



OFFICE OF THE PUBLIC AUDITOR

**Guam Housing and Urban Renewal Authority
FY 2008 Financial Highlights**

June 19, 2009

For the second year in a row, the Guam Housing and Urban Renewal Authority (GHURA) issued its financial audit before the June 30 deadline. Independent auditors J. Scott Magliari and Company rendered an unqualified “clean” opinion on GHURA’s financial statements. However, the accompanying reports on compliance and internal controls were qualified for the seventh time since FY 2002 due to material weaknesses in certain major federal programs.

Decrease in Net Assets, Increased Revenues and Expenses

GHURA had a negative change in net assets of \$3.1M; down from \$1.3M increase in net assets in the prior year. Without the management and bookkeeping fees charged for the administration of the Asset Management Properties of \$1.6M, operating revenues decreased \$6.4M from \$45.2M to \$38.8M. Similarly, operating expenditures increased slightly by \$367K from \$46.1M to \$46.5M. The \$46.5M in operating expenditures was primarily from housing assistance payments of \$29.7M, which increased \$1.3M from \$28.4M in FY 2007.

The \$6.4M decrease in operating revenues were primarily due to the \$3.5M decrease in United States Housing and Urban Development’s Public Housing Assistance (HUD PHA) Operating Grants from \$42M to \$38.5M and a \$1.5M decrease in the receipt of other federal grants. The HUD PHA Operating Grant is GHURA’s main source of revenue, representing 95% of total operating revenues. One program funded by the HUD PHA is the Housing Choice Vouchers Program, which enables lower income families to reside in existing privately owned housing. In 2008, 2,402 or 96% of the 2,515 authorized housing vouchers were leased.

In addition, GHURA’s total assets decreased by \$5.3M from \$57.5M to \$52.2M. Of the \$52.2M in total assets, \$4.7M or 9% represents cash and \$31M or 59% represents net capital assets. While many government of Guam entities’ investments were adversely affected by the global economic recession, GHURA managed to increase investments by \$6.3M from \$2.9M to \$9.2M and earn \$339,000 in interest income compared to FY 2007’s \$282,000 in interest income.

Qualified Reports on Compliance and Internal Controls

For the seventh consecutive year, the accompanying reports on internal control and compliance were again qualified due to material weaknesses. Audit findings increased from six in FY 2007 to 10 in FY 2008. Four of the 10 findings were repeats from the prior year and include:

- **Financial Accounting System** - The Fiscal Division is unable to produce the current and complete financial statements on a monthly and annual basis. There is a consistent two to three month delay in closing books each month and at year-end. In addition, numerous accounts were not properly reconciled during the year in a timely manner.

- **Annual Inspections** – For 44% of tenant files tested, there was either no inspection report on file prior to lease renewal or inspection report indicated a failed inspection and there were no work orders or re-inspections to show that the deficiencies were corrected in a timely manner.
- **Eligibility** – Six findings were on different areas of eligibility, both for the Section 8 Housing Choice Vouchers and Lowing Income Housing Assistance programs. The auditors found that pertinent documentation were not on file; such as police clearances, tenant and Housing Asset Project Manager signatures on HUD forms, lease agreements, proof of citizenship, and birth certificates.
- **Rent Reasonableness** – The Rent Reasonableness Determination Reports continue to document comparable units that are not always in the same location. For example, a proposed unit located in Dededo was compared to a unit in Agat and there was no documentation to justify the comparison.

A separate document to the Board was issued by the auditors outlining strategies, emphasis, required communication, and accounting estimates.

For a more detailed commentary of GHURA's operations, refer to the Management's Discussion and Analysis in the audit report or our website at www.guamopa.org.