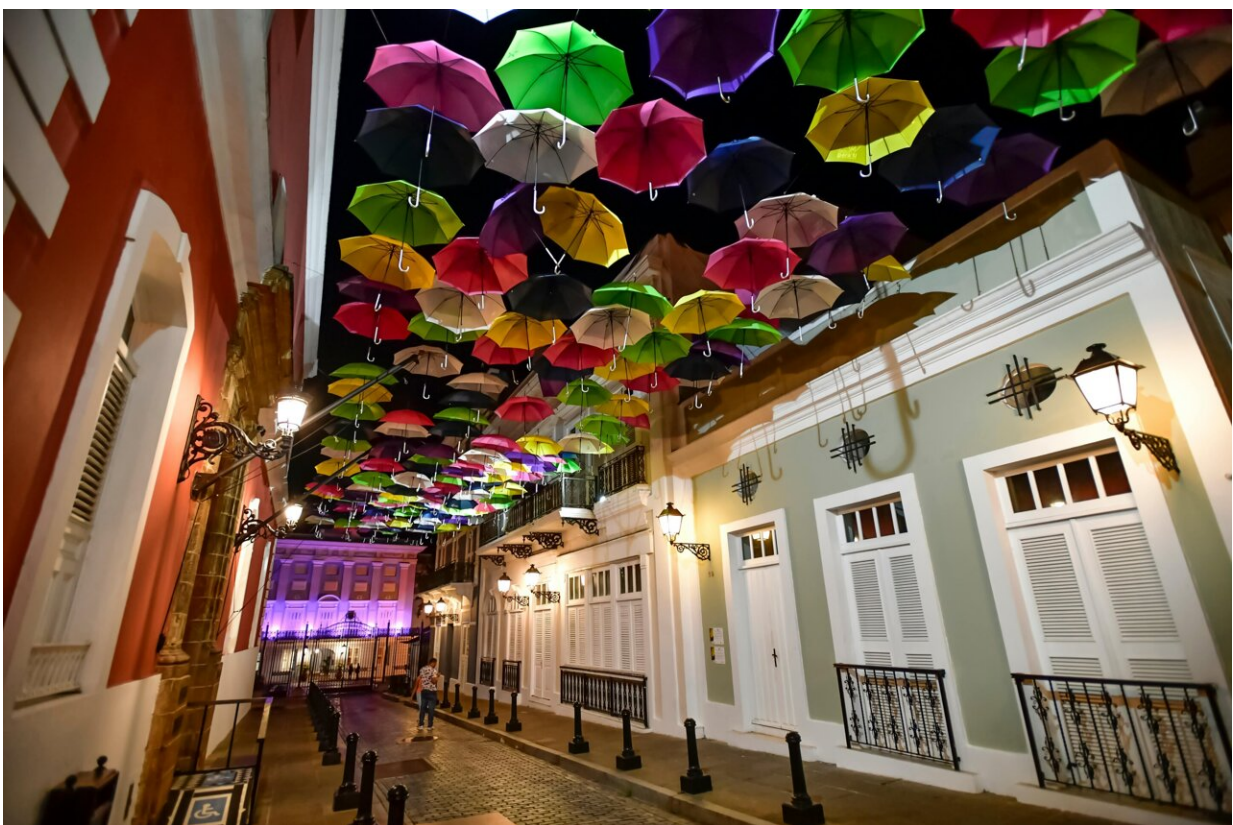


Puerto Rico's anti-corruption laws promoted fraud by outsourcing government services, study suggests

June 17 2024, by Sharita Forrest



Credit: Reynaldo #brigworkz Brigantty from Pexels

The anticorruption laws enacted in Puerto Rico in the wake of Hurricane Maria created a new economic sector—a lucrative anti-corruption

market based on outsourcing public procurement to private sector corporations.

Despite millions of dollars of investments in platforms, websites, training materials and consulting services ostensibly designed to promote compliance with anti-corruption legislation, fraud and corruption have thrived because the key driver of this new market is profiteering, [a new study suggests](#).

According to study author Jose Atilas, a professor of sociology at the University of Illinois Urbana-Champaign, the flawed anti-corruption policies enacted in Puerto Rico were merely a façade designed to legalize state-corporate crime. Rather than eradicate corruption, these policies perpetuated an existing system of capital accumulation through wealth extraction that padded the coffers of corporations and local elites.

"Under the guise of fighting corruption, the Puerto Rican government has spent more than \$787 million in public procurement for anti-corruption and fraud prevention, consultancy services and [technology development](#) since 2018," Atilas said.

"What we have seen in Puerto Rico is the enactment of a series of anti-corruption policies that created new opportunities for contracting with the government—and a series of corporations being created to serve the government through these laws. This infrastructure operates as a colonial regime of permission that condones state-corporate crime, allowing it to persist while evading legal scrutiny."

