

**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, 2012**

**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, 2012, and have issued our report thereon dated May 21, 2013. 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**

Management of the Authority is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 a 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2012-1, 2012-2 and 2012-3 to be material weaknesses.

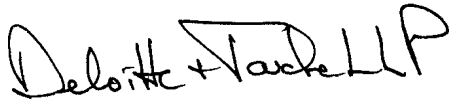
## Compliance and Other Matters

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 May 21, 2013.

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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May 21, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 Guam Memorial Hospital Authority's (the Authority) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2012. 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 8-9). 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 items 2012-4 and 2012-5 in the accompanying Schedule of Findings and Questioned Costs, the Authority did not comply with requirements regarding procurement and suspension and debarment and equipment and real property management that are applicable to its Economic, Social and Political Development of the Territories: Compact Impact Grants (CFDA# 15.875). 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

## Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiency in internal control over compliance that we consider to be a material weakness and other deficiency that we consider to be a significant deficiency.

A *deficiency* in 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 and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-4 to be a material weakness.

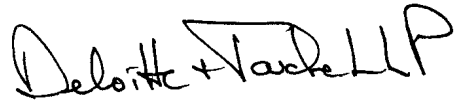
A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-5 to be a significant deficiency.

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 the responses.

## 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, 2012, and have issued our report thereon dated May 21, 2013 which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (page 6) 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements 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 + Tuckers LLP". The signature is written in a cursive, slightly stylized font.

May 21, 2013

**GUAM MEMORIAL HOSPITAL AUTHORITY  
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Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2012

<u>CFDA#</u>	<u>Agency/Program</u>	<u>2012 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 2007 - Building Improvement Projects	\$ 402,275
15.875	Compact Impact FY 2007 - Pharmaceutical Supplies & Equipment	39,000
15.875	Compact Impact FY 2008 - Wall Hardening Project	189,673
15.875	Compact Impact FY 2009 - Fire Rated Doors	621,073
15.875	Compact Impact FY 2009 - OR HVAC Upgrade	88,383
15.875	Compact Impact FY 2009 - GMHA Feasibility Study	135,108
15.875	Compact Impact FY 2011 - Lab Information System	627,654
15.875	Compact Impact FY 2012 - Compact of Free Association	4,142,026
	Total U.S. Department of the Interior	6,245,192
 <u>U.S. Department of Energy</u>		
Passed through the Government of Guam:		
81.041	ARRA State Energy Program	269,834
	Total U.S. Department of Energy	269,834
 <u>U.S. Department of Health and Human Services:</u>		
National Bioterrorism Hospital Preparedness Program:		
93.889	Bioterrorism Hospital Preparedness Grant FY 2010	311,817
93.889	Bioterrorism Hospital Preparedness Grant FY 2011	270,708
		582,525
National Bioterrorism Hospital Preparedness Program and Public Health Emergency Preparedness:		
93.089	Bioterrorism Hospital Preparedness Grant FY 2012	85,376
Emergency System for Advance Registration of Volunteer Health Professionals (ESAR):		
93.089	ESAR 2010	7,438
	Total U.S. Department of Health and Human Services	675,339
	Total Federal Program Expenditures	\$ 7,190,365
 Reconciliation to the basic financial statements:		
	Pharmaceutical supplies, healthcare services and payables	\$ 4,142,026
	Capitalized as property and equipment additions	2,649,303
	Federal program expenditures recorded as nonoperating expenses	399,036
		\$ 7,190,365

See accompanying notes to schedule of expenditures of federal awards.

**GUAM MEMORIAL HOSPITAL AUTHORITY**  
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Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2012

(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 Energy
- U.S. Department of the Interior
- U.S. Department of Health and Human Services

(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 2012.

