

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

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

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**YEAR ENDED SEPTEMBER 30, 2009**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Guam Memorial Hospital Authority:

We have audited the financial statements of the Guam Memorial Hospital Authority (the Authority) as of and for the year ended September 30, 2009, and have issued our report thereon dated December 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs (pages 9 through 17) as items 2009-01 and 2009-02 to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above as items 2009-01 and 2009-02 to be material weaknesses.

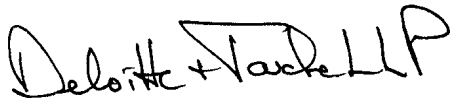
### Compliance and Other Matters

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

We noted certain matters that we reported to management of the Authority in a separate letter dated December 28, 2009.

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

This report is intended solely for the information and use of management, the Board of Trustees, the Office of Public Accountability of Guam, federal awarding agencies, the cognizant audit and other federal agencies, and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

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December 28, 2009

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Board of Trustees  
Guam Memorial Hospital Authority:

Compliance

We have audited the compliance of the Guam Memorial Hospital Authority (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs (pages 9 through 17). Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

As described in item 2009-04 in the accompanying Schedule of Findings and Questions Costs, the Authority did not comply with requirements regarding allowable costs/cost principles and procurement and suspension and debarment that are applicable to its National Bioterrorism Hospital Preparedness Program (CFDA# 93.889). Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the previous paragraph, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2009-03.

## Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Authority's internal control over compliance that might be significant deficiencies or material weaknesses as defined below.

However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-03 and 2009-04 to be significant deficiencies.

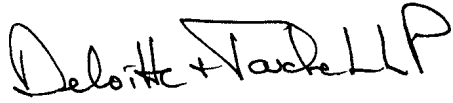
A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-04 to be a material weakness.

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

## Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Guam Memorial Hospital Authority as of and for the year ended September 30, 2009, and have issued our report thereon dated December 28, 2009. Our audit was performed for the purpose of forming our opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (page 7) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Trustees, the Office of Public Accountability of Guam, federal awarding agencies, the cognizant audit and other federal agencies, and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

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

December 28, 2009

**GUAM MEMORIAL HOSPITAL AUTHORITY**

Schedule of Programs Selected for Audit  
in Accordance with OMB Circular A-133  
Year Ended September 30, 2009

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

<u>Grantor</u>	<u>CFDA #</u>	<u>Amount of Description</u>	<u>Expenditures</u>
U.S. Department of the Interior	15.875	Economic, Social, and Political Development of the Territories: Compact Impact Grants	\$ 4,634,700
U.S. Department of Health and Human Services	93.889	National Bioterrorism Hospital Preparedness Program	<u>725,197</u>
		Total program expenditures tested	\$ <u>5,359,897</u>
		Total federal program expenditures	\$ <u>5,635,296</u>
		% of total federal program expenditures tested	<u>95%</u>

**GUAM MEMORIAL HOSPITAL AUTHORITY**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2009

<u>CFDA#</u>	<u>Agency/Program</u>	<u>2009 Federal Expenditures</u>
	<u>U.S. Department of the Interior:</u>	
	Passed through the Government of Guam:	
	Economic, Social and Political Development of the Territories:	
15.875	Compact Impact FY 2003 - Repairs and equipment	\$ 25,373
15.875	Compact Impact FY 2004 - Capital and medical equipment	14,000
15.875	Compact Impact FY 2007 - Pharmaceutical supplies and equipment	94,380
15.875	Compact Impact FY 2007 - Building Improvement Projects	973,693
15.875	Compact Impact FY 2007 - FEMA; 10% Match	203,933
15.875	Compact Impact FY 2008 - Pharmaceutical supplies and equipment	953,238
15.875	Compact Impact FY 2008 - CIP 2008	117,761
15.875	Compact Impact FY 2009 - Pharmaceutical supplies and equipment	2,252,322
	Total U.S. Department of the Interior	<u>4,634,700</u>
	<u>U.S. Department of Homeland Security:</u>	
	Passed through the Government of Guam:	
97.039	Hazard Mitigation Grant - Enclose main lobby	275,399
	Total U.S. Department of Homeland Security	<u>275,399</u>
	<u>U.S. Department of Health and Human Services:</u>	
	Passed through the Government of Guam:	
	National Bioterrorism Hospital Preparedness Program:	
93.889	Bioterrorism Hospital Preparedness Grant FY 2006	264,821
93.889	Bioterrorism Hospital Preparedness Grant FY 2007	221,977
93.889	Bioterrorism Hospital Preparedness Grant FY 2008	238,399
	Total U.S. Department of Health and Human Services	<u>725,197</u>
	Total Federal Program Expenditures	<u>\$ 5,635,296</u>
	Reconciliation to the basic financial statements:	
	Pharmaceutical supplies	2,976,451
	Capitalized as fixed asset additions	2,107,445
	Federal program expenditures recorded as nonoperating expenses	<u>551,400</u>
		<u>\$ 5,635,296</u>

