ISSUED: April 18, 2006 **IR-01-36-06**

THE UNITED STATES VIRGIN ISLANDS

OFFICE OF THE VIRGIN ISLANDS INSPECTOR GENERAL

INVESTIGATIVE REPORT

INVESTIGATION INTO
THE PAYROLL ACTIVITIES OF
SPECIFIC EMPLOYEES AT THE
GOVERNOR JUAN F. LUIS
HOSPITAL AND MEDICAL CENTER

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GOVERNMENT OF THE UNITED STATES VIRGIN ISLANDS
OFFICE OF THE V. I. INSPECTOR GENERAL
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STEVEN VAN BEVERHOUDT
V.I. INSPECTOR GENERAL

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April 18, 2006

Dr. Marc Jerome
Chairperson
The St. Croix District Governing Board
Governor Juan F. Luis Hospital and Medial Center
No. 4007 Estate Diamond Ruby
Christiansted, St. Croix, VI 00820-4421

Dear Dr. Jerome:

The attached report details the results of our investigation into the allegation that a nurse-employee at the Governor Juan F. Luis Hospital (Hospital) had been receiving excess wages over a 19-month period. This investigation was initiated at the request of officials at the Hospital.

As a part of our investigation, we obtained records from the Hospital, the Department of Finance (Finance) and the Division of Personnel (Personnel). We also took statements from at least ten Hospital employees, including co-workers, supervisors, payroll clerks and administrative officers.

The Hospital's payroll records provided were compared with the payroll records from Finance. An analysis of the monies paid to the nurse-employee showed that the individual received $132,507 in excess of the employee's $50,000 authorized pay. This occurred over the 19-month period from May 17, 2003 through November 12, 2004. Biweekly payroll checks of $10,000 and more were not unusual for this nurse-employee. At least five other Hospital employees received excess pay. However, all but the nurse-employee reported and corrected the overpayments.

We found that five separate factors contributed to these overpayments:

1. The Hospital's payroll supervisor entered false payroll hours into the Government's Financial Management System (FMS) for the nurse-employee;

2. The FMS calculated hourly wages incorrectly for some Hospital employees;

3. The Hospital payroll supervisor failed to bring the improper payroll overpayments to the attention of Hospital administrative officials;

4. Hospital administrative officials failed to meet their fiduciary duty to the Government of the Virgin Islands (Government) by failing to take appropriate action when they became aware of the situation during the 19-month period.

5. Finance personnel failed to meet their fiduciary duty to the Government by failing to correct the FMS coding problem when it was first discovered.

If you require additional information, please feel free to contact me at 774-6426.

Sincerely,

Steven van Beverhoudt, CFE, CGFM
V. I. Inspector General

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INTRODUCTION

BACKGROUND

In January 2005, executive officers of the Hospital contacted us with a request that we investigate a number of incorrect payroll checks issued to employees of the Hospital over the past two years.

The Hospital is on a computerized payroll reporting system. Each employee is issued an identification card that is used to "swipe in" and "swipe out" for work hour computations. The cards are swiped at electronic locks as the employee enters or exits the work place. In addition, there are procedures in place that provide for manually adjusting the on-duty/off-duty hours when exigent conditions do not allow for use of the swipe cards. However, this requires a manual entry counter signed by the employee's supervisor.

Under the Nurses Association Contract (contract), nurses assigned "on-call" duties were to be paid $4.25 per hour while "on-call" and receive a minimum of 3-hours at time and a half if called back to duty. Assignment to the Radiology Department (Radiology), however, does not require an "on-call" position.

A defect in the FMS payroll coding system resulted in a number of Hospital employees[1] mistakenly receiving payroll checks substantially in excess of what their actual pay should have been. For reasons unknown, the FMS would, from time to time, converted the hours reported "on-call" for some employees to straight time hours. For example, a nurse making $24.04 per hour would be paid $24.04 per hour for "on-call" hours instead of the $4.25 per hour authorized under the contract. When this problem first became apparent, discussions were had with the affected employees and the Hospital's payroll supervisor responsible for submitting pay data to Finance each pay period.

