



Financial Highlights
Guam Housing and Urban Renewal Authority (GHURA) Financial Audit
Fiscal Year 2023

July 3, 2024

The Guam Housing and Urban Renewal Authority (GHURA) received an unmodified (clean) opinion in its Fiscal Year (FY) ended September 30, 2023, financial statements from Ernst & Young, LLP (EY). However, GHURA received a qualified opinion on its Report on Compliance for each Major Federal Program. Three of its major federal programs such as the Community Development Block Grant (CDBG)-Entitlement Grants Cluster, Continuum of Care (COC) Program, and Housing Voucher Cluster (HCV) have material weaknesses in internal control over compliance resulting in Questioned Costs of \$51K. In its report on the Schedule of Expenditures of Federal Awards (SEFA), EY opined that the SEFA is fairly stated, in all material respects in relation to the basic financial statements as a whole

EY also issued a separate management letter identifying four deficiencies related to allowance for doubtful accounts, pension and OPEB reconciliation, net position reconciliation, and deferred charges sub-ledger.

GHURA ended FY 2023 with a net position of \$18.1 million (M), or a \$2.8M decrease compared with the prior year's net position of \$21.0M, resulting from expenses exceeding revenues.

Revenues and Expenditures

In FY 2023, the GHURA had total revenues of \$65.0M compared to \$70.0M in FY 2022, reflecting a decrease of \$5.0M. Conversely, total expenses increased by \$7.0M from \$60.8M in FY 2022 to \$67.8M in FY 2023. Notably, Other operating income decreased by \$2.1M, from \$3.1M in FY 2022 to \$974K in FY 2023, which was attributed to a one-time revenue of \$2.7M from a Public Housing Litigation in the previous fiscal year. Housing assistance payments, which accounted for 68.82% of total current year expenses, increased by \$5.5M, from \$41.2M in FY 2022. The increase in the current year expenses is attributed to an increase in Section 8 Housing Choice vouchers for the period due to higher unit month leasing costs.

Public Housing – Asset Management Properties (AMP)

GHURA is dedicated to providing quality public and affordable housing and creating positive living environments that reflect the diversity of its residents and neighborhoods. This commitment is evident in their Public Housing program which aims to provide decent, safe, and sanitary rental housing for eligible families, the elderly, and persons with disabilities. Operating under an Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD), GHURA manages 750 public housing units across four Asset Management Properties (AMPs). The AMP system enhances management through better decision-making and long-term planning, offering increased efficiency, improved accountability, and better planning for the

future. At the end of FY 2023, GHURA had 685 units occupied, achieving a 91% occupancy rate and an adjusted rate of 96%, with 34 units undergoing modernization. These units are distributed among various site bases, each overseen by a Property Site Manager responsible for property management activities including, among others, budgeting, oversight, maintenance, and regulatory compliance.

Capital Fund Program

GHURA maintains its public housing inventory as a safe and habitable source of affordable housing through the development of an annual Capital Improvement Plan. GHURA receives an annual formula grant from HUD, approximately \$3.2 million based on the most recent grant, to implement this plan. These funds are used primarily for physical improvements to buildings and dwelling units, including repairs, major replacements, upgrades, and other non-routine maintenance necessary to keep the units clean, safe, and in good condition. A portion of the funds also supports operations and to make improvements in the management and operation of GHURA.

Section 8 Housing Choice Voucher (HCV) Program

GHURA administers the federally funded Section 8 Housing Choice Voucher (HCV) Program, which provides rental assistance to low-income families, the elderly, and disabled participants to afford decent, safe, and sanitary housing in the private market. GHURA administers a combined total of 3K HCV and special voucher programs. In 2023, the average utilization rate of vouchers was 96%, and the Housing Assistance funding utilization rate was 102%. GHURA was awarded 20 new vouchers, including 15 under the mainstream program and 5 for the regular HCV Program. Currently, GHURA administers 2.1K regular HCV, 112 Project-based Vouchers, 30 Mainstream Vouchers, 175 Non-elderly Disabled Vouchers, 130 Family Unification Program Vouchers, 76 Veteran Affairs Supportive Housing Vouchers, and 87 Emergency Housing Vouchers.

Family Self-Sufficiency (FSS) Program

The FSS Program enables families assisted through Section-8 HCV and Public Housing programs to increase their earned income and reduce their dependency on welfare assistance and rental subsidies. At the end of 2023, the FSS Program enrolled 32 new families and served 148 participants, with 69% of Section-8 HCV and 53% of Public Housing families holding escrow balances. Three families graduated from the program while five families received a total escrow payout of approximately \$22K.

