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United States Senate

COMMITTEE ON FINANCE
WASHINGTON, DC 20510-6200

SENT BY EMAIL in care of Ms. Jennifer M. Storipan, Puerto Rico Federal Affairs Administration

April 20, 2020

The Honorable Wanda Vázquez Garced
Governor of Puerto Rico
Office of the Governor
La Fortaleza
52 Fortaleza Street
San Juan, Puerto Rico 00902

Dear Governor Vázquez Garced:

The people of Puerto Rico have endured severe hardships from a sequence of natural disasters and the ongoing public health emergency associated with the novel coronavirus, COVID-19. In response, the federal government has significantly increased funding for Puerto Rico's health system, including Medicare and Medicaid funding, as well as funding for measures to confront COVID-19.

Unfortunately, there have been recent troubling revelations regarding instability of leadership in Puerto Rico's health system, as well as a clear lack of accountability regarding government procurement and contracting. These revelations are the latest in a steady stream of evidence demonstrating similar faults in the government of Puerto Rico's rebuilding efforts following the largest municipal debt default in U.S. history and a string of devastating natural disasters. It appears that procurement and contracting in Puerto Rico often passes through a filter of political connections before resources intended for the people of Puerto Rico actually reach them and achieve the intended use, depriving the people of Puerto Rico the primacy that they deserve.

On the heels of recent allegations surrounding hoarding and politically-based allocations of relief supplies following the devastating earthquakes that Puerto Rico experienced, it is unfortunate to again hear, in the face of the COVID-19 public health emergency, allegations of political considerations entering into public relief.¹ It is also unfortunate to hear of continued instability

¹ For allegations surrounding earthquake relief supplies, see, for example, the *New York Times*, January 20, 2020, "Video Reveals Unused Earthquake Aid in Puerto Rico: 'We are Outraged.'" At <https://www.nytimes.com/2020/01/20/us/puerto-rico-protests-emergency-supplies.html>

in Puerto Rico's health-care administration. For example, a recent *Miami Herald* article on Puerto Rico's coronavirus test acquisitions reported that Puerto Rico Health Secretary Lorenzo Gonzalez Feliciano said that he discovered "an estimated \$3 million to \$4 million worth of donated medicines that had expired" and that it was "reminiscent of tons of government aid that was found abandoned in a warehouse earlier this year amid a rash of earthquakes."²

As further evidence of Puerto Rico's unstable health policy governance, Puerto Rico appears to have been plagued by a recent wave of resignations of key health officials. In July of last year, former Executive Director of the Puerto Rico Health Insurance Administration Angela Avila Marrero resigned in the face of allegations of unlawfully steering around \$15.5 million of federal contracts to politically connected consultants.³ Additionally, on March 14 of this year, former Secretary of the Puerto Rico Department of Health, Rafael Rodriguez Mercado, was asked to resign by you. On March 26, you also confirmed the resignation of former Secretary of the Puerto Rico Department of Health, Conception Quinones de Longo, who reportedly resigned out of concerns over "how the department was being run and, in particular, how a contract for COVID-19 testing was handled."⁴ As of March 28, as I understand it, Lorenzo Gonzalez Feliciano has been appointed as the third health secretary to serve in a span of two weeks. It was also reported in late March that Puerto Rico's chief epidemiologist, Carmen Deseda, had resigned, in the midst of the public health emergency associated with COVID-19, though the reason for the resignation is unconfirmed at the moment.

Regarding government procurement, the Government of Puerto Rico reportedly has entered into various agreements to purchase medical products, including rapid testing kits for COVID-19, for around \$40 million with a number of companies, including 313 LLC and Apex General Contractors.⁵ According to several reports, these companies have no experience in the medical supply industry. Additionally, although Puerto Rico's government already made advance payments of nearly \$20 million, these agreements reportedly have been canceled. The precise reason for the cancellation is not yet clear. It is also not clear whether the companies have refunded the government's advanced payments.

² See *Miami Herald*, April 1, 2020, "After doubts, Puerto Rico says it has approval to use 200,000 coronavirus test kits." At <https://www.miamiherald.com/news/nation-world/world/americas/article241675641.html>.

