

GUAM MEMORIAL HOSPITAL AUTHORITY

**(A COMPONENT UNIT OF THE
GOVERNMENT OF GUAM)**

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

YEAR ENDED SEPTEMBER 30, 2020

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, in accordance with the 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, the financial statements of Guam Memorial Hospital Authority (the Authority), a component unit of the Government of Guam, which comprise the statement of net position as of September 30, 2020, and the related statements of revenues and expenses and changes in net position, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 12, 2021. Our report includes explanatory paragraphs concerning the impact of COVID-19 and going concern.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 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. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001 that we consider to be material weaknesses.

Compliance and Other Matters

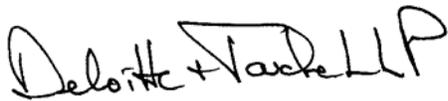
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

The Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

April 12, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Guam Memorial Hospital Authority:

Report on Compliance for Each Major Federal Program

We have audited Guam Memorial Hospital Authority's (the Authority's) compliance with the types of compliance requirements described in the *OMB 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, 2020. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of 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, 2020.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

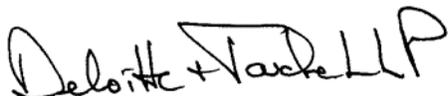
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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. *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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Guam Memorial Hospital Authority as of and for the year ended September 30, 2020, and have issued our report thereon dated April 12, 2021, which contained an unmodified opinion on those financial statements and included explanatory paragraphs concerning the impact of COVID-19 and going concern. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 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 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.



April 12, 2021

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

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

Federal CFDA #	Pass-through Entity Identifying Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Expenditures
		U.S. Department of the Interior: Pass-Through From the Office of the Governor of Guam	
15.875	D15AP00046	Economic, Social and Political Development of the Territories	\$ <u>1,880,963</u>
		Total U.S. Department of the Interior	<u>1,880,963</u>
		U.S. Department of the Treasury: Pass-Through From the Office of the Governor of Guam	
21.019	5677C209966CV677290	COVID 19 - Coronavirus Relief Fund	<u>5,314,714</u>
		Total U.S. Department of the Treasury	<u>5,314,714</u>
		U.S. Department of Health and Human Services: Direct Program:	
93.498	Not applicable	COVID 19 - Provider Relief Fund	1,708,260
		Pass-Through From the Office of the Governor of Guam	
93.074	6 NU90TP921902-01-03	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	346,314
93.817	U3REP150495-01-00	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	61,055
93.889	6 U3REP190565-01-01	National Bioterrorism Hospital Preparedness Program	<u>43,222</u>
		Subtotal pass-through programs	450,591
		Total U.S. Department of Health and Human Services	<u>2,158,851</u>
		U.S. Department of Homeland Security: Pass-Through From Guam Homeland Security:	
97.036	000-UN84Z-00	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	<u>267,143</u>
		Total U.S. Department of Homeland Security	<u>267,143</u>
		Total Expenditures of Federal Awards	<u>\$ 9,621,671</u>

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, 2020

1. Scope of Audit

Guam Memorial Hospital Authority (the "Authority") is a component unit of the Government of Guam (GovGuam), a governmental entity created on July 26, 1977, under Public Law No. 14-29 as an autonomous agency of GovGuam. Only the transactions of the Authority are included within the scope of the Single Audit.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Authority under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the net position, changes in net position or cash flows of the Authority.

3. Summary of Significant Accounting Policies

Basis of Accounting

Expenditures reported in the Schedule are reported on the accrual basis of accounting, consistent with the manner in which the Authority maintains its accounting records. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements. All expenses and capital outlays are reported as expenditures. Pass-through entity identifying numbers are presented where available.

Matching Costs

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

Indirect Cost Rate

The Authority does not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

4. Prior Year Expenditures

The Authority was awarded FEMA grants in FY 2020 to assist with costs of recovery efforts incurred in FY 2019 from Typhoon Manghkut. The total amount included in the Schedule that was incurred in a prior year is \$267,143.

**GUAM MEMORIAL HOSPITAL AUTHORITY
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Schedule of Findings and Questioned Costs
Year Ended September 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

1. Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- | | | |
|----|---|---------------|
| 2. | Material weakness(es) identified? | Yes |
| 3. | Significant deficiency(ies) identified? | None reported |
| 4. | Noncompliance material to financial statements noted? | No |

Federal Awards

Internal control over major federal programs:

- | | | |
|----|--|---------------|
| 5. | Material weakness(es) identified? | No |
| 6. | Significant deficiency(ies) identified? | None reported |
| 7. | Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| 8. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 9. | Identification of major federal programs: | |

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID 19 – Coronavirus Relief Fund
93.498	COVID 19 – Provider Relief Fund
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

- | | | |
|-----|--|-----------|
| 10. | Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 11. | Auditee qualified as low-risk auditee? | No |

Section II - Financial Statement Findings

2020-001 Patient Receivables

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No. 2020-001 – Patient Receivables

Criteria: Measures and actions should be undertaken to collect and address long-outstanding and increasing receivables. Additionally, an effective system of internal control includes procedures over timely billing.

