

GUAM MEMORIAL HOSPITAL AUTHORITY
(A COMPONENT UNIT OF THE
GOVERNMENT OF GUAM)

INDEPENDENT AUDITORS' REPORTS ON
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2014

**INDEPENDENT AUDITORS' 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**

Board of Trustees
Guam Memorial Hospital Authority:

We have audited, in accordance with the 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, the financial statements of Guam Memorial Hospital Authority (the Authority), a component unit of the Government of Guam, which comprise the statement of net position as of September 30, 2014, and the related statements of revenues and expenses and changes in net position, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 that we consider to be significant deficiencies.

Compliance and Other Matters

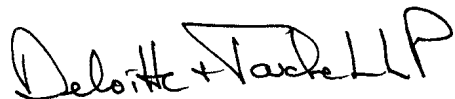
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

June 26, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB
CIRCULAR A-133**

Board of Trustees
Guam Memorial Hospital Authority:

Report on Compliance for Each Major Federal Program

We have audited Guam Memorial Hospital Authority's (the Authority's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2014. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we 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 the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Basis for Qualified Opinion on CFDA 15.875 Economic, Social and Political Development of the Territories

As described in the accompanying Schedule of Findings and Questioned Costs, the Authority did not comply with requirements regarding CFDA 15.875 Economic, Social and Political Development of the Territories as described in item 2014-002 for Allowable Costs/Cost Principles. Compliance with such requirement is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 15.875 Economic, Social and Political Development of the Territories

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 15.875 Economic, Social and Political Development of the Territories for the year ended September 30, 2014.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-003. Our opinion on each major federal program is not modified with respect to these matters.

The Authority's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2014-002 to be a material weakness.

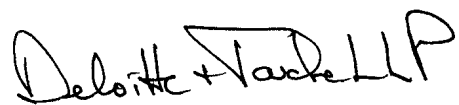
A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2014-003 to be a significant deficiency.

The Authority's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Guam Memorial Hospital Authority (the Authority) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's financial statements. We issued our report thereon dated June 26, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.



June 26, 2015

**GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)**

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2014

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>
U.S. Department of the Interior		
Passed through the Government of Guam:		
Economic, Social and Political Development of the Territories:		
15.875	Compact Impact FY 2009-1 : GMH Pharmaceutical & Equipment	\$ 16,247
15.875	Compact Impact FY 2011-3 : GMH Medical Equipment	550,297
15.875	Compact Impact FY 2013-3 : GMH Payment to Critical Pharmaceutical Vendor	2,500,000
15.875	Compact Impact FY 2014 : Payment to Vendors & BOG Loan	<u>3,000,000</u>
	Total U.S. Department of the Interior	<u>6,066,544</u>
U.S. Department of Health and Human Services		
Passed through the Government of Guam:		
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements:	
	HPP Grant FY 2012	304,344
	HPP Grant FY 2013	<u>151,672</u>
	Total U.S. Department of Health and Human Services	<u>456,016</u>
	Total Federal Awards	<u>\$ 6,522,560</u>
Reconciliation to the financial statements:		
	Federal program expenditures recorded as operating expenses and accounts payable	\$ 6,249,315
	Capital contributions	16,247
	Federal program expenditures recorded as nonoperating expenses	<u>256,998</u>
		<u>\$ 6,522,560</u>

See accompanying notes to schedule of expenditures of federal awards.

GUAM MEMORIAL HOSPITAL AUTHORITY
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Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2014

(1) Scope of Audit

Guam Memorial Hospital Authority (the "Authority") is a component unit of the Government of Guam (GovGuam), a governmental entity created on July 26, 1977, under Public Law No. 14-29 as an autonomous agency of GovGuam. Only the transactions of the Authority are included within the scope of the OMB Circular A-133 audit (the "Single Audit"). The U.S. Department of the Interior has been designated as the Authority's cognizant agency for the Single Audit.

Programs Subject to Single Audit

The accompanying Schedule of Expenditures of Federal Awards presents each Federal program related to the U.S. Department of the Interior and U.S. Department of Health and Human Services, which are subject to OMB Circular A-133.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting, consistent with the manner in which the Authority maintains its accounting records. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements. All expenses and capital outlays are reported as expenditures.

Matching Costs

Matching costs, i.e., the nonfederal share of certain program costs, are not included in the accompanying Schedule of Expenditures of Federal Awards.

