

**U.S. House of Representatives**  
**Committee on Ways and Means**  
**Subcommittee on Social Security**



**Statement for the Record**

**Social Security Disability Insurance Fraud Conspiracy in Puerto Rico**

**The Honorable Patrick P. O'Carroll, Jr.**  
**Inspector General, Social Security Administration**

**September 19, 2013**

Good afternoon Chairman Johnson, Ranking Member Becerra, and Members of the Subcommittee. Thank you for the invitation to testify today about our ongoing disability fraud operation in Puerto Rico.

As you know, we made 75 arrests in this case between August 21 and 23, together with our partners in the Federal Bureau of Investigation (FBI) and the Puerto Rico Police Department (PRPD). I'll explain today how this came to pass, what it means for the disability program and for our organization, and what the future holds. That said, I must first note that this is an ongoing criminal investigation, which will to some extent limit what I can share in a public forum.

While I'm very proud of our special agents, who worked long and hard on this case, and who executed this extensive arrest operation over a period of several hours seamlessly and without incident, I must also note that this operation is not unique in the history of this office, and does not represent a departure from our usual practice. In fact, this operation illustrates the most basic purpose for which this office was created—to protect the integrity of the Social Security Administration's (SSA) programs and conserve its funds for those who are truly deserving. In pursuing this goal, we have made, and will continue to make, significant efforts to ensure that doctors, attorneys, and other facilitators of the disability claims process cannot perpetrate large-scale criminal conspiracies against SSA.

SSA's Office of the Inspector General (OIG) was established in 1995, and we quickly created 10 investigative field divisions, closely tracking SSA's 10 regions. Like SSA, we placed Puerto Rico under the umbrella of our New York Field Division (NYFD), so that our Special Agent-in-Charge would be able to work with SSA's Region II Commissioner for all matters concerning the Commonwealth.

As early as 2000, we sought to establish a Cooperative Disability Investigations (CDI) unit in Puerto Rico, but at the time, we were unable to acquire a viable law enforcement partner for the unit. Our special agents in Puerto Rico, like those across the mainland, nevertheless went about combating disability program fraud in the Commonwealth, receiving and reviewing individual allegations, conducting investigations, and obtaining criminal prosecutions or civil remedies.

For example:

- In 2012, a woman from Yauco, Puerto Rico, entered into a civil consent order in U.S. District Court, agreeing to repay \$34,360 that we determined she received after concealing her father's death and continuing to receive and spend his Social Security benefits.
- In November 2009, a man who had been receiving benefits (along with his wife and three children) for a mood disorder since 2005 was found by our investigators to be working at a supermarket and getting paid in cash to conceal this employment from SSA. Both the man and the supermarket that employed him entered into civil settlements with the Department of Justice; the supermarket agreed to pay \$60,000, and the man agreed to return to SSA the entire \$108,233 he and his family had received.
- In 2012, a Guaynabo woman admitted to misrepresenting her nephew as her son in order to receive benefits for him on her deceased husband's Social Security record. She agreed in a civil settlement to repay almost \$93,000.

These are the types of investigations our agents work every day, and every time we consider a large-scale operation like the one we're discussing today, we choose carefully, and we do our homework. In Puerto Rico, that homework led to the inescapable conclusion that we had an operation that merited the enormous dedication of resources it would require. But we reached that conclusion only after significant

preparatory work and development of the multiple allegations we received over a period of many months, during which time our San Juan office was also committed to other large-scale joint investigations. Following is an approximate timeline of the events that culminated in this investigation:

