

April 8, 2009

The Board of Trustees
Guam Memorial Hospital Authority

Dear Members of the Board of Trustees:

We have performed an audit of the financial statements of the Guam Memorial Hospital Authority (the Authority) as of and for the year ended September 30, 2008, in accordance with auditing standards generally accepted in the United States of America and have issued our report thereon dated April 8, 2009.

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

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Our responsibility under auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, has been described in our engagement letter dated September 3, 2008. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of the Authority's basic financial statements and to disclaim an opinion on the required supplementary information for the year ended September 30, 2008 in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects;
- To express an opinion on whether the supplementary information that accompanies the basic financial statements is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole;
- To report on the Authority's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2008 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*; and
- To report on the Authority's compliance with requirements applicable to each major program and on internal control over compliance in accordance with the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* ("OMB Circular A-133").

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

We considered the Authority's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Authority's 2008 financial statements include management's estimate of the allowance for uncollectible accounts, which is determined based on management's evaluation of the collectability of current accounts and historical trends, management's estimate of the provision for inventory obsolescence, which is determined based on known or estimated exposures, and management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended September 30, 2008, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

AUDIT ADJUSTMENTS AND UNCORRECTED MISSTATEMENTS

As the result of our audit work, we identified matters that resulted in audit adjustments that we believe, either individually or in the aggregate, would have a significant effect on the Authority's financial reporting process. Such proposed adjustments, listed in Appendix I, have been recorded in the accounting records and are reflected in the 2008 financial statements. Those proposed adjustments that were not recorded by management are also included in the schedule described in the next paragraph.

In addition, we have attached to this letter, as Appendix II, a summary of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

SIGNIFICANT ACCOUNTING POLICIES

The Authority's significant accounting policies are set forth in Note 2 to the Authority's 2008 financial statements. During the year ended September 30, 2008, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by the Authority:

- Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, which establishes standards for the measurement, recognition, and display of other post employment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local government employers.
- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues*, which establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing, and includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components.

- GASB Statement No. 50, *Pension Disclosures an amendment of GASB Statements No. 25 and 27*, which more closely aligns the financial reporting requirements for pensions with those for other post-employment benefits.

The implementation of these pronouncements did not have a material effect on the financial statements of the Authority.

For the year ended September 30, 2009, the following pronouncements will be adopted by the Authority:

- In December 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which provides guidance and consistency under which a governmental entity would be required to report a liability related to pollution remediation.
- In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income.

Management does not believe that the implementation of these statements will have a material effect on the financial statements of the Authority.

For the year ended September 30, 2010, the following pronouncements will be adopted by the Authority:

- In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which addresses whether and when intangible assets should be considered capital assets for financial reporting purposes.
- In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements.

Management does not believe that the implementation of these statements will have a material effect on the financial statements of the Authority.

OTHER INFORMATION IN THE ANNUAL REPORTS OF THE AUTHORITY

When audited financial statements are included in documents containing other information, such as Annual Reports, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. In the event that the Authority issues an Annual Report or other documentation that includes the audited financial statements, we will be required to read the other information in the Authority's 2008 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board of Trustees.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Authority's 2008 financial statements.

CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2008.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of the Authority's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Authority is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Appendix III, a copy of the representation letter we obtained from management.

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO OUR INITIAL ENGAGEMENT OR RETENTION

Throughout the year, routine discussions regarding the application of accounting principles or auditing standards were held with management in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions were not held in connection with our retention as auditors.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of the Authority's management and staff and had unrestricted access to the Authority's senior management in the performance of our audit.

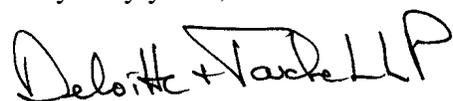
CONTROL-RELATED MATTERS

We have issued a separate report to you, dated April 8, 2009, on the Authority's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards*. Within that report, we noted certain matters that were considered to be significant deficiencies and material weaknesses under standards established by the American Institute of Certified Public Accountants. We have also issued a separate report to you, also dated April 8, 2009, on the Authority's compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133. Within that report instances of noncompliance with requirements applicable to major federal award programs were disclosed and matters that were considered significant deficiencies and material weaknesses in internal control over compliance with requirements applicable to major federal award programs were identified.

This report is intended solely for the information and use of the Board of Trustees, management, the Office of the Public Auditor of Guam and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the staff and management of the Authority for their cooperation and assistance during the course of this engagement.