The payroll supervisor and other Hospital personnel met with the Director of Payroll at Finance. It was determined that a coding defect in the FMS was responsible for overpaying the "on-call" hours. However, there seemed to be no way to correct the computer fault. The payroll supervisor was told not to use the code for 'on-call' time. As a result, the individual began to "adjust" the "on-call" time by keeping a second set of books on the hours received from supervisory personnel. He would pay the "on-call" at straight time by increasing the number of straight time hours to approximate the "on-call" pay. The payroll supervisor indicated to us that the reason for doing this was to bring the various "on-call" compensations more in-line with the $4.25 per hour that was authorized for "on-call" time.
All but one of the overpaid individuals reported the overpayment and either returned the checks for re issuance or paid the excess back to the Government.

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[1] Primarily, the 'on-call' problem was with nursing personnel. At least one maintenance employee experienced the same problem.

INVESTIGATION

SCOPE, METHODOLOGY, AND INVESTIGATION

We interviewed ten individuals from the Hospital and Finance who may have had some connection or knowledge of the overtime situation. Payroll and personnel records were obtained from the Hospital, Finance, and Personnel.

Incorrect paychecks were issued to a number of nursing and maintenance personnel as a result of the coding/computer error in the FMS. For reasons never determined or corrected, the FMS converted hours coded as "on-call" time to straight time.

A Hospital nurse-employee, employed at the Hospital for 22 years, kept all of the overpayments received. The nurse-employee not only kept the money that was overpaid, but also provided false reports of hours "on-call" and overtime worked. At the time of this investigation, the nurse-employee's Notice of Personnel Action (NOPA) provided for a salary of $50,000 per annum ($24.04 per hour).

Prior to working in Radiology the nurse-employee had worked for a number of years in the Operating Room where "on-call" and overtime assignments were shared with other Operating Room nurses. We were told that there are no "on-call" positions in Radiology.

Beginning with the pay period ending May 17, 2003, the nurse-employee reported the "on-call"and overtime hours directly to the payroll supervisor. This was done on a piece of plain paper without certification or authorization from any supervisor in Radiology. In addition, the nurse-employee was not using the required "swipe" card system required of all Hospital personnel, but rather was reporting regular time directly to the payroll supervisor.

The following is a summary of the Hospital's Time and Attendance Records and Finance's Payroll Registers covering the nurse-employee's wages for the referenced period. This summary shows that on 28 of the 40 pay periods covering the 19 months in question, the individual was paid $132,507 in excess of what should have been paid. There were 20 pay periods when the individual's gross pay was in excess of $5,000. For seven pay periods the gross pay was more than $10,000, with one gross pay in excess of $13,000.

Pay-Period	Actual Pay	Corrected Pay	Overpayment	Pay-Period	Actual Pay	Corrected Pay	Overpayment
05/17/03	$5,727.18	$1,923.08	$3,804.10	02/21/04	$1,923.08	$1,923.08	-0-
05/31/03	8,252.77	1,923.08	6,329.69	03/06/04	2,031.25	1,923.08	108.17
06/14/03	5,120.19	1,923.08	3,197.11	03/20/04	2,049.28	1,923.08	126.20
06/28/03	3,555.89	1,923.08	1,632.81	04/03/04	1,923.08	1,923.08	-0-
07/11/03	11,846.54	1,923.08	9,923.46	04/17/04	1,923.08	1,923.08	-0-
07/26/03	8,185.10	1,923.08	6,262.02	05/01/04	6,346.15	1,923.08	4,423.07
08/09/03	10,012.02	1,923.08	8,088.94	05/15/04	2,247.60	1,923.08	324.52
08/23/03	10,042.07	1,923.08	8,118.99	05/29/04	1,923.08	1,923.08	-0-
09/06/03	10,252.41	1,923.08	8,329.33	06/12/04	2,139.43	1,923.08	216.35
09/20/03	2,355.77	1,923.08	432.69	06/26/04	9,098.57	1,923.08	7,175.49
10/04/03	2,247.60	1,923.08	324.52	07/10/04	1,923.08	1,923.08	-0-
10/18/03	10,600.96	1,923.08	8,677.88	07/24/04	1,923.08	1,923.08	-0-
11/01/03	1,923.08	1,923.08	-0-	08/07/04	1,923.08	1,923.08	-0-
11/15/03	13,653.85	1,923.08	11,730.77	08/21/04	1,923.08	1,923.08	-0-
11/29/03	1,923.08	1,923.08	-0-	09/04/04	5,961.54	1,923.08	4,038.46
12/13/03	10,733.17	1,923.08	8,810.09	09/18/04	5,372.60	1,923.08	3,449.52
12/27/03	1,923.08	1,923.08	-0-	10/02/04	1,923.08	1,923.08	-0-
01/10/04	8,725.97	1,923.08	6,802.89	10/16/04	5,108.17	1,923.08	3,185.09
01/24/04	8,341.35	1,923.08	6,418.27	11/13/04	2,427.89	1,923.08	504.81
02/07/04	8,149.04	1,923.08	6,225.96	11/27/04	5,759.23	1,923.08	3,846.15
				Total	**$209,430.55**	**$76,923.20**	**$132,507.35**

