



BURGER · COMER · MAGLIARI
CERTIFIED PUBLIC ACCOUNTANTS

June 1, 2016

To The Board of Commissioners
Guam Housing and Urban Renewal Authority

We have performed an audited the financial statements of Guam Housing and Urban Renewal Authority (“the Authority”) as of and for the year ended September 30, 2015 in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and have issued my report thereon dated June 1, 2016.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Authority is responsible.

Our Responsibility under Generally Accepted Auditing Standards and Generally Accepted Government Auditing Standards

Our responsibility under auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated October 22, 2015. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of the Authority’s financial statements and the accompanying supplementary information, in relation to the financial statements as a whole, for the year ended September 30, 2015 (the financial statements), in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), in all material respects, and to perform specified procedures on the required supplementary information for the year ended September 30, 2015;
- To express an opinion on whether the supplementary information that accompanies the financial statements, including the schedule of expenditures of federal awards, is fairly stated, in all material respects, in relation to the financial statements taken as a whole;
- To report on the Authority’s internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2015 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in generally accepted auditing standards; and
- To report on the Authority’s compliance with requirements applicable to each major federal program and on internal control over compliance in accordance with the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* (OMB Circular A-133).

SAIPAN OFFICE

SUITE 203 MH II BUILDING
MARINA HEIGHTS BUSINESS PARK
P.O. BOX 504053, SAIPAN, MP 96950
TEL NOS. (670) 235-8722 (670) 233-1837
FAX NOS. (670) 235-6905 (670) 233-8214

GUAM OFFICE

HENGI PLAZA, SUITE 104
278 SOUTH MARINE DRIVE
TAMUNING, GUAM 96911
TEL NOS. (671) 646-5044 (671) 472-2680
FAX NOS. (671) 646-5045 (671) 472-2686

Our Responsibility under Generally Accepted Auditing Standards and Generally Accepted Government Auditing Standards, continued

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements have been prepared by management with the oversight of the Board of Commissioners are fairly presented, in all material respects, in conformity with generally accepted accounting principles. The audit of financial statements does not relieve management or the Board of Commissioners of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion on the effectiveness of the Authority's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

We also considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Our audit does not, however, provide a legal determination of the Authority's compliance with those requirements.

Qualitative Aspects of the Authority's Significant Accounting Practices

We discussed our judgements about the quality, not just the acceptability, of the Authority's accounting principles as applied in its financial reporting, including consistency of the accounting principles and their application and the clarity and completeness of the financial statements and related note disclosures.

Significant Accounting Policies

Management of the Authority has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. As discussed in the Note 1 to the financial statements, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68* during the year ended September 30, 2015. As a result of adopting these standards, the Authority has restated its net position as of October 1, 2014 to reflect the adoption of these standards. Upon implementation of GASB Statements Nos. 68 and 71, the Authority recorded a charge to beginning net position of \$10,818,249 as October 1, 2014, and recorded deferred outflows of resources and deferred inflows of resources of \$1,318,033 and \$1,318,736, respectively.

Significant Accounting Policies, continued

The Authority also adopted GASB Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of this Statement did not have a material effect on the financial statements of the Authority.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements include management's estimate of the allowance for doubtful accounts is based on direct identification of management of items that are long outstanding; and management's estimate of depreciation expense which is based on estimated useful life of the respective capital assets. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole. During the year ended September 30, 2015, we not aware of any estimated of any significant changes in accounting estimates or in management's judgments relating to such estimates.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Uncorrected and Corrected Misstatements

Certain uncorrected misstatements accumulated by us (i.e., either identified by us or brought to our attention by management) were identified during the audit and pertaining to the latest period presented, which were determined by the Authority's management to be immaterial, both individual and in the aggregate, to the financial statements as a whole. Management has corrected all such misstatements (See Appendix B – Summary of Adjustments).

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of my audit.

Management Representations

We have requested certain representations from management that are included in the attached Appendix A – management representation letter dated June 1, 2016.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on matters. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that be expressed on those financial statements, our professional standards require the consulting accountant to check with me to determine the consultation has the relevant facts. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Major Issues Discussed with Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Fraud and Illegal Acts

The Authority's management has represented to us that the Authority has been served 18 subpoenas from the federal government from July 2015 to May 2016. The nature of the subpoenas are not available at this time. Additionally, federal and local investigators served the Authority with a search warrant. The nature of the investigation is not available at this time. There was a fraud committed by a now former employee who resigned and was prosecuted and the on-going investigation being conducted by Federal officials. Except for the foregoing matters, we are not aware of any fraud or illegal acts from October 1, 2014 through June1, 2016.

Control Related Matters

We have issued a separate report to you, dated June 1, 2016, on the Authority's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards*. We have also issued a separate report of you, also dated March 3, 2016, involving the Authority's compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.

