counsel. It was his opinion that since the number of unsigned contracts was so large, he suggested that as clients pay-off their lots, the Deed and Contract would be submitted to the Executive Director and Chairman for signature.

Unfortunately, there were clients who did not comply in a timely manner to pay-off their lots and consequently, contracts expired without existing signatures. We will review all the files and send the ones that have been signed to legal counsel for their opinion and recommendation.

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Year Ended September 30, 1999

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>	<u>Questioned Cost</u>
LIPH	99-18	14.182 <u>Criteria:</u>	\$ -

In accordance with the Davis-Bacon Act and the Minutes of Labor Standards Provisions & Reported Matters issued to prime contractors and each subcontractor, Section 12 subsection 6 states that weekly certified payroll reports and basic records relating thereto (e.g. time cards, cancelled payroll checks) shall be maintained during the course of the work and preserved for a period of three years. In addition, the subcontractors shall make such records available to and permit interviews by authorized representations of the contractor.

Condition:

The files of five subcontractors did not have copies of their cancelled checks to further verify payroll reports. Notices were given to the prime contractors to inform their subcontractors to submit copies of their cancelled payroll checks. In certain cases, the subcontractors submitted other related documents such as time sheets and copies of payroll checks but not the cancelled checks from the bank. Based on our review of the contractor wage compliance files, there was no evidence to indicate that the Authority reviewed cancelled checks or made any subsequent request to review such documentations. The subcontractors are M&W Construction Company, Korando Corporation, Sin Hung Corporation, Guam Advance and Eastern United.

Cause:

It appears that the Authority is not obtaining sufficient documentation to independently verify the accuracy of wages paid to laborer by contractors and/or subcontractors to ensure compliance with the Davis-Bacon Act.

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Year Ended September 30, 1999

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>		<u>Questioned Cost</u>
LIPH	99-18	14.182	<u>Effect:</u>	\$ -

The potential exist for laborers to be paid wages below amounts established by the Secretary of Labor as required by the Davis-Bacon Act.

Recommendation:

We recommend establish internal control policies and procedures to examine canceled payroll checks to verify that laborers are paid actually paid wages in accordance with the Davis-Bacon Act.

Auditee Response/Corrective Action Plan:

As stated in the Criteria, the contractor must maintain their records such as time cards and cancelled payroll checks during the course of the work and preserved for a period of three years, the regulations do not require that we obtain cancelled checks. M & W Construction only worked for one day on the GHURA project and Korando Corporation had one employee for one week work on the project therefore the request for cancelled checks were not pursued. Sin Hung Corporation did not submit the cancelled checks, however; there was an explanation on file from the company stating why they were not able to submit these documents and a certification from the employee that he did receive the wages due to him. Since there are no complaints filed from the employee, no further action was taken. Guam Advance and Eastern United provided other documents as verification copies of the checks.

Questioned

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Year Ended September 30, 1999

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>		<u>Cost</u>
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LIPH	99-19	14.182	<u>Criteria:</u>	\$ -
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The Accounts Payable Processing Procedure #AP-001 Section 2.0 Procedures subsection 2.1.3 requires that Accounts Payable Vouchers (APV) be prepared and forwarded to the Controller or his designee for review and approval prior to disbursement.

Condition:

For one out of 25 Purchase Orders, APV #18570 was not properly signed and approved prior to payment. This transaction included PO #265 for \$425 combined with other PO's totaling \$2,554 for APV #18570. The voucher was processed for payment on 6/16/99.

Cause:

The cause of this condition is unknown.

Effect:

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

Recommendation:

We recommend that the Controller comply with existing policies and procedures to ensure that only allowable APV transactions are reviewed and properly approved prior to disbursement.

Auditee Response/Corrective Action Plan:

The AP in question appears to be an oversight. All future APV's will be reviewed and signed prior to check processing.

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>		<u>Questioned Cost</u>
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LIPH	99-20	14.182	<u>Criteria:</u>	\$ -
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Year Ended September 30, 1999

The Accounts Payable Processing Procedure # AP-001 Section 2.0 Procedure subsection 2.1.2 requires that open invoices be matched with open purchase orders and receiving reports to ensure that goods and services procured are based on authorized purchase orders.

