

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Guam Housing and Urban Renewal Authority:

I have audited the statements of net assets, revenues, expenses and changes in net assets and cash flows of each major fund and the aggregate remaining fund information of the Guam Housing and Urban Renewal Authority (GHURA), a component unit of the Government of Guam as of and for the year ended September 30, 2009, which collectively comprise GHURA's basic financial statements and have issued my report thereon dated April 29, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing the audit, I considered GHURA's internal control over financial reporting 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 GHURA's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of GHURA's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be *significant deficiencies or material weaknesses*. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

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 combination of control deficiencies, that adversely affects GHURA'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 GHURA's financial statements that is more than inconsequential will not be prevented or detected by GHURA's internal control. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2009-01 and 2009-07 to be significant deficiencies in internal control over financial reporting.

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

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that Finding Number 2009-07 of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GHURA's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding Numbers 2009-01 through 2009-06.

GHURA's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. I did not audit the Authority's responses and, accordingly, I express no opinion on them.

This report is intended for the information of the Board of Commissioners and management of the Guam Housing and Urban Renewal Authority, the Office of the Public Accountability – Guam, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies and is not intended to be, and should not be used by anyone other than the specified users. However, this report is also a matter of public record.


Hagåtña, Guam
April 29, 2010

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Board of Commissioners
Guam Housing and Urban Renewal Authority:

Compliance

I have audited the compliance of the Guam Housing and Urban Renewal Authority (GHURA), a component unit of the Government of Guam, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. GHURA's major federal programs are identified in the Summary of Auditor's Results section on page 119 of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of GHURA's management. My responsibility is to express an opinion on GHURA's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about GHURA's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of GHURA's compliance with those requirements.

As described in Findings 2009-01 through 2009-06 in the accompanying Schedule of Findings and Questioned Costs, GHRUA did not comply with eligibility and special tests and provisions that are applicable to the Section 8 Housing Choice Vouchers and Low Rent Public Housing program. Compliance with such requirements is necessary, in my opinion, for GHURA to comply with requirements applicable to those programs.

In my opinion, except for noncompliance described in the preceding paragraph, GHURA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

Internal Control Over Compliance

The management of GHURA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered GHURA's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the GHURA's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not be necessarily identify all deficiencies in GHURA's internal control that might be *significant deficiencies or material weaknesses* as defined below. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be significant deficiencies and others that I consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects GHURA's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the GHURA's internal control. I consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding No. 2009-01 through 2009-06 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the GHURA's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, I consider Finding number 2009-04 to be a material weakness.

Schedule of Expenditures of Federal Awards

I have audited the basic financial statements of GHURA as of and for the year ended September 30, 2008, and have issued my report thereon dated April 29, 2010. My audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards on page 116 is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of GHURA. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of the Board of Commissioners and the management of the Guam Housing and Urban Renewal Authority, the Office of the Public Accountability – Guam, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than those specified parties. However, this report is also a matter of public record.

J. Scott Magliari + Company
Hagåtña, Guam
April 29, 2010

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Expenditures of Federal Awards
For Year Ended September 30, 2009

<u>CFDA#</u>	<u>AGENCY/PROGRAM</u>	<u>2009 Fiscal Year Expenditures</u>
	<u>U. S. Department of Housing and Urban Development (HUD)</u>	
14.157	Supportive Housing for the Elderly	\$ 387,482
14.225	Community Development Block Grants/Special Purpose Grants/Insular Area	2,997,587 *
14.254	ARRA – Community Development Block Grants/Special Purpose Grants/Insular Area	94,331 *
14.231	Emergency Shelter Grants Program	143,056
14.235	Supportive Housing Program	521,343
14.238	Shelter Plus Care	189,924
14.239	HOME Investment Partnerships	1,084,801
14.850a	Low Rent Public Housing	4,160,590 *
14.871	Section 8 Housing Choice Vouchers	31,841,115 *
14.872	Public Housing Capital Fund Program	2,106,907 *
14.885	ARRA – Formula Capital Fund Stimulus	<u>847,296 *</u>
	Total HUD Grants and Expenditures of Federal Awards	<u>\$ 44,374,432</u>
	Percentage of Federal Awards Tested	<u>95%</u>

* Denotes a major program as defined by OMB Circular A-133 and based upon audit requirements imposed in the audit.

