

Management Letter

Guam Memorial Hospital Authority

Year ended September 30, 2024



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with confidence**

October 6, 2025

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, 2024, 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:

Patient Receivable Management

Observation

As of September 30, 2024, GMHA has \$5.3 million in Discharge Not Final Billed (DNFB) receivables, reflecting a 75% decrease from \$20.9 million as of September 30, 2023. As of July 31, 2025, GMHA has \$8.6 million in DNFB receivables representing a 62% increase compared to the fiscal year-end September 30, 2024. Additionally, as of September 30, 2024, GMHA has \$9.9 million in accounts receivable suspense accounts, reflecting a 371% increase from \$2.1 million as of September 30, 2023. This situation arises from GMHA's mandate to provide medical services to all individuals, regardless of patient condition or financial ability to pay, combined with the complexity of billing and collection processes amidst limited resources. The accumulation of DNFB receivables poses a risk to cash flows and accumulation of suspense accounts may result in disputed receivables.

Recommendation

We recommend GMHA to enhance its efforts to follow up on outstanding patient receivables and to diligently review existing collection measures and strategies. Additionally, responsible personnel should timely analyze receivables and receivable suspense accounts, making adjustments, as necessary. Finally, GMHA should take reasonable steps to improve the posting of charges to the revenue system and timely billing within the established period.

Timely Accrual of Expenses

Observation

During our audit of operating expenses, we noted that some expenses related to the prior year in two of the selected samples were not accrued in the appropriate fiscal year. Invoices that should have been recorded in the prior year were instead posted in the current fiscal year due to processing delays, leading to an overstatement of expenses in the current year.

Recommendation

We recommend GMHA to enhance the process for tracking and managing invoices to ensure timely accrual of expenses in the correct fiscal year. This includes improving communication between departments and conducting regular reviews of outstanding invoices at year-end to identify any unaccrued expenses.

Timely Reconciliation of Related Party Transactions and Balances

Observation:

We observed that the balances related to the Department of Administration (DOA) have not been reconciled on a regular basis. This lack of reconciliation has resulted in significant discrepancies, which are only identified upon confirmation with the DOA. Consequently, this resulted in four additional client adjusting journal entries in the course of their reconciliation, delaying the finalization of the audit.

Recommendation:

We recommend that management establish a regular reconciliation process for DOA balances. This process should include monthly reviews to ensure that all transactions are accurately recorded and that any discrepancies are promptly addressed.

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 of 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