Condition:

Of the twenty-five (25) tested, we noted that PO# 452 dated 6/4/99 for \$52,058.75, was a partial payment purchase order from a local vendor. The vendor invoice #54283 dated 8/11/99 for 16 electric ranges was overpriced by \$25 per unit or \$400. The total invoice amount due was \$4,784. Per the PO, the unit cost should have been \$274 or \$4,384 for 16 electric ranges. However, the Authority processed check #0188907 for \$4,784 on 9/23/99, hence overpaying the vendor by \$400. This matter was brought to the attention of the Authority on 2/25/00, a credit was immediately requested from the local vendor. Credit Memo #54951 dated 2/25/00 for \$400 was received on 2/29/00.

Cause:

The Authority is not adhering to internal control policies and procedures that require all invoices to be compared to purchase orders

Effect:

The potential exist for the Authority to be overpaying for goods and services procured.

Recommendation:

We recommend that the Authority adhere to existing AP processing procedures to ensure that goods and services procured are based on authorized purchase orders.

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>	<u>Questioned Cost</u>
LIPH	99-20	14.182	<u>Auditee Response/Corrective Action Plan:</u> \$ -

All invoices will be reviewed prior to approval for payment. All future invoices will be reviewed

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thoroughly and agreed with descriptions, quantity and unit price information indicated on the purchase order.

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>	<u>Questioned Cost</u>
LIPH	99-21	14.182	<u>Criteria:</u>
			\$ -

All purchase orders must be accounted for whether used or voided.

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Schedule of Findings and Questioned Costs

Year Ended September 30, 1999

Condition:

For 1 of 25 or 4% of the purchase orders tested, the following were still outstanding as of 2/25/00:

<u>PO No.</u>	<u>PO Date</u>	<u>Vendor</u>	<u>Amount</u>
99-0006	10/16/98	Luis G. Paulino	\$ 3,253.36

Cause:

The cause of this condition is unknown. However, it appears that the Authority has not established effective internal control policies and procedures to monitor the status of procurement activities to ensure that goods or services procured are actually received.

Effect:

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

Recommendation:

We recommend that establish effective internal control policies and procedures to monitor the status of procurement activities to ensure that goods or services procured are actually received.

Auditee Response/Corrective Action Plan:

PO No. 99-0006 should have been canceled as the traveler never went on the trip. A check was made for the airfare for the traveler but the ticket was never used. We have been in contact with the refund department of the airline company and a memo regarding the unused ticket will be issued to the Authority upon completion of the department's investigation.

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>	<u>Questioned Cost</u>
CDBG	99-22	14.219	
LIPH		14.182	
Sec. 8E		14.857	
Sec. 8V		14.856	

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Year Ended September 30, 1999

Mod. Rehab	14.855		
Eld. Hsg.	14.857	<u>Criteria:</u>	\$ -

Entries to the voucher register "APV Log Book" should be accurate and complete.

Condition:

The "APV Log Book" is maintained manually. Entries in the "APV Log Book" were incomplete or had the wrong information as follows:

<u>Page</u>	<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Check No.</u>	<u>APV No.</u>
10	11/27/98	Far East Travel	-	-	98-11-
110					
24	03/12/99	Michael Duenas	\$ 2,050.36	018137	
				018340	99-03-040
19	01/15/99	Royal Travel Svc	1,478.76	-	99-01-077
19	01/05/99	Jaime DS Paulino	<u>1,125.00</u>	-	99-01-076
		Total	<u>\$ 4,634.12</u>		

Cause:

It appears that the Authority is not properly maintaining accurate information in the manual APV Log Book to accurately track vouchers. Instead, it is relying other various subsystems to account for such vouchers.

Effect:

There is no effect on the financial statement as a result of this condition. However, the potential exists for certain vouchers to not be properly accounted for all or to be accounted for in an untimely manner.