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the grant activity of GHURA and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. American Recovery and Reinvestment Act of 2009

In February 2009, the Federal Government enacted the American Recovery and Reinvestment Act of 2009 (ARRA). During fiscal year 2009, GHURA received two ARRA federal awards as noted above and expended \$941,627 as of September 30, 2009. In addition, GHURA received grant award notification but did not expend federal award funds as of September 30, 2009 for the following:

<u>CFDA Program</u>	<u>Grant Award</u>	<u>Grant Amount</u>
14.257 ARRA – Homeless Prevention and Rapid Re-Housing Program	S09-DY-66-0001	\$1,221,922

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Expenditures of Federal Awards
For Year Ended September 30, 2009

Note 3. Subrecipients

The Guam Housing and Urban Renewal Authority administer certain programs through subrecipient organizations. Those subrecipients are also not considered part of the Guam Housing and Urban Renewal Authority reporting entity. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how subrecipient outside of GHURA's control utilized those funds. Federal awards provided to subrecipients are treated as expenditures when paid to the subrecipient.

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, no ARRA funds were provided to subrecipients; however, GHURA provided other HUD federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant	14.225	\$ 360,230
Supportive Housing Program	14.235	483,035
Emergency Shelter Grants Program	14.231	132,896
Shelter Plus Care	14.238	<u>174,636</u>
Total		<u>\$ 1,150,797</u>

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC
REQUIREMENTS APPLICABLE TO AFFIRMATIVE FAIR HOUSING
AND NON-DISCRIMINATION**

To the Board of Commissioners
Guam Housing and Urban Renewal Authority:

I have audited the basic financial statements of Guam Housing and Urban Renewal Authority (GHURA), a component unit of the Government of Guam, as of and for the year ended September 30, 2009 and have issued my report thereon dated April 29, 2010.

I have applied procedures to test GHURA's compliance with the Affirmative Fair Housing and Non-Discrimination requirements applicable to its HUD assisted programs, for the year ended September 30, 2009.

My procedures were limited to the applicable compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs issued by the U.S. Department of Housing and Urban Development, Office of Inspector General. My procedures were substantially less in scope than an audit, the objective of which would be the expression of an opinion on GHURA's compliance with the Affirmative Fair Housing and Non-Discrimination requirements. Accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance with the Affirmative Fair Housing and Non-Discrimination requirements.

This report is intended for the information of the management and Board of Commissioners of the Guam Housing and Urban Renewal Authority, the Office of the Public Accountability – Guam, federal awarding agencies pass-through entities and the cognizant audit and other federal agencies and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is also a matter of public record.

J. Scott Magliari & Company
Hagåtña, Guam
April 29, 2010

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs
Year Ended September 30, 2009

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

I have audited the basic financial statements of Guam Housing and Urban Renewal Authority (GHURA) and issued an unqualified opinion.

Internal control over financial reporting:

- Material weaknesses were identified? x yes no

- Significant deficiency(ies) identified that are not considered to be material weaknesses? x yes none reported

- Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? x yes no

- Significant deficiency(ies) identified that are not considered to be material weaknesses? x yes no

The auditor's report on major program compliance for GHURA having six major programs included an unqualified opinion for the CDBG and ARRA – CDBG, the Public Housing Capital Fund Stimulus – ARRA and the Public Housing Capital Fund Project and expresses a qualified opinion on the Section 8 Housing Choice Voucher Program and the Low Income Housing Assistance Programs based on identified significant control deficiencies, which, in my opinion, are considered to be material weaknesses.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? x yes no

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs
Year Ended September 30, 2009

PART I - SUMMARY OF AUDITOR'S RESULTS, continued

The Authority's major programs are as follows:

<u>CFDA#</u>	<u>PROGRAM</u>
14.225	Community Development Block Grants/Special Purpose Grants/Insular Areas
14.254	ARRA – Community Development Block Grants/Special Purpose Grants/Insular Areas - (Recovery Act Funded)
14.885	ARRA – Formula Capital Fund Stimulus (formula) Recovery Act Funded
14.850	Low Income Housing Assistance Program
14.871	Section 8 Housing Choice Voucher Program (HCV)
14.872	Public Housing Capital Fund Project

Dollar threshold used to distinguish between type A and type B programs: \$1,331,233

The Authority did not qualify as a low-risk auditee as defined in OMB Circular A-133.

PART II - FINANCIAL STATEMENT FINDINGS

There were instances of noncompliance noted that should be reported in accordance with Government Auditing Standards, which are presented in the following pages as item 2008-10.

