

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

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**INDEPENDENT AUDITORS' REPORTS ON**  
**INTERNAL CONTROL AND ON COMPLIANCE**

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**YEAR ENDED SEPTEMBER 30, 2008**

**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 the financial statements of the Guam Memorial Hospital Authority (the Authority) as of and for the year ended September 30, 2008, and have issued our report thereon dated April 8, 2009. We conducted our 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 our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our 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, we identified certain deficiencies in internal control over financial reporting that we 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 the entity'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 the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs (pages 8 through 28) as items 2008-01 through 2008-06 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 a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our 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, we believe that the significant deficiencies described above as items 2008-01 through 2008-06 are material weaknesses.

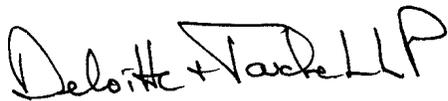
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of 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*.

We noted certain matters that we reported to management of the Authority in a separate letter dated April 8, 2009.

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

This report is intended solely for the information and use of management, the Board of Trustees, the Office of the Public Auditor of Guam, federal awarding agencies, the cognizant audit and other federal agencies, and others within the entity 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.

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

April 8, 2009

**INDEPENDENT AUDITORS' 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 Trustees  
Guam Memorial Hospital Authority:

Compliance

We have audited the compliance of the Guam Memorial Hospital Authority (the Authority) 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, 2008. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs (pages 8 through 28). Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

As described in items 2008-07 through 2008-10 in the accompanying Schedule of Findings and Questions Costs, the Authority did not comply with requirements regarding allowable costs/cost principles and procurement and suspension and debarment that are applicable to its Compact Impact Grants ((CFDA# 15.875) and allowable costs/cost principles, procurement and suspension and debarment, period of availability and cash management that are applicable to its National Bioterrorism Hospital Preparedness Program (CFDA# 93.889). Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the previous paragraph, the Authority 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, 2008.

## Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority'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 our auditing procedures for the purpose of expressing our opinion on compliance, 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 purposes described in the preceding paragraph and would not necessarily identify all deficiencies in the Authority's internal control over compliance that might be significant deficiencies or material weaknesses as defined below.

However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and 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 the entity'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 entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-07 through 2008-10 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 entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-07 through 2008-10 to be material weaknesses.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses, and accordingly, we express no opinion on them.

## Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Guam Memorial Hospital Authority as of and for the year ended September 30, 2008, and have issued our report thereon dated April 8, 2009. Our audit was performed for the purpose of forming our opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (page 7) is presented for purposes 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 the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our 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 and use of management, the Board of Trustees, the Office of the Public Auditor of Guam, federal awarding agencies, the cognizant audit and other federal agencies, and others within the entity 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.

*Deloitte + Touche LLP*

April 8, 2009

**GUAM MEMORIAL HOSPITAL AUTHORITY**

Schedule of Programs Selected for Audit  
in Accordance with OMB Circular A-133  
Year Ended September 30, 2008

The following list specifies programs selected for detailed compliance testing in accordance with applicable OMB Circular A-133 requirements.

<u>Grantor</u>	<u>CFDA #</u>	<u>Amount of Description</u>	<u>Expenditures</u>
U.S. Department of the Interior	15.875	Economic, Social, and Political Development of the Territories: Compact Impact Grants	\$ 7,651,797
U.S. Department of Homeland Security	97.039	Hazard Mitigation Grant	1,028,032
U.S. Department of Health and Human Services	93.889	National Bioterrorism Hospital Preparedness Program	<u>564,928</u>
		Total program expenditures tested	\$ <u>9,244,757</u>
		Total federal program expenditures	\$ <u>9,244,757</u>
		% of total federal program expenditures tested	<u>100%</u>

**GUAM MEMORIAL HOSPITAL AUTHORITY**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2008

<u>CFDA#</u>	<u>Agency/Program</u>	2008 Federal Expenditures
	<u>U.S. Department of the Interior:</u>	
	Passed through the Government of Guam:	
	Economic, Social and Political Development of the Territories:	
15.875	Compact Impact FY 2003 - Repairs and equipment	\$ 71,453
15.875	Compact Impact FY 2004 - Capital and medical equipment	95,290
15.875	Compact Impact FY 2006 - Medical equipment	-
15.875	Compact Impact FY 2006 - Diabetes program	13,601
15.875	Compact Impact FY 2007 - Pharmaceutical supplies and equipment	1,277,774
15.875	Compact Impact FY 2007 - Building Improvement Projects	113,679
15.875	Compact Impact FY 2008 - Pharmaceutical supplies and equipment	6,080,000
	Total U.S. Department of the Interior	<u>7,651,797</u>
	<u>U.S. Department of Homeland Security:</u>	
	Passed through the Government of Guam:	
97.039	Hazard Mitigation Grant - Enclose main lobby	<u>1,028,032</u>
	Total U.S. Department of Homeland Security	<u>1,028,032</u>
	<u>U.S. Department of Health and Human Services:</u>	
	Passed through the Government of Guam:	
	National Bioterrorism Hospital Preparedness Program:	
93.889	Bioterrorism Hospital Preparedness Grant FY 2005	211,911
93.889	Bioterrorism Hospital Preparedness Grant FY 2006	153,369
93.889	Bioterrorism Hospital Preparedness Grant FY 2007	199,648
	Total U.S. Department of Health and Human Services	<u>564,928</u>
	Total Federal Program Expenditures	<u>\$ 9,244,757</u>
	Reconciliation to the basic financial statements:	
	Pharmaceutical supplies	6,989,105
	Capitalized as fixed asset additions	1,920,307
	Federal program expenditures recorded as nonoperating expenses	<u>335,345</u>
		<u>\$ 9,244,757</u>

See accompanying notes to schedule of expenditures of federal awards.

