

**U.S. House of Representatives**  
**Committee on Natural Resources**  
**Washington, DC 20515**

August 2, 2019

Ms. Natalie Jaresko  
Executive Director  
Puerto Rico Financial Oversight  
and Management Board  
P.O. Box 192018  
San Juan, Puerto Rico 00919-218

Dear Ms. Jaresko:

A critical provision of PROMESA requires the Puerto Rico Financial Oversight and Management Board (FOMB) to restore financial discipline by requiring timely audited financial statements from local government entities.<sup>1</sup> Recently, the managing partner of the accounting firm BDO Puerto Rico was indicted on charges of wire fraud, conspiracy, and money laundering regarding BDO contracts with the Puerto Rico Department of Education and the Puerto Rico Health Insurance Administration.<sup>2</sup> For this reason, we urge the FOMB to investigate BDO Puerto Rico audits and work products created for Puerto Rico government entities, and formally notify relevant decision makers of this investigation.

Within the last two years, BDO Puerto Rico was contracted to provide auditing and/or accounting services to numerous local government entities, including: Department of Health, Department of Treasury, Fiscal Agency and Financial Advisory Authority, Health Insurance Administration, Teachers' Retirement System, Office of the Puerto Rico Insurance Commissioner, Department of Work and Human Resources, Public Buildings Authority, Department of Agriculture, Corporation for Public Broadcasting, Highway and Transportation Authority, Department of Transportation and Public Works, Electric Power Authority, Municipality of San Juan, Infrastructure Financing Authority, Municipality of Guaynabo, State Energy Policy Office, Government Development Bank, and General Services Administration.<sup>3</sup>

In the case of the Puerto Rico Electric Power Authority (PREPA), BDO Puerto Rico audited PREPA's FY 2016 financial statements, which were released in December 2018.<sup>4</sup> The

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<sup>1</sup> 48 U.S.C. § 2146(a)(2).

<sup>2</sup> "A look at the six people indicted by the FBI on corruption charges," EL NUEVO DÍA (July 10, 2019) <https://www.elnuevodia.com/alookatthesixpeopleindictedbythefbioncorruptioncharges>.

<sup>3</sup> "BDO Puerto Rico fires 39 employees," EL NUEVO DÍA (June 26, 2019) <https://www.elnuevodia.com/noticias/locales/nota/laempresabdopuertoricodespidea39empleados-2501943/>.

<sup>4</sup> BDO PUERTO RICO, PREPA INDEPENDENT AUDITORS' REPORT, AUDITED FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION AND SUPPLEMENTAL SCHEDULES (June 30, 2016) <https://aepr.com/es-pr/investors/FinancialInformation/Anua>.

representations in the financial statement form the core of PREPA's case to restore market and public confidence in its operations. In addition, for FY 2019, BDO Puerto Rico was contracted with PREPA to prepare monthly financial reports, analyze PREPA's budgeting and accounts system, draft budget and accounting reports, and other essential tasks.<sup>5</sup> These accounting tasks are critical to the accurate presentation of PREPA's financial position, which underlies the representations made to the FOMB, bidders in PREPA's privatization process, as well as representations to the Title III court regarding PREPA's bankruptcy and debt restructuring. The Title III deliberations are currently at a highly sensitive stage.<sup>6</sup>

We urge the FOMB to undertake an investigation into the various audits and work products created by BDO Puerto Rico for local government entities to determine whether the alleged fraudulent activities of the managing partner and those under his supervision, the recent termination of several BDO contracts with Commonwealth agencies, and arrests have impaired the integrity of those audits and work products.

We further urge the FOMB to immediately and formally notify all stakeholders and relevant decision makers of the existence of this investigation and the FOMB's intention to restore confidence by issuing the report and corrective actions within 90 days.

If you have any questions about this request, please contact the House Committee on Natural Resources staff at (202) 225-6065. Thank you for your attention to this matter.

Sincerely,



Raúl M. Grijalva  
Chair  
Committee on Natural Resources



Nydia M. Velázquez  
Member of Congress

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<sup>5</sup> PREPA, PROFESSIONAL SERVICES CONTRACT 2019 P00016 (Sep. 13, 2018)  
<https://aeepr.com/es-pr/QuienesSomos/Contratos%20Generales/2019->

<sup>6</sup> "Judge Swain questions reasonableness of Puerto Rico utility's \$8.5 billion restructuring support agreement," CARIBBEAN BUSINESS (June 13, 2019)  
<https://caribbeanbusiness.com/judge-swain-questions-reasonableness-of-puerto-rico-utilitys-8-5-billion-restructuring-support-agreement/>.