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>	<u>Questioned Cost</u>
CDBG	99-22	14.219	
LIPH		14.182	
Sec. 8E		14.857	
Sec. 8V		14.856	
Mod. Rehab		14.855	
Eld. Hsg.	14.857	<u>Recommendation:</u>	\$ -

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We recommend that the Authority implement procedures to record and properly control all APV issued and used. If the Authority has better alternative methods to account for the numeric sequence of APV's, then the APV Log Book should be discontinued to eliminate duplication of efforts

Auditee Response/Corrective Action Plan:

The APV Control log exists primarily to control the numbers issued for processing of vendor payments. Although the log may contain information concerning reference items (Check Nos for APVs), the log is not utilized for this specific purpose. There are other more efficient resource to access payment information through the Tenmast system. In fact, effective immediately, the listing of such information in the APV log will be discontinued as it represents duplication of effort and inefficient use of resources.

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>	<u>Questioned</u> <u>Cost</u>
CDBG	99-23	14.219	
LIPH		14.182	
Sec. 8E		14.857	
Sec. 8V		14.856	
Mod. Rehab		14.855	
Eld. Hsg.		14.857	
		<u>Criteria:</u>	\$ -

When a trip is cancelled and the ticket is already purchased, a refund should be obtained as soon as possible.

Condition:

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Year Ended September 30, 1999

The Authority issued Check No. 17786 in the amount of \$1,688.36 for the purchase of an airline ticket. The ticket was issued; however, the trip was subsequently cancelled. The Authority was not able to locate or provide evidential documentation to substantiate that the above amount was refunded and is not certain if they received a refund.

Cause:

It appears that the Authority has not established effective internal controls to ensure that all funds are properly accounted for.

Effect:

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

Recommendation:

We recommend that the Authority contact the airline and obtain sufficient documentation in order to determine whether the refund was remitted. Procedures should be established to ensure that all funds are properly documented and accounted for in a timely manner.

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>	<u>Questioned Cost</u>
CDBG	99-23	14.219	
LIPH		14.182	
Sec. 8E		14.857	
Sec. 8V		14.856	
Mod. Rehab		14.855	
Eld. Hsg.		14.857	
		<u>Auditee Response/Corrective Action Plan:</u>	\$ -

We have been in contact with the refund department of the airline company and a memo regarding the unused ticket will be issued to the Authority upon completion of the department's investigation.

Section 8 V	99-24	14.855
Section 8 E		14.857
Elderly		14.857

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Year Ended September 30, 1999

LIPH

14.182 Criteria:

The Authority is required to maintain a cash management policy in accordance with the Common Rule or OMB Circular A-102. The face of the check issued by the Authority states that they are valid for 90 days.

Condition:

During the performance of our bank reconciliation audit procedures, we noted numerous program checking accounts that had stale-dated checks outstanding checks in excess of 90 days. In various instances, these stale-dated checks were outstanding in excess of 10 months. The program accounts are as follows:

<u>Program</u>	<u>No. of Checks</u>	<u>Total Amount</u>
Section 8 Voucher	5	\$ 2,595.00
Section 8 Existing	41	7,902.36
Elderly	10	1,053.65
LIPH	6	216.00
Revolving Fund	13	5,938.00
Payroll	4	<u>141.06</u>
Total		<u>\$ 17,846.07</u>

Questioned

Program Item No. CFDA No.

Cost

Section 8 V 99-24 14.855

Section 8 E 14.857

Elderly 14.857

LIPH 14.182

Cause:

\$ -

Checks are not voided because of cost to void, process a stop payment, and issue another check.

Effect:

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

Recommendation:

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Year Ended September 30, 1999

GHURA should review its existing stale-date check policy and consider revising it if GHURA does not intend to enforce the policy. GHURA should contact banks and request enforcement of its stale-date check policy until such time the policy is revised.

Auditee Response/Corrective Action Plan:

We are considering a change in the stale-date policy for all agency checks, since the amount is not uniform for all Agency checking accounts and additional costs, as mentioned, are involved in stale-dating checks. Instead of the 90-day policy as stated on some of our checks, a more reasonable date of six months or one year would be established. All reference to the 90-day policy would be removed from all future check orders.