# GUAM MEMORIAL HOSPITAL AUTHORITY

## Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2008

### (1) Scope of Audit

The Guam Memorial Hospital Authority (the Authority) is a component unit of the Government of Guam, a governmental entity created on July 26, 1977 under Public Law No. 14-29 as an autonomous agency of the Government of Guam. Only the federal expenditures 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.

#### a. Programs Subject to Single Audit

A Schedule of Expenditures of Federal Awards is presented for each Federal program related to the following agencies:

- U.S. Department of Health and Human Services
- U.S. Department of Homeland Security
- U.S. Department of the Interior

### (2) Summary of Significant Accounting Policies

#### a. 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. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. All expenses and capital outlays are reported as expenditures. Expenditures are recognized on the accrual basis of accounting consistent with the manner in which the Authority maintains its accounting records.

#### b. 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.

#### c. Indirect Cost Allocation

The National Bioterrorism Hospital Preparedness Grant allows, upon prior grantor approval, an indirect cost allocation of 10% of certain administrative expenses to be charged against the grant. The Authority charged this federal program \$0 for indirect costs during fiscal year 2008.

# GUAM MEMORIAL HOSPITAL AUTHORITY

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### Section I - Summary of Auditor's Results

1. The Independent Auditors' Report on the basic financial statements expressed an unqualified opinion.
2. Significant deficiencies in internal control over financial reporting were identified, all of which are considered to be material weaknesses.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. Significant deficiencies in internal control over compliance with requirements applicable to major federal award programs were identified, all of which are considered to be material weaknesses.
5. The Independent Auditors' Report on compliance with requirements applicable to major federal award programs expressed a qualified opinion for all major programs, except for CFDA Program 97.039 Hazard Mitigation Grant, which was unqualified.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. The Authority's major programs were as follows:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Economic, Social and Political Development of the Territories:	
Compact Impact Grants	15.875
Hazard Mitigation Grant	97.039
National Bioterrorism Hospital Preparedness Program	93.889

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The Authority did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

### Section II - Financial Statement Findings

<u>Reference Number</u>	<u>Findings</u>
2008-01	Payroll
2008-02	Pharmaceutical Department Inventory
2008-03	Compensated Absences
2008-04	Patient Revenues
2008-05	Patient Receivables
2008-06	Allowance for Uncollectible Patient Receivables

**GUAM MEMORIAL HOSPITAL AUTHORITY**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2008

**Section III – Federal Award Findings & Questioned Costs**

<u>Reference Number</u>	<u>CFDA Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
2008-07	15.875	Allowable Costs/Cost Principles and Procurement	\$ 841,956
2008-08	93.889	Allowable Costs/Cost Principles and Procurement	\$ 219,708
2008-09	93.889	Period of Availability	\$ 79,328
2008-10	93.889	Cash Management	\$ -

## GUAM MEMORIAL HOSPITAL AUTHORITY

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

#### Finding No. 2008-01 - Payroll

**Criteria:** Employee time should be reviewed and approved by designated responsible management personnel prior to payment being processed. Additionally, pay rates should reflect pay rates as stated in the approved employee's personnel action form.

#### Conditions:

1. Based on examination of the payroll system and discussion with the Chief Financial Officer, designated timekeepers are responsible for examining and approving employee time. However, there is no underlying supporting documentation that substantiates that such review and approval occurs prior to employees being paid.
2. For 10 (or 7%) of 138 payroll items tested, employee increments were not effectuated in a timely manner due to a delay in transmitting approved personnel action forms (PAF) from the personnel department to the payroll department. Further, per inquiry with the payroll department, there are no internal controls to ensure that retro pay is recorded in the correct period.

**Cause:** There appears to be weak internal controls over ensuring review and approval of employee time by designated responsible personnel prior to payment being processed and pay rates reflect approved pay rates per the employee's personnel action form.

**Effect:** The condition may result in payments for potential unauthorized time worked by hospital employees.

**Recommendation:** The Guam Memorial Hospital Authority management should strengthen internal controls to ensure that employee time is reviewed and approved by designated responsible management personnel prior to payment being processed and that such review and approval is evidenced by supporting documentation. Furthermore, the Authority should strengthen controls over ensuring approved pay increments are input into the payroll system in a timely manner.

**Auditee Response and Corrective Action Plan:** Hospital has instituted the following corrective action plan noting the recent hiring of a Payroll Supervisor (effective February 12, 2009):

**Condition 1:** Effective the January 17, 2009 pay period ending:

#### Before Payroll is generated

Department Timekeepers and department managers shall be responsible, by means of the Payroll module to indicate that a review has been performed of the timekeeping for the employees they are responsible for each pay period.

The Payroll department shall be responsible to generate an exception report noting those employees whose timekeeping was indicated as not being reviewed by the timekeeper.

## GUAM MEMORIAL HOSPITAL AUTHORITY

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

#### Finding No. 2008-01 – Payroll, Continued

##### After Payroll is generated before payroll checks are distributed

Timekeeper(s) and Department Head(s) shall be responsible to review, approve, and sign off on the exception report for those employees whose time was not reviewed before the payroll was generated.

The payroll check(s) is held until the timekeeper and/or department head signs off on the exception report.

Payroll department will maintain the exception report by pay period for recordkeeping purposes.

Note all responsible parties were duly notified of responsibility via Informational Circular# 9053, dated January 5, 2009.

The Payroll Supervisor shall be responsible to ensure the timely compliance of resolution.

##### **Condition 2:** Effective March 21, 2009

The Hospital has adopted the practice to mitigate the effect of condition #2. This shall address the condition.