<u>Reference Number</u>	<u>Findings</u>
2009-07	Financial Accounting System

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were instances of noncompliance noted that should be reported in accordance with Section 510(a) of OMB Circular A-133, which are presented in the following pages as item 2009-01 through 2009-06.

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
2009-1	Low Income Public Housing – Eligibility	\$ -
2009-2	Low Income Public Housing – Special Tests and Provisions	-
2009-3	Section 8 HCV – Eligibility	-
2009-4	Section 8 HCV – Reasonable Rent	-
2009-5	Section 8 HCV – Eligibility	-
2009-6	Section 8 HCV – Eligibility	-
Total Questioned Costs		<u>\$ -</u>

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Finding No.: 2009-01
CFDA Program: 14.850 – Low Income Housing Assistance Program
Area: Eligibility – Income Calculation
Questioned Costs: \$0

Criteria:

The Authority is required to calculate the Total Tenant Payment (TTP) pursuant to its Admissions and Continued Occupancy Policy.

Condition:

For two (2) of fifty or 4% of the tenant files tested, the TTP was miscalculated as follows:

The Housing Specialist erroneously calculated income, which resulted in miscalculation of rent.

1. For the tenant residing in AMP 3 unit number 13MAO, the Housing Specialist erroneously entered the total income of \$16,621.28 instead of the correct calculation of \$16,348.80. As a result, the tenant was overcharged in rent of \$7.00 or \$63 for the nine months.
2. For the tenant residing in AMP3 unit number 48KAL, the Housing Specialist miscalculated the total income of the above tenant. The income was erroneously calculated at \$29,464.00 instead of the correct amount of \$30,525.58. As a result, the TTP was calculated at \$507 instead of the correct amount of \$451. Therefore, the total rent payment was overstated by \$56 resulting in an underpayment of \$672 for the for twelve month lease period.

Cause:

There is a lack of internal controls and monitoring procedures to ensure that income eligibility and TTP determinations are properly calculated and reviewed for accuracy.

Effect:

There is no material effect on the financial statements as a result of this finding. However, the above condition results in net understatement of rental income totaling \$609.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Finding No.: 2009-01
CFDA Program: 14.850 – Low Income Housing Assistance Program
Area: Eligibility – Income Calculation
Questioned Costs: \$0

Recommendation:

Management should implement internal controls procedures to ensure that community service requirement objectives are monitored monthly and tenants are properly evaluated each annual reexamination period.

Auditee Response/Corrective Action Plan:

The Authority agrees with this finding. The Authority will enforce its existing internal control policies and procedures to ensure that TTP's are properly calculated and monitored in a timely manner.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Finding No.: 2009-02
CFDA Program: 14.850 – Low Income Housing Assistance Program
Area: Special Tests and Provisions – Community Service
Questioned Costs: \$0

Criteria:

Pursuant to the Authority's Admissions and Continued Occupancy Policy, 24 CFR Part 960.603~607 and Section 512 of the Quality Housing and Work Responsibility Act of 1998, which amends Section 12 of the Housing Act of 1937, established a new requirement for non-exempt residents of public housing to contribute eight (8) hours of community service each month or to participate in a self-sufficiency program for eight (8) hours each month.

Condition:

For one (1) or 2% of the 50 tenant files tested, we noted that the tenants residing in AMP 4 unit 19BDUE did not perform any community service during the fiscal year or during the effective lease period. The tenant subsequently moved out effective 9/25/09.

Cause:

There appears to be a lack of internal controls and monitoring procedures to ensure that adult family member is in compliance with the community service requirement.

Effect:

There is no known material effect on the financial statements as a result of this finding. However, the Authority is in noncompliance with its Admissions and Continued Occupancy Policy for the community service requirement.

Prior Year Status:

The above condition was cited in a similar finding in prior year audit of the Authority.

Recommendation:

Management should implement internal controls procedures to ensure that community service requirement objectives are monitored monthly and tenants are properly evaluated each annual reexamination period.