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>	<u>Questioned Cost</u>
CDBG	99-25	14.219	
LIPH		14.182	
Sec. 8E		14.857	
Sec. 8V		14.856	
Mod. Rehab		14.855	
Eld. Hsg.		14.857	
		<u>Criteria:</u>	\$ -

The bank signature cards should be updated on a timely basis.

Condition:

Signature cards have not been updated for the following checking accounts and there is a check signer who is no longer employed by the Authority.

Program

Last Up-dated

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Revolving Fund	
8/28/96	
Payroll	8/28/96
Section 8 E	8/28/96
Section 8 V	8/28/96
GHURA 500 LCH	8/28/96
PILOT	8/28/96
Trust	8/28/96
LIPH	8/28/96
PH Modernization	8/28/96
Section 8 Mod Rehab	8/28/96
Yona Project – Yona Rehab	8/28/96
Section 312 Rehab	8/28/96
Elderly – General Fund	9/04/96
Nauru	8/28/96

Cause:

The cause of this condition is unknown.

Effect:

The potential exists for unauthorized check signers to disburse checks.

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>	<u>Questioned Cost</u>
CDBG	99-25	14.219	
LIPH		14.182	
Sec. 8E		14.857	
Sec. 8V		14.856	
Mod. Rehab		14.855	
Eld. Hsg.		14.857	
		<u>Recommendation:</u>	\$ -

We recommend that management update signature cards for all checking accounts to ensure that they reflect only authorized signatories approved by the Board of Commissioners.

Auditee Response/Corrective Action Plan:

All signature cards are being updated. If there is a change in any one of the signatories, the signature cards for all accounts will be updated.

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Year Ended September 30, 1999

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>	<u>Questioned Cost</u>
CDBG	99-26	14.219	
LIPH		14.182	
Sec. 8E		14.857	
Sec. 8V		14.856	
Mod. Rehab		14.855	
Eld. Hsg.		14.857	
		<u>Criteria:</u>	\$ -

GHURA's filing system should allow for the annual review of files and facilitate prompt retrieval of information.

Condition:

During the review of the Authority's journal vouchers, we found that 164 out of 1,044 or 16% of the manual journal vouchers could not be located in the MJV file.

Cause:

The Fiscal Division does not maintain an adequate filing system to allow for immediate retrieval of files in a timely basis. This is in part due to the lack of sufficient space to store such data.

Effect:

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Schedule of Findings and Questioned Costs

Year Ended September 30, 1999

There is no effect on the financial statements.

Recommendation:

We recommend that the establish a filing system that allows for a more efficient and immediate retrieval of accounting data.

Auditee's Response/Corrective Action Plan:

Due to research requests, auditor inquiries, and photocopying of MJVs for supporting document attachments, not all MJVs may be in their respective folders at any given time. The number of MJVs identified appears to be excessive. However, there are a number of reconciliation projects that are either in process or have been recently completed.

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>	<u>Questioned Cost</u>
CDBG	99-27	14.219	
LIPH		14.182	
Sec. 8E		14.857	
Sec. 8V		14.856	
Mod. Rehab		14.855	
Eld. Hsg.		14.857	
		<u>Criteria:</u>	\$ -

Manual Journal Vouchers (MJV) should not be prepared and approved by the same person. MJVs should first be approved before posting to the general ledger.

Condition:

We noted that 237 MJVs were either missing a "reviewed by" signature or were prepared and approved by the same person. One MJV that was not approved could not be traced back to the GL-MJV# 99177 under LIPH for the period ending 11/30/98 in the amount of \$28,465.24 with a posting date of 8/30/00.

Cause:

There no control over posting manual journal vouchers to the general ledger. Consequently, the Fiscal Division has not established internal control procedures to ensure journal entries that only properly approved and entered into the general ledger.

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Year Ended September 30, 1999

Effect:

The potential exists for transactions to be posted to the general ledger that are not properly approved.

Recommendation:

We recommend that the Authority establish and implement accounting policies and procedures to ensure that only properly approved journal entries are entered into the general ledger and journal entries are controlled and properly accounted for and entered into the general ledger in a timely manner.