##### Human Resources Department

HR will be responsible to generate a listing of employees who are due a performance evaluation. The listing will be updated every other month. As of April 2009, fifty (50) employees were identified. HR will forward the listing to the Payroll Supervisor.

##### Payroll

The Payroll staff will be responsible to generate and update the potential amount of payroll liability for each employee until the performance evaluation is completed.

Payroll will attach a copy of calculation sheet to the paycheck for each pay period the employee does not receive the retroactive pay beginning the April 17, 2009 payday and every last payday of each month.

##### Accounting

The General Accounting Supervisor shall be responsible to record the estimated liability based on the calculation from Payroll at the end of each fiscal year.

The Chief Financial Officer shall be responsible to insure the Hospital is meeting the resolution for finding 2008-01.

## GUAM MEMORIAL HOSPITAL AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2008

### Finding No. 2008-02 Pharmaceutical Department Inventory

Criteria: Perpetual inventory records should reflect inventory quantities on-hand. Furthermore, underlying records should reconcile to the general ledger and differences should be investigated and reconciled in a timely manner.

Condition: The Guam Memorial Hospital Authority does not maintain perpetual inventory records for the pharmacy department. Only a year-end physical count is performed and the general ledger is adjusted to reflect results of the count. Furthermore, detailed reconciliations and investigations of differences are not performed.

Cause: There appears to be weak controls over management of pharmacy inventory.

Effect: Pharmacy inventory balances may be potentially misstated. Furthermore, the potential for misappropriation of assets exists and it appears that such would not be prevented or detected in a timely manner.

Recommendation: The Guam Memorial Hospital Authority management should strengthen internal controls to maintain perpetual inventory records which reflect quantities on-hand. Furthermore, underlying records should be reconciled to the general ledger and differences should be investigated and reconciled in a timely manner.

Auditee Response and Corrective Action Plan: The Hospital is assessing the possibility of outsourcing the management of Hospital's pharmaceutical services. A Request For Interest (RFI) was issued to determine the market's capability to provide hospital-based management of hospital-based pharmaceutical services. Administration would be essentially dependent upon market response. Both parties must consider inherent hospital-based need:

- 1) The ability to provide an unrestricted variety of pharmaceutical supplies which are contingent upon patient needs, and
- 2) The ability to supply pharmaceutical services without delay in the event of an emergency, i.e. typhoon or biological disaster.
- 3) Ability to maintain qualified and certified pharmacy staff as required by both CMS and JC standards.

Addendum:RFI was issued on January 20, 2009, closed on February 20, 2009 with no response. It was re-issued on March 10, 2009 with a close date of April 13, 2009.

The Hospital has since hired two additional full-time Pharmacists to meet the patient demands allowing the Pharmacy department to operate on a twenty-four hour basis. The additional professional staff has also improved the control of pharmaceuticals as the night lockers have been removed from the nursing wards. The night lockers were previously used as a means of maintaining pharmaceuticals inventory due to previously reduced Pharmacy hours. The Hospital is also exploring the possibility of obtaining an automated pharmaceutical and medical supply dispensing system that would accurately track the items used by the patient. The dispensing system would also be capable of directly charging the patient for the dispensed items.

## **GUAM MEMORIAL HOSPITAL AUTHORITY**

### **Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008**

#### **Finding No. 2008-02 Pharmaceutical Department Inventory, Continued**

Meanwhile, the Hospital plans to:

- 1) Conduct two (2) counts of the on-hand pharmacy inventory, in July and September;
- 2) Conduct periodic sampling/spot accounting of on-hand pharmacy inventory;
- 3) Work with Information System vendor on refining the Pharmacy module with the purpose of improving internal control, module interfacing, and reporting capabilities.
- 4) The recruitment of an Accountant whose sole responsibility would be to reconcile and monitor pharmacy transactions.

The Pharmacy Director and Materials Management Administrator shall be responsible to perform the pharmacy inventory, in conjunction with Nursing Services and Accounting, in July and September.

The Pharmacy Director and Material Management Administrator shall be responsible to conduct periodic sample/spot accounting of on-hand pharmacy inventory.

The MIS Administrator, Pharmacy Director, Materials Management Administrator and General Accounting Supervisor shall be responsible to coordinate efforts to bring on line the Pharmacy module by end of FY2009. This group shall also work to determine if the Pharmacy module can and will be able to meet the needs of both the users and the patient and provide solutions to meet such needs.

The Chief Financial Officer shall be responsible to insure the Hospital is meeting the resolution for finding 2008-02.

## GUAM MEMORIAL HOSPITAL AUTHORITY

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

#### Finding No. 2008-03 – Compensated Absences

Criteria: Annual and sick leave accruals and leave taken should be reviewed on a periodic basis.

Condition: Based on discussion with the Chief Financial Officer, inputs into the payroll system for leave hours expended are manual. The payroll system calculates employee accrued annual and sick leave and leave taken. Although the process is system generated, there is no review by management to ensure the accuracy of the payroll system.

Cause: There appears to be a lack of controls over ensuring review and approval of employee annual and sick leave accruals and leave taken.

Effect: This condition may result in a potential misstatement of annual and sick leave balances.

Recommendation: Management should strengthen controls to ensure review of the accuracy of annual and sick leave accruals and leave taken.

Auditee Response and Corrective Action Plan: Effective the May 9, 2009 pay period ending, the Payroll Supervisor will have the capability to generate an annual and sick leave accrual report from the system. The report will reflect, for each employee by department, beginning balance from prior pay period, hours taken, accrued hours, remaining balance, and corresponding dollar value (in accordance to employee's hourly rate).

The Payroll Supervisor shall be responsible to audit, compare, and reconcile, if necessary, adjust the employee's annual and sick leave balance.

