



Guam Housing and Urban Renewal Authority FY 2011 Financial Highlights

June 26, 2012

The Guam Housing and Urban Renewal Authority (GHURA) ended fiscal year (FY) 2011 with an increase in net assets of \$530,000 (K) compared to an increase of \$1.5 million (M) in FY 2010. Independent auditors, J. Scott Magliari & Company, rendered an unqualified or “clean” opinion on GHURA’s financial statements and compliance reports. In the past, GHURA has received clean opinions for its financial statements, but this marks the first time the compliance reports received an unqualified opinion. GHURA’s management should be applauded for this achievement; however, they remain one of the last component units to have their financial audits issued.

Revenues and Expenditures Increase

GHURA’s revenues increased by 7.7%, or \$5M, going from \$65M in 2010 to \$70M in 2011. The increase came primarily from other federal grants totaling \$24M in 2011 when compared to \$11.4M in 2010. Every other revenue category, i.e. Housing and Urban Development Public Housing Assistance (HUD PHA) Operating Grants, Tenant Rental Income, and Other income, experienced a decrease from the prior year. GHURA’s main sources of revenue come from HUD PHA (representing 65% of revenues) and Other Federal Grants (representing 34% of revenues).

GHURA administered 2,515 vouchers for its Section 8 – Housing Choice Voucher Program and received \$35M to fund the monthly rental assistance paid to property owners on behalf of eligible participants. GHURA noted that 81% of participating families are from female head-of-households (HOH), while 19% represented male HOH, and 98% receive some form of general assistance, or Temporary Assistance for Needy Families. Additionally, HOH from Guam represented 44% of tenants and Federated States of Micronesia representing 40%. The remaining 16% represented Commonwealth of the Northern Mariana Islands, Philippines, and others.

Under Other Federal Grants, GHURA received \$19.4M in FY 2011 from the US Department of Treasury as part of its Section 1602 Grant to make cash assistance available for developers to construct rental housing for low-income families and individuals. There were two projects that were funded by this grant to construct 132 units in two phases in Tamuning for low-income rental housing.

In FY 2011, GHURA received \$6M for its Public Housing – Asset Management Properties (AMP). GHURA owns and operates 750 AMP rental units for eligible individuals or families. HOH from Guam represent 53%, FSM represent 25%, Philippines represent 9%, CNMI represent 7% and others represent 6%.

Operating expenditures increased by 7.5%, or \$5.1M, going from \$66.9M to \$72M, primarily from the \$13.2M increase in project costs. Administrative salaries increased by 6.2%, going from \$4M in 2010 to \$4.2M in 2011. Housing assistance payments increased by \$265K, going from \$32.7M in 2010 to \$32.9M in 2011.

Reports on Compliance and Internal Controls

For the first time in its history, GHURA's report on compliance and internal controls was unqualified for its five major programs. GHURA did, however, have three significant deficiencies relating to the low income housing assistance program, Section 8 housing choice voucher program, and Real Estate Assessment Center (REAC).

- **Low Income Housing Assistance Program** – Although required by GHURA's in-take policy and processing procedures, auditors could not locate police clearances in 42% of the files tested.
- **Section 8 Housing Choice Voucher Program** – Similar to the previous finding, auditors could not locate police clearances in 56% of the files tested.
- **Low Income Housing Assistance** – GHURA was unable to close its books, prepare and submit annual financial statements to HUD's REAC in a timely manner. Auditors recommended the recruitment of qualified accountants to fill vacant positions in the Fiscal Division. This was a repeat finding.

In addition to these significant deficiencies, a management letter was also issued identifying two findings.

- **Program Administration Policy Manual Update** – Operations manuals for GHURA's programs have not been updated to reflect current practices, policies, procedures and federal rules and regulations.
- **Fiscal Division and Accounting System** – GHURA's Fiscal Division is unable to produce current and complete financial statements in a timely manner. This was attributed to the split between two locations for processing and accounting for funds managed by GHURA. While the Fiscal Division at GHURA's main office maintains the official accounting records, a separate general ledger and accounting system are maintained by the Research Planning and Evaluation Division. This separation requires more time to perform monthly account reconciliation with the general ledger and impedes the closing process and financial statement preparation. GHURA consistently remains one of the last component units to issue their financial audits.

For a more detailed commentary, refer to the Management Discussion and Analysis in the audit report. Visit GHURA's website at www.ghura.org or OPA's website at www.guamopa.org to view the reports in their entirety.