Very truly yours,

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

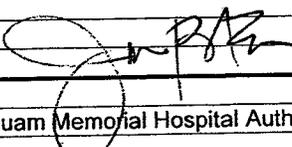
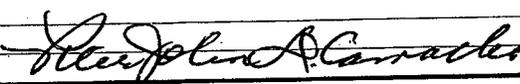
APPENDIX 1

GMHA 9/30/08			
Proposed Audit Adjusting Journal Entries			
CO-Dept-Acct	Name	Debit	Credit
	1 AJE To reconcile fixed assets - 5611 (Posted)		
1-1241-0	MOVABLE EQUIPMENT	12,437.00	-
1-1271-1000	ALLOW FOR DEPN-BLDG MAIN	263,221.00	-
1-1271-2000	ALLOW FOR DEPN-LONG TERM CARE	6,301.00	-
1-1291-0	ACCUM DEPRECIATION-MAJOR MOVAB	118,388.00	-
1-2310-0	FUND BALANCE	-	365,041.00
1-8480-4900	OTHER MINOR EQUIPMENT	-	12,437.00
1-8810-0	DEPRECIATION & AMORTIZATION	-	22,869.00
		400,347.00	400,347.00
	To reconcile fixed assets.		
	2 AJE To reconcile Retirement Fund Liability - 6314 (Posted)		
1-2038-1000	RETIREMENT FUND - DBP (OLD PLA	-	238,814.00
1-2038-2000	RETIREMENT FUND - DCP (NEW PLA	-	40,555.00
1-2231-1000	NOTES PAYABLE-RETIREMENT FUND	-	209,809.00
1-8610-9006	INTEREST-RETIREMENT FUND	489,178.00	-
		489,178.00	489,178.00
	To reconcile Retirement Fund Liability		
	3 AJE To adjust for prior period allowance - 5315 (Posted)		
1-2310-0	FUND BALANCE	782,371.81	-
1-5890-92	BAD DEBTS - GEN SERVICES	-	782,371.81
		782,371.81	782,371.81
	To recognize allowance for uncollectible A/R in the prior period.		
	4 AJE To adjust for GASB 27 Liability - 6318 (Posted)		
1-2271-0	UNFUNDED RETIREMENT CONTRIBUTI	-	17,950,515.00
1-2310-0	FUND BALANCE	15,468,755.00	-
1-6070-1500	PENSION & RETIREMENT	1,439,285.00	-
1-7500-1500	PENSION & RETIREMENT	517,557.00	-
1-8460-1500	PENSION & RETIREMENT	162,397.00	-
1-8560-1500	PENSION & RETIREMENT	258,691.00	-
1-8610-1500	PENSION & RETIREMENT	69,303.00	-
1-8750-1500	PENSION & RETIREMENT	34,527.00	-
		17,950,515.00	17,950,515.00
	To adjust for GASB 27 Unfunded Retirement Liability.		

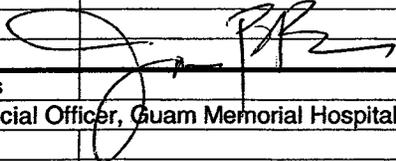
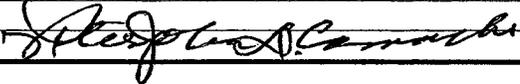
APPENDIX 1, CONTINUED