GUAM MEMORIAL HOSPITAL AUTHORITY
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Schedule of Findings and Questioned Costs
Year Ended September 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| 2. Material weakness(es) identified? | No |
| 3. Significant deficiency(ies) identified? | Yes |
| 4. Noncompliance material to financial statements noted? | No |

Federal Awards

Internal control over major federal programs:

- | | |
|---|------------|
| 5. Material weakness(es) identified? | Yes |
| 6. Significant deficiency(ies) identified? | Yes |
| 7. Type of auditors' report issued on compliance for major federal programs: | |
| CFDA # 15.875 | Qualified |
| CFDA # 93.074 | Unmodified |
| 8. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | Yes |

9. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
15.875	Economic, Social and Political Development of the Territories
93.074	HPP and PHEP Aligned Cooperative Agreements

- | | |
|--|-----------|
| 10. Dollar threshold used to distinguish between Type A and Type B Programs: | \$300,000 |
| 11. Auditee qualified as low-risk auditee? | No |

Section II – Financial Statement Findings

Finding

Number Findings

2014-001 Patient Receivables

Section III – Federal Award Findings and Questioned Costs

<u>Finding Number</u>	<u>CFDA Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
2014-002	15.875	Allowable Costs/Cost Principles	\$ 224,477
2014-003	15.875/ 93.074	Equipment and Real Property Management	\$ -

GUAM MEMORIAL HOSPITAL AUTHORITY
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Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2014

Finding No. 2014-001 - Patient Receivables

Criteria: Measures and actions should be undertaken to collect and address long-outstanding and increasing receivables.

Condition: Tests of patient receivables noted the following:

- Patient receivables increased by \$22,947,979 (or 10%) from \$235,580,970 at September 30, 2013 to \$258,528,949 at September 30, 2014. Based on the allowance analysis, the allowance for contractual adjustments and estimated uncollectible accounts increased by \$22,223,082 (or 10%) from \$214,727,608 at September 30, 2013 to \$236,950,690 at September 30, 2014.
- The Authority's unbilled receivables increased by \$1.5 million (or 35%) from \$4.3 million at September 30, 2013 to \$5.8 million at September 30, 2014.
- During the July 24, 2014 meeting, the Board approved \$178 million of receivable write-offs; however, these adjustments have not been reflected in the Authority's books.

Cause: The cause of the above condition appears to be declining economic conditions and inadequate resources invested in the billing and collections function.

Effect: The effect of the above condition is a potential for inadequate cash flows to meet current obligations.

Recommendation: We recommend that the Authority continue its effort to follow up on outstanding patient receivables and to continually review existing collection measures and strategies to further develop other plans to address increasing patient receivables. We further recommend that the Authority revisit the adequacy of resources provided in the billing and collections division.

Prior Year Status: The matter relating to increased patient receivables as described above was reported as a finding in the Single Audit of the Authority for fiscal years 2010, 2011, 2012 and 2013.

Auditee Response and Corrective Action Plan:

Contact Person: Benita Manglona

Corrective Action: Plan to reduce patient receivables which consist of the following items:

For all Financial Classes

1. Hire up to three additional Accounting Technician positions to reconcile current and older patient accounts receivables for all financial classes. These would include:
 - a. The reconciliation of all third party provider payments.
 - b. The transfer of all identified secondary payers to the appropriate financial class.
 - c. The write-off of non-collectible charges.
 - d. The review of post payment denials.
 - e. The referrals of clean patient account receivables to the appropriate collection agencies.

GUAM MEMORIAL HOSPITAL AUTHORITY
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Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2014

Finding No. 2014-001 - Patient Receivables, Continued

Auditee Response and Corrective Action Plan:, Continued

2. At the point of patient discharge, issue promissory notes to all open patient accounts, which will be subjected to collection referral should there be breaches in these payment agreements.

Self-Pay Financial Class

3. Once reconciled, refer all clean and outstanding Self-Pay patient accounts to the Department of Revenue and Taxation for garnishment and to other collection agencies for collections.
4. Have hospital Collection Agents collaborate with patient guarantors to provide initial payment deposits on opened patient receivable accounts and to issue promissory note agreements with same patient receivable accounts.
5. Outsource Call Center Services for follow-up collection of Self-Pay accounts.
6. Work with the Department of Public Health and Social Services (DPHSS) to have in place Medicaid and MIP program representatives to assist in the patient transfers from Self-Pay patients to Medicaid and MIP patients.

