

December 29, 2010

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, 2010, in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and have issued our report thereon dated December 29, 2010.

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 generally accepted auditing standards, 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 July 30, 2010. 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, 2010 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, 2010 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 that could have a direct and material effect on 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 management and 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 with the oversight of 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 2010 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, 2010, 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 2010 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 and a summary of disclosure items passed 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 2010 financial statements. During the year ended September 30, 2010, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by the Authority:

- GASB 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.
- GASB 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.

- GASB Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment.
- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code, and establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs.

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

For the year ended September 30, 2011, the following pronouncements will be adopted by the Authority:

- In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010.
- In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011.
- In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The provisions of this statement are effective for periods beginning after June 15, 2010. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of the GMHA.

Management has not evaluated the effect 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 2010 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 2010 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 2010.

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.

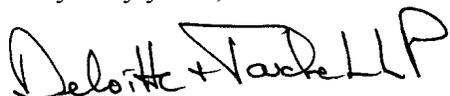
CONTROL-RELATED MATTERS

We have issued a separate report to you, dated December 29, 2010, 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 December 29, 2010, 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 Accountability 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, flowing style.

**Guam Memorial Hospital Authority
Proposed Audit Adjustments
September 30, 2010**

1 AJE To reconcile fixed assets - 5611 (Posted)

1-1271-1000	ALLOW FOR DEPN-BLDG MAIN	268,722.64	-
1-1271-2000	ALLOW FOR DEPN-LONG TERM CARE	7,049.33	-
1-1291-0	ACCUM DEPRECIATION-MAJOR MOVAB	65,190.27	-
1-8810-0	DEPRECIATION & AMORTIZATION	-	340,962.24
		<u>340,962.24</u>	<u>340,962.24</u>

To reconcile depreciation and accumulated depreciation balances to FA register.

2 AJE To adjust due from GovGuam on GO bonds - 8413 (Posted)

1-1023-500	DUE FROM GOV GUAM	37,747.50	-
1-2920-107	GO BOND 29-19 REVENUES	-	37,747.50
		<u>37,747.50</u>	<u>37,747.50</u>

To take up additional due from GovGuam for drawdown #3 under GO Bonds 2009 Series A.

3 AJE To record additional allowance - 5314 (Posted)

5-1041-0	ALLOW FOR CONT ADJ-MEDICARE	-	28,304.00
1-1041-0	ALLOW FOR CONTRACTUAL ADJ-MEDI	-	160,071.00
5-1042-0	ALLOW FOR CONT ADJ-MEDICAID	79,595.00	-
1-1042-0	ALLOW FOR CONTRACTUAL ADJ-MEDI	2,420,872.00	-
1-1043-0	ALLOW FOR CONTRACTUAL ADJ-MIP	3,376,080.00	-
5-1043-0	ALLOW FOR CONT ADJ-MIP	365,726.00	-
1-1044-0	ALLOW FOR CONTRACTUAL ADJ-TAKE	25,263.00	-
5-1044-0	ALLOW FOR CONT ADJ-PACIFICARE	2,639.00	-
1-1045-0	ALLOW FOR CONTRACTUAL ADJ-STAY	68.00	-
5-1045-0	ALLOW FOR CONT ADJ-STAYWELL	7.00	-
5-1046-0	ALLOW FOR CONT ADJ-SELECTCARE	-	5,663.00
1-1046-0	ALLOW FOR CONTRACTUAL ADJ-SELE	-	64,131.00
5-1047-0	ALLOW FOR CONT ADJ-MULTICOVER	-	702.00
1-1047-0	ALLOW FOR CONTRACTUAL ADJ-NETC	-	37,614.00
5-1048-0	ALLOW FOR CONT ADJ-SELF PAY	-	259,775.00
1-1048-0	ALLOW FOR CONTRACTUAL ADJ-SELF	-	6,382,277.00
5-1049-0	ALLOW FOR CONT ADJ-OTHER	-	75,272.00
1-1049-0	ALLOW FOR CONTRACTUAL ADJ-OTHE	-	1,216,477.00
1-5890-80	BAD DEBTS - SELF PAY	1,960,036.00	-
		<u>8,230,286.00</u>	<u>8,230,286.00</u>

To record additional allowance.

4 AJE To adjust reserve on litigation - 6213 (Posted)

1-8610-2301	SETTLEMENT OF LITIGATIONS	-	340,560.00
1-2030-0	ACCRUED LEGAL EXPENSE	340,560.00	-
		<u>340,560.00</u>	<u>340,560.00</u>

To adjust reserve for accrued litigation.

