

Management Letter

Guam Memorial Hospital Authority

Year ended September 30, 2025



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with confidence**

July 16, 2026

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, 2025, 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, 2025, GMHA has \$6.6 million in Discharge Not Final Billed (DNFB) receivables, reflecting a 25% increase from \$5.3 million as of September 30, 2024. As of March 31, 2026, GMHA has \$14.1 million in DNFB receivables representing a 113% increase compared to the fiscal year-end September 30, 2025. 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 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 accounts. 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 identified that 7 out of 60 sampled invoices pertained to prior periods. These invoices, which should have been recognized in the prior year, were instead recorded in the current fiscal year due to processing delays, resulting in an overstatement of current year expenses.

In addition, we noted that 4 out of 60 sampled invoices had invoice dates preceding the related purchase order (PO) dates. This occurred due to delays in receiving the invoices, and as the original POs had already been closed for the relevant periods, new POs had to be created to process the transactions.

Recommendation

We recommend GMHA to enhance procedures and controls over the timely processing of invoices by ensuring that all invoices are promptly forwarded from receiving departments to Materials Management and Accounting. Cut-off procedures should be reinforced, including periodic monitoring to ensure expenses are recorded in the correct accounting period.

Additionally, controls over purchase order (PO) processing should be enhanced to ensure POs are created prior to incurring expenses, and that delays in invoice receipt are appropriately tracked and addressed.

Employee Documentation Management

Observation

During our review of census data for the Other Post-Employment Benefits (OPEB) liability, we noted several differences between the employee listing submitted to the Department of Administration (DOA) and the supporting personnel records maintained by GMHA, including a mismatch in employee gender in enrollment forms and the DOA listing, incomplete life insurance enrollment and change forms with pending employee signatures, and instances where enrollment forms were not available for review. These issues indicate deficiencies in the accuracy, completeness, and monitoring of employee documentation, which may impact the reliability of census data used in OPEB liability calculations.

Recommendation

We recommend that GMHA strengthen its controls by ensuring all enrollment forms are complete and properly maintained, verifying the accuracy of key employee data prior to submission to DOA, implementing procedures to ensure required signatures are obtained before processing, and performing periodic reconciliations between internal records and submitted census data to improve overall data integrity.

Management Letter – IT related
User Access Review
(reiteration of prior year comment)

Observation:

Per Policy, user access is to be reviewed regularly to ensure that access rights for each individual or entity who has access to GMHA's systems are consistent with the established policies, job roles, and functions. This periodic exercise is to allow GMHA to detect inappropriate or unauthorized user activity within the GMHA's systems. We were unable to verify whether user access review was performed as required by the policy.

Recommendation:

We recommend GMHA perform periodic user access reviews for all users for appropriateness of access. Department heads should perform the initial review of access for employees within their departments for appropriateness of access and should be further reviewed by IT as an added segregation of duties control. Unauthorized access or unauthorized elevated access rights may allow users to access data or perform modifications outside of their approved job responsibilities.

Privileged-level Access Review and Monitoring
(reiteration of prior year comment)

Observation:

Per Policy, GMHA is required to monitor and perform a periodic review of user activities of privileged user to prevent unauthorized changes to systems and mitigate risks of inappropriate modifications of financial and patient data. We were unable to verify that privileged users within GMHA were reviewed for appropriateness of access or that their account activities were reviewed/monitored for inappropriate modifications.

Recommendation:

We recommend GMHA to consider performing periodic privileged access reviews to determine appropriateness of access and user activities.

**User Access Termination
(reiteration of prior year comment)**

Observation:

Per Policy, terminated employees' access is to be deprovisioned within seven (7) days of termination. Our test of 5 sample terminated employees noted 3 samples had active access more than seven (7) days beyond termination date and 2 samples did not have any Termination Clearance Form.

Recommendation:

We recommend GMHA to review policies and procedures to ensure timely termination of user access and prevent unauthorized access to GMHA's system. Unauthorized user access creates risks for the GMHA as users may perform malicious actions or perform unauthorized modifications within applications.

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