The payroll supervisor had been an employee of the Hospital for approximately nine years. The individual's duties included securing payroll time for each Hospital employee from the Hospital's computer, the preparation of the Time and Attendance Record from the computer records, and the making of any manual corrections to the payroll authorized by a supervisor. This last duty included obtaining and recording "on-call" and overtime certified by supervisory employees. The payroll supervisor then logged the various categories of pay according to the compensation schedules (regular compensation, "on-call" compensation, overtime compensation, etc.).

The payroll supervisor was then responsible for presenting the Time and Attendance report to Hospital's Chief Executive Officer or Chief Financial Officer for certification. Once signed, the payroll supervisor sent the payroll to Finance by entering the time for each employee, by category (regular time, "on-call" time, overtime, etc.) into the FMS for conversion to actual pay.

On some occasions the hours turned in by the nurse-employee for "on-call" time exceeded the number of hours in a week or a biweekly pay period. The payroll supervisor acknowledged to us that this was a violation of the payroll protocol and that the nurse-employee was the only person with whom he cooperated in such a scheme.

The nurse-employee admitted to us and to Hospital administrative personnel that paychecks, often for $10,000 or more, were knowingly accepted. The individual told us that the excess money was used to build a house. Both the nurse-employee and the payroll supervisor stated that the payroll supervisor got none of the illicit proceeds.

The nurse-employee reported the "on-call" time and overtime to the payroll supervisor on a biweekly basis. Both individuals stated to us that the nurse-employee would hand in the "on-call" and overtime hours on a piece of paper.

It was not unusual for the nurse-employee to report between 283 and 315 hours of "on-call" time. On one occasion the nurse-employee claimed 504 "on-call" hours. In addition, the individual frequently reported overtime worked that no supervisor authorized.

The misconduct identified above represents individually and collectively, serious violations of the V.I. Code of Ethical Conduct. That Code provides that all Government officers and employees are prohibited from:

[the]"Use of [their] public office for private gain;"
"An undertaking to give preferential treatment to any person;"
"Impeding governmental efficiency or economy";
"Any loss of complete independence or impartiality;"
"The making of Government decision outside official channels;"
"Any adverse effect on the confidence of the public in the integrity of the government." (Title 3, Chapter 25, V.I.C. § II. [A] - [f])

"*The Government shall expect the resignation, or will dismiss, suspend or take any other appropriate disciplinary action against any officer or employee who violates the provision of this order. The good intentions or demonstrable virtue of an officer or employee shall be no defense in any instance where such officer or employee by his conduct brings the integrity of the Government to the Virgin Islands into question."* (Title 3, Chapter 25, V.I.C. § VI)

INVESTIGATIVE CONCLUSIONS

As a result of our investigation, we have found that:

1. The nurse-employee of the Hospital knowingly and intentionally, between the pay periods ending May 17, 2003 and November 12, 2004:

a. Reported hours worked for pay compensation to which the individual was not entitled, that resulted in a loss to the Government of $132,507;

b. Submitted false "on-call" hours for pay without proper supervisory certification;

c. Submitted false overtime hours for pay without proper supervisory certification;

d. Converted to personal use money received for "on-call" pay to which the individual was not entitled;

e. Converted to personal use money received for overtime pay to which the individual was not entitled;

f. Conspired with the payroll supervisor in a scheme to take $132,507 from the Government;

g. Violated the Virgin Islands Ethics Code.