(3) American Recovery and Reinvestment Act of 2009 (ARRA)

In February 2009, the Federal Government enacted the American Recovery and Reinvestment Act of 2009 (ARRA). As of September 30, 2012, the Authority's expenditures and grant award notification are as follows:

<u>CFDA Program</u>	<u>Grant Amount</u>	<u>Accumulated Expenditures as of September 30, 2012</u>	<u>Expended in Fiscal Year 2012</u>
81.041 ARRA State Energy Program	\$ <u>650,000</u>	\$ <u>650,000</u>	\$ <u>269,834</u>



**GUAM MEMORIAL HOSPITAL AUTHORITY**  
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Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

**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:  |           |

Name of Federal Program	CFDA Number
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**

Finding Number	Findings
2012-1	Patient Receivables
2012-2	Unbilled Patient Receivables
2012-3	Pharmaceutical Department Inventory

**GUAM MEMORIAL HOSPITAL AUTHORITY**  
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Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2012

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

<u>Reference Number</u>	<u>CFDA Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
2012-4	15.875	Procurement and Suspension and Debarment	\$ 153,568
2012-5	15.875	Equipment and Real Property Management	-

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Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2012

Finding No. 2012-1 - Patient Receivables

Criteria: Measures and actions should be undertaken to collect and address long outstanding and increasing receivables.

Condition: During tests of receivables at September 30, 2012, the following were noted:

1. Uncollectible patient receivables of \$4,373,286 and \$6,271,082 from Medicare and self-pay “charity care” patients, respectively, were written-off during fiscal year 2012. Approval of the write-off, according to the Authority’s policies, was not provided for examination.
2. Adding back the receivable written-off described above, patient receivables increased by \$11,621,756 (or 4%) from \$219,561,460 at September 30, 2011 to \$231,183,216 at September 30, 2012. Based on the Authority’s analysis, estimated uncollectible accounts increased by \$19,876,543 (or 10%) from \$178,564,976 at September 30, 2011 to \$198,441,519 at September 30, 2012. Of the \$19,876,543 increase in uncollectible accounts, \$4,531,026 related to increase in fully reserved balances.
3. As of September 30, 2012, receivables from self-pay patients amounted to \$20.6 million, of which 86% were from individuals without insurance. Further, of the \$20.6 million, approximately 60% was due from individuals who appeared to have limited or who had no capacity to pay based on their stated employment status.

Cause: The cause of the above condition appears to be declining economic conditions.

Effect: The effect of the above condition is the potential for inadequate cash flows to meet current obligations.

Recommendation: We recommend that the Authority continue its effort to follow up on outstanding patient receivables and continually review existing collection measures and strategies to further develop other plans to address increasing patient receivables. Further, we recommend that approval of receivable write-offs be documented.

Prior Year Status: The matter relating to receivables as described above was reported as a finding in the single audit of the Authority for fiscal years 2010 and 2011.

Auditee Response and Corrective Action Plan:

Contact Person: Alan C. Ulrich, Chief Financial Officer

Corrective Action: GMHA leaders are taking steps to address long outstanding and increasing receivables that include:

1. GMHA has introduced new procedures for collecting patient payments on the date of service
2. Monthly meetings with local insurers to resolve outstanding balances
3. Introducing a discount incentive program on April 22, 2013 to encourage payment of outstanding accounts
4. Adding new staff including a contracted manager whose sole functions will be collections

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Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2012

Finding No. 2012-1 - Patient Receivables, Continued

Auditee Response and Corrective Action Plan:, Continued

5. Developing an invitation to bid for more active follow-up of uncollectible accounts receivable

We agree that the approval of receivable write-offs should follow documented procedures. GMHA is now adhering to this policy for all write-offs.

**GUAM MEMORIAL HOSPITAL AUTHORITY**  
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Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2012

Finding No. 2012-2 – Unbilled Patient Receivables

Criteria: Patient receivables should be timely billed.

Condition: Unbilled receivables for the last three years are as follows:

<u>September 30</u>	<u>Total</u>
2012	\$ 6,005,578
2011	6,863,068
2010	3,073,506

Of the unbilled receivables as of September 30, 2012 and 2011, 91% and 93%, respectively, were from MIP, Medicare and Medicaid patients which were still within the one year filing deadline.