Auditee Response/Corrective Action Plan:

The Authority agrees with this finding. The Authority will enforce its existing internal control policies and procedures to ensure that the community service requirement objectives are monitored monthly and tenants are properly evaluated for each recertification period.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Finding No.: 2009-03
CFDA Program: 14.871 – Section 8 Housing Choice Voucher Program
Area: Eligibility
Questioned Costs: \$0

Criteria:

In accordance with 24 CFR Sections 982.4, 982.54(d)(15), 982.152(f)(7) and 982.503, the Authority must maintain current records to document the basis for the determination that rent to owner is a reasonable rent. The Authority is also required to examine family income and composition at least once every twelve months and adjust total rent and housing assistance payment as necessary in accordance with 24 CFR Sections 5.617 and 982.516.

Condition:

For five (5) of forty-five or 11% of the tenant files tested, required forms were missing not properly signed and/or dated for the following vouchers:

1. 06-1399 – Form HUD-50058, page 7 not signed and dated by Section 8 Administrator.
2. 04-0912 – Request for Tenancy Approval (form HUD-52517) was signed but not dated by both tenant and landlord.
3. 03-064 – Form HUD-50058, page 7 signed and dated by Section 8 Administrator and applicant on 07/17/09, more than 5 months after the effective date of interim reexamination on 02/01/09.
4. 02-0552 – Amended lease agreement was not by the Section 8 administrator. The lease agreement was subsequently signed after the file was audited.
5. 04-0912 – Owner's Certification of Compliance form not properly dated.

Cause:

There is a lack internal control monitoring procedures to ensure all forms are properly signed. The File Document Review and Checklist are not consistently used and verified for completeness. Quality control procedures have not been fully implemented to ensure that case files are well-managed and properly maintained.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Finding No.: 2009-03, Continued
CFDA Program: 14.871 – Section 8 Housing Choice Voucher Program
Area: Eligibility
Questioned Costs: \$0

Effect:

There is no material effect on the financial statements as a result of this condition. However, the Authority is not in compliance of their policies and procedures as set forth in the Administrative Plan for the Section 8 HCV program.

Prior Year Status:

The above condition was cited as a similar finding in the prior year audit of the Authority.

Recommendation:

Quality control and enforcement procedures should be strengthened to mitigate errors made by Housing Specialist personnel. The Housing Manager should periodically test a sample of tenant files for quality control and document the results to correct deficiencies in a timely manner to strictly enforce adherence to the Section 8 Administrative Plan and HUD regulations.

Auditee Response/Corrective Action Plan:

The Authority agrees with this finding. To correct this deficiency: (1) Supervisors are being mandated to expand their scope of review to ensure completeness of each required documents and (2) each caseworker are being required to ensure completeness of each document. Continued non-compliance of this requirement may result in disciplinary action.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Finding No.: 2009-04
CFDA Program: 14.871 – Section 8 Housing Choice Voucher Program
Area: Rent and Housing Assistance Payment – Reasonableness Rent
Questioned Costs: \$0

Criteria:

In accordance with 24 CFR Sections 982.507 and 982.158(f)(7), the Authority must maintain current records to document the basis for the determination that rent to owner is a reasonable rent. The Authority must determine whether the rent to owner is a reasonable rent in comparison to rent for other comparable unassisted units. To make this determination, the PHA must consider:

1. The location, quality, size, unit type, and age of the contract unit; and
2. Any amenities, housing services, maintenance and utilities to be provided by the owner in accordance with the lease.

In addition, the Housing Authority will compare the rent for the unit of the rent of comparable unassisted units in the same or comparable neighborhood.

Condition:

For three (3) of forty-five or 6% of HCV files tested, we noted the Rent Reasonableness Determination Report continues to document comparable units are not always in the same location as follows:

HCV #04-0912, the proposed unit was located in the village of Talofofu and was compared to a unit in the southern village of Santa Rita. There was no written documentation to justify this comparison.

HCV #01-0124, the proposed unit was located in the village of Tumon and was compared to units in villages of Maite and Agana Heights. There was no written documentation to justify this comparison.

HCV #01-0177, the proposed unit was located in the village of Mongmong and was compared to units in villages of Dededo, Yona and Mangilao. There was no written documentation to justify this comparison.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Finding No.: 2009-04, Continued
CFDA Program: 14.871 – Section 8 Housing Choice Voucher Program
Area: Rent and Housing Assistance Payment – Reasonableness Rent
Questioned Costs: \$0

Cause:

The Authority has not fully implemented proper monitoring and internal control policies and procedures to ensure that reasonable rent determinations are properly made, reviewed and approved.