2. The payroll supervisor for the Hospital knowingly and intentionally, between the pay periods ending May 17, 2003 and November 12, 2004, in cooperation with the nurse-employee:

a. Failed to meet fiduciary obligations to the Government by allowing known discrepancies to go uncorrected resulting in a loss to the Government of $132,507;

b. Accepted false reports for "on-call" hours from the nurse-employee without proper supervisory certification;

c. Recorded false "on-call" hours reported by the nurse-employee on Time and Attendance Reports;

d. Accepted false reports of overtime hours from the nurse-employee without proper supervisory certification;

e. Recorded false overtime hours reported by the nurse-employee on Time and Attendance Reports;

f. Failed to report to proper authorities payroll overpayments to the nurse-employee for "on-call" time known to be false;

g. Failed to report to proper authorities payroll overpayments to the nurse-employee for overtime known to be false;

h. Submitted false Time and Attendance Records to the Hospital's Chief Executive Officer or Chief Financial Officer for certification.

3. The Administration of the Hospital for a period of 19 months failed to:

a. Supervise the payroll supervisor for the Hospital;

b. Meet its fiduciary obligations to the Government by allowing known discrepancies to go uncorrected, resulting in a loss to the Government of $132,507;

c. Discharge its obligations under the Virgin Islands Code of Ethics.

4. Finance for a period of 19 months failed to correct a deficiency in its FMS that it knew was operating improperly and resulted in a loss to the Government of $132,507.

RECOMMENDATIONS

We recommend that the Administration of the Hospital:

1. Review this report and take appropriate action regarding the conduct of the nurse-employee as provided for in Title 3, Chapter 25, of the Virgin Islands Code.

2. Review this report and take appropriate action regarding the conduct of the payroll supervisor as provided for in Title 3, Chapter 25, of the Virgin Islands Code.

3. Refer the nurse-employee to the Department of Justice for criminal prosecution for the theft and conspiracy to steal $132,507 as provided for in Title 14 of the Virgin Islands Code.

4. Refer the payroll supervisor to the Department of Justice for criminal prosecution for the theft and conspiracy to steal $132,507 as provided for in Title 14 of the Virgin Islands Code.

5. Review this report and take appropriate action to ensure proper functioning of its Payroll Section.

6. Review this report and take appropriate action in cooperation with Finance to ensure the correct coding of "on-call" hours entered into the FMS.

Juan Luis Hospital's Response

The Chief Executive Officer in his October 24, 2005 response to the draft report agreed with the recommendations made. Regarding the first two recommendations, the Hospital's Administration terminated the employment of the nurse-employee and accepted the resignation of the payroll supervisor.

For the third and fourth recommendations, based on a referral to the Virgin Islands Department of Justice, both individuals were arrested and charged with violations of criminal statutes of the Virgin Islands Code.

Regarding the recommendation that the Hospital's Administration review the operations of its Payroll Department, it was indicated that new procedures were instituted and a new payroll supervisor, familiar with the FMS system, was hired.

Finally regarding the processing of "on-call" hours, Finance has revised the requirements for the processing of "on-call" payments. A separate miscellaneous payroll form is now required for processing of the "on-call" time. In addition, the Hospital now requires that all "on-call" hours be approved before processing.

In the response, the Chief Executive Officer objected to the comments in the report relating to the Hospital Administration's failure to effectively manage and supervise the payroll supervisor, and to take appropriate action when the discrepancies were discovered.

V. I. Inspector General's Comments

The responses by the Hospital's Chief Executive Officer to the recommendations made in the report are sufficient for us to consider them resolved and closed. No further action is required.

Regarding the objections to our comments on the failure of the Hospital's Administration to expeditiously deal with the situation once discovered, they were geared towards the Administration in place at the time it was first discovered. Based on our investigation, the previous Hospital Administration was aware that the nurse-employee had received significant over-payments, and did nothing to prevent it from continuing. The misappropriation was allowed to continue for a 19-month period.

