



OFFICE OF PUBLIC ACCOUNTABILITY

Suite 401 DNA Building, 238 Archbishop Flores Street, Hagåtña, Guam 96910

Tel (671) 475-0390 · Fax (671) 472-7951 · Hotline: 47AUDIT (472-8348)

www.opaguam.org

Guam Housing and Urban Renewal Authority (GHURA) – FY 2019 Financial Highlights

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Hagåtña, Guam – The Office of Public Accountability released the Guam Housing and Urban Renewal Authority’s (GHURA) financial statements, report on internal control over financial reporting and compliance, report on compliance of each major federal programs, management letter, and letter to those charged with governance for fiscal year (FY) 2019. Independent auditors Deloitte & Touche, LLP rendered an unmodified (“clean”) opinion on GHURA’s FY 2019 financial statements. However, GHURA received modified opinions in two of its six major federal programs and clean opinions in the other four. In addition, auditors identified two material weaknesses in internal control over compliance related to federal awards and four significant deficiencies.

FY 2018 Net Position Restated

GHURA ended FY 2019 with a decrease in net position (net loss) of \$1.5 million (M). This is an improvement from prior year’s net loss of \$1.7M. However, GHURA restated its FY 2018 financial statements because of overstated unearned revenue by \$5M and understated capital assets by \$817 thousand (K). As a result, these increased the beginning FY 2019 net position by \$5.8M from \$8.8M to \$14.7M.

Delay of Financial Reporting Adversely Impacted GovGuam

Single Audit Report Finding No 2019-001:

GHURA’s lack of timely completion of its audited financial statements adversely impacted the completion and issuance of the Government of Guam (GovGuam) financial statements. Failure to include GHURA’s financial statements as a component unit may potentially result in an adverse opinion on GovGuam’s financial statements. This in turn impacts the ability of GovGuam to timely report to its stakeholders, including bondholders, [Guam legislators], and the federal government.

Operating Revenues and Expenses

For FY 2019, total operating revenues of \$42.5M minimally decreased by \$149K (less than 1%) from \$42.6M in FY 2018. The U.S. Department of Housing and Urban Development (HUD) is a significant funding source for GHURA’s housing programs with a total grant of \$42.9M, or 97% of the total revenues of \$44.2M.

HUD grant increased by \$1.5M, or 3.6%, from \$41.4M in FY 2018. Of that amount, \$38.1M went to fund GHURA’s five major programs: 1) \$30.2M to Section 8 Housing Choice Voucher (HCV) Program, 2) \$3.9M to Low Income Housing, 3) \$2.1M to Public Housing Capital Fund, 4) \$1M to HOME Investment Partnerships, and 5) \$897K to Continuum of Care.

Total operating expenses of \$46.1M increased by \$600K (1%) from \$45.5M in FY 2018. The Housing Assistance Payments (HAP) of \$28.6M is GHURA’s biggest expense which increased by 3% from \$27.8M in FY 2018. GHURA’s other major operating expenses included Salaries and Wages of \$4.3M and Repairs and Maintenance of \$4.2M.

Section 8 Housing Choice Voucher Program

As of FY 2019, GHURA approved HAP contracts to 2,571 dwelling families. Payments to landlords increased by \$752K in FY 2019 from the previous year's \$27.8M due to higher rental costs. This program is largely funded by HUD, subsidizing 70% of the rent. Because this subsidy is subject to Congressional approval, many families and individuals seeking housing assistance could be impacted by budget shortfalls. Based on HUD's recommendation, GHURA is considering proposed steps to address these by raising minimum rents and moving those who live in larger units to smaller ones.

Low Income Housing Program-Asset Management Properties (AMP)

GHURA owns 750 public housing for its Low Income Housing Program, consisting of four AMPs situated in four sites. Rent can be as low as \$50 while HUD grant funds the remaining payment to GHURA. In FY 2019 operating revenues from HUD amounted to \$3.9M while \$703K from rental income. Although the HUD grant made up 83% of the total operating revenues for this program, it decreased by \$667K, or 15%, from \$4.5M in FY 2018. Rental income, which is 15% of total operating revenues, increased by \$171K, or 32%, from the previous year.

Contingencies and CARES Act Funding

In FY 2015, HUD recommended GHURA repay the contingent liability of \$2M using non-federal funds related to its prior legal counsel conflict of interest and unspent funds building construction. This remains unresolved as of FY 2019.

In light of the novel coronavirus (COVID-19) that severely affected our community, GHURA received funding from the Coronavirus Aid, Relief, and Economic Securities (CARES) Act totaling \$6.2M and supplemental funding of \$1.3M to address community needs directly related to COVID-19.

Report on Internal Control and Compliance

GHURA received qualified opinions in two of its major federal programs, Continuum of Care and Public Housing Capital Funds due to two material weaknesses. Also noted were four significant deficiencies. These resulted in a total questioned costs of \$7K.

The material weaknesses refer to: 1) lack of documents to substantiate compliance requirements for reasonable rental rates (Continuum of Care) and 2) small purchase procurement method used for construction contracts above \$50K (Public Housing Capital Fund).

The four significant deficiencies were relative to: 1) \$100K unreconciled expenditures, \$5M overstated unearned revenue and \$706K understated capital assets, 2) \$237K underreported income, 3) absence of quality control reviews and 4) non-compliance with applicable reporting requirements.

Management Letter

A separate Management Letter was issued identifying five deficiencies referring to long outstanding accounts, allowance for doubtful accounts, unreleased check, unrecorded invoice and security, and escrow deposits. Auditors recommended GHURA review its accounting, provisioning methodology, and review processes to address its internal control over financial reporting deficiencies.

For a more detailed discussion of GHURA's operations, see Management Discussion and Analysis as well as the reports in their entirety at www.ghura.org or www.opaguam.org.