

The Virgin Islands Consortium

Calls For Resignation Of Puerto Rico's Governor Grow Louder In Washington Following BDO-Linked Corruption Scandal

VIC News / **Published On July 12, 2019 10:04 AM /**

Ernice Gilbert **July 12, 2019**



Washington lawmakers are calling for Puerto Rico Governor Ricardo Rosselló to resign following the arrest of two former senior administration officials, a contractor and the president of BDO in Puerto Rico, Ángela Ávila, by federal investigators after a grand jury returned a 32-count indictment on the suspects.

According to the Washington Post, the arrests also fueled concerns on Capitol Hill about the billions of dollars in aid that Congress has approved for the island.

President Donald Trump, who has long complained about corruption in Puerto Rico, may view the latest indictment as validation to his stance, and may use it as reason enough to curtail aid to the island, Puerto Rico politicians complained.

According to the federal indictment, the former secretary of the Puerto Rico Department of Education, Julia Keleher; the former director of the Health Insurance Administration, Ángela Ávila; the president of accounting and auditing firm BDO Puerto Rico, Fernando Scherrer, and subcontractor Alberto Velázquez Piñol were arrested by federal officials after a grand jury returned a 32-count indictment. The indictment says the former officials illegally directed federal funding to politically connected contractors.

The indictment also charged Glenda E. Ponce Méndez, who worked as Keleher's special assistant despite not being a department employee, and her sister, Mayra Ponce Mendoza, owner of consulting firm Colón & Ponce.

Rep. Raúl M. Grijalva (D-Ariz.), chairman of the Natural Resources Committee that oversees Puerto Rico, called on Mr. Rosselló to resign amid the ongoing federal investigation, according to The Post.

"We've crossed that crucible now," said Mr. Grijalva, who later reiterated on Twitter that he supports Mr. Rosselló's resignation. "The restoration of accountability is so key going forward."

BDO or Binder Dijkster Otte, is an international network of public accounting, tax, consulting and business advisory firms which perform professional services under the name of BDO. Each BDO member firm is an independent legal entity in its own country. The network, originally formed in 1963 as Binder Seidman International by firms from Canada, Germany, the Netherlands, UK and US, is coordinated by BDO Global Coordination B.V., with an office in Zaventem, Belgium.

In the U.S. Virgin Islands, BDO VI is owned by John Engerman, a close friend of Governor Albert Bryan who was also Mr. Bryan's campaign manager during the 2018 primary and general elections. The firm, which has received millions of dollars in local contracts related to disaster recovery, [in February issued a press release](#) making known that it had partnered with government contractor Witt O'Brien to implement a program management office that would work across all governmental entities receiving federal disaster funding to help ensure the territory's hundreds of reconstruction projects are completed in the most efficient and cost-effective manner.

Though the optics may not look good, there has been no evidence that BDO VI received its lucrative contracts because of Mr. Engerman's connections. And BDO VI's contracts with government-owned entities predate Mr. Bryan's election.

According to the Associated Press, Mr. Rosselló was not involved in the investigation. The governor said on Twitter he would cut short a vacation to return to the island, vowing to fight corruption.

San Juan Mayor Carmen Yulín Cruz and political opponent of the governor, said while the allegations "do not represent what the people of Puerto Rico are about," it would bolster Mr. Trump's criticism of the island and hinder potential aid. "The governor of Puerto Rico and his administration have now given President Trump the ammunition he

needed," she said.

Congress has approved \$42 billion for the island's recovery, but only about \$14 billion of that money has been spent, according to The Post, citing federal data.

A problem for PR could be a Problem for the VI

In many ways, Puerto Rico's woes, as they relate to federal disaster recovery aid, affect the U.S. Virgin Islands also, as the islands are usually lumped in one regarding the release of disaster funds, even as Puerto Rico, because of its population, has received most of the money. Take for example the recent Congressional approval of a \$19.1 disaster aid package. The approval process of the funds [was protracted](#) because Mr. Trump sought to limit the amount Puerto Rico was slated to receive from the allotment. This, of course, has caused a delay in the release of badly needed disaster dollars to the territory -- in this case, \$27 million.

According to The Post, [a 2019 study](#) by the University of Michigan found that the federal response was both faster and more generous after hurricanes struck Florida and Texas than it was for Puerto Rico. Congress also let expire emergency food stamp aid for Puerto Rico in March, causing reductions in critical federal help for more than 1 million island residents.

"What we found is that there was a very significant difference in not only the timing of the responses but also in the volume of resources distributed in terms of money and staffing," said lead author of the study Charley Willison, a doctoral candidate in U-M's School of Public Health.

Correction: July 12, 2019

A previous version of this story stated that WAPA spent \$400,000 with BDO VI in fiscal year 2017. However, the contract was with BDO US, not BDO USVI. The story as been updated.