We commend the current Chief Executive Officer for taking quick action when it was brought to his attention. He quickly advised us of the situation, has cooperated fully during the course of the investigation, and took quick administrative action once the facts were reported to him.

APPENDIX I

GOVERNOR JUAN F. LUIS HOSPITAL & MEDICAL CENTER'S RESPONSE

Governor Juan F. Luis Hospital & Medical Center

Gregory J. Calliste, CHE, MBA, MS
Chief Executive Officer

No. 4007 Estate Diamond Ruby, Christiansted, St. Croix 00820
Phone: 340-778-7993 Facsimile: 340-719-5864

October 24, 2005

VIA HAND DELIVERY AND FACSIMILE (340) 774-6431

Steven van Berverhoudt, CFE, CGFM
VI Inspector General
Office of the V.I. Inspector General
2315 Kronprindsens Gade #75
Charlotte Amalie, St. Thomas V.I. 00802-6468

Re: Response to Final Draft Report of Juan Luis Hospital Payroll Overpayments

Dear Mr. van Berverhoudt:

The Hospital's review of the Final Draft Report regarding Juan Luis Hospital Payroll Overpayments that was received on September 23, 2005 has been completed. The Hospital is appreciative of the efforts of the Virgin Islands Inspector General's Office in investigating and bringing to conclusion the suspected payroll practices of two of our employees.

When the Administration became aware of the questionable payroll practices, it immediately undertook action to correct the problem. Our own internal review revealed human avarice, deceitful practices, as well as technological glitches. The areas for which the Hospital has direct control have been addressed and we will continue to work with the Department of Finance on the FMS system coding malfunctions. To this end, the payroll issues involved have been resolved and adequate safeguards are now in place to guard against these problems arising in the future. With that in mind, the following comments are offered to address the specific executive summary, background, findings, conclusions and recommendations sections in the Final Draft Report.

Executive Summary

The Hospital concurs with the narrative in the Executive Summary. The Hospital further concurs with factors one through three listed therein, but would note that the conduct attributed to the Hospital Payroll Clerk in factor numbers one and three were actually those of the Hospital Payroll Supervisor. As to factor number five, the Hospital does not have sufficient information to comment on the same.

However, the Hospital adamantly disagrees with factor number four. Significantly, this factor is stated as a conclusion without providing any alleged specific factual failure attributable to the Hospital Administrative Officers.

Moreover, factor number three, the alleged intentional deceptive practices of the Hospital Payroll Supervisor, precludes the existence of factor number four. Indeed, Hospital Administrative Officers immediately conducted an investigation into factors one and three upon notice of the same. Thereafter, assistance from your office was requested, again demonstrating the Administration's diligence in acting to protect the interests of the Government of the Virgin Islands, as well as those of the Hospital. Thus, they were in compliance with their fiduciary duty to the Government of the Virgin Islands.

Allegation

The Hospital concurs with the Allegation as stated.

Background

There are some apparent misstatements of facts which must be clarified, as well as factual omissions that need to be included in this Report. In the background section, there is no mention of the fact that Mr. went directly to Mr. for **all** payroll time, including his regular time. This is critical and thus crucial to understanding the process.

Mr. had access to all time and attendance records and could create or delete records without the knowledge of the certifying officer. The time and attendance record could be, and apparently was, slipped into the general payroll undetected by the certifying officer. Only upon an audit review would the irregularity come to light. Moreover, the only irregularity that would be immediately identifiable would be the on-call and overtime, not the regular time. Therefore, even though Administration personnel, through an audit, could have revealed possible irregularities, omission of regular time would not be so readily detected from the system. Notably, no audit review of payroll records was conducted during the relevant time period.

There is no factual basis presented to conclude that any Administrator knew that Mr. did not have regular time sheets from May, 2003 through November, 2004. To say that Administration was responsible for such a calculated scheme or remiss in its duties assumes that all the alleged actions of these employees were readily detectible and openly obvious and ignored. This is not true.

Additionally and specifically, on page 7, paragraph 2, the report states " worked in the Radiology Department assigned to the Advanced Radiology unit." Mr. was assigned to the Department of Radiology and not Advanced Radiology, LLC. On page 8, paragraph 2, line 1, which states " was then responsible for presenting the Time and Attendance report to Hospital's Chief Executive Officer for certification."

