

Report on Internal Control and Compliance

Guam Memorial Hospital Authority
(A Component Unit of the Government of Guam)

Year Ended September 30, 2025



**Shape the future
with confidence**

Guam Memorial Hospital Authority
(A Component Unit of the Government of Guam)

Report on Internal Control and Compliance

Year Ended September 30, 2025

Contents

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report of Independent Auditors on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards.....	7
Notes to the Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs.....	9

Report of Independent Auditors 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*

Management and the Board of Trustees
Guam Memorial Hospital Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Guam Memorial Hospital Authority (GMHA) as of September 30, 2025 and for the year then ended, and the related notes (collectively referred to as the “basic financial statements”), and our report dated July 16, 2026 expressed an unmodified opinion thereon.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered GMHA’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 GMHA’s internal control. Accordingly, we do not express an opinion on the effectiveness of GMHA’s internal control.

A deficiency in internal control over financial reporting (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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether GMHA'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 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*.

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.

Ernst + Young LLP

July 16, 2026

Report of Independent Auditors on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Management and the Board of Trustees
Guam Memorial Hospital Authority

Report of Independent Auditors on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Guam Memorial Hospital Authority's (GMHA's) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on GMHA's major federal program for the year ended September 30, 2025. GMHA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, GMHA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of GMHA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for the major federal program. Our audit does not provide a legal determination of GMHA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to GMHA's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on GMHA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about GMHA's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding GMHA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of GMHA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 GMHA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2025-001 for the procurement, suspension and debarment requirement of ALN 21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Funds. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on GMHA's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. GMHA's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-001 a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on GMHA's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. GMHA's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 GMHA as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise GMHA's basic financial statements. We have issued our report thereon dated July 16, 2026, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 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 basic financial statements and certain other 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 basic 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 basic financial statements as a whole.

Ernst + Young LLP

July 16, 2026

Guam Memorial Hospital Authority
(a component unit of the Government of Guam)

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2025

Federal AL #	Pass-through Entity Identifying Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Expenditures
		U.S. Department of the Treasury:	
		Pass-Through From the Office of the Governor of Guam:	
21.027	None	COVID-19 Coronavirus State and Local Fiscal Recovery Funds	\$ 10,428,163
		Total U.S. Department of the Treasury	10,428,163
		U.S. Office of Homeland Security:	
		Pass-Through From the Office of the Governor of Guam:	
97.036	None	FEMA Alternate Care Site - With 10% Cost Share	756,445
		Total U.S. Department of Health and Human Services	756,445
		U.S. Department of Health and Human Services:	
		Pass-Through From the Office of the Governor of Guam:	
93.889	6 U3REP190565-01-01	COVID-19 National Bioterrorism Hospital Preparedness Program	724,154
		Total U.S. Department of Health and Human Services	724,154
		U.S. Department of the Interior:	
		Pass-Through From the Office of the Governor of Guam:	
15.875	D20AP00010	Economic, Social and Political Development of the Territories	56,700
15.875	D24AP00185	Economic, Social and Political Development of the Territories	32,560
		Total U.S. Department of the Interior	89,260
		U.S. Department of Defense:	
		Pass-Through From the Office of the Governor of Guam:	
12.027	None	Defense Community Infrastructure Program	14,320
		Total Corporation for National and Community Service	14,320
		Total Expenditures of Federal Awards	\$ 12,012,342

See accompanying notes to the Schedule of Expenditures of Federal Awards

Guam Memorial Hospital Authority
(a component unit of the Government of Guam)

Notes to the Schedule of Expenditures of Federal Awards

Year Ended September 30, 2025

1. Scope of Audit

Guam Memorial Hospital Authority (GMHA) 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 GMHA 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 GMHA under programs of the federal government for the year ended September 30, 2025. 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 GMHA, it is not intended to and does not present the net position, changes in net position or cash flows of GMHA.

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 GMHA 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 Schedule.

Indirect Cost Rate

GMHA does not elect to use the 15% de minimis indirect cost rate allowed under the Uniform Guidance.

Guam Memorial Hospital Authority
(a component unit of the Government of Guam)

Schedule of Findings and Questioned Costs

Year Ended September 30, 2025

Section I—Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ **Yes** X **No**

Significant deficiency(ies) identified?

_____ **Yes** X **None reported**

Noncompliance material to financial statements noted?

_____ **Yes** X **No**

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ **Yes** X **No**

Significant deficiency(ies) identified?

 X **Yes** _____ **None reported**

Type of auditor’s report issued on compliance for major federal programs:

ALN 21.027

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X **Yes** _____ **No**

Identification of major federal programs:

Assistance Listing number

Name of federal program or cluster

21.027

COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$1,000,000

Auditee qualified as low-risk auditee?

_____ **Yes** X **No**

Guam Memorial Hospital Authority
(a component unit of the Government of Guam)

Schedule of Findings and Questioned Costs, continued

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Assistance Listing Number	Finding	Questioned Cost
2025-001	21.027	Suspension and Debarment	\$91,089

Guam Memorial Hospital Authority
(a component unit of the Government of Guam)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2025-001
Federal Agency: U.S. Department of Treasury
AL Program: 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
Requirement: Procurement, Suspension and Debarment
Questioned Costs: \$91,089

Criteria:

2 CFR section 180.300 requires entities that enter into a covered transaction must verify that the entity or person with whom they intend to do business is not excluded or disqualified by:

- (a) Checking SAM.gov Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person.

Condition:

For 1, (or 12.5%), of 8 procurement samples tested, GMHA did not properly document that verification was performed to identify if the selected person or entity in the covered transaction was not suspended or debarred prior to transacting with them.

Cause:

GMHA lacked effective monitoring to ensure that vendors and entities that are debarred, suspended, or excluded from or ineligible for participation in Federal assistance programs or activities are restricted from Federal awards, subawards and contracts.

Effect:

GMHA is in noncompliance with the applicable requirement.

Identification as a Repeat Finding: Finding 2024-001

Recommendation:

GMHA should revisit and implement its procedures to ensure that vendors and entities that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities are restricted from Federal awards, subawards and contracts. Procedures performed should be adequately maintained in the procurement files.

Views of Responsible Officials:

Refer to GMHA's corrective action plan.



GUAM MEMORIAL HOSPITAL AUTHORITY

ATURIDĀT ESPETĀT MIMURIĀT GUĀHĀN

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



CORRECTIVE ACTION PLAN

Finding No. 2025-001 – Suspension and Debarment

In April 2024, GMHA began requiring the Certificate Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion for Covered Contracts and Grants for Invitation for Bids and Request for Proposals. To ensure the suspension and debarment verifications are performed for all federal expenditures, the Accounting Department and Materials Management Department will ensure invoices that are later converted to federal funding contain the certificate.

Name of Contact Person(s) Responsible for Corrective Action:

Amacris Legaspi, General Accounting Supervisor

Audrey Paulino, Hospital Materials Management Assistant Administrator, Acting

Anticipated Completion Date: Completed.



GUAM MEMORIAL HOSPITAL AUTHORITY

ATURIDĀT ESPETĀT MIMURIĀT 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, 2025

Finding No.	Assistance Listing No.	Requirement	Status at September 30, 2025
2024-001 2023-003	21.027	Suspension and Debarment	Corrected. The Materials Management and Accounting departments will ensure any federal funds disbursements include the Certificate Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion for Covered Contracts and Grants prior to releasing funds.
2024-002	21.027	Procurement	Due to changes in Guam law, the finding is no longer applicable. Public Law 38-60 Chapter 12 Section 45 increased GMHA's procurement threshold for small purchases to \$250,000.