While unbilled receivables decreased by 12% from \$6,863,068 at September 30, 2011 to \$6,005,578 at September 30, 2012, the level of unbilled receivables remains high compared to fiscal year 2010 unbilled receivables.

Cause: The cause of the above condition appears to be a decline in the number of full time billing personnel from 6 in fiscal year 2010 to 4 in fiscal years 2011 and 2012.

Effect: The effect of the above condition is the potential for increased uncollectible receivables.

Recommendation: We recommend the Authority continue to address unbilled receivables.

Prior Year Status: The matter relating to unbilled receivables as described above was reported as a finding in the single audit of the Authority for fiscal year 2011.

Auditee Response and Corrective Action Plan:

Contact Person: Alan C. Ulrich, Chief Financial Officer

Corrective Action: It would be too easy to attribute the delayed billing to fewer staff. GMHA procedural issues and solutions are multi-faceted.

Many insurers – including Medicare, Medicaid and MIP – require documentation of the entire medical record to accompany the claim. This requirement creates a cumbersome time-consuming process involving Medical Records and Business Office staff. At September 30, 2012, GMHA had 652 Medicare claims, 813 Medicaid and 450 MIP claims that had not been submitted.

In October 2012, GMHA allocated new human resources to ensure bills were submitted in a timely manner.

**GUAM MEMORIAL HOSPITAL AUTHORITY**  
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Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2012

Finding No. 2012-2 – Unbilled Patient Receivables, Continued

Auditee Response and Corrective Action Plan:, Continued

In March 2013, GMHA initiated discussions to automate the uploading of the claim (in a .pdf format) to the insurers. This process should be completed in Summer 2013. This new process will reduce the “paper chase” and will expedite the delivery of the claim.

GMHA’s Chief Financial Officer is monitoring the unbilled claims. In additions, GMHA will add this issue to its Performance Indicators for the Business Office to ensure timely monitoring of unbilled claims.

**GUAM MEMORIAL HOSPITAL AUTHORITY**  
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Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2012

Finding No. 2012-3 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. As of September 30, 2012, pharmacy inventory was adjusted by \$116,540 to agree to actual count of \$569,268. 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.

Recommendation: The Guam Memorial Hospital Authority management should attempt to maintain perpetual pharmacy 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.

Prior Year Status: Lack of adequate controls over pharmaceutical department inventory was reported as a finding in the Single Audits of the Authority for fiscal years 2008, 2009, 2010 and 2011.

Auditee Response and Corrective Action Plan:

Contact Person: Alan C. Ulrich, Chief Financial Officer

Corrective Action: GMHA acknowledges that a perpetual inventory system is an optimum solution. The software from GMHA's current vendor, NTT Data, does not have this functionality.

Unfortunately, GMHA will not be able to comply with this recommendation pending the acquisition of the new institutional software system that includes a pharmacy management component.

GMHA will conduct an interim pharmacy physical inventory as of May 31, 2013 with reconciliation to the general ledger.

**GUAM MEMORIAL HOSPITAL AUTHORITY**  
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Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2012

Finding No.: 2012-04  
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: \$153,568

Criteria: In accordance with applicable procurement regulations, the grantee shall maintain records that detail the history of the procurement, including the rationale behind the method of procurement chosen, selection of contract type, rationale for contract/bid selection or rejection, and basis for contract price.

Condition: For 2 (or 4% and \$153,560) of 52 expenditures tested totaling \$3,727,662, there was insufficient documentation such as memos and justification letters indicating the history of procurement as well as the rationale of the vendor selection. Details are as follows:

<u>PO No</u>	<u>PO Date</u>	<u>Description</u>	<u>Amount</u>
20104555	09/15/10	Nursing services	\$ 102,701
20121262	01/23/12	Insurance	<u>50,867</u>
			\$ <u>153,568</u>

Cause: Compliance with applicable procurement requirements does not appear to have occurred.