The Payroll Supervisor shall forward the report to the General Accounting Supervisor for the purposes of sourcing the proper recognition of payroll liability in the financial statements.

Reports will be maintained by payroll department for record keeping purposes.

The Payroll Supervisor shall be responsible to ensure timely review of the annual and sick leave accrual report.

The General Accounting Supervisor shall be responsible to ensure the timely recognition of proper levels of payroll liability as a result of earned and available annual and sick leave.

The Chief Financial Officer shall be responsible to insure the Hospital is meeting the resolution for finding 2008-03.

## **GUAM MEMORIAL HOSPITAL AUTHORITY**

### **Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008**

#### Finding No. 2008-04 – Patient Revenues

Criteria: The amounts billed per the patient information module should agree to the amounts billed per the general ledger and differences should be reconciled in a timely manner. Additionally, all Medicare or Medicaid Charges should be supported by a Utilization Report and be available for examination. Patient billing variance reports should be generated and be reviewed on a daily basis and the underlying evidence of the review by appropriate management should be kept on file and be available for examination. Patient history reports that show voided or cancelled charges should be generated and be periodically reviewed and evidence of the review by appropriate management should be on file.

#### Conditions:

1. For 119 (or 42%) of 281 patient revenue tests, differences aggregating \$319,615, existed between the charge amounts billed per the patient information module and the general ledger.
2. For 19 (or 7%) of 281 patient revenue, no underlying Utilization Report was provided for Medicare and Medicaid patient billings totaling \$723,542.
3. Billing exception reports are generated on a daily basis and are provided to the Patient Affairs Department, Medical Records Department and the Billing & Collections Department, which review patient charges to ensure proper billings. Although we were able to examine the process in the subsequent fiscal period, there was no underlying documentation to support that such reports were reviewed on a daily basis during the year ended September 30, 2008.
4. Patient history files are generated on a periodic basis which show patient voided or cancelled charges. However, no underlying documentation to support the review of such reports was evident.

Cause: There appears to be a need to improve internal controls related to reconciliation of patient charges per the patient information module and general ledger; Medicare and Medicaid charges are supported by a Utilization Report; results of reviews of the patient billing variance reports are on file and; reviews of patient history files occur for voided and cancelled charges and are documented.

Effect: This condition may result in a potential misstatement of patient revenue balances.

Recommendation: Management should examine its documentation process over the following areas; reconciliation of patient charges per the patient information module and the general ledger; Medicare and Medicaid charges are supported by a Utilization Report; results of reviews of the patient billing variance reports are on file; and review of patient history files for voided and cancelled charges.

## **GUAM MEMORIAL HOSPITAL AUTHORITY**

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

#### Finding No. 2008-04 – Patient Revenues, Continued

##### Auditee Response and Corrective Action Plan:

##### **Condition #1**

There may be several reasons as to why a bill is not billed to the respective payor after the four (4) day billing window. Completion of charge capture by the servicing department, provision of medical documents, medical coding (admitting, principal, secondary, and final), are some of the delays in getting a bill out. Until such time that such billing requirements are met, the bill is classified as, 'unbilled'. The general ledger is set up to record both the billed and unbilled patient revenue.

Transactions in the Patient Information module (subsidiary ledger) are tied to the respective general ledger account via a corresponding transaction code. All transactions for the day are amassed and 'dumped' into the general ledger. An Accountant II is responsible to monitor the transactions in the general ledger. Due to the volume of transactions, the review is done daily.

The Hospital is opting to work with the auditor on this condition. The previous auditors performed conclusive tests against the Hospital's patient revenues. Tracking charges in the Patient Information module into the general ledger and did not cite the Hospital. The Hospital will work with auditor collaboratively on this condition and expects the condition to be fully resolved within ninety (90) days after the audit has been issued.

##### **Condition #2**

Utilization Report worksheet are provided for billing purposes for all inpatients identified as a Medicare, Medicaid, MIP, or Self Pay patient. This review is performed assuring quality of care as required by CMS. The reviews of the care provided as documented in the UR worksheet are performed by the Utilization Review Coordinators from the Quality Management Department. The UR coordinators are notified of the qualifying patients based on the identification of the patient at the time of registration. Note that the rationale to perform a UR worksheet for Self Pay patients is in the event the patient is able to provide the Hospital with proof of coverage under (one or more), MIP, MAP, or Medicare.

For billing purposes the UR worksheets are provided two ways:

- 1) On a daily basis, the Administrative Assistant for Patient Affairs receives completed UR worksheets from QM. The receipt of the UR worksheet is entered in the Patient Information module, under patient notes. The worksheets are then forwarded to the respective biller.
- 2) The biller will flag in the system a request for a UR worksheet. These are normally for Self Pay patients who have provided proof of insurance with MIP, MAP, or Medicare.

Note that the UR worksheets are required in order for the bills to be properly adjudicated. Non-submission results in the Hospital not being properly reimbursed. For this reason, the Administrative Assistant for Patient Affairs works closely with both the Utilization Review and billing staff to ensure the timely receipt.

## GUAM MEMORIAL HOSPITAL AUTHORITY

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

#### Finding No. 2008-04 – Patient Revenues, Continued

The Hospital is opting to work with the auditor on this condition. The Hospital will be providing the auditors the UR worksheets in question and expects the condition to be fully resolved within ninety (90) days after the audit has been issued.

#### Condition #3

The Billing Exception report is used to identify patient bills that are pending completion within the billing cycle. Patient Registration, Patient Affairs, and Medical Records are assigned to review the report on a daily basis. Patient Registration is identified as the main department responsible to clear accounts from the exception report. Examples of errors on the bill which prevents the bill from being billed, missing zip code, patient bills with zero balance (no charges), missing diagnosis coding. Accounts are “worked on” with the intent of clearing these and any billing issues. If properly addressed, the bill would be ready for transmission to the respective payor the next business day.