Effect:

The Authority is not in compliance with 24 CFR 985.3 (b)(3)(B) for quality control sampling. The potential exists for the landlords to receive rents at the maximum payment standard rather than based on the fair market or reasonable rent based on location, unit size and amenities. The potential also exist for collusion and kickbacks between landlords and inspectors for charging rents up to the payment standard when in fact the rental unit's reasonable or fair market rent is actually lower.

Prior Year Status:

The above condition was cited as a similar finding in the prior year audit of the Authority.

Recommendation:

Records should be maintained to document the basis for the Authority's determination that the rent to owner is a reasonable rent (initially and during the term of a HAP contract).

Management conduct a study of unassisted housing rents paid on Guam and develop a database by village, quality, size, unit type, and age of the unit; and any amenities, housing services, maintenance and utilities to be provided by the owner in accordance with the lease. The data obtained on the Rent Reasonableness Determination Report should be analyzed and documented in such a manner to explain the rationale for the rent determination. Once the Rent Reasonable Determination Report is completed by the Building Inspector, it should be independently reviewed and approved by the Housing Manager.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Finding No.: 2009-04, Continued
CFDA Program: 14.871 – Section 8 Housing Choice Voucher Program
Area: Rent and Housing Assistance Payment – Reasonableness Rent
Questioned Costs: \$0

Auditee Response/Corrective Action Plan:

The Authority agrees with this finding. The comparison was not consistent with the policy in determining rent reasonableness. Measures to correct this deficiency have already been implemented. These measures include: (1) for accuracy and consistency, the task of determining rent reasonableness has been reassigned to a supervisory staff; (2) Procedures are being established to ensure federal guidelines are being followed in the processing of comparables; (3) comparables used from a different location must be due to the unavailability of a comparable source and the reasons and unsuccessful efforts to obtain the sources from the same location must be adequately documented.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Finding No.: 2009-05
CFDA Program: Section 8 Housing Choice Voucher Program
Area: Eligibility
Questioned Costs: \$0

Criteria:

Form HUD-52646, Housing Choice Voucher should be properly completed and signed and dated by the tenant and the Authority.

Condition:

For two (2) of forty-five or 4% of the HCV Program tenant files tested, Form HUD-52646 was not on-file or signed for the current lease period for tenant vouchers #09-2342 and #02-0462. However, the tenant's signature was obtained subsequent to September 30, 2009 and after the file was audited.

Cause:

The File Document Review and Checklist are not consistently used and verified for completeness. Consequently, internal control monitoring procedures are not effective to ensure that eligibility forms are properly completed and documented.

Effect:

The Authority is not in compliance with its Section 8 Housing Choice Voucher Admin Plan.

Prior Year Status:

The above condition was cited as a similar finding in the prior year audit of the Authority.

Recommendation:

Housing Specialist Supervisors should conduct a thorough review of each tenant file for completeness prior to admission or recertification

Auditee Response/Corrective Action Plan:

The Authority agrees with this finding. Policies and procedures are being updated requiring Supervisors to expand their scope of review to ensure completeness of each required document.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Finding No.: 2009-06
CFDA Program: 14.871 – Section 8 Housing Choice Voucher Program
Area: Eligibility
Questioned Costs: \$0

Criteria:

The Authority should accurately calculate the Total Tenant Payment and Housing Assistance Payment when determining program eligibility.

Condition:

For two (2) of forty-five or 4% of the HCV Program tenant files tested, miscalculations or errors in data input were noted for the following vouchers:

1. 06-1389 – HUD-50058 page 1-Part IV (Summary of Family Income) shows a wage amount inconsistent to the employment income verification provided.
2. 02-0552 – The value of assets was miscalculated.

Cause:

There appears to be a lack of internal control or review procedures to ensure information accuracy and proper calculation.

Effect:

There is no material effect on the financial statements as a result of this condition. However, errors in data input or miscalculations can result in incorrect determination of the tenant's total tenant payment and Housing Assistance Payment (HAP).

Recommendation:

Authority should enforce that files be reviewed thoroughly for accuracy.

Auditee Response/Corrective Action Plan:

The Authority agrees with this finding. A corrected HUD-50058 was completed reflecting the correct calculation of asset value. There was no impact on the total tenant payment and total HAP amount.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Finding No.: 2009-07
CFDA Program: All Programs
Area: Financial Accounting System
Questioned Costs: \$0

Criteria:

In accordance with the Common Rule, the Authority should maintain a financial accounting and management system to facilitate and be capable for the production of accurate and timely financial information and related preparation of financial statements.