See accompanying notes to schedule of expenditures of federal awards.



# GUAM MEMORIAL HOSPITAL AUTHORITY

## Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2009

### (1) Scope of Audit

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

#### a. Programs Subject to Single Audit

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

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

### (2) Summary of Significant Accounting Policies

#### a. Basis of Accounting

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

#### b. Matching Costs

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

#### c. Indirect Cost Allocation

The National Bioterrorism Hospital Preparedness Grant allows, upon prior grantor approval, an indirect cost allocation of 10% of certain administrative expenses to be charged against the grant. The Authority did not charge indirect costs against this program during fiscal year 2009.

**GUAM MEMORIAL HOSPITAL AUTHORITY**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2009

**Part I - Summary of Auditors' Results Section**

*Financial Statements*

- |   |               |
|---|---------------|
| 1. Type of auditors' report issued:   | Unqualified   |
| Internal control over financial reporting:  |               |
| 2. Material weakness(es) identified?  | Yes           |
| 3. Significant deficiency(ies) identified that is not considered to be a material weakness? | None reported |
| 4. Noncompliance material to the financial statements noted?                                | No            |

*Federal Awards*

- |   |           |
|---|-----------|
| Internal control over major programs:   |           |
| 5. Material weakness(es) identified?  | Yes       |
| 6. Significant deficiency(ies) identified that is not considered to be a material weakness?                               | Yes       |
| 7. Type of auditors' report issued on compliance for major programs:  | Qualified |
| 8. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | Yes       |
| 9. The Authority's major programs were as follows:  |           |

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Economic, Social and Political Development of the Territories:	
Compact Impact Grants	15.875
National Bioterrorism Hospital Preparedness Program	93.889
10. Dollar threshold used to distinguish between Type A and Type B Programs, as those terms are defined in OMB Circular A-133:	\$300,000
11. The Authority qualified as a low-risk auditee, as that term is defined in OMB Circular A-133?	No

**Part II – Financial Statement Findings Section**

<u>Finding Number</u>	<u>Findings</u>
2009-01	Pharmaceutical Department Inventory
2009-02	Patient Receivables

**GUAM MEMORIAL HOSPITAL AUTHORITY**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

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

<u>Reference Number</u>	<u>CFDA Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
2009-03	15.875	Procurement and Suspension and Debarment	\$ 103,898
2009-04	93.889	Allowable Costs/Costs Principles, and Procurement and Suspension and Debarment	\$ 52,700

## GUAM MEMORIAL HOSPITAL AUTHORITY

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2009

#### Finding No. 2009-01 Pharmaceutical Department Inventory

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

**Condition:** The Guam Memorial Hospital Authority does not maintain perpetual inventory records for the pharmacy department. Only a year-end physical count is performed and the general ledger is adjusted to reflect the results of the count. Furthermore, detailed reconciliations and investigations of differences are not performed. The Authority addressed certain matters related to these controls by having the pharmacy open and operating on an all day basis. This effectively limits the amount of inventory that had to be transferred out each night to hospital staff. However, basic control issues do not appear effective without some form of perpetual inventory system over material dollar values of inventory.

**Cause:** The Authority has not been able to implement a perpetual inventory system for the pharmacy.

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

**Prior Year Status:** Lack of adequate controls over pharmaceutical department inventory was reported as a finding in the Single Audit of the Authority for fiscal year 2008.

**Recommendation:** The Guam Memorial Hospital Authority management should attempt to maintain perpetual inventory records which reflect quantities on-hand. If it is not possible to establish a perpetual system for all of pharmacy, then perpetual inventory controls should be implemented for key drugs and other high dollar value items while the Authority continues to seek a solution for the entire pharmacy inventory.