If not properly addressed, the patient account would remain on the report as being deficient. Although there is not visible evidence that the error on the account has been addressed, again, if the error is not addressed, the account would continue to appear on the billing exception report. The movement or non-movement of the account can be fully reviewed in the Patient Information System under patient account notes. A few examples of the history that can be viewed include: when the billed dropped from the system, when the bill was transmitted to the insurance company, when payment was received, how much payment was received, who made the payment.

The dollar value reflected on the billing exception report is misleading and does not reflect the true total value of the bills listed. If one bill is identified as having several reasons for not being billed on time, i.e. not medically coded, noting that the system requires a bill to be medically coded four times, admitting, principal, secondary, and final diagnosis, the bill would appear four times and the total amount of the bill would be counted four times.

The Hospital is opting to work with the auditor on this condition. The Chief of Admission, Business Office Manager, and Medical Records Health Administrator are responsible to ensure patient accounts identified as containing a billing error are addressed properly and in a timely manner as they understand the urgency in resolving such errors timely. When you take into consideration the total amount the Hospital bills on a monthly basis, on average, ten to twelve million dollars, the dollar value for the bills appearing on the billing exception report is diminutive. The Hospital is working with the auditors and expects this condition to be fully resolved.

For monitoring purposes, effective March 20, 2009, a note code has been created that will monitor what accounts have been addressed and what action was taken. Each respective department, Medical Records, Patient Affairs, and Patient Registration has been assigned a unique note code for the purposes of differentiating the action taken. The Chief of Admission will be responsible to generate a report on a daily basis documenting such information. The report shall also be reviewed by the Chief Financial Officer for the purposes of accuracy and veracity.

**GUAM MEMORIAL HOSPITAL AUTHORITY**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2008

Finding No. 2008-04 – Patient Revenues, Continued

**Condition #4**

The Patient Registration department identifies accounts that are to be either voided or canceled. Reasons for a cancellation or voiding of the account could vary from the patient desiring to reschedule, the patient walking out, or a change in the medical necessity by the physician. The Patient Service Supervisor (three in total) and the Chief of Admission are the only personnel allowed to void or cancel a patient account.

Effective December 2008, Patient Registration was directed to maintain a file of a report (generated daily) illustrating voided and canceled patient accounts. The report reflects patient accounts that have been either voided or cancelled for FY2009 and will be maintained for record keeping purposes.

The Chief of Admission is responsible to perform a daily review of voided and/or canceled patient accounts, immediately mitigating any problems if needed.

The Chief Financial Officer shall be responsible overall for the resolution to finding 2008-04.

## **GUAM MEMORIAL HOSPITAL AUTHORITY**

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

#### Finding No. 2008-05 - Patient Receivables

**Criteria:** Accounts receivable sub-ledgers should be reconciled in a timely manner and aged according to management policies and procedures.

**Condition:** Based on examination of patient accounts receivable sub-ledgers and per discussion with the Chief Financial Officer, no existing policy or procedure has been established to determine and distinguish current and long-term classifications of receivables.

**Cause:** There appears to be weak controls over ensuring that adequate policies and procedures are developed to classify receivables.

**Effect:** The condition may result in potential misstatements of patient receivable balances due to the potential impact of the matter on the lag analysis.

**Recommendation:** The Guam Memorial Hospital Authority should develop and implement a policy establishing criteria for the receivable classification.

**Auditee Response and Corrective Action Plan:** The Hospital is working on addressing the diverse groups of patient accounts.

Insurance companies – continued timely processing of claims, aggressive collection and reconciliation

Medicare – continued timely processing of claims, resubmission of claims before the eighteen (18) months billing limit. It has been deemed beneficial to maintain an aging of Medicare claims. The Hospital is qualified to receive a percentage reimbursement for bad debt Medicare and Medicaid claims. This is accomplished via the completion of the annual Medicare Cost Report.

MIP & MAP – all claims to be offset against recorded pharmaceutical funds (P.L. 29-132). Received funds are temporarily recorded in suspense until the MIP and MAP accounts are identified. Placing the funds in suspense (in the GL), essentially reduces the AR.

Self Pay (insured and uninsured) – The Hospital is conducting an all out collection program that ends on May 2, 2009. After this date, the remaining patient accounts will be referred for further collection – tax garnishment or collection agencies. The Hospital will maintain three to four months worth of billings which equates to eight million (\$8,000,000). This will require the accounts to be referred on regular and consistent basis.

The Hospital is working with both the Fiscal department heads and the FMIP group to accomplish this on or before the beginning of the fourth quarter of the fiscal year.

The Chief Financial Officer shall be responsible overall for the resolution to finding 2008-05.

## GUAM MEMORIAL HOSPITAL AUTHORITY

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

#### Finding No. 2008-06 - Allowance for Uncollectible Patient Receivables

Criteria: The allowance for uncollectible patient receivables should reflect results from the lag analysis for the specified time period of the analysis. Additionally, such should be updated and be reconciled in a timely manner and be provided to the Finance Committee of the Board of Trustees for further approval and discussion. Furthermore, the approved ratios for uncollectible patient accounts receivable from the lag analysis should be applied.

Condition: Based on examination of the allowance for uncollectible patient receivables for the fiscal year ended September 30, 2008, the uncollectible ratios applied and recorded in the general ledger did not reflect the results of the lag analysis.

Cause: There appears to be weak controls over ensuring adequate policies and procedures over the application of the allowance for uncollectible patient receivables.

Effect: The condition may result in potential misstatements of revenues and of patient receivables.