- In 2008, our San Juan office opened a case involving the theft of birth certificates and Social Security numbers from approximately 50 schools on the island. Our special agents investigated with the FBI, the Secret Service, Immigration and Customs Enforcement, the U.S. Department of Education OIG, the PRPD, and the Puerto Rico Department of Social Services. The case generated media and congressional attention, and the dedication of significant resources from the OIG San Juan office. It would continue for two years, resulting in eight arrests and solidifying our already-productive relationships with these entities—particularly the San Juan office of the FBI.
- Also in 2008, as we were working the school theft case and our usual range of individual criminal investigations, one of our special agents in Northern California had a conversation with the Director of our San Francisco Audit Division. The agent had noted that a significant number of his disability fraud investigations involved an Affective Disorder diagnosis. Our auditors conducted informal research and found that of the 10 SSA offices nationwide with the highest percentage of disability recipients with a diagnosis of Affective Disorder, eight of them were in Puerto Rico. From an organizational standpoint, we considered this information, consulted with SSA, and in the absence of any specific allegations (and our existing commitments and resources), decided that we would monitor the situation for a time in the hopes that an allegation would provide a starting point to look into this issue in Puerto Rico.
- A few months later, in November 2009, we received such an allegation from SSA, suggesting that a medical doctor and a non-attorney claimant representative, Samuel Torres Crespo—a former SSA employee—were submitting nearly identical medical reports for disability claimants who shared a common employment history with a company that was experiencing significant downsizing. Following that initial fraud referral in November 2009, the Puerto Rico Disability Determination Services (DDS) and SSA continued to refer other matters relating to disability claims in Puerto Rico to the OIG. In addition, the New York Regional Office helped my office in analyzing many of the cases relating to the investigation.
- In December 2009, aware of this burgeoning issue, the OIG Special Agent-in-Charge of the NYFD and the New York Regional Commissioner submitted a request to SSA for a CDI unit in Puerto Rico. We also began studying these cases and, over the ensuing 15 months, we requested and received additional information from SSA concerning former employees of this company and patients of this doctor. The ongoing work resulted in our identifying additional medical providers as part of this inquiry, and again we requested and received more information from SSA. As our study continued, so did discussions with SSA concerning claimants, medical providers, and claimant representatives, factors unique to Puerto Rico, and other information that would ultimately be critical to the investigation.
- In May 2010, we received an allegation again specifically naming Torres Crespo and the same doctor, both of whom are implicated in the case now being prosecuted. Meanwhile, in July 2010, our San Juan office completed its extensive work on the Puerto Rico schools case, which had been opened in April 2008.

- No sooner had we wrapped up that case than we received another employer-based allegation suggesting that former employees of a downsized company in Puerto Rico were applying for Social Security disability benefits, all using the same doctor, with nearly identical claims. Our preliminary investigative work showed, however, that very few claimants were involved, and additional work revealed no actual similarities among the claims.
- In September 2010, we joined the FBI on an investigation into a widespread private-insurance and health-care fraud scheme, requiring the review of more than 500 patient files. Nevertheless, our agents continued to work with SSA to develop the previous allegations we had received of medical provider and claimant representative fraud.
- In January 2011, as our San Juan office worked with the FBI to effectuate over 500 arrests in connection with the health-care fraud case, we asked SSA to review the patients in that case for SSA benefit implications, but there was none. Meanwhile, our close work with the FBI led to further discussions about the various allegations of medical provider and claimant representative fraud on the island.
- Soon after, in February and March 2011, we received two additional allegations involving doctors and SSA disability claims. SSA's and our developmental work on these and the prior allegations dating back to November 2009 into what was now as many as 17 medical providers, was finally bearing fruit, and on March 24, 2011, we opened a criminal investigation.

At that point, SSA and the OIG began to review specific disability claim files, and we began developing a formal investigative strategy, including interviews, surveillance, undercover operations, and more. In May 2011, we began formal discussions with the FBI in San Juan concerning the dedication of resources, and with the U.S. Attorney concerning potential criminal prosecution.

We then deployed an investigative response team to San Juan to commence work with the Puerto Rico Police Department and the FBI, including surveillance of some 100 investigative subjects, undercover operations, interviews, and other investigative work. Over the course of the investigation, we would deploy 14 different investigative response teams, drawing personnel from our other field divisions and from headquarters to supplement our San Juan agents.

While this work was taking place, we also continued our effort to establish a CDI unit in San Juan, negotiating with SSA and the PRPD. The Commissioner of Social Security announced the creation of the unit in December 2012, and the OIG's CDI team leader began receiving and reviewing fraud allegations in January 2013.

From July to August 2013, we prepared for and participated in Grand Jury proceedings directed at obtaining indictments against three doctors, a non-attorney claimant representative, and approximately 71 disability beneficiaries who, it is alleged, received approximately \$2.1 million in fraudulent benefits. The indictments allege, and our investigation found evidence that Torres Crespo worked with physicians and individual claimants to submit false claims for SSA disability benefits. The doctors allegedly charged the "patient" a fee (in addition to the regular medical charges) of between \$150 and \$500, and Torres Crespo allegedly received 25 percent of each claimant's retroactive disability benefits, not to exceed \$6,000 per claimant.

