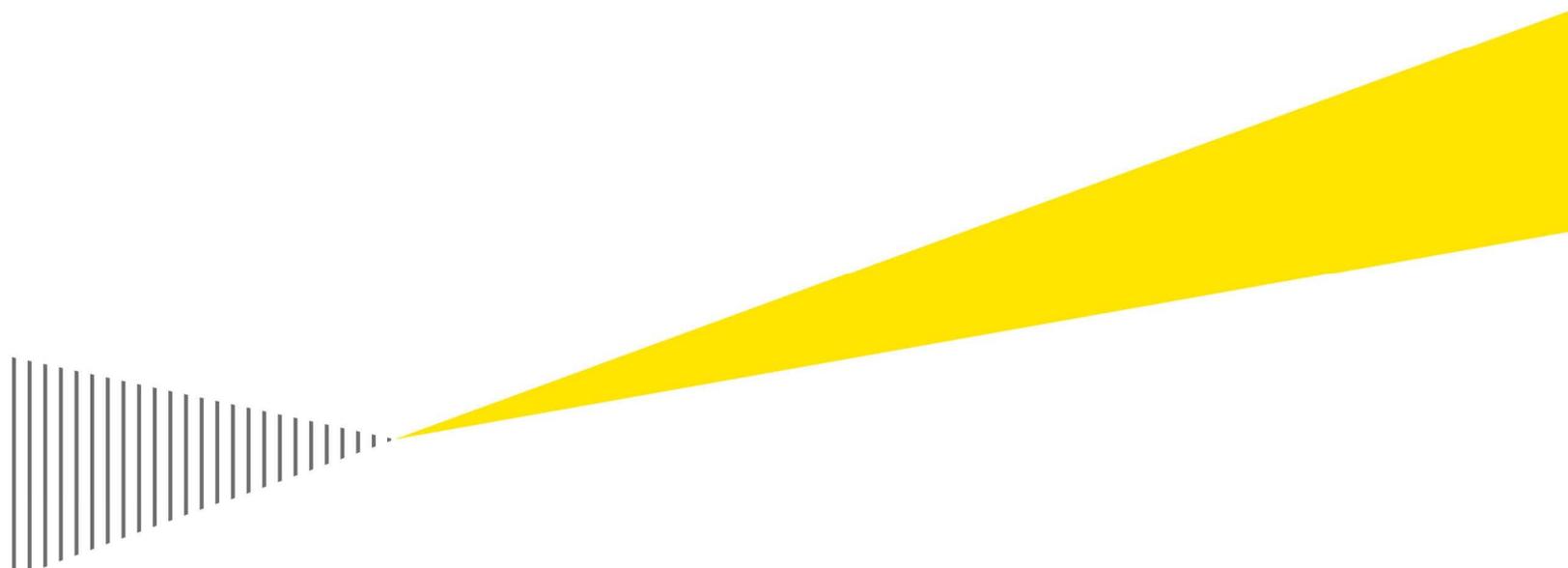


Management Letter

Guam Housing Corporation
(A Component Unit of the Government of Guam)

Year ended September 30, 2017



**Building a better
working world**



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March 28, 2018

Management and the Board of Directors
Guam Housing Corporation

In planning and performing our audit of the financial statements of the Guam Housing Corporation (the Corporation) as of and for the year ended September 30, 2017, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit, we noted the following deficiency in internal control (as described above) and other matters:

Lease Agreements

Condition:

During our audit procedures on the Corporation's rental income, we noted the following:

- For 3 out of 3 rental units selected for testing, there was an error on the lease agreements which stated \$0 rental fee for the first month of the renewed lease period.

Lease Agreements, continued

Recommendation:

We recommend that management should revisit its existing controls to ensure lease agreements are reviewed thoroughly to avoid any negative exposures that may arise against the Corporation.

Management's response:

Because the samples tested were renewal lease agreements, proration on the first month's rent is not applicable. All of the lease agreements will be verified by the soon to be hired Senior Tenant Relations Advisor. Management is looking into changing the Rental Policy to address the renewal of lease agreements.

This communication is intended solely for the information and use of the Board of Directors and management of the Guam Housing Corporation, the Office of Public Accountability, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public information.

The Corporation's written responses to the deficiencies and other matters identified in our audit were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Sincerely,

Ernst + Young LLP