Medicaid, Medicare, MIP

7. Continue the Medicare rebasing project as means to increase the per diem rate for Medicare, Medicaid, and MIP (the local MIP and Medicaid programs will follow suit).
8. Continue with electronic billings to DPHSS.

Commercial Providers

9. Update contractual agreements with third party payers to reflect today's marketing conditions.
10. Invoice patient accounts for non-payment of third party receivables.
11. Provide required supporting documents for billing acceptance by third party.
12. Establish electronic billings with all third party providers.

Proposed Completion Date: Ongoing

GUAM MEMORIAL HOSPITAL AUTHORITY
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Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2014

Finding No.: 2014-002
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Agency: U.S. Department of the Interior
Award Number: 2013 Compact Impact Grant
Requirement: Allowable Costs/Cost Principles
Questioned Cost: \$224,477

Criteria: In accordance with applicable allowable costs/ cost principles requirements, federal funds received are to be expended for in accordance with the intent of the related grant award.

Condition: For 8 (or 35%) of 23 federal expenditures tested per the 2013 Compact Impact Grant, disbursements were made to vendors other than those specified in the approved grant request and award:

<u>Purchase Order /Invoice Number</u>	<u>Amount</u>
41664887	\$ 19,366
1394	36,971
1877083113	38,382
918335294	8,376
90766	2,760
1000854	39,199
1002546	19,610
41833	<u>59,813</u>
Total	\$ <u>224,477</u>

Cause: The cause of the above condition is lack of oversight and a potential lack of awareness of grant terms and conditions.

Effect: The Authority appears to be in noncompliance with applicable allowable costs/cost principles requirements, and questioned costs of \$224,477 result.

Recommendation: The Authority should strengthen internal controls over monitoring to determine compliance with allowable costs/cost principles requirements.

Auditee Response and Corrective Action Plan:

Contact Person: Benita Manglona

Corrective Action: A prepared letter was completed and forwarded to the Governor of Guam to amend GMHA's original statement of request to include, "Other Vendor Payables." Such amendment would satisfy the requirement of this audit finding. This letter was forwarded to Governor of Guam on June 10, 2015. The Governor approved the request on June 11, 2014.

Proposed Completion Date: Ongoing

MEMORIAL HOSPITAL AUTHORITY
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Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2014

Finding No.: 2014-003
CFDA Program: DOI 15.875 Economic, Social, and Political Development of the Territories
CFDA Program: HHS 93.074 HPP and PHEP Aligned Cooperative Agreements
Requirement: Equipment and Real Property Management
Questioned Cost: \$0

Criteria: In accordance with applicable federal equipment and real property management guidelines, the grantee shall adequately safeguard and maintain equipment and property acquired with federal funds.

Condition: Two (or 3%) of 67 federal fixed assets tested for existence were fully depreciated and had not been used for several years, and the Authority has no immediate plans for future use, as follows:

<u>CFDA No.</u>	<u>Award No.</u>	<u>Tag No.</u>	<u>Description</u>
15.875	2001 Compact Impact Grant	5236	MAMMOGRAM UNIT, BREA
93.074	2008 HPP Grant	6871	VENTILATOR; ACHIEVA

Cause: Compliance with appropriate maintenance of federal fixed assets does not appear to have been monitored.

Effect: The Authority appears to be in noncompliance with applicable equipment and real property management requirements.

Recommendation: We recommend that the Authority regularly monitor its federally-funded equipment and reassess the assets' conditions at the time of the physical count to determine if repair, maintenance, or disposal is appropriate.

Prior Year Status: Noncompliance with applicable equipment and real property requirements was reported as a finding the Single Audits of the Authority for fiscal years 2012 and 2013.

Auditee Response and Corrective Action Plan:

Contact Person: Benita Manglona

Corrective Action:

1. Each unit was located at two separate locations. The Brea Mammogram Unit is stored at the Mammogram Section of Radiology, covered up with protective wrappings and its tag number 5236 confirmed. To place this unit in operation would require the purchase of two equipment component units and recertified for use. The Achieva Ventilator is stored with Facility Management and is considered inoperable. Its tag number 6871 was confirmed.
2. The placement of the Brea Mammogram into operation is under discussion at this time. There is no decision to survey out this equipment at this time.
3. The Achieva Ventilator is surveyed out to GSA by the Respiratory Department. The unit is inoperable when placed in operation mode.