In August, we deployed additional NYFD personnel (two supervisors and two special agents) to San Juan to coordinate and conduct investigative activities and arrest logistics. On August 12, even as we headed to the Grand Jury, the PRPD joined the new San Juan CDI Unit, and the Unit officially opened, staffed by an OIG special agent, two SSA program experts, and two PRPD investigators.

A week later, on August 19, the Grand Jury returned indictments on 75 subjects, and we deployed seven additional NYFD agents and five investigative response team members to San Juan to prepare for the arrest operation. Early in the morning on August 21, the arrest operation began with 19 OIG special agents, over 125 FBI agents, and over 100 PRPD officers. All but five arrests were accomplished in the first four hours; four of the remaining subjects were on the mainland and later surrendered to authorities, while one subject was arrested in Puerto Rico several days later. A basketball arena in San Juan was used to detain and process the arrestees with the help of the U.S. Marshals Service and a U.S. Magistrate.

Looking to what the future holds, this investigation is still ongoing, with additional arrests expected. In addition, a special telephone hotline established to receive tips and other information connected to the investigation has been active, with over 100 calls received. That phone number is 1-855-777-0821. And, we have reports of some claimants and beneficiaries coming forward to withdraw their claims or asking for information about the claims process.

As part of this testimony, I feel it is also critical to give a historical context for the OIG's involvement in and focus on combating third-party facilitator fraud. From our inception, we were aware that criminal investigations of this nature—those involving facilitators responsible for multiple fraudulent benefit applications—would serve a critical role in our efforts to prevent, detect, and prosecute. One of our earliest investigations of this exact nature was a driving force behind the establishment of the highly successful CDI program, with which you are all very familiar. This case, from the State of Washington, originated in 1992, when the Department of Health and Human Services' OIG was responsible for conducting Social Security fraud investigations. A task force comprising the FBI and some seven other Federal agencies, as well as five state agencies, had been looking into allegations that middlemen were helping former refugees from Cambodia and Vietnam defraud Washington's welfare system and the SSA's disability program.

Once the SSA OIG was created and our Seattle Field Division was established, those agents assumed a leading role in this investigation, which continued until 1999, when the last defendants were sentenced. In short, refugees from these war-torn areas were allowed to enter the United States and were relocated to Washington, where they were given an 18-month stipend and language and vocational training. At the end of the 18 months, however, a number of these immigrants worked with middlemen, who would coach them on how to obtain State and Federal disability benefits. For fees as high as \$3,000, the middlemen told their clients not to sleep or shower for several days before their benefit interviews, and to dress poorly, all in an attempt to appear mentally disabled. They (the middlemen) acted as interpreters during the interview, providing the interviewer with answers aimed at obtaining benefits. The middlemen also facilitated medical and psychological exams, manipulating those visits in similar ways to obtain medical reports that would result in benefit allowances.

Our investigation included reviewing over 2,500 claim folders—and identifying over 650 that appeared fraudulent—conducting more than 150 confrontational interviews, surveillance, and other techniques to uncover the fact that many of these individuals were not only physically and mentally fit, but were employed or even operating their own businesses.

Ultimately, more than 40 individuals were successfully prosecuted, including two middlemen, six State welfare workers, a doctor and his wife, and 30 benefit recipients. SSA assessed more than \$4 million in overpayments and estimated \$11 million in savings; and the courts ordered more than \$1 million in restitution. SSA also estimated \$7 million in savings from other in-pay beneficiaries who came forward when news of the arrests broke and disclaimed their eligibility, fearing prosecution. In 1999, Vice President Gore's National Partnership for Reinventing Government bestowed a Hammer Award on the task force that conducted this investigation.

I am providing this level of detail about a 15-year-old case for several reasons. First, as I've already mentioned, it was this Seattle case that, in substantial part, inspired the CDI program, about which I've testified many times before this Subcommittee. Given your familiarity with CDI, I won't take time to describe it today, but I'd be happy to answer any questions about it, and anyone unfamiliar with the program can read about it on our website at <http://oig.ssa.gov/cooperative-disability-investigations-cdi>.

Secondly, this case demonstrates that our commitment to facilitator fraud is not new, nor does it end with our success in Puerto Rico.