Proposed Audit Adjusting Journal Entries		Debit	Credit
CO-Dept-Acct	Name		
	5 AJE To adjust for GMHA Pharmaceuticals Fund - 5328 (Posted)		
1-5810-20	CONTRACTUAL ADJUSTMENTS-MEDICA	-	4,902,220.00
1-5810-30	CONTRACTUAL ADJUSTMENTS-MIP	-	5,519,279.00
5-5810-20	CONTRACT ADJ-MEDICAID	-	90,409.00
5-5810-30	CONTRACT ADJ-MIP	-	312,303.00
1-2920-100	GOVGUAM-GRT	11,072,393.00	-
DTT - 8111	GMHA Pharmaceuticals Fund - SUSPENSE	-	248,182.00
		11,072,393.00	11,072,393.00
	To adjust for GMHA Pharmaceuticals Fund Application per P.L. 29-132		
	6 AJE To adjust A/R & Allowance - MIP & Medicaid - 5328 (Posted)		
5-1021-0	CURRENT ACCOUNTS RECEIVABLE	-	402,712.00
1-1021-0	CURRENT ACCOUNTS RECEIVABLE	-	10,669,681.00
5-1042-0	ALLOW FOR CONT ADJ-MEDICAID	90,409.00	-
1-1042-0	ALLOW FOR CONTRACTUAL ADJ-MEDI	4,902,220.00	-
1-1043-0	ALLOW FOR CONTRACTUAL ADJ-MIP	5,519,279.00	-
5-1043-0	ALLOW FOR CONT ADJ-MIP	312,303.00	-
DTT - 5321	A/R - GMHA Pharmaceuticals Suspense	248,182.00	-
		11,072,393.00	11,072,393.00
	To adjust Patient A/R & Allowance for application of PL 29-132.		
	7 AJE To adjust Allowance for patient receivables - 5325 (Posted)		
1-1041-0	ALLOW FOR CONTRACTUAL ADJ-MEDI	311,516.00	-
1-1044-0	ALLOW FOR CONTRACTUAL ADJ-TAKE	61,295.00	-
1-1045-0	ALLOW FOR CONTRACTUAL ADJ-STAY	-	844,555.00
1-1046-0	ALLOW FOR CONTRACTUAL ADJ-SELE	292,822.00	-
1-1047-0	ALLOW FOR CONTRACTUAL ADJ-NETC	4,969.00	-
1-1048-0	ALLOW FOR CONTRACTUAL ADJ-SELF	1,574,949.00	-
1-1049-0	ALLOW FOR CONTRACTUAL ADJ-OTHE	463,072.00	-
1-5810-10	CONTRACTUAL ADJUSTMENTS-MEDICA	-	311,516.00
1-5810-40	CONTRACTUAL ADJUSTMENTS-PACIFI	-	61,295.00
1-5810-50	CONTRACTUAL ADJUSTMENTS-STAYWE	844,555.00	-
1-5810-60	CONTRACTUAL ADJUSTMENTS-SELECT	-	292,822.00
1-5810-70	CONTRACTUAL ADJUSTMENTS-NETCAR	-	4,969.00
1-5810-80	CONTRACTUAL ADJUSTMENTS-SELF P	-	1,574,949.00
1-5810-90	CONTRACTUAL ADJUSTMENTS-OTHER	-	463,072.00
		3,553,178.00	3,553,178.00
	To adjust allowance for patient receivables based on testing of lag analysis.		

We have reviewed the adjustments above and authorize that they be recorded in the General Ledger as of September 30, 2008. The adjustments above are the result of errors and are not the result of fraud or illegal acts.

			4.13.09
Jane Flores	Chief Financial Officer, Guam Memorial Hospital Authority		Date
			04/14/09
Peter John Camacho	Hospital Administrator/Chief Executive Officer, Guam Memorial Hospital Authority		Date

APPENDIX I, CONTINUED

GMHA 9/30/08			
Proposed Audit Reclassifying Journal Entries			
CO-Dept-Acct	Name	Debit	Credit
1 RJE To reclassify amounts due from GovGuam - 5314 (Posted)			
1-1023-500	DUE FROM GOV GUAM	-	2,375,224.00
1-2090-1000	DEF REV-BOND PL 29-19	2,375,224.00	-
		2,375,224.00	2,375,224.00
	To reclassify amounts due from GovGuam pertaining to appropriation of bond proceeds.		
2 RJE To reclassify current portion of A/L - 6317 (Posted)			
1-2032-0	ACCRUED ANNUAL LEAVE, NET OF CURRENT	1,389,968.00	-
DTT - 6212	ACCRUED ANNUAL LEAVE - CURRENT PORTION	-	1,389,968.00
		1,389,968.00	1,389,968.00
	To reclassify current portion of Annual Leave		
3 RJE To reclassify Notes Receivable - 5320 (Posted)			
1-1022-0	LONG TERM A/R	-	298,883.78
DTT - 5320	NOTES RECEIVABLE - UPCA	298,883.78	-
		298,883.78	298,883.78
	To reclassify Notes Receivable - UPCA		
4 RJE To reclassify Inventory Received - 6114 (Posted)			
1-1081-0	INVENTORY-GENERAL STORE (1310)	70,415.54	-
1-1082-0	INVENTORY-PHARMACY IN MATERIAL	94,492.25	-
1-1083-0	INVENTORY-CENTRAL SUPPLY (1320)	463,643.47	-
1-2021-0	TRADE PAYABLES	-	628,551.26
		628,551.26	628,551.26
	To record inventory items received as of 9/30/08.		
We have reviewed the reclassifications above and authorize that they be recorded in the Financials as of September 30, 2008.			
			4-15-09
Jane Flores Chief Financial Officer, Guam Memorial Hospital Authority			Date
			04/15/09
Peter John Camacho Hospital Administrator/Chief Executive Officer, Guam Memorial Hospital Authority			Date