MEMORIAL HOSPITAL AUTHORITY
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Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2014

Finding No.: 2014-003, Continued
CFDA Program: DOI 15.875 Economic, Social, and Political Development of the Territories
CFDA Program: HHS 93.074 HPP and PHEP Aligned Cooperative Agreements
Requirement: Equipment and Real Property Management
Questioned Cost: \$0

Auditee Response and Corrective Action Plan:, Continued

4. The corrective action is to maintain the Brea Mammogram Unit "As Is," until such time a decision is made to provide mammogram services to the public. This unit will be placed back into the annual maintenance schedule to comply with fixed asset maintenance requirements of the federal government. The surveying out of Achieva Ventilator will satisfy this audit finding

Proposed Completion Date: Ongoing

GUAM MEMORIAL HOSPITAL AUTHORITY
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Unresolved Prior Year Findings and Questioned Costs
Year Ended September 30, 2014

Questioned Costs:

For the year ended September 30, 2014, the following questioned costs were noted and prior questioned costs resolved:

	Questioned Costs Set Forth in Prior <u>Audit Report</u>	Questioned Costs Resolved during Fiscal Year <u>2014</u>	Questioned Costs at <u>September 30, 2014</u>
Unresolved Questioned Costs FY 2013	\$ <u>2,201,988</u>	\$ <u> -</u>	\$ 2,201,988
Questioned Costs for FY 2014			<u>224,477</u>
			\$ <u>2,426,465</u>

Summary Schedule of Prior Audit Findings

As of September 30, 2014, the status of all audit findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2013 is as follows:

Finding No.	CFDA No.	Requirement	Questioned Costs	Status at September 30, 2014
2013-2	15.875	Equipment and Real Property Management	\$ -	Refer to item 1 below.
2012-4	15.875	Procurement and Suspension and Debarment	153,568	Refer to item 1 below.
2012-5	15.875	Equipment and Real Property Management	-	Refer to item 1 below.
2011-4	81.041	Procurement and Suspension and Debarment	21,817	Refer to item 2 below.
2010-3	15.875	Procurement and Suspension and Debarment	699,938	Refer to item 1 below.
2010-4	93.889	Procurement and Suspension and Debarment	29,075	Refer to item 3 below.
2009-03	15.875	Procurement and Suspension and Debarment	103,898	Refer to item 1 below.
2009-04	93.889	Allowable Costs/Costs Principles, and Procurement and Suspension and Debarment	52,700	Refer to item 3 below.
2008-07	15.875	Allowable Costs/Costs Principles, and Procurement and Suspension and Debarment	841,956	Refer to item 1 below.
2008-08	93.889	Allowable Costs/Costs Principles, and Procurement and Suspension and Debarment	219,708	Refer to item 3 below.
2008-09	93.889	Period of Availability	79,328	Refer to item 3 below.
2008-10	93.889	Cash Management	-	Refer to item 3 below.
			<u>\$ 2,201,988</u>	

GUAM MEMORIAL HOSPITAL AUTHORITY
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Unresolved Prior Year Findings and Questioned Costs, Continued
Year Ended September 30, 2014

Summary Schedule of Prior Audit Findings, Continued

1. For Compact-Impact disallowed cost of \$1,799,360, a letter of forgiveness has been prepared and forwarded to the Governor of Guam on June 17, 2015 for his approval. This request is necessary in order for this disallowed cost to be removed. Any findings of disallowed cost after the grace period would need to be paid back to the grantor agency. In this case the grantor for Compact-Impact funding is the Governor of Guam, since the federal funding is a reimbursement of cost incurred by the migration of people from the Federal State Micronesia (FSM) and Palau. The hospital is unable to reimburse the Governor's Office for the disallowance of cost as the result of inappropriate procurement practices made in the past. The only reasonable action that could be taken is GMHA's request for forgiveness of these disallowed costs.
2. A letter of forgiveness will be prepared to the U.S. Energy Office, requesting that \$21,718 be forgiven. If this request is denied, then the next appropriate action is to request a supplemental appropriation for the amount of the disallowance for remittance to the grantor agency.
3. A similar letter of forgiveness will be prepared to the U.S. Bioterrorism Program, requesting that \$380,811 be forgiven. If this same request is also denied, then additional supplemental funding request would need to be made to the Legislature to cover the cost of the disallowance. This funding would be remitted to the U.S Bioterrorism program. If no action is made, there is the possibility that new funding from the U.S. Energy Office and U.S. Bioterrorism Program would be held up, or garnishments of GMHA and other federal reimbursements owed to Government of Guam line agencies could take place.