

Management Letter

Guam Memorial Hospital Authority

Year ended September 30, 2023





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Management and the Board of Trustees
Guam Memorial Hospital Authority

In planning and performing our audit of the financial statements of Guam Memorial Hospital Authority (GMHA) as of and for the year ended September 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) 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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit, we noted the following deficiencies in internal control (as described above) and other matters:

Financial Statement Close Process

Observation

Subsidiary ledger (SL) balances for patient revenues do not agree with the general ledger (GL) balances. The discrepancy has originated from transactions recorded in the subsidiary which failed to interface correctly with the General Ledger. Per inquiry with Authority, it was determined that this issue is a residual effect of the network shutdown that occurred in March 2023.

Recommendation

We recommend for GMHA to conduct a timely reconciliation of the SL and GL to identify and correct all discrepancies resulting from the interfacing failures and to improve its process with closer coordination with other departments to timely extract subsidiary ledgers for use in its financial statement close process.

Construction-in-progress

Observation:

During our review of the Construction in Progress (CIP) status, we noted that the Board of Trustees (BOT) agreed to remove the L&D Maternity project due to plans to construct a new hospital facility. The management have not evaluated previously capitalized costs associated with the project and have not recognized any impairment losses.

Recommendation:

We recommend that GMHA conduct a review of all costs that have been capitalized in CIP and assess the recoverability of the capitalized costs by determining whether there has been an impairment loss.

This communication is intended solely for the information and use of management, the board of trustees, others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

At this time, we would like to thank all the staff and management the GMHA for their cooperation extended to us during the course of our audit. We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Ernst + Young LLP