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JFL Paid $2.2 Million For Trailers it Never Used as Questionable Decisions Lead to Waste, Other Problems, Audit Finds

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Juan F. Luis Hospital and Medical Center logo. **By. V.I. CONSORTIUM**

The Office of the V.I. Inspector General has conducted another audit of a public institution, this time the Juan F. Luis hospital on St. Croix. Just like the last audit exercise of WAPA, auditors found that questionable management decisions and poor procurement infrastructure led to the expenditure of millions of dollars with dubious results.

In a letter to the acting chair of the St. Croix District Governing Board of the Government Hospitals and Health Facilities Corporation, Deputy Virgin Islands Inspector General Delia Thomas explained that the audit's objective was to find out whether the hospital solicited, awarded, and monitored contracts in accordance with its policies and all applicable laws and regulations. The audit was initiated following a request from the St. Croix District Board, and covers fiscal years 2017 through 2019.

The answer to the question posed in short, is - no. Hospital officials, auditors found, broke their own rules when it comes to procurement procedures for competitive bidding and the approvals process for purchases. They ignored the stipulation from the board that expenses and contracts above $100,000 receive board approval. Hospital management made adjustments to contracts without board approval, and even in one instance appeared to have forged the signature of the board's chair in an effort to have an unauthorized contract amendment seem above-board.

The report identifies a contract that was first executed in May 2017 for replacing the hospital's HVAC system and making other repairs, particularly roofing and electrical work. The initial contract was in the sum of $660,000, but in February of 2018 it was amended downwards, with the then-chair of the hospital board signing and adjusting the value of the contract at $497,000. The contractor did not sign that amendment but did sign a second amendment issued nine days later, which provided for a slight upward adjustment - now the contract had a maximum value of $537,000. That second amendment was apparently signed by both parties — the chair and the contractor — but upon closer scrutiny, the signature purporting to be that of the chairman was found to be inauthentic. Despite this alarming discovery, however, auditors did not recommend any further investigation to determine who may have forged the signature of the hospital board's chairman, but simply suggested that management "properly safeguard and maintain contract documents." The board, which received the draft audit at the beginning of the year, agreed.

Auditors found that questionable management decisions led to the hospital spending almost $1.5 million on trailers meant to serve as temporary operating rooms that were then promptly abandoned and never used. The trailers came from the New Jersey and North Carolina Emergency Management Assistance Compact hospitals after Hurricane Maria. They arrived in the territory in April 2018, and had to be returned in August the following year. The hospital paid a contractor $1,414,530 to install the trailers, which then sat idle until it was time for them to be returned. Auditors say that hospital officials expected that the trailers would be able to be put into immediate use, which was not the case. Further, management did not correctly anticipate the level of work that would be required to make the trailers operational and compliant with prevailing local regulations when they executed the installation contract in July 2018, three months after the units first arrived in the USVI.

That contract was only to prepare the site for the trailers and facilitate their installation. In a development that some might find surprising, those responsible for managing hospital operations apparently did not consider many of the clinical aspects of running those trailers. Therefore, efforts had to be made to locate and order specialty resources, and the scope of work had to be changed to accommodate the requirements that had been overlooked. As a result, the trailers sat idle, and project delays mounted to the tune of six months as officials scrambled to remediate the glaring deficiencies in the project works. The contract cost, naturally, increased as well — from just over $1.9 million to just under $2.2 million. Scheduled to take within 45 days following the notice to proceed, the installation of the ill-fated trailers was eventually completed in February 2019, halfway into the year-long loan term. For some reason, hospital officials did not request an extension of the loan, but sent the unused units back once August had come and gone.

In their response to the audit report, the board contended that because the providers of the trailers did not specifically state that the units were not compliant with necessary requirements, it disagreed with the auditors' assessment that hospital management was at fault for not anticipating that work would have to be done to bring the trailers up to scratch.

The years-long delay in the opening of the temporary facility known as JFL North was also attributable to questionable management decisions, auditors concluded. Hospital officials decided to exclude key items from the original request for proposals. Furniture, fixtures, equipment, a radiology department, medical gases, sewer lines, and fire pumps — all things a layperson might imagine are essential for the operation of a medical facility, were omitted from the initial RFP. That omission subsequently forced several changes to the contract, which consequently led to a delay of almost three years. Initially scheduled for completion in December 2019, the project is now not anticipated to be finished until later this year. Additionally, changes to the facility's layout even after the design was approved and signed off on, as well as indecisiveness from hospital officials on the final components of the temporary facility further added to the delays.

As a consequence, the hospital continues to suffer significant lost revenue — patients that would have paid to receive treatment at JFL North have to be flown off-island for even routine care as a result of the facility not being ready to accept patients.

The high turnover in senior management positions was also identified as problematic by auditors, as the rapid-fire churning through of five different chief executive officers, three different chief financial officers and three different chief legal officers created a management vacuum that was only exacerbated by the absence of mid-level administrative and management staff to maintain operational continuity when there was a change at the top. This created a situation, auditors said, where new staff were left completely without access to key files and information in electronic records established by their predecessors. Departing employees failed to make provisions to allow new personnel password-level access to software programs that contained information on contracts, for example.

The audit report described an instance where an electronic system called RAC, used by one particular legal counsel team to store contracts, was rendered obsolete immediately after the departure of those employees, because none of the remaining staffers had information on the RAC system or how it was used. New management in 2019 only became aware of the existence of another software system in use at JFL, ComplyTrack, again used to store contracts, when the company reached out to them for payment. Only then were officials able to figure out how to use the software, which was discovered to contain a list of over a thousand documents. The auditors found that the ComplyTrack system seemed to be a legacy from two management teams prior, as the team that was in place in 2018 also did not seem to know about the software's existence or its use by the hospital.

The lack of an adequate transition process between departing and incoming staff, the auditors concluded, negatively impacted the continuity of the hospital's daily operations. This finding is one with which the board agreed and vowed to address.

A discussion with a former top-level management official revealed an accounting system in shambles. When they took up an acting position in January 2018, the individual said they found over $66 million in outstanding payables. However, matching requests for payment with vendor invoices proved a monumentally difficult task, and that former official said in many instances there were few or no documents to work with proving that the vendor had indeed supplied the goods or services they were now requesting payment for.

Further, incoming senior officials disagreed with and overturned decisions made by the previous occupants of the post on projects that were underway, like the construction of JFL North, that compounded the delays, cost overruns, and general operational confusion at the facility.

The 52-page document, which can be seen here in its entirety, goes into more granular detail on some of the more perplexing and problematic decisions made by the parade of senior management personnel that was responsible for the facility’s operations for the period under review and immediately prior.

Overall, the auditors’ report paints a picture of a facility performing well below expectations as a result of a seemingly entrenched failure to implement and maintain adequate procurement protocols, contract management procedures, and a system of knowledge transfer between outgoing and incoming employees, all of which resulted in the Juan F Luis hospital failing to provide key services to the people of St. Croix and the territory as a whole.