Effect: The Authority appears to be in noncompliance with applicable procurement requirements. Therefore, a total questioned cost of \$153,568 exists.

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

Auditee Response and Corrective Action Plan:

Contact Person: Alan C. Ulrich, Chief Financial Officer

Corrective Action: GMHA believes that its Material Management Department adheres to Government of Guam and Department of the Interior procurement guidelines. GMHA's procurement officer, its Chief Executive Officer, and the Acting Manager of Materials Management recently attended a presentation by the Government of Guam's Attorney General to confirm their understanding of procurement rules and regulations.

With the recruitment of a new Chief Executive Officer and Chief Financial Officer, GMHA reviews and confirms "appropriate" documentation when approving purchase orders and contracts.



**GUAM MEMORIAL HOSPITAL AUTHORITY**  
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Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2012

Finding No.: 2012-04, 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: \$153,568

Auditee Response and Corrective Action Plan:, Continued

For the two purchase order deficiencies mentioned in the compliance letter:

- Purchase Order 20104555 in the amount of \$300,000 was issued in September 2010 to a staffing agency. This was mentioned in prior audits.
- Purchase Order 20121262 was created to extend Purchase Order 20111436, an appropriately documented purchase order.

**GUAM MEMORIAL HOSPITAL AUTHORITY**  
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Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2012

Finding No.: 2012-05  
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories  
Agency: U.S. Department of the Interior  
Grant: Compact Impact Grants  
Requirement: Equipment and Real Property Management  
Questioned Cost: \$0

Criteria: In accordance with applicable federal equipment and real property guidelines, the grantee shall adequately safeguard and maintain equipment and property acquired with federal funds.

Condition: For 1 (or 1%) of 75 federal asset existence samples, the asset was not in use and was in storage. Actions taken by the Authority to maintain the asset were not evident.

<u>Tag #</u>	<u>Asset Description</u>	<u>Cost</u>	<u>Net Book Value at September 30, 2012</u>
5236	Mammogram Unit	<u>\$143,730</u>	<u>\$ _____</u>

Cause: There appears to be weak internal controls over compliance with appropriate maintenance of federal fixed assets.

Effect: The Authority appears to be in noncompliance with applicable equipment and real property requirements.

Recommendation: The Authority should strengthen internal controls to ensure compliance with applicable equipment and real property requirements.

Auditee Response and Corrective Action Plan:

Contact Person: Alan C. Ulrich, Chief Financial Officer

Corrective Action: The mammogram unit cited in the audit was fully depreciated. GMHA stopped performing mammographies on December 4, 2004. At that time, GMHA should have disposed of the equipment in accordance with federal guidelines.

The comment might have been relevant in 2006 but, for Fiscal 2012, it is a very old matter. The technology of the equipment has probably been improved multiple times since the cessation of mammography studies.

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Unresolved Prior Year Findings and Questioned Costs  
Year Ended September 30, 2012

Questioned Costs:

For the year ended September 30, 2012, the following questioned costs were noted and prior questioned costs resolved:

	Questioned Costs Set Forth in Prior <u>Audit Report</u>	Questioned Costs Resolved during Fiscal Year <u>2012</u>	Questioned Costs at <u>September 30, 2012</u>
Unresolved Questioned Costs FY 2011	\$ <u>2,048,420</u>	\$ <u>          -</u>	\$ 2,048,420
Questioned Costs for FY 2012			<u>153,568</u>
			<u>\$ 2,201,988</u>

Unresolved Prior Year Findings

As of September 30, 2012, the status of all audit findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2011 is as follows:

- Finding No. 2011-1 – Not corrected. See corrective action plan to Finding No. 2012-1.
- Finding No. 2011-2 – Not corrected. See corrective action plan to Finding No. 2012-2.
- Finding No. 2011-3 – Not corrected. See corrective action plan to Finding No. 2012-3.
- Finding No. 2011-4 – Not corrected. See corrective action plan to Finding No. 2012-4.