Control Related Matters, continued

We have communicated to management, in a separate letter also dated June 1, 2016, certain deficiencies and other matters related to the Authority's internal control over financial reporting and to the Authority's internal control over its information technology environment that we identified during the audit.

Although we have included management's written responses to our comments, such responses have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.

Independence

We are not aware of any relationships between Burger Comer Magliari and the Authority, or any other matters that in our professional judgement, may reasonably be thought to bear on our independence. We confirm that we are independent with respect to the Authority within the meaning of the applicable published rules and pronouncements, interpretations and rulings.

This information is intended solely for the use of Board of Commissioners, the management of Guam Housing and Urban Renewal Authority and the Office of Public Accountability – Guam and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,





GHURA

Guam Housing and Urban Renewal Authority
 Aturidat Ginima' Yan Rinueban Siudad Guahan
 117 Bien Venida Avenue, Sinajana, GU 96910
 Phone: (671) 477-9851 · Fax: (671) 300-7565 · TTY: (671) 472-3701



Eddie Baza Calvo
 Governor of Guam

Ray Tenorio
 Lt. Governor of Guam

Annabelle M. Dancel
 Commissioner

Thomas E. B. Borja
 Commissioner

Joseph M. Leon Guerrero
 Resident Commissioner

Michael J. Duenas
 Executive Director

Pedro A. Leon Guerrero, Jr.
 Deputy Director

June 1, 2016

Burger Comer Magliari LLC
 Hengi Plaza, Suite 201
 278 South Marine Drive
 Tamuning, Guam 96911

This representation letter is provided in connection with your audit(s) of the financial statements of Guam Housing and Urban Renewal Authority (the Authority), which comprise the statements of net position as of September 30, 2015, and related statements of revenues, expenses, changes in net position and cash flows for the year then ended, and related notes to the financial statements for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of June 1, 2016, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 22, 2015, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) We acknowledge our responsibility for presenting the supplementary information accompanying the financial statements required by the U.S. Department of Housing and Urban Development (HUD) and the information submitted to HUD through the FASSMF submission templates (collectively, the supplementary information required by HUD) in accordance with HUD's *Uniform Financial Reporting Standards for HUD Housing Programs*, and



we believe the supplementary information required by HUD, including its form and content, is fairly presented in accordance with HUD's *Uniform Financial Reporting Standards for HUD Housing Programs*. The methods of measurement and presentation of the supplementary information required by HUD have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

- 3) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 4) As discussed in the Note 1 to the financial statements, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68* during the year ended September 30, 2015. As a result of adopting these standards, the Authority has restated its net position as of October 1, 2014 to reflect the adoption of these standards. Upon implementation of GASB Statements Nos. 68 and 71, the Authority recorded a charge to beginning net position of \$10,818,249 as October 1, 2014, and recorded deferred outflows of resources and deferred inflows of resources of \$1,318,033 and \$1,318,736, respectively.

	As previously <u>Reported</u>	<u>Adjustment</u>	<u>Restated</u>
Net Position, October 1, 2014	\$36,886,603	\$10,818,249	\$26,068,354

The Authority also adopted GASB Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of this Statement did not have a material effect on the financial statements of the Authority.

- 5) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 6) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 7) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 8) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 9) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.



- 10) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
- 11) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 12) Guarantees, whether written or oral, under which the Authority is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 13) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of Board of Commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 14) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
- 15) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 16) There was a fraud committed by a now former employee who resigned and was prosecuted and the on-going investigation being conducted by Federal officials; the Authority had been served 18 subpoenas from the federal government from July 2015 to May 2016 and the nature of the subpoenas are not available at this time. Federal and local investigators served the Authority with a search warrant. The nature of the investigation is not available at this time, except for these matters, we have no knowledge of any fraud or suspected fraud that affects the Authority and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 17) Except for the matters discussed above in item #16, we have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements communicated by employees, former employees, regulators, or others.



- 18) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 19) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 20) We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
- 21) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 22) We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.
- 23) We have a process to track the status of audit findings and recommendations.
- 24) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 25) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 26) The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 27) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
- 28) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 29) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 30) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 31) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for



disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

- 32) As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal awards. We acknowledge our responsibility as it relates to those nonattest/nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
- 33) Except for the Supportive Housing for the Elderly Program which has a loan from the United States Department of Agriculture Rural Development and Low-Income Public Housing which has Declaration of Trusts with the United States Department of Housing and Urban Development, the Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 34) The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 35) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 36) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34 .
- 37) All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 38) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 39) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 40) Provisions for uncollectible receivables have been properly identified and recorded.
- 41) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 42) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.