³ See *New York Times*, July 10, 2019, "Puerto Rico Ex-Officials Accused of Steering \$15.5 Million in Contracts to Consultants." At <https://www.nytimes.com/2019/07/10/us/puerto-rico-corruption.html>. See

⁴ See *Caribbean Business*, March 26, 2020, "Puerto Rico Gov Confirms Health Secretary's Resignation is Effective Immediately." At <https://caribbeanbusiness.com/interim-puerto-rico-health-secretary-resigns/?cn-reloaded=1>. See *Miami Herald*, April 1, 2020, "After doubts, Puerto Rico says it has approval to use 200,000 coronavirus test kits." At <https://www.miamiherald.com/news/nation-world/world/americas/article241675641.html>.

⁵ See *Caribbean Business*, April 6, 2020, "FBI, FDA and Inspector General Looking Into Puerto Rico Health Dept. Purchases." At <https://caribbeanbusiness.com/fbi-fda-and-inspector-general-looking-into-puerto-rico-health-dept-purchases/>; and *El Nuevo Dia*, April 6, 2020, "Problems with rapid tests kits: The government buys kits from inexperienced companies linked to the PNP leadership." At <https://www.elnuevodia.com/english/english/nota/problemswithrapidtestskits-2558966/>

An April 6, 2020, article in *El Nuevo Día* describes the evolution of sales of medical equipment to the government of Puerto Rico by Apex General Contractors, reportedly owned by Robert Rodriguez Lopez⁶, and 313 LLC as follows:⁷

When the coronavirus began to spread in Puerto Rico, this company, 313 LLC, changed its objectives to incorporate medical services, according to the Department of State Registry of Corporations. Less than a week later, it was making multi-million dollar sales of coronavirus rapid tests to the Puerto Rican government, according to multiple documents *El Nuevo Día* analyzed. Both companies, Apex General Contractors and 313 LLC, have been linked to Grupo Lemus, a consulting and lobbying firm founded in 2018 by Juan Suárez Lemus.

According to the April 6 article, Mr. Lopez “acknowledged that he had never worked with medical products.” He has reportedly made substantial contributions to prominent politicians in Puerto Rico. Mr. Lemus, in turn, is reported to be an activist for a political party in Puerto Rico and a regular donor to political campaigns in Puerto Rico.

Even more troubling, authorization of rapid testing kit purchases evidently passed through Puerto Rico’s agency for emergency and disaster management (NMEAD), yet was not revealed to the Oversight Board for Puerto Rico established by PROMESA.⁸ The lack of inclusion of Puerto Rico’s Oversight Board in purchases by the government of Puerto Rico of rapid testing kits was raised in an April 6, 2020, letter to you from Natalie A. Jaresko, Executive Director of the Financial Management and Oversight Board for Puerto Rico.⁹

⁶ According to Rodriguez Lopez, his legal adviser Juan Maldonado helped him in the arrangements to sell his products to the government. Maldonado is a former Transportation & Public Works deputy secretary who was also the last director of the Maritime Transportation Authority and was fired in February 2019 after a scandal broke out when it was revealed that he had authorized the use of one of the service boats to Vieques to transport equipment for a wedding. See *El Nuevo Día*, April 6, 2020, “Problems with rapid tests kits: The government buys kits from inexperienced companies linked to the PNP leadership.” At <https://www.elnuevodia.com/english/english/nota/problemswithrapidtestskits-2558966/>

⁷ See *El Nuevo Día*, April 6, 2020, “Problems with rapid tests kits: The government buys kits from inexperienced companies linked to the PNP leadership.” At

<https://www.elnuevodia.com/english/english/nota/problemswithrapidtestskits-2558966/>

⁸ PROMESA is the Puerto Rico Oversight, Management, and Economic Stability Act, P.L. 114-187, established to confront Puerto Rico’s default on more than \$120 billion of debt of its government and corporations—the largest bankruptcy-like proceeding in the history of the U.S. public debt market.

⁹ See the letter at <https://drive.google.com/file/d/1gNBROtoJdpmD-bziBtYpp4Ivg8lzuTHq/view>, where Ms. Jaresko wrote: “As you know, the Oversight Board established and maintains a contract review policy pursuant to Section 204(b)(2) of PROMESA to require Oversight Board prior approval of certain contracts to assure that they ‘promote market competition’ and ‘are not inconsistent with the approved fiscal plan’ (the ‘Policy’). All government contracts and amendments thereto with an aggregate value of \$10 million or more are subject to Oversight Board prior approval pursuant to the Policy. Despite all of the above, the Government did not submit the agreements to purchase the aforementioned rapid testing kits to the Oversight Board... This state of emergency does not present grounds to disregard fiscal governance, accountability, and internal controls. Rather, it is especially during such times that the Government must continue to adhere to such principles to build and maintain confidence of all the stakeholders in the Commonwealth. The agreements at issue appear to not comply with PROMESA and the processes by which they were procured do not appear consistent with internal controls, efficiency, and fiscal responsibility benchmarks that must guide the Government’s procurement of products and services during the state of emergency. Entering into these agreements as above-described, without consideration of applicable processes or of basic procurement good practices, is unacceptable. Further, a legal analysis of the agreements in question may conclude that the same are null and void from inception.”