Recommendation: The Guam Memorial Hospital Authority should strengthen controls to ensure that the lag analysis is updated and reconciled in a timely manner and provided to the Finance and Budget Committee. Furthermore, rates for uncollectible patient receivables applied should reflect results of the lag analysis.

Auditee Response and Corrective Action Plan: The Hospital is engaging in staging several fiscal projects to address the Hospital's focal asset – Accounts Receivable (AR). The desired cumulative effect will result in a more manageable asset. Until such time that all the projects are drawn to a close, the Hospital will continue to update the lag analysis on a quarterly basis. It should be noted that the strength of the lag analysis comes from having consistent historical data. This may be difficult to accomplish as the Hospital continues to 'work' its AR. Accounts will continue to be repositioned. The Hospital will take into consideration such circumstances in the lag analysis in order to arrive at a reasonable approximation of true, collectible AR.

The CFO has been directed to ensure the ratios by financial classes are updated quarterly, brought before the Board of Trustees with a full explanation on the changes (increase and/or decrease) or no change. Additionally, information on any pre-existing conditions and expected/anticipated well as unanticipated circumstances that would have a bearing on the ratios and AR will be provided to the Board.

The Chief Financial Officer shall be responsible overall for the resolution to finding 2008-06.

# GUAM MEMORIAL HOSPITAL AUTHORITY

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 2008-07  
CFDA Program.: 15.875 Economic, Social, and Political Development of the Territories  
Agency: U.S. Department of the Interior  
Grant: Compact Impact Grants  
Requirement: Allowable Costs/Cost Principles and Procurement  
Questioned Cost: \$841,956

Criteria: In accordance with applicable allowable costs/cost principles, expenditures shall be necessary and reasonable for program needs and should be executed in accordance with program objectives. Additionally, in accordance with applicable procurement requirements, the grantee shall maintain records sufficient to detail the significant history of the procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Furthermore, financial and programmatic records shall be maintained on file and made available for examination.

Conditions:

1. For 1 (or 1%) of 119 transactions tested, no receiving report was documented on file. Based on discussion with the general accounting supervisor, this transaction related to a purchase order prepayment. Based on discussion with the general accounting supervisor, the purchase order was closed and the prepayment was applied to a different purchase order; however, documentation showing the application to another purchase order was not provided.

<u>Purchase Order</u>	<u>Amount</u>
27003514	\$ 84,259

2. For 34 (or 29%) of 119 transactions tested, sole source procurement was used to procure various hospital pharmaceutical supplies and equipment. Based on examination of the expenditure files, there was insufficient documentation on file to indicate how the grantee determined that no other vendors could provide required supplies and equipment.

<u>Purchase Order</u>	<u>Amount</u>
27003274	\$ 43,632
27003519	34,935
27003495	68,788
27003579	46,678
27003638	71,989
27003947	38,779
28000221	47,562
27003923	2,039
27000209	37,391
27000209	31,483
28000368	23,064
27003240	4,166
27003581	4,009
28000414	3,095

**GUAM MEMORIAL HOSPITAL AUTHORITY**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2008

Finding No.: 2008-07, Continued  
 CFDA Program.: 15.875 Economic, Social, and Political Development of the Territories  
 Agency: U.S. Department of the Interior  
 Grant: Compact Impact Grants  
 Requirement: Allowable Costs/Cost Principles and Procurement  
 Questioned Cost: \$841,956

<u>Purchase Order</u>	<u>Amount</u>
27003540	8,200
28000892	8,200
28000388	12,060
28001017	18,045
27003649	17,930
27003926	9,796
27004042	451
27003926	15,992
27003651	586
27003694	18,198
28000345	1,030
28000655	11,164
28000770	3,599
28001065	22,971
28000845	16,588
28001635	62,806
28001346	8,268
27003442	39,397
28002773	8,200
28000368	<u>8,818</u>
Total	\$ <u>749,909</u>

3. For 3 (or 3%) of 99 transactions tested, only one vendor response was included in the procurement file; the remaining vendors solicited did not respond per the vendor analysis sheet. Procurement files only included the confirmations of faxes that were sent to the vendors who didn't respond. As we were unable to substantiate whether the vendors did not receive the faxes or whether they did not intend to provide a quote, such is included at this condition.

<u>Purchase Order</u>	<u>Amount</u>
28001046	\$ 1,046
27004237	3,600
27001982	<u>3,142</u>
Total	\$ <u>7,788</u>

Cause: There appears to be weak controls over ensuring compliance with applicable allowable costs/cost principles and procurement requirements.

Effect: The Authority appears to be in noncompliance with applicable allowable costs/costs principles and procurement requirements. Furthermore, a questioned cost of \$841,956 exists.

## GUAM MEMORIAL HOSPITAL AUTHORITY

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 2008-07, Continued  
CFDA Program.: 15.875 Economic, Social, and Political Development of the Territories  
Agency: U.S. Department of the Interior  
Grant: Compact Impact Grants  
Requirement: Allowable Costs/Cost Principles and Procurement  
Questioned Cost: \$841,956

Recommendation: The Authority should strengthen internal controls to ensure compliance with applicable allowable costs/cost principles and procurement requirements.

Auditee Response and Corrective Action Plan: The Materials Management Administrator worked the auditor in resolving the conditions listed above. Changes are being made to the procurement process to allow the procurement process to stand on its own allowing for complete transparency and understanding from a prudent person. Each procurement process shall be treated as if each were to be reimbursed with federal funds ensuring the process to be auditable.

Until such time, the Hospital will work within the parameters as provided by the Government of Guam's Chief Procurement Officer. The Hospital Materials Management Administrator will also be consulting the auditors for guidance. The Hospital's goal to have the auditors begin the next audit process during the fiscal year should help to identify and mitigate possible audit potential.