Guam Memorial Hospital Authority
 Summary of Uncorrected Misstatements
 September 30, 2008

Appendix A

<u>Known Misstatements</u>	STATEMENT OF CONDITION			
	Assets	Liabilities	Fund Balance	
			Net Assets	Income
	Dr (Cr)	Dr (Cr)	Beg of Year	Statement
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
1. To adjust inventory allowance for obsolescence	166,245			(166,245)
2. To adjust Federal Grants Receivables and Revenues	(234,531)			234,531
3. To adjust unreconciled other liabilities		106,974		(106,974)
Total Known Misstatements	(68,286)	106,974	-	(38,688)



Guam Memorial Hospital Authority Aturidåt Espetåt Mimuriåt Guåhan



850 GOV. CARLOS CAMACHO ROAD
OKA, TAMUNING, GUAM 96913
TEL: (671) 647-2444 or 647-2330
FAX: (671) 649-0145

April 8, 2009

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, Guam 96913

Gentlemen:

We are providing this letter in connection with your audit of the statement of net assets of the Guam Memorial Hospital Authority (the Authority), a component unit of the Government of Guam (GovGuam), as of September 30, 2008 and the related statements of revenues, expenses and changes in net assets and of cash flows for the year then ended, which collectively comprise the Authority's basic financial statements for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Authority in conformity with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the following:

- a. The fair presentation in the basic financial statements of financial position, results of operations and change in net assets, and cash flows in conformity with accounting principles generally accepted in the United States of America.
- b. The fair presentation of the required supplementary information, including Management's Discussion and Analysis, and supplemental schedules accompanying the basic financial statements.
- c. The fair presentation in the basic financial statements of financial position, results of operations and change in net assets, and cash flows for adjustments described in Note 20 to the basic financial statements that were applied to restate beginning net assets.
- d. The design and implementation of programs and controls to prevent and detect fraud, including fraud related to federal awards
- e. Establishing and maintaining effective internal control over financial reporting.
- f. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for stand-alone business-type activities obtained from the Government Finance Officers Association.

Letter to Deloitte & Touche LLP

April 8, 2009

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

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

1. The basic financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. In addition:
 - a. Net asset components (invested in capital assets, and unrestricted) are properly classified and, if applicable, approved.
 - b. Expenses have been appropriately classified in or allocated to functions in the statement of revenues, expenses and changes in net assets, and allocations have been made on a reasonable basis.
 - c. Revenues are appropriately classified in the statement of revenues, expenses and changes in net assets within operating revenues, or capital contributions.
 - d. Deposits are properly classified in category of custodial credit risk.
 - e. Capital assets are properly capitalized, reported, and depreciated.
 - f. Required supplementary information is measured and presented within prescribed guidelines.
 - g. Costs to federal awards have been charged in accordance with applicable cost principles.
2. The Authority has made available to you all:
 - a. Summaries of actions of the board of trustees of the Authority.
 - b. Financial records and related data for all financial transactions of the Authority and for all funds administered by the Authority. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the Authority and provide the audit trail to be used in a review of accountability. Information presented in financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
 - c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
 - d. Third-party payor reports and information.

Letter to Deloitte & Touche LLP

April 8, 2009

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3. There has been no:
 - a. Action taken by Authority management that contravenes the provisions of federal laws and Guam laws and regulations or of contracts and grants applicable to the Authority.
 - b. Communication from other regulatory agencies concerning noncompliance with laws and regulations (including those related to the Medicare and Medicaid antifraud and abuse statutes) or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.
4. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.
5. We believe the effects of the uncorrected financial statement misstatements detected in the current year that relate to the prior year presented, when combined with those misstatements aggregated by you during the prior-year audit engagement and pertaining to the prior year presented, are immaterial, both individually and in the aggregate, to the financial statements for the year ended September 30, 2007 taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix B.
6. We have no knowledge of any fraud or suspected fraud affecting the Authority involving (a) management, (b) employees who have significant roles in internal control over financial reporting, or (c) others if the fraud could have a material effect on the financial statements.
7. The Authority has not performed a formal risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you its understanding about the risks of fraud in the Authority and do not believe that the financial statements are materially misstated as a result of fraud.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority received in communications from employees, former employees, regulators, or others.
9. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board ("FASB") Statement No. 5, *Accounting for Contingencies*. Management is of the opinion, based on discussions with applicable legal counsel, that adequate provision has been made in the financial statements for unasserted claims or assessments and we do not believe that resolution of these matters will have a material impact on the financial statements.
10. The Schedule of Expenditures of Federal Awards was prepared in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have identified in that schedule all awards provided by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations.