Atilas has explored Puerto Rico's history of corruption and financial precarity in a series of studies, most recently in a paper published in the *Journal of White Collar and Corporate Crime*.

Numerous factors contributed to the emergence of the anti-corruption

market, including Puerto Rico's symbiotic government-corporate relationship, a contrived legal and political history associated with U.S. colonialism and inequities in the federal government's allocation of resources to Puerto Rico, Atilés said.

As a result, Puerto Rico experienced multilayered crises—decades of economic struggles and a surge in public corruption cases beginning in 2006. When Hurricane Maria struck in 2017, leaving billions of dollars in damage and a humanitarian crisis in its wake, the U.S. government pressured Puerto Rico's officials to fix its economy and address corruption to qualify for disaster relief funding, according to the study.

"While discourses about Puerto Rico—including those by former President Donald Trump—described it as the most corrupt jurisdiction in the U.S. and the world, many of the cases of corruption in Puerto Rico were carried out in the federal, not the local, system," he said.

"And the [financial management](#) and oversight board created under the 2016 federal Puerto Rico Oversight Management and Stability Act has played a really important role in limiting the state's resources and creating opportunities for corporations to provide services that would normally be provided by the state."

PROMESA was intended to help Puerto Rico access capital markets and restructure and reduce insurmountable debt and pension liabilities, according to its website.

However, a series of austerity measures implemented by policymakers enhanced the opportunity for corruption in Puerto Rico, Atilés said. These measures reined in public spending by constraining the recruitment and retention of government workers. In turn, these workforce reductions led to the outsourcing of essential functions such as legal work, accounting and educational services to private-sector

firms.

After Hurricane Maria, Puerto Rican officials also implemented the Anti-Corruption Code for the New Puerto Rico, legislation that Atilas said played "a pivotal role in the legal design of the anti-corruption market, through the commodification and outsourcing of anti-corruption interventions."

The 2018 code, also called ACT 2, created opportunities for marketing companies, local corporations and law firms to profit by helping implement the new law through the creation of digital technologies and enhanced surveillance and anti-fraud measures.

As a result, public procurement and government contracting ballooned into a major portion of Puerto Rico's economy—composing more than \$4.4 billion or 20% of its budget in Fiscal Year 2021, Atilas wrote.

ACT 2 was among a flurry of policies—including executive orders and other emergency measures—enacted between 2018 and 2023. However, these policies lacked compliance with local and federal regulations, curtailing access to economic resources for those most in need, Atilas said.

While corporations and local elites raked in the profits, media campaigns, official speeches and other communications legitimated the Puerto Rican government and cultivated public perceptions of efficiency and integrity, according to the study.

ACT 2 authorized the creation of a Public Registry of Persons Convicted of Corruption, a database intended to promote transparency and assist the government in crime control. Creation and maintenance of the registry were outsourced to the Puerto Rican corporation SNAC LLC, which was awarded 14 contracts between 2020 and 2023 at a total of

more than \$851,700, Atilés said.

However, Atilés' study suggests that the Puerto Rico Department of Justice, authorized under ACT 2 to create and administer the database, "deliberately kept the registry from the public, obstructed access to information and did not invest in its development." After a 2021 lawsuit, the information finally became publicly accessible.

"This is a key feature of the anti-corruption market—what ought to be public information protected under Puerto Rico's transparency jurisprudence has been transformed into proprietary corporate information," Atilés said. "Not only has the management of the registry been outsourced, but the process of accessing and gathering data now largely depends on a private corporation."

Likewise, during the COVID-19 pandemic the Puerto Rico Department of Labor and Human Resources outsourced the development of a website that was used by individuals to apply for unemployment assistance.

Fraught with technological problems, the website prevented users from determining whether their applications were processed or approved, and the affiliated call center lacked the staffing to manage the volume of calls, prompting an investigation by the Puerto Rico Department of Justice and the Office of the Inspector General, Atilés said

Three reports based on that investigation indicated that although the website was supposed to curtail fraud, "the technological inefficiencies and failures embedded in the platform" and failure to oversee the project aided corruption, bribery and fraud, Atilés found. Applicants' personal information also was exposed.

"Once again, individuals (were) caught between anti-fraud policies and

corporate profiteering, rendering the local state unable to deliver basic services," Atilas wrote.

More information: Jose Atilas, Anticorruption Markets: Law, Public Procurement, and the Colonial Regime of Permission in Puerto Rico, *Journal of White Collar and Corporate Crime* (2024). [DOI: 10.1177/2631309X241234354](https://doi.org/10.1177/2631309X241234354)

Provided by University of Illinois at Urbana-Champaign

Citation: Puerto Rico's anti-corruption laws promoted fraud by outsourcing government services, study suggests (2024, June 17) retrieved 21 June 2024 from <https://phys.org/news/2024-06-puerto-rico-anti-corruption-laws.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.