The Hospital is mindful of the urgency to comply with competitive procurement procedures as it applies to federal funds. The availability of federal funds is a direct assistance in the endeavor to improve the facility and obtain advanced medical equipment. All parties involved, Planning department, Materials management, and Accounting are and will continue to work closely.

The Hospital Materials Management Administrator shall be responsible overall for the resolution to finding 2008-07.

# GUAM MEMORIAL HOSPITAL AUTHORITY

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 2008-08  
CFDA : 93.889  
Agency: U.S. Department of Health & Human Services  
Grant: National Bioterrorism Hospital Preparedness Program  
Requirement: Allowable Costs/Cost Principles and Procurement  
Questioned Cost: \$219,708

Criteria: In accordance with applicable allowable costs/cost principles, expenditures shall be necessary and reasonable for program needs and should be executed in accordance with program objectives. Additionally, in accordance with applicable procurement requirements, the grantee shall maintain records sufficient to detail the significant history of the procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Furthermore, financial and programmatic records should be on file and be available for examination.

Conditions:

1. For 1 (or 2%) of 56 transactions tested, no financial records were available to substantiate the expenditure and its relationship to the program.

<u>Reference</u>	<u>Amount</u>
JE 09-78	\$ 17,842

2. For 1 (or 2%) of 56 transactions tested, competitive procurement procedures were inappropriately applied as determined by the Guam Office of the Public Auditor.

<u>Purchase Order</u>	<u>Amount</u>
28000865	\$ 79,328

3. For 5 (or 9%) of 56 transactions tested, aggregating \$61,383, sole source procurement was used to procure directly for a U.S. GSA vendor; however, there is no documentation on file to indicate how the Authority determined that no other GSA vendor could provide such goods or services and there were no price comparisons.

<u>Purchase Order</u>	<u>Amount</u>
27003761	\$ 19,520
27003760	1,340
28000011	7,950
28000012	12,043
28000845	<u>20,530</u>
Total	\$ <u>61,383</u>

4. For 5 (or 9%) of 56 transactions tested, the Authority prepared purchase orders to the same vendor on the same date for medical equipment that when considered in the aggregate, do not meet the local small purchase threshold of \$14,999. Therefore, it appears that such transactions should have been procured through competitive sealed bidding as required by local procurement policies.

## GUAM MEMORIAL HOSPITAL AUTHORITY

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 2008-08, Continued  
CFDA No.: 93.889  
Agency: U.S. Department of Health & Human Services  
Grant: National Bioterrorism Hospital Preparedness Program  
Requirement: Allowable Costs/Cost Principles and Procurement  
Questioned Cost: \$219,708

Conditions, Continued:

<u>Purchase Order</u>	<u>Amount</u>
27004081	\$ 14,375
27004118	12,600
27004082	11,240
27004083	9,260
27004122	<u>13,680</u>
Total	\$ <u>61,155</u>

Cause: There appears to be weak controls over ensuring compliance with applicable procurement requirements.

Effect: The Authority appears to be in noncompliance with applicable allowable costs/costs principles and procurement requirements. Furthermore, a total questioned cost of \$219,708 exists.

Recommendation: The Authority should strengthen internal controls to ensure compliance with applicable allowable costs/cost principles and procurement requirements.

Auditee Response and Corrective Action Plan: The Materials Management Administrator worked the auditor in resolving the conditions listed above. Changes are being made to the procurement process to allow the procurement process to stand on its own allowing for complete transparency and understanding from a prudent person. Each procurement process shall be treated as if each were to be reimbursed with federal funds ensuring the process to be auditable.

Until such time, the Hospital will work within the parameters as provided by the Government of Guam's Chief Procurement Officer. The Hospital Materials Management Administrator will also be consulting the auditors for guidance. The Hospital's goal to have the auditors begin the next audit process during the fiscal year should help to identify and mitigate possible audit potential.

The Hospital is mindful of the urgency to comply with competitive procurement procedures as it applies to federal funds. The availability of federal funds is a direct assistance in the endeavor to improve the facility and obtain advanced medical equipment. All parties involved, Planning department, Materials management, and Accounting are and will continue to work closely.

The Hospital Materials Management Administrator shall be responsible overall for the resolution to finding 2008-08.

**GUAM MEMORIAL HOSPITAL AUTHORITY**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2008

Finding No.: 2008-09  
 CFDA No.: 93.889  
 Agency: U.S. Department of Health & Human Services  
 Grant: National Bioterrorism Hospital Preparedness Program  
 Requirement: Period of Availability  
 Questioned Cost: \$79,328

Criteria: In accordance with applicable period of availability requirements, funds must be obligated by the end of the award period and be liquidated within the allowed 90 days.

Conditions:

- Two transactions for the Bioterrorism FY 2005 grant were not liquidated within the allowed period. Based on examination of the purchase orders and reimbursement drawdown documents, the expenditures paid and reimbursement received was subsequent to the allowed liquidation period.

<u>Purchase Order</u>	<u>Amount</u>	<u>Check Date</u>	<u>Reimbursement Date</u>
28000864	\$ 79,328	12/14/2007	12/10/2007
28000865	79,328	05/13/2008 - 8/28/2008	12/10/2007
Total	\$ <u>158,656</u>		

- At September 30, 2008, there exists outstanding encumbrances and available balances recorded for expired grants as follows:

<u>Grant Year</u>	<u>Award Period</u>	<u>Available Balance</u>	<u>Grant Award</u>
2006	09/01/06 – 8/31/08	\$ 230,914	6 U3RHS007604-01-01

Cause: The Authority did not enforce internal controls over ensuring that expired grants are de-encumbered and/or de-appropriated in a timely manner.