In assessing the adequacy of an applicant's financial management system, the awarding agency shall rely on readily available sources of information, such as audit reports, to the maximum extent possible. If additional information is necessary to assure prudent management of agency funds, it shall be obtained from the applicant or from an on-site review.

Condition:

In assessing the adequacy of the Authority's financial management system we during our audit, we continued to observe that the Fiscal Division is unable to produce the current and complete financial statements on a monthly and annual basis. There is a consistent 2- to 3 month delay in closing books each month and at fiscal year-end.

In addition, numerous accounts were not properly reconciled during the year in a timely manner. As result, considerable time was spent reconciling account balances subsequent to September 30, 2009.

Cause:

The Authority lacks a sufficient number of qualified accountants to ensure that the accounting functions will not cease in the absence of exiting personnel and to allow for proper cross-training of personnel. Several key accounting personnel were allowed to take vacation during the course of the audit which caused delays in obtaining certain audit information and/or explanation of significant accounting issues.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Finding No.: 2009-07, Continued
CFDA Program: All Programs
Area: Financial Accounting System
Questioned Costs: \$0

Effect:

There is no known material effect on the financial as a result of this condition; however, the potential exist for management to make financial decisions based on inaccurate or non-current financial data.

Prior Year Status:

The above condition was cited as a similar finding in the prior year audit of the Authority.

Recommendation:

All significant account balances should be reconciled on a monthly basis within the Fiscal Division and in conjunction with the accounting staff working in the Research, Planning Evaluation Division. Standard operating policies and procedures should be developed and implemented to facilitate and ease month-end and year-end closing procedures to ensure that all accounting transactions are recorded and financial statements are prepared in a timely manner.

We commend management for the subsequent hiring a new accountant; however, to ensure that certain accounting functions do not cease, we believe additional qualified accountants knowledgeable in governmental accounting are still needed to alleviate the continued strain on existing personnel especially when vacations are taken and extended absences occur. Efforts should be made to rotate and cross-train existing accounting personnel to ensure that no one person is only knowledgeable of particular accounting functions. This is particularly critical when emergency leave occur, when vacations are taken and extended absences occur. Accounting staff vacations should be planned to occur before, near completion or after the audit is completed or alternate arrangements should be made to transfer accounting functions to other knowledgeable personnel.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

Finding No.: 2009-07, Continued
CFDA Program: All Programs
Area: Financial Accounting System
Questioned Costs: \$0

Auditee Response and Corrective Action Plan:

The Authority hired a Controller in May 2008 whose top priority includes: timeliness of financial reporting, recruitment of qualified accountants for the vacant positions, cross-train existing accounting personnel to ensure that accounting functions do not cease while vacations are taken or extended absences occur, providing personnel with quarterly updates from HUD and other accounting issues, and update the accounting policies and procedures manual. The Authority also hired a senior level accountant (Accountant III) to close the gap towards timeliness.

The Fiscal and MIS Division will work together to ensure that the Financial Accounting System generates the necessary reports to meet all financial reporting in a timely manner. Existing and new accounting personnel will be required to attend at least 16 credit hours of continuing professional education courses in governmental and financial accounting every year.

Vacation is a planned activity that occurs during the fiscal year; therefore, personnel will be authorized to go on vacations before, near completion or after the audit is completed. Otherwise, in the event of unplanned leave (such as medical emergencies), other accounting personnel will be able to respond to the auditors.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Summary Schedule of Prior Year Audit Findings Year Ended September 30, 2009

Audit Finding #

- | | |
|---------|---|
| 2008-1 | This finding is considered resolved. |
| 2008-2 | This finding was not fully corrected. The Authority's Plan of Corrective Action did not fully resolve this finding. A similar deficiency was cited in current year Finding No. 2009-02. |
| 2008-3 | This finding is considered resolved. |
| 2008-4 | This finding is considered resolved. |
| 2008-5 | This finding is considered resolved. |
| 2008-6 | This finding is considered resolved. |
| 2008-7 | This finding is considered resolved. |
| 2008-8 | The plan of corrective action did not fully resolve this finding. A similar deficiency was cited in current year finding No. 2009-05. Therefore, this finding is considered unresolved. |
| 2008-9 | The plan of corrective action did not fully resolve this finding. A similar deficiency was cited in current year finding No. 2009-04. Therefore, this finding is considered unresolved. |
| 2008-10 | The plan of corrective action did not fully resolve this finding. A similar deficiency was cited in current year finding No. 2009-07. Therefore, this finding is considered unresolved. |

