

Image not found or type unknown

Davidson Charlemagne, Wife, and VIHFA COO Darin Richardson Charged in \$4 Million HUD Fraud Scheme

Accused of exploiting HUD's disaster relief efforts, the trio allegedly orchestrated a fraudulent operation, siphoning off millions meant for hurricane recovery in the U.S. Virgin Islands

Crime / **Published On June 13, 2024 05:47 PM /**

Staff Consortium **June 13, 2024**

Image not found or type unknown



Davidson Charlemagne

United States Attorney Delia L. Smith announced today that Department of Education Director of Maintenance, Davidson Charlemagne, 50, and his wife Sasha Charlemagne, 44, both of St. Croix, were arrested after a federal grand jury returned an indictment charging the pair with government program fraud, wire fraud and money laundering conspiracy.

The indictment also charges former Virgin Islands Housing Finance Authority (“VIHFA”) Chief Operating Officer Darin Richardson, 56, of St. Thomas, with criminal conflict of interest and making materially false statements.

“As alleged, these defendants exploited hurricane recovery efforts in order to develop and carry out a \$4 million scheme to defraud taxpayers,” said U.S. Attorney Delia L. Smith. “The indictment levied against these individuals sends a clear message that the Department of Justice and our law enforcement partners followed the money and will continue to hold public officials seeking to profit from natural disasters accountable for their crimes. I commend the diligent work done by Housing and Urban Development Office of Inspector General, Federal Bureau of Investigation and the Small Business Administration Office of Inspector General who worked tirelessly to uncover this conspiracy to defraud the citizens of our Territory.”

According to court documents, the charges stem from a two-year investigation involving a VIHFA contract for storage and management of wood that was shipped to the Territory to be used for the reconstruction of commercial and residential buildings following Hurricanes Irma and Maria in 2017. After both hurricanes, Federal Emergency Management Agency (“FEMA”) mobilized resources, including a large consignment of wood, to rebuild public and private infrastructure in the Virgin Islands. As part of those efforts, VIHFA received funding through the Department of Housing and Urban Development (“HUD”) Community Development Block Grant Disaster Recovery program to pay for the storage and management of the wood. Initially, VIHFA stored the St. Croix consignment of wood at Sunshine Mall in Frederiksted, St. Croix. However, in 2020, the owner of Sunshine Mall requested that the Government of the Virgin Islands remove the St. Croix woodpile from his commercial property.

On May 12, 2020, VIHFA issued a public request for proposals seeking bids for a contract to store and manage the woodpiles on both islands. On June 2, 2020, VIHFA received a proposed bid from ISG and D&S Trucking, a company owned and operated by Davidson Charlemagne, at a cost of \$2,993,500.00, over a three-year period. The proposal included cost estimates for four employees, including a warehouse manager at \$120,000.00 per year, a forklift driver at \$100,000.00 per year, a shipping and receiving clerk at \$80,000.00 per year, and an administrative staffer. These estimates for labor were vastly inflated and above the labor costs estimated by VIHFA. By comparison, according to the United States Bureau of Labor Statistics, salaries for forklift drivers, shipping and receiving clerks, and administrative support personnel average approximately \$41,000.00 per year, and a manager of warehouse employees earns on average \$64,000.00 per year.



Darin Richardson, former V.I. Housing Finance Authority chief operating officer. (Credit: V.I. Legislature)

As required by HUD and VIHFA, Charlemagne certified in the proposal that his company, D&S Trucking, had general and automotive insurance that expired on December 18, 2020. No evidence exists, however, that Charlemagne had insurance he claimed to have at the time he submitted the bid certification. Without insurance, Charlemagne's company, D&S Trucking, was ineligible to serve as subcontractor on the woodpile storage and management contract. Charlemagne also failed to disclose in his bid that he was employed as Director of Maintenance for the Virgin Islands Department of Education or that he would be obtaining rent-free warehouse space at Henderson Elementary School, a property owned by the Virgin Islands Government. Essentially, ISG's bid proposed that D&S Trucking would collect vastly inflated annual fees from one government agency to store and manage the St. Croix woodpile rent-free at another government agency where Charlemagne is employed.

VIHFA received a second request for proposal from Infrastructure and Disaster Recovery Group ("IDRG"), a company incorporated in the state of Texas, in response to VIHFA woodpile management contract. IDRG, however, was not registered with the federal government's System for Award Management ("SAM"), a prerequisite for companies seeking government contracts, nor a Dun & Bradstreet ("DUNS") account number. The absence of a SAM registration and DUNS account number should have raised significant red flags to VIHFA, the absence of which effectively rendered IDRG ineligible to be awarded a federal contract. The investigation later revealed that IDRG's bid proposal was altered by unknown co-conspirators after it was submitted to VIHFA which resulted in IDRG's bid being less competitive than ISG and D&S Trucking's bid.

In June 2020, VIHFA COO Darin Richardson convened a Bid Evaluation Committee meeting to review the bids submitted by ISG and IDRG. On July 7, 2020, Richardson, who had total authority over all procurement and contract related decisions at VIHFA, gave ISG's bid higher ratings across all technical factors, as compared to the bid submitted by IDRG. On January 27, 2021, Richardson formally awarded ISG and D&S Trucking the contract for the storage and management in the amount of \$2,993,500.00, commencing on February 1, 2021, and ending January 31, 2024. Pursuant to the Federal Acquisition Regulations which govern all contracts utilizing federal funds, it was unlawful for Richardson to formally award the contract to ISG and

D&S Trucking after evaluating and rating proposals from companies. Federal regulations contemplate a bifurcation of these two duties, and Richardson violated the regulations by performing both roles.