APPENDIX III, CONTINUED

Letter to Deloitte & Touche LLP

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11. We are responsible for the compliance with Guam and federal laws, rules and regulations, including compliance with the requirements of OMB Circular A-133, and provisions of grants and contracts relating to the Authority's operations. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. The Authority is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
12. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on its federal programs.
13. We have:
 - a. Complied, in all material respects, with the requirements identified above in connection with federal awards, except as disclosed in the Schedule of Findings and Questioned Costs.
 - b. Made available all information related to federal financial reports and claims for advances and reimbursements. Federal financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal Awards. The copies of federal program financial reports provided are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
 - c. Monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of Circular A-133.
 - d. Taken appropriate corrective action on a timely basis after receipt of a subrecipient's auditor's report that identifies noncompliance with laws, regulations, or the provisions of contracts or grant agreements.
 - e. Considered the results of the subrecipient's audits and made any necessary adjustments to the auditee's own books and records.
14. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
15. We believe that internal control over the receipt and recording of contributions is adequate.
16. We have included in the financial statements all assets and liabilities under the Authority's control.

Except where otherwise stated below, matters less than \$220,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

APPENDIX III, CONTINUED

Letter to Deloitte & Touche LLP
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17. Except as listed in Appendices A and B, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
18. The Authority has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
19. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:
 - a. Guarantees, whether written or oral, under which the Authority is contingently liable.
 - b. Related party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).
20. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
 - a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
 - b. The effect of the change would be material to the financial statements.
21. Receivables recorded in the financial statements represent valid claims against debtors for services provided, sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their net realizable value.
22. The Authority is responsible for determining and maintaining the adequacy of the allowance for accounts receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balances.
23. The recorded valuation allowances for accounts receivable and settlements with third parties are necessary, appropriate, and properly supported. Provision has been made for estimated retroactive adjustments by third-party payors under reimbursement agreements.
24. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value. All inventories are the property of the Authority and do not include any items consigned to it, or any items for which the liability has not been recorded.
25. We represent to you that, subsequent to September 30, 2008, there were no changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies (including material weaknesses).

26. We have no intention of terminating our pension plans or taking any other action that could result in an effective termination or reportable event for either of the plans. We are not aware of any occurrences that could result in the termination of our pension plans to which we contribute. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.
27. There are no:
 - a. Violations or possible violations of laws or regulations, such as those related to the Medicare and Medicaid antifraud and abuse statutes, including but not limited to the Anti-Kickback Act, Limitations on Certain Physician Referrals (commonly referred to as the "Stark law"), and the False Claims Act, in any jurisdiction, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5, *Accounting for Contingencies*.
28. The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
29. Accruals for losses from malpractice, workers compensation, and other types of self-insured risk, including accruals for claims incurred but not reported have been properly recorded and disclosed in the financial statements.
30. The Authority has complied with all aspects of contractual agreements that would have an effect on the financial statements in the event of noncompliance.
31. Except as disclosed in note 14 to the financial statements, no events have occurred subsequent to September 30, 2008 to the date of our signatures below that require consideration as adjustments to or disclosures in the financial statements.
32. No events have occurred subsequent to September 30, 2008, that requires consideration as adjustments to or disclosures in the schedule of federal awards and related notes.
33. During fiscal year 2008, the Authority implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* which establishes standards for the measurement, recognition, and display of other postemployment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The Government of Guam has determined that the implementation of this Statement does not have a material effect on the financial statements of the Government or any of its component units.
34. During fiscal year 2008, the Authority implemented GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues* which establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing and includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. Management does not believe that the implementation of this Statement had a material effect on the financial statements of the Authority.