Condition: Tests of patient receivables noted the following:

- The number of days from discharge to bill drop ranged from 8 - 68 days for 38 (or 47%) of 81 revenue transaction samples. The average days for bills to drop is set at 7 days.
- While monthly contractual estimates are now being reviewed prior to posting, two receivable categories had insufficient allowance provisioning based on the trend of non-collection rates and as such, an additional provision of \$9.08 million was proposed and recorded as of September 30, 2020.
- As of September 30, 2020, GMHA has \$5.37 million of unbilled receivables, which is an improvement from \$9.16 million of unbilled accounts in 2019. A total of \$2.51 million (or 47%) of unbilled receivables was pending verification of charges with labs, physician notes, or other support. A total of \$2.14 million (or 40%) of unbilled receivables was missing codes for admitting diagnosis which must be inputted by coders in the Medical Records Department.
- As of September 30, 2020, GMHA has \$3.84 million in accounts receivable suspense accounts, of which \$2.91 million pertains to advances from TakeCare. Reconciliation and investigation are ongoing and items dated prior to FY 2017 were cleared or adjusted.

Cause: The causes of the above condition appear to be (1) GMHA's mandate to service all in need of medical services regardless of patient condition or financial ability to pay, and (2) the relatively high volume and complexity of billing and collection processes compared to the limited availability of resources.

Effect: The effects of the above condition are the accumulation of uncollectible receivables and the potential for inadequate cash flows to meet current obligations. Further, lack of timely analysis of receivables and AR suspense accounts may result in lost revenue for late billing and disputed receivables because of collections in the AR suspense accounts not recorded against specific receivable balances.

Recommendation: We recommend that the Authority continue its effort to follow up on outstanding patient receivables and continually review existing collection measures and strategies. Additionally, receivables and receivable suspense accounts should be timely analyzed and adjusted as necessary. We further recommend that the Authority revisit the adequacy of resources assigned to the billing and collections division. Finally, we recommend that GMHA take reasonable steps to improve posting of charges to the revenue system and timely billing within the established period.

Identification as a Repeat Finding: Finding 2019-001

Views of Responsible Officials:

GMHA's corrective action plan does not indicate disagreement and provides planned corrective actions.



GUAM MEMORIAL HOSPITAL AUTHORITY

ATURIDÁT ESPETÁT MIMURIÁT GUĀHĀN

850 Governor Carlos Camacho Road, Tamuning, Guam 96913
Operator: (671) 647-2330 or 2552 | Fax: (671) 649-5508



CORRECTIVE ACTION PLAN **2 CFR § 200.511 (c)** **Year End September 30, 2020**

Finding 2020-001 Patient Receivables

Views of Auditee and Planned Corrective Actions:

Although there were notable improvements in GMHA collections in FY 2020, the complex nature of healthcare revenue cycle management (RCM) and GMHA's mission to provide quality patient care regardless of whether a person can afford to pay for those services contribute to GMHA's increasing receivables. In FY 2021, GMHA anticipates starting an assessment, analysis, and improvement in its revenue cycle through the expertise of a RCM consultant. This will help modernize and streamline the RCM workflow and lead to appropriate and expedient reimbursements from insurance/third-party payers, improve revenues, reduce claims/insurance denials, reduce bad debt expense and write-offs, decrease operating losses, and improve patient experience.

While billings are set to drop seven days after patient discharge, a majority of the late postings are due to untimely submissions of physician fee vouchers and reports, and posting of servicing department charges. GMHA recently expanded its scope of methods in relaying physician reminders to include frequent emailing, postal service, phone calls, and working closely with medical staff department chairs, who work with the physicians to correct deficient charts.

GMHA will continue to analyze suspense accounts on a timely basis for proper application. Moreover, it will proactively revisit at the end of FY 2021 the level of contractual allowance based on trend of uncollection rates, and/or other relevant factors.

In addition, GMHA will procure an electronic claims scrubbing software that will allow GMHA to prepare and submit clean claims by identifying billing errors before submission, reducing rejections and denials, thus avoiding denials and delayed payments and improving efficiency and cash flows. Meanwhile, GMHA is taking advantage of a technical assistance grant that allows staff involved in the revenue cycle to get certification in medical reimbursement, coding, healthcare financial management, etc. Several staff are pursuing training and certification and GMHA billing staff are now Certified Medical Reimbursement Specialists. Other staff are certified in RCM and coding. Building and improving staff technical competency will contribute to better billing and collection process flows.

GMHA's self-pay performance improvement team engaged in FY 2021 to assist self-pay patients get insurance coverage under Medicaid or MIP. This team includes several GMHA departments including Patient Registration, Social Services, Case Management, and AmeriCorps. This team enhances the work of the Eligibility Specialist who reviews the public assistance applications.

Proposed Completion Date: This is an ongoing effort.

Name of Contact Person: Yukari Hechanova, Chief Financial Office



GUAM MEMORIAL HOSPITAL AUTHORITY

ATURIDÁT ESPETÁT MIMURIÁT GUĀHĀN

850 Governor Carlos Camacho Road, Tamuning, Guam 96913
Operator: (671) 647-2330 or 2552 | Fax: (671) 649-5508



Summary Schedule of Prior Audit Findings Year Ended September 30, 2020

Finding No.	CFDA No.	Requirement	Status at September 30, 2020
2015-001	N/A	Patient Receivables	Not corrected. Refer to the planned corrective actions in the Corrective Action Plan for Finding 2020-001.
2016-001	N/A	Patient Receivables	Not corrected. Refer to the planned corrective actions in the Corrective Action Plan for Finding 2020-001.
2017-001	N/A	Patient Receivables	Not corrected. Refer to the planned corrective actions in the Corrective Action Plan for Finding 2020-001.
2018-001	N/A	Patient Receivables	Not corrected. Refer to the planned corrective actions in the Corrective Action Plan for Finding 2020-001.
2019-001	N/A	Patient Receivables	Not corrected. Refer to the planned corrective actions in the Corrective Action Plan for Finding 2020-001.