

J. Scott Magliari
COMPANY

CERTIFIED PUBLIC ACCOUNTANT

GUAM

P.O. BOX 12734 • TAMUNING, GUAM 96931
TEL: (671) 472-2680 • FAX: (671) 472-2686

SAIPAN

PMB 297 PPP BOX 10000 • SAIPAN, MP 96950
TEL: (670) 233-1837 • FAX: (670) 233-8214

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, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my 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.

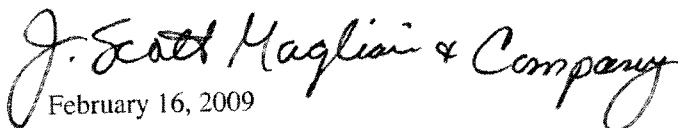
A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify deficiencies in internal control that we consider to be material weaknesses, as defined above.

Furthermore, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters.

This communication is intended solely for the information and use of the Board of Directors, management, the Office of Public Auditor and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.


February 16, 2009

Housing and Rental Divisions

2008-01 Corporate Governance

As the Corporation continues to evolve from its Reorganization Plan, the duties and responsibilities of Board of Directors are becoming more complicated and demanding. In addition, the recent corporate scandals and the Sarbanes-Oxley Act have raised public awareness in the area of corporate governance. Today's board of directors must take an active role in shaping and controlling an organization's business operations and risks by setting the proper "tone at the top" to effectively manage an organization. The effectiveness of internal controls rests with the people of the organization who create, administer, and monitor them. Integrity and ethical values are essential elements of a sound foundation for all other components of internal control. The commitment for effective control environment rests at the top. The Corporation's management and the Board of Directors are responsible for establishing and maintaining a sound system of internal control, which is the best means of preventing or detecting errors, fraudulent financial reporting and misappropriation of assets.

The following briefly highlight the basic responsibilities that Board has in actively overseeing the Corporation's affairs:

- Establish goals, standards, policies and procedures and operating strategies and understand the risks involved in following certain strategies.

We recommend that the management and Board of Directors develop and implement a Fraud Policy with emphasis occupational and mortgage fraud, develop a Conflict of Interest Policy as well as a Code of Ethics/Conduct Policy to set a proper tone of at the top for management which will make policies an inherent part of the Corporation's operations, ensuring compliance with external standards, such as laws and rules, and the Corporation's own policies and procedures.

Housing and Rental Divisions

2007-02 Payroll Administration

During my payroll testing, we noted that personnel files were not properly organized and maintained and W-4 forms were not properly updated and signed by employees. Personnel files are not periodically reviewed for completeness to ensure that all required forms and documentation are current and properly completed in a timely manner.

We recommend that senior management consider designating appropriate personnel to perform periodic monitoring and/or reviews of all personnel files to ensure that all such required personnel documentation is properly completed, up-to-date and well organized to strengthen the control environment.