NOTE: ALL INDIVIDUAL NAMES HAVE BEEN DELETED BY THE V. I. INSPECTOR GENERAL'S OFFICE.

The time and attendance sheets were presented to either the Chief Executive Officer or the Chief Financial Officer for certification during the relevant time period.

Furthermore, on that same page in paragraph 4, it states that "[r]egular time hours were computed by the Hospital's swipe-card system." What this paragraph omits to state is that the Hospital has no record of any regular time swiped in or out for Mr. during the time period in question. Mr. only began swiping in and out again when the Administration became aware of the situation in November, 2004 and instructed him to do so. He had previously swiped in and out when he worked in the Operating Room. It seems he had an arrangement with Mr. to produce a fake computer time sheet for his regular time. Again, this apparent fraudulent scheme could not have been detected, short of an audit. All other facts in the background appear to be accurate.

Findings

The Hospital concurs with Findings 1(a) through 1(g) and 2(a) through 2(h).

The Hospital cannot respond to the findings directed to the Virgin Islands Department of Finance as the Hospital is not privy to all the facts and circumstances as to the operations of that Department.

However, to the extent that Finding 4 relates to Finding 3(b), the Hospital takes exception to the latter conclusion in that the Gov. Juan F. Luis Hospital and Medical Center did bring to the attention of the Department of Finance the programmatic problems with the FMS system. The Hospital was advised by Finance not to use a Code 17, which was causing the miscalculation of on call and overtime. The Hospital did cease using the problematic code.

From all the information available to the Hospital, there appears to be no viable corrective measure within the FMS system to alleviate the payroll overpayments. In fact, it is inaccurate to state that "Executives of the Hospital" failed to take appropriate action to avoid the FMS defect when action was taken and no alternative plan of action or correction was offered by Finance.

The Hospital further denies the conclusion in Finding 3(a). While it is difficult to respond to this sub-finding because no specific instance of a failure to manage or supervise is cited, the Hospital affirmatively states that members of the Hospital Administration were actively managing and supervising the Payroll Supervisor by conducting an ongoing internal investigation regarding the payroll discrepancies from the time they were first discovered. This internal investigation included direct contact with both the Payroll Supervisor and Mr. . In turn, these contacts, along with other information discovered during the course of the ongoing internal investigation, led to consultation with the Department of Finance and OMB, as well as general counsel and outside legal counsel, and culminated in the referral of this matter to the Inspector General's Office.

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The Hospital adamantly denies the conclusion of Finding 3(c). Given the totality of the circumstances and the sequence of events, the Hospital met its fiduciary obligations to the Government of the Virgin Islands by notifying the appropriate governmental departments and agencies when it became clear that the self-discovered and self-disclosed discrepancies were the result of the apparent fraudulent conduct of two individuals rather than human or computer error.

Again, Finding 3(d) is stated in general conclusory terms and does not refer to any specific obligations that were allegedly not discharged by the Administration. Yet, it is obvious that the exact opposite conclusion is required, i.e., that the Administration fully discharged its obligations under the Virgin Islands Code of Ethics by self-reporting the alleged fraud being committed against the Hospital itself, as well as the Government.

Conclusion

Based upon the Hospital's responses contained herein, it is clear that the Executives of the Hospital did take appropriate action to avoid FMS defects during the nineteen month period in question. The loss to the Hospital and the Government of the Virgin Islands was the result solely of the alleged conduct of two hospital employees who conspired to steal $132,504.35 of V.I. Government funds that were directly allotted to the Hospital.

Recommendations

Finally, with regard to the "Recommendations," the Hospital responds as follows:

Recommendation 1: The Administration of the Juan Luis Hospital review this report and take appropriate action regarding as provided for in Title 3, Chapter 24, section[sic] VI of the Virgin Islands Code.

Response: The Hospital concurs with this recommendation. Based upon a preliminary report received by the Inspector General on May 20, 2005, the Hospital took immediate administrative action and terminated the employment of .

