Management Letter

Guam Memorial Hospital Authority

Year ended September 30, 2022

EY
**Building a better
working world**

September 29, 2023

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, 2022, 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

Certain subsidiary ledger balances do not agree with the general ledger balances. GMHA's enterprise resource planning system cannot generate historical reports of its subsidiary ledger to assist in reconciliations. Schedules can be extracted only on the day of the report. This results to delays in period end reconciliations and financial reporting.

Recommendation

We recommend for GMHA to improve its process with closer coordination with other departments to timely extract subsidiary ledgers for use in its financial statement close process.

Timely Recording of Purchases and Accounts Payable

Observation:

GMHA records expenses and purchases when receiving reports and invoices have been forwarded to accounting for payment. Some transactions that pertains to the prior fiscal year was recorded in the current fiscal year, when the receiving reports and invoices were received.

Recommendation:

GMHA Accounting should enhance its accrual process. GMHA should have departments timely provide supporting documents or sufficient information to enable the accrual of liabilities when good are received or services are rendered.

Inventories
(reiteration of prior year comment)

<u>Observation:</u>

Inventory issuances from Pharmacy department are not recorded in a perpetual system and instead, inventory balances are adjusted based on results of annual inventory counts. While an inventory module was implemented to track the movement of inventories within the pharmacy, this module is not interfaced with the ORMED GL system.

<u>Recommendation:</u>

We recommend that GMHA implement procedures to timely record, analyze and monitor pharmacy inventory movement and balances.

****

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