And finally, it helps to answer questions we've received about the duration of the Puerto Rican investigation—over three and a half years from receipt of the first allegation to the arrest operation in August; the similarly complex Seattle case covered even more time—allowing me to demonstrate exactly how long operations like this take. The level of commitment to cases such as these is significant. The Seattle case involved 12 Federal and State agencies and took six years. The Puerto Rico operation involved three agencies and took less than four years. In both cases, about half the time was spent on

- developing the allegation,
- planning the investigation (in Puerto Rico, this involved extensive coordination with the FBI and after a certain point, the United States Attorney's Office),
- addressing cultural and language issues, and
- reviewing vast amounts of data and documents.

The other half of the time was spent on active investigative work, on grand juries, and on court appearances. There are no shortcuts. As a result, cases of this scope and magnitude have to be carefully considered; committing to one such case could mean passing on scores of individual cases. It also entails weighing the relative monetary values—which affects the likelihood of a prosecutor agreeing to bring criminal charges—the deterrent effect, and even the internal and external relations needed to show Congress, the public, SSA employees, and others who make allegations about individual fraud cases that those allegations are worth making; that they won't go uninvestigated. Striking this balance is difficult, and requires careful consideration of facts, opinions, and an ultimate assessment of what best meets our mission.

By the same token, a more recent facilitator case in San Diego illustrates how the decision to proceed with a particular individual, smaller-scale investigation can sometimes be made more easily than with the large, more complex cases.

In October 2011, we opened a joint investigation with the Department of Homeland Security into Dr. Robert Velasquez, a San Diego psychologist, based on information we received from an informant. Dr. Velasquez was allegedly producing fraudulent disability diagnoses and fabricating medical reports for Iraqi refugees for \$200 each. These diagnoses and reports would allow the refugees to bypass the

English language and civics tests, accelerating their path to citizenship. It also allowed some of them to apply for and receive Social Security disability benefits for which they otherwise were not eligible.

In this case, we felt we would be able to have a large impact with a much smaller share of our investigative resources (and thus, the sacrifice of fewer individual cases) than the Seattle or Puerto Rico cases demanded. There was only one facilitator target, we had an informant, and the records needed to proceed were readily available.

Nevertheless, a successful outcome came only after many months of work: studying about 150 disability claims in which Dr. Velasquez was involved; coordinating with Homeland Security on the citizenship issues; conducting investigative operations, interviews, and auxiliary investigations by our Los Angeles CDI unit; and taking part in court proceedings. In August 2012, Dr. Velasquez pled guilty to making false statements in benefit applications and immigration documents. In May 2013, he was sentenced to 21 months in prison and two years' probation, and he was ordered to pay restitution of \$1.5 million to SSA.

As a result of the Puerto Rico operation and other cases, we have also undertaken a nationwide review of all facilitator-fraud allegations received from SSA or DDS personnel in the last five years. The review of these allegations is one facet of the work being undertaken by the OIG's Disability Fraud Pilot, which commenced in July.

The pilot consists of an SSA Associate Chief Administrative Law Judge, a Deputy Assistant Inspector General for Investigations, and additional OIG investigative and audit personnel, all working to identify and develop allegations of facilitator fraud throughout the country. Through a variety of means, including data mining, the pilot seeks to identify high-dollar, high-impact cases involving doctors, lawyers, judges, and other middlemen conspiring with claimants to defraud SSA. This, together with our traditional investigative and audit work, emphasizes the continued OIG emphasis on reducing this type of disability fraud.

We are confident our new disability pilot can effectively identify and reduce facilitator fraud in the months and years to come. The pilot program will operate as an extension of our CDI program, which has for many years been successful in preventing disability fraud. As such, we continue efforts to identify and prevent disability fraud in Puerto Rico with the establishment of a CDI Unit in San Juan; as well as to look for opportunities to expand the CDI program across the country, given available resources and ability to secure law enforcement partners in specific locations.

In conclusion, the OIG has long placed an emphasis on facilitator fraud, as resources have allowed. The recent arrest operation in Puerto Rico is the culmination of a lengthy and complex investigation into widespread disability fraud scheme among doctors, a non-attorney claimant representative, and numerous beneficiaries.

Thank you again for the invitation to testify today, and I'd be happy to answer any questions.