Recommendation 2: The Administration of the Juan Luis Hospital review this report and take appropriate action regarding [sic] as provided for in Title 3, Chapter 25 section [sic] of the Virgin Islands Code.

Response: The Hospital concurs with recommendation. Based upon a preliminary report dated May 20, 2005, the Hospital accepted the resignation of effective immediately.

Recommendation 3: be referred to the Virgin Islands for criminal prosecution for the theft of $132,504.35 and Conspiracy to steal $132,504.35 as provided for in Title 14 of the Virgin Islands Code.

NOTE: ALL INDIVIDUAL NAMES HAVE BEEN DELETED BY THE V. I. INSPECTOR GENERAL'S OFFICE.

Response: The Hospital concurs with the recommendation in the Final Draft Report and the Hospital understands that the V.I. Inspector General's Office will immediately refer this matter to the Virgin Islands Attorney General. The Hospital will further determine whether additional prosecution is available and will fully cooperate in any and all criminal matters arising from these facts. Additionally, the Hospital will initiate a civil action to recover the overpayment of payroll funds against Mr. .

Recommendation 4: be referred to the Virgin Islands Depart of Justice for criminal prosecution for the theft of $132,504.35 and Conspiracy to steal $132,504.35 as provided for in Title 14 of the Virgin Islands Code.

Response: The Hospital concurs with the recommendation in the Final Draft Report and the Hospital's understands that the V.I. Inspector General's Office will immediately refer this matter to the Virgin Islands Attorney General. The Hospital will further determine whether additional prosecution is available and will fully cooperate in any and all criminal matters arising from these facts. Additionally, the Hospital will initiate a civil action to recover the overpayment of payroll funds against Mr. .

Recommendation 5: The Administration of the Juan Luis Hospital review this Memorandum and take appropriate action to ensure proper functioning of the Payroll Department.

Response: The Hospital had taken corrective action when the situation in the payroll was discovered. New procedures were instituted to ensure that the payroll had the proper controls in accordance with standard accounting practices. After the dismissal of the former payroll supervisor, the Hospital conducted an exhaustive search for a new payroll supervisor who had familiarity with the FMS system, Virgin Island government processes and proper governmental accounting practices. Such a person has been hired.

Recommendation 6: The Administration of the Juan Luis Hospital review this Memorandum and take appropriate action in cooperation with the V.I. Finance Department to ensure correct coding of 'on-call' hours entered into the Government's Financial Management System.

Response: The Virgin Islands Finance Department has revamped the processing of on-call payments requiring a miscellaneous payroll submission form to be sent directly to the Department of Finance for processing outside of the FMS system. In response to the inquiries from the Hospital, the Department of Finance is in the process of replacing and enhancing the current FMS system. Additionally, and concurrently with the Department of Finance, the Hospital has implemented a verification process for all on-call submissions requiring an authorized signature approving all on-call hours earned prior to processing by the payroll department. Therefore, employees eligible for on-call hours must be scheduled by their respective Departments before on-call time will be approved the Hospital.

NOTE: ALL INDIVIDUAL NAMES HAVE BEEN DELETED BY THE V. I. INSPECTOR GENERAL'S OFFICE.

Thank you for your assistance in this matter.

Sincerely,

Gregory J. Calliste
Chief Executive Officer
Gov. Juan F. Luis Hospital and Medical Center

cc: The St. Croix District Governing Board,
Board of Directors

NOTE: ALL INDIVIDUAL NAMES HAVE BEEN DELETED BY THE V. I. INSPECTOR GENERAL'S OFFICE.

APPENDIX II

OFFICIAL REPORT DISTRIBUTION

Virgin Islands Government

St. Croix District Governing Board Governor Juan F. Luis Hospital and Medical Center	1
Governor Juan F. Luis Hospital and Medical Center	1
Office of the Governor	3
Office of the Lieutenant Governor	1
Department of Justice	1
Department of Finance	1
Office of Management and Budget	1
26th Legislature	15
Office of the Legislative Post Auditor	1
Delegate to Congress	1

United States Government

Office of Inspector General, Department of the Interior	1
Department of Justice, Office of the United States Attorney	1
Department of Justice, Federal Bureau of Investigation	1