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Summary of Unresolved Questioned Costs
Year Ended September 30, 2009

	<u>Beginning Questioned Costs</u>	<u>Costs Allowed</u>	<u>Costs Disallowed</u>	<u>Unresolved Questioned Costs</u>
FY 2009 Questioned costs	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
Total unresolved questioned costs at September 30, 2009	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>

Note 1: The Authority did not have any unresolved Questioned Costs as of September 30, 2009.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Plan of Corrective Action Federal Award Findings and Questioned Costs September 30, 2009

Finding No. 08-01

Program: Low Income Public Housing – Annual Inspections

Finding:

For eleven (11) or 44% of the twenty-five (25) 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 evidence that the deficiencies were corrected in a timely manner. Units were not inspected or were inspected after annual examination.

Corrective Action Stated and Taken:

The Authority will enforce its existing internal control policies and procedures to ensure that annual inspections of dwelling units are conducted in a timely manner and documented within the tenant's folder. Each PSM will ensure that the inspection reports list the work order numbers and attach the completed work orders to the inspection report. These reports will then be filed in the tenants' folders.

Responsible Party:

Property Site Managers

Current Status:

Corrective action has been taken and completed.

Finding No. 08-02

Program: Low Income Public Housing--Community Service

Finding:

Families did not complete the community service requirement.

Corrective Action Stated and Taken:

The Authority will enforce its existing internal control policies and procedures to ensure that the community service requirement objectives are monitored monthly and tenants are properly evaluated for each recertification period. Property Site Managers are working on the deficiencies cited above and will be reviewed by the QC manager to ensure that items have been corrected.

Responsible Party:

Property Site Managers

Current Status:

Corrective action has been taken.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Plan of Corrective Action
Federal Award Findings and Questioned Costs
September 30, 2009

Finding No. 08-03

Program: Low Income Public Housing--Criminal Activity

Finding:

Police background clearance forms are not obtained prior to admissions.

- 1) 7ASAL, 3BVDP, 1ACOH
- 2) 18JTQ
- 3) 168JQQ, 116JQQ

Corrective Action Stated and Taken:

It is in GHURA's intake policy and processing procedures to request for police clearances from the Guam Police Department prior to admission. Efforts to correct the problem within GPD have been addressed. An MOU between the GPD and GHURA has been updated to improve collaborative efforts that would ensure police clearances are processed in a timely manner.

Responsible Party:

Property Site Managers, Guam Police Department

Current Status:

Corrective action has been taken.

Finding No. 08-04

Program: Low-Income Public Housing—HUD-5008, Family Report.

Finding:

HUD-50058, Family Report. Form is unsigned for 31BDAM and 116JQQ

Corrective Action Stated and Taken:

The Authority will enforce its existing internal control policies and procedures to ensure that all required forms are properly signed during the application and recertification processes. There is a check off form that each Housing Specialist refers to ensure that all documents have been received and signed.

Responsible Party:

Property Site Managers, Housing Specialists

Current Status:

Corrective action has been taken.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Plan of Corrective Action
Federal Award Findings and Questioned Costs
September 30, 2009

Finding No. 08-05

Program: Low-Income Public Housing—Lease Agreement

Finding:

Lease Agreement not in file for 20ARDA8.

Corrective Action Stated and Taken:

The Authority will enforce its existing internal control policies and procedures to ensure that all required forms are properly signed during the application and recertification processes. There is a check off form that each Housing Specialist refers to ensure that all documents have been received, reviewed and signed.

Property Site Managers, Housing Specialists

Responsible Party:

Property Site Managers, Housing Specialists

Current Status:

Corrective action has been taken.

Finding No. 08-06

Program: Low-Income Public Housing—Evidence of Citizenship

Finding:

Document to establish identify and to determine eligibility is missing in tenant file.

- 1) 3BVDP-missing birth certificate for 2 dependent family members
- 2) 1ACOH0-missing birth certificate for 1 dependent family member
- 3) 44ADAM-incorrect birth date (11/25/91)

Corrective Action Stated and Taken:

The Authority will enforce its existing internal control policies and procedures to ensure that all HUD Forms 50058 are properly signed during the application and recertification processes. There is a check off form that each Housing Specialist refers to ensure that all documents have been received, reviewed and filed accordingly in each tenant's folder

Responsible Party:

Property Site Managers, Housing Specialists

Current Status:

Corrective action has been taken.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Plan of Corrective Action
Federal Award Findings and Questioned Costs
September 30, 2009

Finding No. 08-07

Program: Section 8 Housing Choice Voucher--Criminal Activity

Finding:

Police background clearance forms are not obtained prior to admissions.