#### Auditee Response and Corrective Action Plan:

The Hospital acknowledges the finding. In response to the finding, the Hospital has instituted the following corrective plan:

1. Jurisdiction of the procurement and inventory management of pharmaceuticals has been transferred to the Director of the Pharmacy Department – effective January 2010.
2. The Hospital is proceeding with the procurement of a Pharmacy module upgrade that will address the system linkage deficiency. The Hospital has completed an application for use of a federal grant with the U.S. Department of Interior to purchase the upgrade.
3. Committee formulated in FY2009 consisting of General Accounting Supervisor, Pharmacy Director, MIS Director, and Procurement Manager continue to work with the Hospital's Information System Provider in resolving the issues between the Pharmacy module, Inventory module, and the General Ledger. The committee will work with the Information System provider in implementation of the Pharmacy upgrade ensuring that the upgrade is meeting the needs of the Hospital.
4. Monthly monitoring for unusual pharmacy transactions from the inventory module.
5. Conduct periodic inventory of on-hand pharmaceuticals by Fiscal Services staff.

**GUAM MEMORIAL HOSPITAL AUTHORITY**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No. 2009-01 Pharmaceutical Department Inventory, Continued

Auditee Response and Corrective Action Plan, Continued:

Such measures will continue until the Hospital attains a fully integrated Hospital Information System capable of providing current inventory status reports, ensuring the timely reflection of on-hand pharmaceutical inventory.

## GUAM MEMORIAL HOSPITAL AUTHORITY

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2009

#### Finding No. 2009-02 - Patient Receivables

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

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

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

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

Prior Year Status: Lack of adequate policies and procedures over the aging of patient receivables was reported as a finding in the Single Audit of the Authority for fiscal year 2008.

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

#### Auditee Response and Corrective Action Plan:

The Hospital acknowledges the finding and has implemented the following that formalizes existing standard operating practices of the Hospital:

1. Formulation, adoption, and execution of a policy distinguishing the processing of outstanding patient accounts from current to long term accounts receivable.
2. Monitoring of compliance to AR management policy by both Patient Affairs and Accounting.

**GUAM MEMORIAL HOSPITAL AUTHORITY**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-03  
CFDA Program.: 15.875 Economic, Social, and Political Development of the Territories  
Agency: U.S. Department of the Interior  
Grant: Compact Impact Grants  
Requirement: Procurement and Suspension and Debarment  
Questioned Cost: \$103,898

Criteria: In accordance with applicable procurement requirements, the grantee shall maintain records sufficient to detail the significant history of the procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Conditions:

1. For 6 (or 9%) of 64 transactions tested, totaling \$2,038,108, sole source procurement was used to procure various hospital pharmaceutical supplies and equipment. Based on examination of the procurement files, there was insufficient information to indicate how the grantee determined that no other vendors could provide required supplies and equipment.

<u>Purchase Order</u>	<u>Amount</u>
28000368	\$ 29,126
28004568	24,789
29000105	21,000
29000403	14,183
28003318	8,200
28004403	<u>6,600</u>
Total	<u>\$103,898</u>

2. For 9 (or 14%) of 64 transactions tested, totaling \$2,038,108, only one or two vendor responses were included in the procurement file; the remaining vendors solicited did not respond per the vendor analysis sheet. Procurement files only included confirmations of faxes that were sent to the vendors who didn't respond. As we were unable to substantiate whether the vendors did not receive the faxes or whether they did not intend to provide a quote, such is included at this condition.

<u>Purchase Order</u>	<u>Amount</u>
28004407	\$16,269
28002713	11,618
28003186	8,289
28002148	5,250
28003691	3,102
28003067	3,061
28001777	1,235
28001655	988
28004344	<u>465</u>
Total	<u>\$50,277</u>

## GUAM MEMORIAL HOSPITAL AUTHORITY

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2009

Finding No.: 2009-03, continued  
CFDA Program.: 15.875 Economic, Social, and Political Development of the Territories  
Agency: U.S. Department of the Interior  
Grant: Compact Impact Grants  
Requirement: Procurement and Suspension and Debarment  
Questioned Cost: \$103,898

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

Effect: The Authority appears to be in noncompliance with applicable procurement requirements. Although the aggregate amount of conditions 1 and 2 listed above is \$154,175, a total of \$50,277 from condition 2 does not result in a questioned cost. Therefore, a total questioned cost of \$103,898 exists.