5 AJE To adjust allowance on other receivables - 5330 (Posted)

1-1049-1	ALLOW FOR BAD DEBTS-DIETARY &	-	1,286,754.72
1-5890-92	BAD DEBTS - GENERAL SERVICES	1,286,754.72	-
		<u>1,286,754.72</u>	<u>1,286,754.72</u>

To adjust allowance on other receivables.

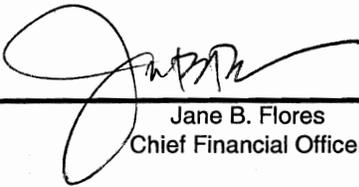
Guam Memorial Hospital Authority
 Proposed Audit Adjustments
 September 30, 2010

**6 AJE To record retiree healthcare costs - 8314
 (Posted)**

DTT - 8411	Retiree Healthcare Costs	1,383,548.00	-
DTT - 8412	Transfers from GovGuam - Retiree Healthcare costs	-	1,383,548.00
		<u>1,383,548.00</u>	<u>1,383,548.00</u>

To record retiree healthcare costs paid by GovGuam during FY 2010 on behalf of GMHA.

We have reviewed the adjustments above and authorize that they be recorded in the General Ledger as of September 30, 2010. The adjustments above are the result of errors and are not the result of fraud or illegal acts.



 Jane B. Flores
 Chief Financial Officer

Dec 30, 2010

 Date



 Peter John Camacho
 Hospital Administrator/CEO

12/30/10

 Date

Name		Debit	Credit
1 RJE To correct beginning fund balance - 7110 (Posted)			
1-2310-0	FUND BALANCE	-	499,945.00
DTT - 8111	GMHA Pharmaceuticals Fund - SUSPENSE	499,945.00	-
		<u>499,945.00</u>	<u>499,945.00</u>
To correct beginning fund balance to agree to PY audited balance.			
2 RJE To reclassify UPCA note receivable - 5320 (Posted)			
1-1022-0	LONG TERM A/R	-	248,675.98
DTT - 5320	NOTES RECEIVABLE - UPCA	248,675.98	-
		<u>248,675.98</u>	<u>248,675.98</u>
To reclassify UPCA Note Receivable			
3 RJE To reclassify current portion of annual leave - 6212.01 (Posted)			
1-2032-0	ACCRUED ANNUAL LEAVE	1,523,346.45	-
DTT - 6212	ACCRUED ANNUAL LEAVE - CURRENT PORTION	-	1,523,346.45
		<u>1,523,346.45</u>	<u>1,523,346.45</u>
To reclassify current portion of annual leave.			
4 RJE To reclassify GOG receivables relating to PY - 2240.05 (Posted)			
1-5890-80	BAD DEBTS - SELF PAY	2,327,531.00	-
1-5323-0	DEFERRED INCOME - GOV ACCTS	-	2,327,531.00
		<u>2,327,531.00</u>	<u>2,327,531.00</u>
To reclassify portion of GOG receivables deferred relating to FY 2009 and prior years adjusted by GMHA to gross revenues.			
5 RJE To reclassify accrued payroll for RF liability - 6113 (Posted)			
1-2031-0	ACCRUED PAYROLL	109,982.63	-
1-2038-1000	RETIREMENT FUND - DBP (OLD PLA	-	109,982.63
		<u>109,982.63</u>	<u>109,982.63</u>
To reclassify portion of accrued payroll relating to retirement liability.			

We have reviewed the reclassifications above and agree that they be presented in the financial statements as of and for the year ended September 30, 2010. The reclassifications above are the results of errors and are not the result of fraud or illegal acts.



Jane B. Flores
Chief Financial Officer

Dec 30, 2010

Date



Peter John Camacho
Hospital Administrator/CEO

12/30/10

Date

Guam Memorial Hospital Authority
 Summary of Uncorrected Misstatements
 September 30, 2010

Appendix A

<u>Known Misstatements</u>	STATEMENT OF CONDITION			
			Fund Balance	
	Assets	Liabilities	Net Assets	Income
	Dr (Cr)	Dr (Cr)	Beg of Year	Statement
		Dr (Cr)	Dr (Cr)	
1. To adjust inventory	(101,076)			101,076
2. To take up retro pay		(191,092)	73,047	118,045
3. To reclassify miscellaneous revenues to bad debts				-
Total Known Misstatements	(101,076)	(191,092)	73,047	219,121

APPENDIX II, CONTINUED

Guam Memorial Hospital Authority
 Summary of Disclosure Items Passed
 September 30, 2010

Appendix B

<u>Footnote Number</u>	<u>Footnote Title</u>	<u>Description of Omitted Disclosure</u>	<u>Authoritative Literature Reference</u>	<u>Dollar Amount of Omitted Disclosure</u>
None	Statement of Cash Flows	Noncash increase in capital assets (donated assets)	GAARF 2450.132	\$.....294,624.