Corrective Action Stated and Taken:

Efforts to correct the problem are currently being implemented. Policies and procedures are being updated to include tracking to ensure timeliness; properly documenting requested and received police clearances; and an MOU between GPD and GHURA now exists to improve collaborative efforts that would ensure police clearances are processed in a timely manner.

Responsible Party:

S8 Administrator, Housing Specialist Supervisors, Housing Specialists

Current Status:

Corrective action has been taken.

Finding No. 08-08

Program: Section 8 Housing Choice Voucher Program—Eligibility

Finding:

File contains incomplete documentation.

- 1) 02-0356-HUD form 52517 not signed by tenant.
- 2) 06-1494-HUD form 50058 not signed by S8 Administrator
- 3) 02-0333-Verification Consent Form to INS information not signed by non-US citizen.

Corrective Action Stated and Taken:

To correct this deficiency: (1) Supervisors are being mandated to expand their scope of review to ensure completeness of each required document; and (2) each caseworker is being required to ensure completeness of each document. Continued non-compliance of this requirement may result in disciplinary action.

Responsible Party:

S8 Administrator, Housing Specialist Supervisors, Housing Specialists

Current Status:

Corrective action has been taken.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Plan of Corrective Action
Federal Award Findings and Questioned Costs
September 30, 2009

Finding No. 08-09

Program: Section 8 Housing Choice Voucher--Rent Reasonableness

Finding:

The comparables used were not for units in the same location.

- 1) 04-0982-proposed unit in Dededo compared to Agat; no justification for comparison
- 2) 03-0836-proposed unit in Barrigada compared to Yigo and Dededo; no justification for comparison
- 3) 07-1745-proposed unit in Tamuning compared to Yigo and Dededo; no justification for comparison

Corrective Action Stated and Taken:

Measures to correct this deficiency include: (1) for accuracy and consistency, the task of determining rent reasonableness has been reassigned to a supervisory staff; (2) procedures are being established to ensure federal guidelines are being followed in the processing of comparables; (3) comparables used from a different location must be due to the unavailability of a comparable source and the reasons and unsuccessful efforts to obtain the sources from the same location must be adequately documented.

Responsible Party:

S8 Administrator, Housing Specialist Supervisors, Housing Specialists

Current Status:

Corrective action has been taken.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Plan of Corrective Action
Federal Award Findings and Questioned Costs
September 30, 2009

Finding No. 08-10

Program: Financial Accounting System

Finding:

Fiscal Division is unable to produce current and complete financial statements timely.

- 1) Unable to produce the current and complete financial statements on a monthly and annual basis.
- 2) Consistent 2-3 month delay in closing books each month and at fiscal year-end.

Corrective Action Stated and Taken:

The Fiscal and MIS Division will work together to ensure that the Financial Accounting System generates the necessary reports to meet all financial reporting in a timely manner. Existing and new accounting personnel will be required to attend at least 16 credit hours of continuing professional education courses in governmental and financial accounting every year.

Vacation is a planned activity that occurs during the fiscal year; therefore, personnel will be authorized to go on vacations before, near completion, or after the audit is completed. Otherwise, in the event of unplanned leave (such as medical emergencies), other accounting personnel will be able to respond to auditors.

Responsible Party:

Controller; Deputy Controller

Current Status:

Corrective action has been taken.

GUAM HOUSING AND URBAN RENEWAL AUTHORITY

Supplementary Information

Schedule 1

Salaries, Wages and Benefits
For the Years Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Salaries	\$ 3,856,752	\$ 3,611,210
Retirement benefits	956,566	865,684
Benefits other than retirement	294,498	226,223
Overtime pay	<u>79,538</u>	<u>53,899</u>
Total salaries, wages and benefits	<u>\$ 5,187,354</u>	<u>\$ 4,757,016</u>
Employees at end of year	<u>110</u>	<u>107</u>

Note 1: The salaries, wages and benefits noted above are reported in the accompanying financial statements on a functional basis by program for the years ended September 30, 2009 and 2008.