35. During fiscal year 2008, the Authority implemented GASB Statement No. 50 *Pension Disclosures an amendment of GASB Statements No. 25 and 27*, which more closely aligns the financial reporting requirements for pensions with those for other post-employment benefits. Management does not believe that the implementation of this Statement had a material effect on the financial statements of the Authority.
36. In December 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. GASB Statement No. 49 provides guidance and consistency under which a governmental entity would be required to report a liability related to pollution remediation. The provisions of this Statement are effective for periods beginning after December 15, 2007. Management does not believe that the implementation of this Statement will have a material effect on the financial statements of the Authority.
37. In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB Statement No. 51 addresses whether and when intangible assets should be considered capital assets for financial reporting purposes. The provisions of this Statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this Statement will have a material effect on the financial statements of the Authority.
38. In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The provisions of this statement are effective for periods beginning after June 15, 2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Authority.
39. In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 is intended to improve how state and local governments report information about derivative instruments – financial arrangements used by governments to manage specific risks or make investments – in their financial statements. The provisions of this statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Authority.
40. We believe that the continuation of the Authority's operations is dependent upon the future payment of medical services underwritten by GovGuam, continued compensation by GovGuam for the cost of services provided under the Medically Indigent Program, the collection of long outstanding patient receivables, and/or continued improvements in operations.
41. The Authority has obligated, expended, received, and used public funds of the Government of Guam and the U.S. Federal Government in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Guam or federal law. Such obligation, expenditure, receipt, or use of public funds was in accordance with any limitations, conditions, or mandatory directions imposed by Guam or federal law, except for matters disclosed in the Schedule of Findings and Questioned Costs.

Letter to Deloitte & Touche LLP
April 8, 2009
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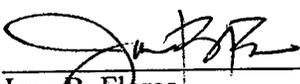
42. Money or similar assets handled by the Authority on behalf of the Government of Guam or the U.S. Federal Government have been properly and legally administered, and the accounting and record keeping related thereto is proper, accurate, and in accordance with law.
43. The Authority has identified the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each federal program as identified in Part 3 of the Compliance Supplement dated March 2008.
44. The Authority has identified previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit and the corrective actions taken to address significant findings and recommendations, including the status of follow-up on prior audit findings (and information about all management decisions) by federal awarding agencies and pass-through entities.
45. The Authority has identified and disclosed interpretations of any compliance requirements that have varying interpretations.
46. The Authority certifies that it has not used federal funds for lobbying for specific federal awards and that it has disclosed, or will disclose, any expenditures of nonfederal funds made for lobbying purposes.
47. The Authority has identified and disclosed all amounts questioned and any known noncompliance with the requirements of federal awards including the results of other audits or program reviews.
48. The Authority is responsible for complying, and has complied, with Circular A-133, except as disclosed in the Schedule of Findings and Questioned Costs.
49. The Authority is responsible for and has accurately prepared the Summary Schedule of Prior Audit findings. The schedule contains all findings required to be included by Circular A-133.
50. No evidence of fraud, possible irregularities, or dishonesty in fiscal operations of programs administered by the Authority has been discovered.

Very truly yours,



Peter John D. Camacho
Hospital Administrator/CEO

04/08/09
Date



Jane B. Flores
Chief Financial Officer

4.8.09
Date

APPENDIX III, CONTINUED

Guam Memorial Hospital Authority
 Summary of Uncorrected Misstatements
 September 30, 2008

Appendix A

Known Misstatements	STATEMENT OF CONDITION			
	Assets	Liabilities	Fund Balance	
			Net Assets	Income
Dr (Cr)	Dr (Cr)	Beg of Year	Statement	
		Dr (Cr)	Dr (Cr)	
1. To adjust inventory allowance for obsolescence	166,245		(166,245)	
2. To adjust Federal Grants Receivables and Revenues	(234,531)		234,531	
3. To adjust unreconciled other liabilities		106,974	(106,974)	
Total Known Misstatements	(68,286)	106,974	- (38,688)	

APPENDIX III, CONTINUED

Guam Memorial Hospital Authority
 Summary of Uncorrected Prior Period Misstatements
 September 30, 2008

Appendix B

<u>Known Misstatements</u>	STATEMENT OF CONDITION			
			Fund Balance	
	Assets	Liabilities	Net Assets	Income
		Beg of Year	Statement	
	<u>Dr (Cr)</u>	<u>Dr (Cr)</u>	<u>Dr (Cr)</u>	<u>Dr (Cr)</u>
1. To adjust court ordered nurses retro accrual			238,870	(238,870)
Total Known Misstatements	-	-	238,870	(238,870)