Supportive Housing for the Elderly (Guma Trankilidat Project)

The Guma Trankilidat Project, an elderly housing rental program, is comprised of 50 dwelling units. The construction of the project was financed by a \$2M loan from the U.S. Department of Agriculture. An estimated \$2.6M was identified to address improvements to operate over the next 20 years. Of the 50 dwelling units, a total of 28 had been upgraded and completed with a total cost of \$540K.

Community Planning and Development Funds

The activities funded through the HUD Office of Community Planning and Development (CPD) represent the greatest diversity of projects engaged to benefit low and moderate-income populations and special needs populations. In FY 2023, Guam received \$4.5M for eligible projects under CDBG, Home Investment Partnership Grant, Hearth Emergency Solutions Grant, and

Housing Trust Fund programs". COC funds totaling \$1.4M were approved for competitive consolidated application activities.

Schedule of Expenditures of Federal Awards

In FY 2023, GHURA was responsible for 17 direct programs with a total of \$82.3M in expenditures of federal awards funded by HUD. Of the \$82.3M, \$6.0M were passed through to sub-recipients. The top five expenditures recorded include \$48.3M on Section 8 HCV, \$11.5M on the CDBG Section 108 Loan Guarantees, \$6.6M on Public and Indian Housing, \$4.9M on CDBG – Entitlement Grants Cluster, and \$4.4M on Home Investment Partnerships Program.

Loan Funds

GHURA has been designated the responsibility of implementing and carrying out the objectives of the HOME Program. The program was designed to increase homeownership and affordable housing opportunities for low- and very low-income Americans. As of September 30, 2023, the HOME and CDBG program expenditures include \$307K and \$3.6M in current year disbursements.

In December 2020, GHURA entered into a \$12M loan with the U.S. HUD to provide a source of low-cost, long-term financing loan use as a school. The facility will be leased to the iLearn Academy Charter School.

Schedule of Findings and Questioned Costs

In its Report on Compliance for Each Major Federal Program, the independent auditors rendered a qualified opinion and identified four material weaknesses in the Report on Internal Control Over Compliance. Three of the findings were repeated from FY 2022.

1. CDBG –Entitlement Grants Cluster (Repeat finding from 2022-01)

Reported amounts in the Financial Summary Report or CDBG Activity Summary PR do not agree with underlying accounting records. Furthermore, sub-awards amounting to \$3.8M were not reported in the Federal Funding Accountability and Transparency Act Sub-award Reporting System (FSRS).

2. Continuum of Care Program-Questioned Cost-\$51K

Five of the 14 projects tested have deficient matches resulting in non-compliance with applicable matching, level, effort, and earmarking requirements.

3. Housing Vouching Cluster (Repeat finding from 2022-004 and 2022-05)

- Unaudited amounts reported in the Financial Assessment Subsystem (FASS)-PH, did not agree with underlying accounting records with discrepancies ranging between \$40K to \$8.9M.
- Beginning balances of equity, including any adjustments per the FY 2023 Trial Balance, did not agree with the audited ending balances per the FY 2022 Single Audit Report. Variances range between \$34K and \$4.2M.

Based on EY's Summary Schedule of Prior Year Audit Findings several prior year's audit findings remain unresolved, which includes FY 2022 (8 findings), FY 2021 (two findings), and FY 2017 (one finding).

Management Letter

Independent auditors issued a separate Management Letter that identified three deficiencies. These are:

1. **Allowance for Doubtful Accounts:** No provision for doubtful accounts receivable over 90 days amounting to \$577K, which excluded tenant-fraud receivables and housing assistance payment recoverable amounts outstanding for more than a year. It is recommended that management revisit the provisioning methodology and periodically analyze all past-due accounts.
2. **Pension and OPEB Reconciliation:** The beginning net pension balance did not agree with the prior-year audited ending net position, resulting in unreconciled variances that were corrected during the audit.
3. **Net Position Reconciliation:** There was a \$358K unreconciled variance between the beginning net position and the prior-year audited ending net position. EY proposed an audit adjustment to correct this misstatement.
4. **Deferred Charges Subledger:** Management failed to provide a deferred charges schedule or subledger for an amount of \$381K. EY made recommendations to address the noted deficiencies.

For more details, refer to GHURA's FY 2023 Financial Statements, Reports on Compliance and Internal Control, Management Letter, and The Auditor's Communication With Those Charged With Governance at <http://www.opaguam.org> and www.ghura.org.