

The Virgin Islands Consortium

Extravagant Rent and Dual CFOs: Crisis-Hit East End Medical Center to Face Audit for Mismanagement

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Officials of the St. Thomas Eastern Medical Center Corporation were grilled this week by lawmakers over allegations of financial mismanagement and infrastructural shortfalls. The scrutiny, which took place during a Senate Committee on Health, Hospitals, and Human Services hearing, led to calls for an audit and investigation into the medical center.

"What I have to report here regarding the financial situation of STEEMCC is simply not good," said Kurt Callwood, Chair of the STEEMCC board. The corporation, which began its fiscal year 2024 in March 2023, is currently facing a deficit of over \$3 million, with monthly payroll costs nearly double what it earns in revenue each pay period. The

shortfall has resulted in various service providers cutting them off due to non-payment, affecting various aspects of their operations from translation services to women's health and even the provision of basic supplies like toilet paper.

Steven Mayers, the organization's chief financial officer, admitted that STEEMCC was in "financial crisis". He reported that from 2019 to 2023, STEEMCC's overall revenues fell from \$12.6 million to \$10.2 million while payroll expenses rose by 56% during the same timeframe, from \$5.2 million in FY 2019 to \$8.1 million in FY 2023.

"During the Covid-19 pandemic, STEEMCC suffered catastrophic declines in patient revenues. Those patient revenues declined each year from the \$6.6 million I mentioned previously, to only \$3.7 million in FY 2020," Mr. Mayers noted. This imbalance led to the company overspending revenues by \$4.5 million in the fiscal years 2022 and 2023. To cover these losses, STEEMCC reportedly neglected payment obligations. "Our vendors and suppliers have suffered from us paying them late or not at all," Mayers testified.

A ballooning wage bill was the driving force behind much of the financial pain, Mr. Mayers revealed. "Our payroll in FY 2019 was \$5.2 million. That payroll increased to \$8.1 million in FY 2023."

Part of the reason for the corporation's skyrocketing expenditure on salary is because STEEMCC was apparently paying two people to perform the same high level executive job function. "We had two CFOs at one time," Mr. Callwood told lawmakers on Friday, saying that the board had been kept in the dark about the arrangement. Although he has served on the board for at least seven years, Mr. Callwood said he only discovered the issue after the departure of the former executive director. "The answer [was] never forthcoming as to whether or not this person was on staff," Callwood said. Mayers confirmed this, stating that the records show this dual-CFO situation lasted "at least for the last couple years."

Additionally, STEEMCC has reportedly been paying \$70,000 a month in rent for its current facilities, in addition to a lease that has reportedly ballooned in cost from \$4,000 to \$16,000 per month over six years, while the property remains completely undeveloped. Mr. Callwood told senators that the board did approve the initial lease for \$4,000 but was surprised by the additional \$12,000 increment, which he discovered a year and a half ago.

The financial assistance the center was expecting to receive in the form of \$2.28 million from American Rescue Plan Act funds however, will not come as a lump sum due to the institution being classified as high risk. Instead, disbursement will be spread over five quarters, a scenario Mr. Callwood said would lead to additional late fees, fines, and penalties for the struggling corporation. "Without that \$2.2 million loan lump sum and without it as a whole lump sum, if you're just giving it to us in that 500,000 right now for this quarter. I would have to recommend closing the center at month's end." He emphasized the risk of running out of necessary supplies and impacting patient care, which is a non-negotiable commitment for the institution.

STEMCC's board of directors have made efforts to mitigate the corporation's precarious financial position, including reducing the executive team from nine to two. Former Executive Director Moleto Smith, to whom Mr. Callwood ascribed some of the more

puzzling management decisions that had been made at the center, was reportedly fired sometime during the first quarter of the year. According to Mr. Callwood, the process of filling the position began under a previous chairperson before the full extent of the center's difficulties became apparent. He explained, "We had a prior acting executive director, and it wasn't working out and that's when we went to Dr. Richards who became acting executive director." Dr. Richards also serves as the corporation's medical director, said Mr. Callwood.

An ad hoc corrective action team (CAT) has been formed to oversee a corrective action plan, which so far has resulted in some cost savings. A total of 23 employees were laid off, nine from dissolved positions and 14 given notice recently due to financial constraints. Senator Milton Potter questioned whether these employees had received their severance pay and accumulated annual leave. Callwood acknowledged that some employees had received their dues, while others were still pending, with only one employee from the previous round remaining unpaid.

According to Mr. Mayers, the board is now focused on "rationing our limited resources to maintain the high standard of care provided to our patients by increasing both the quality and quantity of our services."

However, despite these efforts to stem the rising tide of debt, Mr. Callwood indicated that more drastic actions were needed, including a top-down review of the organization and its policies and local and federal assistance in the form of investigations and audits.

Financial oversight became the central theme of the meeting, with Senator Novelle Francis questioning the dramatic decline in the center's fiscal position – from \$1 million in reserves in 2019 to a \$3 million deficit today. Senator Kenneth Gittens raised further concerns about the payment to the Government Employees' Retirement System (GERS) and the overall financial confusion surrounding the center. Callwood's reply did little to clarify the corporation's standing and obligations to GERS, and he expressed his frustration over the board seemingly being kept in the dark about key operational matters. However, he underscored the complexity of distinguishing fraud from genuine errors in the center's operations.

The meeting concluded with Senator Fonseca announcing his decision to refer the STEEMCC issue for an audit and investigation. Despite the concerning revelations, Fonseca also made a passionate plea for the continuation of the center's operations, asserting: "I can't see how East End Center can be closed. We must continue to serve that patient population. In addition, I am very uncomfortable with what is going on and any potential layoffs."