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>	<u>Questioned</u> <u>Cost</u>
CDBG	99-27	14.219	
LIPH		14.182	
Sec. 8E		14.857	
Sec. 8V		14.856	
Mod. Rehab		14.855	
Eld. Hsg.		14.857	
<u>Auditee Response/Corrective Action Plan:</u>			\$ -

All MJVs are being reviewed at a supervisory level above that of the MJV preparer. All MJVs are reviewed prior to posting to the general ledger. The MJV in question was posted to the system. At the time the MJV was posted, there were problems with the Tenmast system and the posting of the MJV to the GL never occurred. However, the transaction specified in the aforementioned MJV was booked through another MJV on a timely basis. A more concerted effort will be emphasized in the expeditious return of the documents to their respective file folders.

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Year Ended September 30, 1999

<u>Program</u>	<u>Item No.</u>	<u>CFDA No.</u>		<u>Questioned Cost</u>
CDBG	99-28	14.219	<u>Criteria:</u>	\$ -

Bank reconciliation should be prepared for each bank account on a monthly basis.

Condition:

The Community Planning and Development Bank account is not being reconciled. This resulted in a difference of \$204,187.21 between the general ledger and back confirmation. This account was not reconciled on a monthly basis.

Cause:

Bank accounts are not reconciled in a timely manner.

Effect:

The Authority has not established effective cash management procedures to ensure that all cash accounts are properly reconciled and accounted for.

Recommendation:

We recommend that the Authority establish internal control policies and procedures to ensure all checking accounts are reconciled and in a timely manner.

Auditee Response/Corrective Action Plan:

The bank reconciliations for the Community Planning and Development Program have been prepared on a monthly basis. The finding is the

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs

Year Ended September 30, 1999

result of not recording a cash disbursement transferring grant funds to the Revolving Fund. All Agency cash accounts will be monitored and reviewed.

Total Questioned Costs

\$
=

=

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.
198	97-27	This finding relates to proper accountability of inventory. GHURA agreed with this finding and indicated that physical observation of inventory would be conducted annually. This finding is considered unresolved, as the Maintenance Policies and Procedures Manual had not been updated and inventory records had not reconciled in a timely manner during the fiscal year ending September 30, 1999.

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 fiscal year 1998 audit report, as follows:

<u>Page</u>	<u>Finding Number</u>	<u>Status</u>
147	98-3	GHURA agreed with this finding, which dealt with expired Dwelling leases and adherence to its existing policies and procedures. This finding is considered unresolved, as we noted continued non-compliance in fiscal year 1999.
164	98-12	GHURA agreed with this finding. The auditor cited that all checking accounts should reconciled in a timely manner. This finding is considered unresolved, as no corrective action has taken place as of September 30, 1999, as such is a repeat finding.
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.
174	98-17	GHURA agreed with this finding. Journal vouchers are prepared, approved and posted by the same individual. This finding is considered unresolved as GHURA as we noted repeat findings in 1999.
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.
179	98-19	GHURA agreed with this finding. The Authority had not established adequate internal control procedures over federal programs to reconcile Comprehensive Grant Program (CGP) funds reported on Performance and Evaluation Reports (PER) to amounts recorded in the general ledger. This is a considered a repeat finding as the Authority has yet to reconcile CGP expenditures per the PER to the general ledger.
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.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

SUMMARY OF UNRESOLVED QUESTIONED COSTS

September 30, 1999

	<u>Beginning Questioned Costs</u>	<u>Costs Allowed</u>	<u>Costs Disallowed</u>	<u>Unresolved Questioned Costs</u>
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	<u>728,945</u>	<u>(713,945)</u>	<u>-</u>	<u>15,000</u>
Total Prior Year questioned costs at September 30, 1998	2,881,693	(2,410,510)	-	471,183
Questioned costs for fiscal year ending 1999	-	-	-	-
Total unresolved questioned costs at September 30, 1999	<u>\$ 2,881,693</u>	<u>\$ (2,410,510)</u>	<u>\$ -</u>	<u>\$ 471,183</u>