On February 1, 2021, Charlemagne, through ISG and D&S Trucking, began collecting payments from VIHFA averaging \$83,000.00 per month. Charlemagne, in his capacity as Director of Maintenance for Department of Education, arranged for rent-free storage of the St. Croix woodpile at Henderson Elementary School. Despite receiving payments under the contract from February 2021, Charlemagne did not remove the St. Croix woodpile from Sunshine Mall to Henderson Elementary School until August 2021, seven months after he began receiving payments under the contract. Accordingly, Charlemagne received over \$582,000.00 in payments from VIHFA before beginning any work that he had contractually agreed to perform. During the period of February 8, 2021, through November 3, 2022, ISG and D&S Trucking billed VIHFA \$1,526,743.00 for labor costs despite paying only \$461,379.00 in payroll costs to employees who were purportedly managing the St. Croix and St. Thomas woodpiles.

This sum represents a 331% profit to Charlemagne for labor under the contract. Moreover, of the \$461,379.00 in payroll paid by D&S Trucking, \$67,037.00 was paid to Sasha Charlemagne. No record exists with the Virgin Islands Department of Labor that Sasha Charlemagne has ever been employed with or earned a salary from D&S Trucking, as required by Virgin Islands Law. Charlemagne also reported hiring an additional 21 individuals to allegedly work under the terms of the woodpile contract on St. Croix and St. Thomas. However, no record exists with the Department of Labor that Charlemagne employed 21 individuals nor paid employer payroll taxes for those employees, as required by the laws of the Virgin Islands. The investigation further revealed that the Charlemagnes used federal funds to pay for a variety of personal and business expenditures, including over \$365,000.00 in credit card bills, car loans, and bank lines of credit; approximately \$100,000.00 in equipment purchases; over \$120,000.00 in cash transfers to themselves; and over \$35,000.00 on fireworks.

On June 7, 2021, while serving as COO, and in that capacity, managing and supervising all procurement related decisions for VIHFA, Richardson increased the value of ISG's contract to \$4,043,100.00. The purported justification for the \$1,000,000.00 increase was that the length of the contract term was increased from 2.8 years to 3.0 years. This justification, however, was false as the contract term was originally set for a three-year term which would not have expired until January 2024, more two-and-a-half years later. Again, on August 20, 2021, while serving as COO of VIHFA, Richardson increased ISG's contract to \$4,319,816.50, an increase of \$276,416.50 in two months. For a third time in eight months, Richardson, in his capacity as COO of VIHFA, again increased the value of ISG's contract to \$4,423,644.50, on October 13, 2021. On February 7, 2022, Richardson, while serving as COO for VIHFA, received a payment in the amount of \$107,000.00 from ISG. On February 14, 2023, after resigning as COO from VIHFA, Richardson was interviewed by HUD Office of Inspector General during which he falsely stated that he had recused himself from all VIHFA matters related to ISG, and that he was pursuing a business relationship with ISG. Richardson's statement was false as he was, in fact, instrumental reviewing and awarding ISG and D&S Trucking the woodpile contract. In fact, a review of relevant documents revealed that Richardson never executed any document with HUD nor VIHFA to formally recuse himself from matters related to ISG.

“The indictment related to theft of HUD disaster relief program funds meant to benefit low-income families is a signal that we take seriously allegations of illegally obtained taxpayer dollars through fraudulent schemes,” said HUD OIG Southeast Region Acting Special Agent-in-Charge, George Richardson. “HUD OIG remains committed to working with our law enforcement partners

to protect the integrity of HUD's programs and to ensure vulnerable people in our communities are provided critical resources upon which they can rely."

"The indictment and arrests announced today are a clear demonstration of the FBI's unwavering commitment to justice and the responsible use of government funds. We will not tolerate those who seek to defraud the government and hinder the crucial assistance for those in need. We will continue to vigorously pursue justice for the American people and ensure that disaster relief funds are used as intended," said Joseph Gonzalez, Special Agent in Charge of the FBI San Juan Field Office. "We call on the people of the U.S. Virgin Islands to join us in this fight by reporting these crimes to our main line at 787-987-6500. Your tips are invaluable, and we assure you that we will do our utmost to protect your identity and investigate every lead."

"Our office is committed to investigating fraud across all SBA programs," said SBA OIG's Eastern Region Special Agent in Charge Amaleka McCall-Braithwaite. "We leverage our agent's expertise to uncover complex fraud schemes, including those that arise during pandemic fraud investigations. Our collaboration with the U.S. Attorney's Office and our law enforcement partners is essential in protecting taxpayer interests in the U.S. Virgin Islands."

In January 2024, VIHFA renewed ISG's woodpile contract for an additional three-year term with payments averaging over \$120,000.00 per month to Davidson and Sasha Charlemagne. Since the inception of the contract in February 2021, VIHFA has paid ISG and D&S Trucking over \$3,600,000.00 in federal funds, of which approximately \$3,177,000.00 has been credited to bank accounts owned and controlled by Davidson and Sasha Charlemagne. The woodpiles in St. Croix and St. Thomas, however, remain almost entirely unused and stacked on pallets outdoors and exposed to the elements for more than three years, and homes across the Territory remain in need of repairs from damage caused by Hurricanes Irma and Maria in September 2017.

This case is being investigated by Housing and Urban Development Office of Inspector General, Federal Bureau of Investigation and the Small Business Administration Office of Inspector General and is being prosecuted by Assistant United States Attorney Evan Rikhye.