- 43) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 44) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 45) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 46) The government meets the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach.
- 47) We have appropriately disclosed the Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 48) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 49) The Authority is an exempt organization under Section 115 of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the entity's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 50) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 51) With respect to the Schedule of Funding Progress, the Schedule of the Authority's Proportionate Share of the Net Pension Liability, the Schedule of Pension Contributions, the Schedule of Salaries, Wages and Benefits and the Combining financial statements:
 - a) We acknowledge our responsibility for presenting the Schedule of Funding Progress, the Schedule of the Authority's Proportionate Share of the Net Pension Liability, the Schedule of Pension Contributions, the Schedule of Salaries, Wages and Benefits and the Combining financial statements in accordance with accounting principles generally accepted in the United States of America, and we believe that the Schedule of Funding Progress, the Schedule of the Authority's Proportionate Share of the Net Pension Liability, the Schedule of Pension Contributions, the Schedule of Salaries, Wages and Benefits and the Combining financial statements, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of this supplementary information has not changed from those used in the prior period, and we have



disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

- b) If the REAC Financial Data Schedule is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

52) With respect to federal award programs:

- a) We are responsible for understanding and complying with, and have complied with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.
- b) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.



- g) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h) Except for the United States Department of Agriculture Rural Development request for a Program Audit for the Supportive Housing for the Elderly, we have received no other requests from any other federal agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including, when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and [have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards OR confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards].
- j) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E) [and OMB Circular A-87, Cost Principles for State, Local, and Tribal Governments, if applicable].
- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.



- r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t) We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
- u) We have issued management decisions for audit findings that relate to federal awards made to subrecipients and such management decisions have been issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed-up ensuring that the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient.
- v) We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- w) We have charged costs to federal awards in accordance with applicable cost principles.
- x) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- y) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- z) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- aa) We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
- bb) We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

Signature: Michael J. Owens

Title: Executive Director

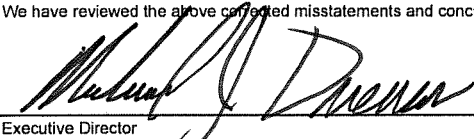
Signature: Lucile D. Leon Guerrero

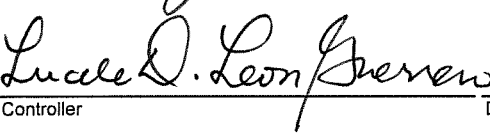
Title: Controller

Audit Adjusting Journal Entries
September 30, 2015

FDS Acct	Account Name	Account #	Assets		Liabilities	Net Position	Income	
			Dr. (Cr.)	Dr. (Cr.)	Dr. (Cr.)	Statement		
AJE - 1								
111	Cash - FSS Escrow Account	006.1111.02.1.000.00.0	\$	1,198.00				
111	Cash - BOG Savings 2501-002288	006.1111.05.0.000.00.0	\$	593,462.66				
311	Cash - Overdraft BOG Savings 2501-002288	006.1111.05.0.000.00.0	\$	80,665.68				
113	Cash - BOG Savings 2501-002288 - Restricted	006.1111.05.1.000.00.0			\$	(666,629.34)		
113	Cash Restricted - Admin Fee	006.1111.05.2.000.00.0			\$	(7,499.00)		
115	Cash - FSS Escrow Account	006.1111.01.0.000.00.0			\$	(1,198.00)		
To adjust Section 8 HCV cash accounts to for HUD FDS reporting.								
AJE - 2								
91300	Section 8 HCV - Management fees and other	006.4191.00.0.820.10.1					\$ 37,893.00	
91310	Section 8 HCV - Bookkeeping fees	006.4191.00.0.821.10.1					\$ 17,955.00	
144	Central Office Cost Center - Due to Revolving Fund	070.2119.00.0.900.00.0	\$	55,848.00				
144	Revolving Fund - Due from Section 8 HCV	900.1126.00.0.006.00.0	\$	55,848.00				
347	Section 8 HCV - Due to Revolving Fund	006.2119.00.0.900.00.0			\$	(55,848.00)		
70710	Central Office Cost Center - Management fees HCV Program	070.3720.06.0.110.01.0					\$ (37,893.00)	
70730	Central Office Cost Center - Bookkeeping fees HCV Program	070.3722.06.0.110.01.0					\$ (17,955.00)	
144	Revolving Fund - Due from Central Office Cost Center	900.1126.00.0.070.00.0			\$	(55,848.00)		
To record COCC charges to Section 8 HCV for July 2015 charges under invoice #COCC#2015-063.								
Total			\$	787,022.34	\$	(787,022.34)	\$ -	\$ -

We have reviewed the above corrected misstatements and concur with the adjustments. Furthermore, the above are not a result from fraud or illegal acts.

 06/01/2016
Executive Director Date

 06/01/16
Controller Date