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

December 29, 2010

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

Gentlemen:

We are providing this letter in connection with your audits of the statements of net assets of the Guam Memorial Hospital Authority (the Authority), a component unit of the Government of Guam (GovGuam), as of September 30, 2010 and 2009 and the related statements of revenues, expenses and changes in net assets and cash flows for the years 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 changes in net assets, and cash flows, in conformity with GAAP.
- 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 of the additional information accompanying the basic financial statements that is presented for the purpose of additional analysis of the basic financial statements.
- 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.

December 29, 2010
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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 audits.

1. The basic financial statements referred to above are fairly presented in conformity with GAAP. 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 statements of revenues, expenses and changes in net assets, and allocations have been made on a reasonable basis.
 - c. Revenues are appropriately classified in the statements of revenues, expenses and changes in net assets within operating revenues, or capital contributions.
 - d. Deposits are properly classified in the category of custodial credit risk.
 - e. Capital assets are properly capitalized, reported, and, if applicable, 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.
 - h. Applicable laws and regulations are followed in adopting, approving and amending budgets.
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.

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 have completed our procedures to evaluate the accuracy and completeness of the disclosures in our financial statements. As a result of the evaluation process, we identified certain disclosures that, although required by GAAP, have been omitted from our financial statements. Those omitted disclosures that are regarded as more than clearly trivial are attached as Appendix B. We believe the effects of the omitted disclosures are quantitatively and qualitatively immaterial, both individually and in the aggregate, to the financial statements as a whole.
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.
 - 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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, *Contingencies* (formerly 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.

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 for 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 the 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 correction 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 \$250,000 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.

17. Except as listed in Appendix A, 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, 2010, 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 ASC 450, *Contingencies* (formerly FASB Statement No. 5, *Accounting for Contingencies*), except as disclosed in note 16 to the financial statements.
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 may have an effect on the financial statements in the event of noncompliance, except for instances of noncompliance included in the Schedule of Findings and Questioned Costs.
31. No department or agency of the Authority has reported a material instance of noncompliance to us, except for instances of noncompliance included in the Schedule of Findings and Questioned Costs.
32. No events have occurred after September 30, 2010 but before the date through which subsequent events were evaluated and the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements.
33. Management is aware of its requirement to disclose whether, subsequent to September 30, 2010, any 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 and material weaknesses have occurred. However, we represent to you that no such disclosure has been made as no such changes in internal control or such other factors have occurred.
34. During fiscal year 2010, the Authority implemented the following pronouncements:
 - GASB 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.
 - GASB 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.

- GASB Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment.
- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code, and establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs.

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

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of the Authority.

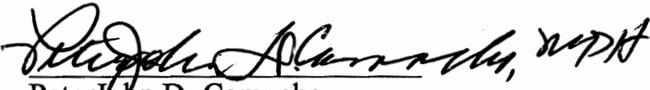
In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Authority.

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The provisions of this statement are effective for periods beginning after June 15, 2010. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of the Authority.

35. 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.
36. 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 purposes 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.

37. Money or similar assets handled by the Authority on behalf of the Government of Guam of 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.
38. 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 June 2010.
39. 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.
40. The Authority has identified and disclosed interpretations of any compliance requirements that have varying interpretations.
41. 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.
42. 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.
43. The Authority is responsible for complying, and has complied, with OMB Circular A-133, except as disclosed in the Schedule of Findings and Questioned Costs.
44. 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 OMB Circular A-133.
45. 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

01/10/11
Date


Jane B. Flores
Chief Financial Officer

Jan 10, 2011
Date

APPENDIX III, CONTINUED

Guam Memorial Hospital Authority
 Summary of Uncorrected Misstatements
 September 30, 2010

Appendix A

<u>Known Misstatements</u>	STATEMENT OF CONDITION			
			Fund Balance	
	Assets	Liabilities	Net Assets	Income
		Beg of Year	Statement	
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
1. To adjust inventory	(101,076)			101,076
2. To take up retro pay		(191,092)	73,047	118,045
3. To reclassify miscellaneous revenues to bad debts				-
Total Known Misstatements	(101,076)	(191,092)	73,047	219,121

APPENDIX III, CONTINUED

Guam Memorial Hospital Authority
 Summary of Disclosure Items Passed
 September 30, 2010

Appendix B

<u>Footnote Number</u>	<u>Footnote Title</u>	<u>Description of Omitted Disclosure</u>	<u>Authoritative Literature Reference</u>	<u>Dollar Amount of Omitted Disclosure</u>
None	Statement of Cash Flows	Noncash increase in capital assets (donated assets)	GAARF 2450.132	\$ 294,624