Recommendation: The Authority should strengthen internal controls to ensure compliance with procurement requirements.

Auditee Response and Corrective Action Plan:

The Hospital acknowledges the finding. The Procurement department is working on revamping procurement processes/standard operating procedures to address the finding.



**GUAM MEMORIAL HOSPITAL AUTHORITY**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-04  
CFDA No.: 93.889  
Agency: U.S. Department of Health and Human Services  
Grant: National Bioterrorism Hospital Preparedness Program  
Requirement: Allowable Costs/Cost Principles and Procurement and Suspension and Debarment  
Questioned Cost: \$52,700

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

Conditions:

Of 25 transactions tested, totaling \$641,712, the following exceptions were noted:

1. For 1 transaction (or 4%), no financial records were available to substantiate the expenditure and its relationship to the program.

<u>Reference</u>	<u>Amount</u>
JE 11-25	\$ 2,339

2. For 1 transaction (or 4%), there was no supporting documentation for an indirect cost of \$42,551 incurred for utilities.

<u>Reference</u>	<u>Amount</u>
JE 07-44	\$ 42,551

3. For 4 transactions (or 16%), after-the-fact certification was not applied to payroll expenditures.

<u>Reference</u>	<u>Amount</u>
JE 04-03	\$ 33,649
JE 06-21	5,753
JE 07-58	11,367
JE 07-43	<u>7,150</u>

Total \$ 57,919

**GUAM MEMORIAL HOSPITAL AUTHORITY**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-04, continued  
CFDA No.: 93.889  
Agency: U.S. Department of Health and Human Services  
Grant: National Bioterrorism Hospital Preparedness Program  
Requirement: Allowable Costs/Cost Principles and Procurement and Suspension and Debarment  
Questioned Cost: \$52,700

4. For 1 transaction (or 4%), sole source procurement was used to procure directly through the U.S. General Services Agency; however, there is no documentation on file to indicate how the Authority determined that no other vendor could provide such goods or services for the following:

<u>Reference</u>	<u>Amount</u>
29000446	\$ 7,810

5. For 4 transactions (or 16%), only one or two vendor responses were included in the procurement file; the remaining vendors solicited did not respond per the vendor analysis sheet. Procurement files only included confirmations of faxes that were sent to the vendors who didn't respond. As we were unable to substantiate whether the vendors did not receive the faxes or whether they did not intend to provide a quote, such is included at this condition.

<u>Reference</u>	<u>Amount</u>
29003222	\$ 3,434
29003438	5,312
29002102	13,008
29003045	<u>2,090</u>

Total \$ 23,844

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

Effect: The Authority appears to be in noncompliance with applicable allowable costs/costs principles and procurement requirements. Although the aggregate amount of conditions 1 through 5 listed above is \$134,463, a total \$57,919 from condition 3 and a total of \$23,844 from condition 5 do not result in questioned costs. Therefore, a total questioned cost of \$52,700 exists.

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

Auditee Response and Corrective Action Plan:

The Hospital acknowledges the finding placing the following corrective actions:

1. Quarterly provision of after-the-fact certification for federally funded Hospital positions;
2. As with Finding 2009-03, revamp procurement processes/standard operating procedures;
3. Formulation of indirect cost percentage for allocation purposes; and
4. Arrange monthly meetings between Planning and Accounting.

## GUAM MEMORIAL HOSPITAL AUTHORITY

### Unresolved Prior Year Findings and Questioned Costs Year Ended September 30, 2009

#### Questioned Costs:

For the year ended September 30, 2009, the following questioned costs were noted and prior questioned costs resolved:

	Questioned Costs Set Forth in Prior Audit Report <u>2008</u>	Questioned Costs Resolved for Fiscal Year <u>2009</u>	Questioned Costs at <u>September 30, 2009</u>
Unresolved Questioned Costs FY08	\$ <u>1,140,992</u>	<u>-</u>	\$ 1,140,992
Questioned Costs FY09			<u>156,598</u>
			\$ <u>1,297,590</u>

#### Unresolved Findings

The status of unresolved findings is discussed in the Schedule of Findings and Questioned Costs section of this report (pages 9 through 17).