Effect: The Authority appears to be in noncompliance with applicable period of availability requirements. Although the aggregate amount of all conditions listed above is \$389,570, a total of \$79,328 from condition 1 is already questioned at finding 2008-08 and will be excluded in determining the final questioned cost amount; \$230,914 from condition 2 does not result in a questioned cost as no expenditures have been incurred. Therefore, a questioned cost of \$79,328 exists.

Recommendation: The Authority should develop more specific internal control procedures over monitoring grants period of availability and de-encumbering or de-appropriating expired funds. The responsible accounting personnel should ensure that expired grants are de-encumbered or de-appropriated in a timely manner and that any liquidation of obligations for expired grants is charged to the Authority's General Fund.

## GUAM MEMORIAL HOSPITAL AUTHORITY

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 2008-09, Continued  
CFDA No.: 93.889  
Agency: U.S. Department of Health & Human Services  
Grant: National Bioterrorism Hospital Preparedness Program  
Requirement: Period of Availability  
Questioned Cost: \$79,328

Auditee Response and Corrective Action Plan: The Chief Planner is responsible for the timely management for the federal grants of the Hospital and will work to ensure the resolution of the finding. All grants will be monitored, providing a timeline from commencement to completion of each grant to, at a minimum, the General Accounting Supervisor, Chief Financial Officer, Hospital Administrator, and Associate Hospital Administrator. The Chief Planner will ensure that three (3) months prior to the expected conclusion of the grant that all standards have been complied with. If an extension is necessary, the Chief Planner will submit the proper documentation to the grantor.

The Hospital is in the process of recruiting for an Accountant whose additional function will be the monitoring and tracking of federal grants activities. There will be more collaborative efforts between the Planning Department (with the provision of progressive grant status reports), Accounting department (follow up and monitoring), and the Materials Management department (monitoring of federally funded purchase orders, communication of status to both Accounting and the Planning department).

The Chief Planner shall be responsible overall for the resolution to finding 2008-09.

## GUAM MEMORIAL HOSPITAL AUTHORITY

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2008

Finding No.: 2008-10  
CFDA No.: 93.889  
Agency: U.S. Department of Health & Human Services  
Grant: National Bioterrorism Hospital Preparedness Program  
Requirement: Cash Management  
Questioned Cost: \$0  
Interest Liability \$1,144

Criteria: In accordance with applicable cash management requirements, time elapsed between the receipt of Federal funds and the clearance of disbursed checks should be minimized. Furthermore, any amount of interest from advances over \$100 should be returned to the Federal government.

Condition: For 14 (or 25%) of 56 transactions tested, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded the approved clearance pattern, ranging from 3 to 252 days.

Cause: There appears to be weak controls over ensuring compliance with applicable cash management requirements.

Effect: The Authority is in noncompliance with applicable cash management requirements. Interest earned on advances is \$1,244, and an interest liability \$1,144 exists. No questioned cost exists because the projected interest liability does not exceed \$10,000. Although no questioned cost is associated with this finding, the interest earned exceeds \$100; therefore, this finding is considered reportable.

Recommendation: The Authority should strengthen internal controls to ensure that the time elapsed between the receipt of Federal funds and the clearance of disbursed checks is in accordance with the approved Cash Management Improvement Act Agreement. Furthermore, interest earned on advances in excess of \$100 should be credited and reported to the Federal Government.

Auditee Response and Corrective Action Plan: The Hospital understands the necessity of expending federal funds in accordance with approved timeframes and as stipulated in the Cash Management Improvement Act. Depending on the type of reimbursement, the Hospital has three to fourteen days to ensure payment has cleared. The Hospital has argued that once payment has been rendered, it is difficult to determine the status of the payment.

The Chief Financial Officer issued a memorandum dated March 19, 2009 directed to the Supply Management Administrator, The Hospital Facilities Maintenance Manager, and the Chief Planner. The memorandum requires that all vendors engaged to provide services and paid for with federal dollars shall provide information to allow the implementation of Electronic Funds Transfer (EFT).

Currently, the Accounting staffs are contacting current vendors that are reimbursed with federal funds to inform them of the requirement and to provide information to enable EFT payments.

The Hospital will fully implement the EFT system for all vendors by the Chief Financial Officer the 4<sup>th</sup> quarter of FY 2009.

The Chief Financial Officer shall be responsible overall for the resolution to finding 2008-10.

**GUAM MEMORIAL HOSPITAL AUTHORITY**

Unresolved Prior Year Findings and Questioned Costs  
Year Ended September 30, 2008

Questioned Costs:

For the year ended September 30, 2008, the following questioned costs were noted and prior questioned costs resolved:

	Questioned Costs Set Forth in Prior Audit Report <u>2007</u>	Questioned Costs Resolved for Fiscal Year <u>2008</u>	<u>Questioned Costs at September 30, 2008</u>
Unresolved Questioned Costs FY03	\$ 18,461	\$ 18,461	\$ -
Unresolved Questioned Costs FY04	395,152	395,152	-
Unresolved Questioned Costs FY05	1,072,178	1,072,178	-
Unresolved Questioned Costs FY06	<u>195,943</u>	<u>195,943</u>	<u>-</u>
	\$ <u>1,681,734</u>	\$ <u>1,681,734</u>	<u>-</u>
Questioned Costs FY08			<u>1,140,992</u>
			\$ <u>1,140,992</u>

During the fiscal year ended September 30, 2008, the above resolved questioned costs, aggregating \$1,497,594, were resolved by the Government of Guam. Additionally, \$184,140 in the above resolved questioned costs related to non-federal findings in which questioned costs should not be presented in the schedule of findings and questioned costs and is included in determining resolved questioned costs.