The federal responses to Puerto Rico's recent series of natural disasters and to the ongoing public health emergency are intended to help the people of Puerto Rico. It is disappointing to learn of continued allegations of irregularities in the provision of emergency relief to the people of Puerto Rico by the government of Puerto Rico. Given ongoing concerns about accountability, stability, and contracting processes in Puerto Rico's government, please provide responses to the questions and requests for information found below. As we examine continued aid for Puerto Rico, as well as future requests for aid, Congress needs this information and answers to these questions. Please provide the information by April 27, 2020.

1. Please provide the reasons for the resignation on March 26 of former health secretary Conception Quinones de Longo.
2. Please provide the reasons for the resignation of Puerto Rico's former chief epidemiologist, Carmen Deseda.
3. Did the Government of Puerto Rico submit agreements (be they purchase orders or contracts) to purchase medical products from 313 LLC, Apex General Contractors, and perhaps other vendors, for review by the Oversight Board established in PROMESA, as required under Section 204(b)(2) of PROMESA, or otherwise, in any way, notify the Oversight Board of the intended purchases?
4. Aside from 313 LLC and Apex General Contractors, were agreements made with any other vendors that also were not submitted for review by the Oversight Board? If so, please name the vendors and their location.
5. What experience in the provision of medical products led the Government of Puerto Rico to choose to enter into agreements to purchase from 313 LLC, Apex General Contractors, or any other vendors that were used?
6. Please describe the chain of decision making that gave rise to officials in the Puerto Rico government soliciting medical equipment from vendors, selecting Apex General Contractors and 313 LLC as vendors, and transferring funds from the government of Puerto Rico to the vendors. Please include a clear description of any intermediaries that were used to facilitate the transactions, including consultants.
7. Who within the Government of Puerto Rico made the decision to issue purchase orders to, or enter into contracts with, 313 LLC and Apex General Contractors and any other medical-product providers?
8. Were there any considerations of affiliation to any particular political party in choosing to work with any medical-supply vendor offering to provide COVID-19 related medical products, such as testing kits, or to work with any intermediary who may have helped establish contact between the government of Puerto Rico and the vendors?
9. With respect to allegations in January 2020, that relief supplies in the aftermath of Puerto Rico's devastating earthquakes were not given to people in need but, rather, laid idle in warehouses, I understand that you fired government officials, including the former head of Puerto Rico's office of emergency management (NMEAD) Carlos Acevedo, and ordered an investigation into why people did not receive the supplies.
 - a. Has your investigation been completed?
 - b. If so, please provide a report on the results of the investigation; if not, please indicate when the investigation will be complete and send a report upon completion.

10. Provide a list of investigations initiated within the government of Puerto Rico over the past four years of possible malfeasance by the government (e.g., Whitefish Energy contracting, previous Governor's acquisition of a \$245,000 sports utility vehicle, alleged politicization of Puerto Rico's Institute of Statistics, lawsuit surrounding lack of public provision of death data following recent hurricanes, etc.) and the resulting findings and reports from the investigations.
11. Please provide information about how the public can access data on contracts, including purchase orders, made by the government of Puerto Rico.
12. As referred to above, General José Burgos, NMEAD's commissioner, explained that he authorized purchases at the request of Adil Rosa, who was in charge of purchases at the Health Department until Secretary González recently fired her. Please provide the reasons for the dismissal of Adil Rosa Rivera.
13. As identified in a recent article in the *Miami Herald*, Puerto Rico Health Secretary Lorenzo Gonzalez Feliciano said that "he discovered problems in the Health Department. In particular, there is an estimated \$3 million to \$4 million worth of donated medicines that had expired." Is the Secretary's finding of expired donated medicines accurate? If so, please describe the expired medicines, why they expired, who donated them, and whether they were donations intended to assist in Puerto Rico's response to COVID-19; if not, please identify why your health secretary misstated conditions in the health department.

Sincerely,



Charles E. Grassley
Chairman
Committee on Finance