

The Virgin Islands Consortium

John Engerman To Buyout BDO VI And Change Company Name Following BDO Puerto Rico Corruption Scandal

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John Engerman, the head of BDO Virgin Islands, primarily an auditing firm with millions of dollars in local, federally funded contracts, told The Consortium Monday that he was in the process of buying the Virgin Islands arm of the company. Once the process is complete, Mr. Engerman said he would then change the name BDO VI to something entirely different in an effort to untie the company from the scandal currently rocking Puerto Rico, in which BDO PR Managing Director Fernando Scherrer was arrested as part of a 32-count federal indictment.

While Mr. Engerman is in charge of BDO VI, his superior is Mr. Scherrer, who Mr. Engerman revealed is a licensed CPA in the U.S. Virgin Islands. But Mr. Scherrer resigned from BDO Puerto Rico following his arrest. "As a result of the accusations issued today by the federal authorities, Mr. Fernando Scherrer has submitted his resignation to the position he held at BDO Puerto Rico, which will allow Mr. Scherrer to focus on his defense, while this will allow BDO to concentrate its efforts to provide services to their customers," BDO PR [said in a statement](#).

This has caused some problems from Mr. Engerman's operation in the U.S. Virgin Islands: since Mr. Scherrer, who was the head of the U.S. Virgin Islands operations, has resigned, it essentially leaves the Virgin Islands BDO arm in a dilemma. The Consortium was told that BDO VI could be in violation of local law caused by Mr. Scherrer's resignation. Mr. Engerman is scheduled to meet with the Virgin Islands CPA Board today to discuss next steps. During the interview with The Consortium, however, he said BDO VI was not in violation of local statutes because Mr. Scherrer was still a licensed CPA in St. Thomas.

And although there are reports about Mr. Scherrer's resignation, made known through a statement that BDO PR issued, Mr. Engerman said he believed Mr. Scherrer was placed on administrative leave, not fired, and was removed from his managing partner position.

In a statement following the initial interview, Mr. Engerman added, "BDO PR has informed me that they have already started their ongoing internal investigation and review of former Manager Partner Fernando Scherrer, considering the allegations of misconduct against him and others. They will provide a statement and any further updates at the appropriate time."

Amid the Puerto Rico scandal, Mr. Engerman sees it prudent to unbind himself and his colleagues from any BDO PR-related dealings. His aim is to be "separate from the BDO brand altogether." He added, "This caught everybody by surprise."

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.

Mr. Engerman said he called Janice Hodge, chair of the CPA Board, to inform her of the developments.

"I called to let her know what's going on and I need to clean things up and get things together. We will continue to serve the people of the Virgin Islands with the same staff, same people," he said.

Mr. Engerman said the turnaround from buyout to new name should take about 30 days. He also said he would own 100 percent of the new company.

"I can't go faster than the paperwork and lawyers will allow it to go," he said of the transition. "Again, everything happened so fast. No one knew it was coming. I had no idea what was going on in Puerto Rico."

Mr. Scherrer was charged with wire fraud, conspiracy/theft, and money laundering conspiracy. He pleaded not guilty in a Puerto Rico federal court, according to El Nuevo

Dia. Velázquez Piñol, who was a consultant for a company that oversaw the Health Insurance Administration of Puerto Rico (ASES) and who acted as a subcontractor for BDO, was charged with wire fraud, conspiracy/theft, money laundering, and money laundering conspiracy. He turned himself in to authorities in Connecticut. Rosa Emilia Rodríguez Vélez, the U.S. attorney for Puerto Rico, said the men used their political influence to improperly obtain contracts, and then used that money for illegal lobbying, [according to the New York Times](#).

"This type of corruption is particularly egregious because it not only victimizes taxpayers, it victimizes those citizens and students that are in need of education assistance," said Neil Sanchez, the special agent in charge of the southern region of the inspector general's office at the United States Department of Education, which first flagged that something was amiss in Puerto Rico.

The Department of Justice accused those involved of unlawfully steering about \$15.5 million in federal contracts to politically connected consultants.

Contracts totaling \$2.5 million were steered to BDO PR by Ávila Marrero, who provided internal information to the firm. BDO then subcontracted the work and paid unauthorized commissions, which inflated the cost of the contracts, the Justice Department alleged, [according to Bloomberg](#). Mr. Piñol, owner of Azur LLC, was the connection between BDO PR, the Department of Education, and ASES, according to the indictment, which also claims Mr. Piñol used his connections with Keleher and Ávila Marrero to give BDO PR more contracts within each agency.

[Last week](#), The Consortium reported that the unfolding scandal in Puerto Rico made for bad optics in the Virgin Islands, where Mr. Engerman -- Governor Albert Bryan's close friend and confidant -- leads BDO VI, which has gotten millions of dollars in contracts. Mr. Engerman was also Mr. Bryan's campaign manager during the primary and general elections.

Yet, 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.

"As you may already know, there have been no allegations of impropriety or misconduct against any of BDO VI senior staff or its employees," Mr. Engerman said in a statement.

Calls for PR governor's resignation because of corruption scandal

Washington lawmakers are calling for Puerto Rico Governor Ricardo to resign following the federal indictment, as many of those accused in the investigation served in Mr. Rosselló's administration.

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; and the former director of the Health Insurance Administration were arrested along with others. The indictment also charged Glenda E. Ponce Méndoz, who worked as Ms. 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."

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 to 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.

Calls for Mr. Rosselló's resignation grew louder following the leak of hundreds of pages showing Telegram communications of Mr. Rosselló and members of his administration deriding opponents and even some allies. The governor has since begged for forgiveness, but that has not quelled the furor, with Puerto Ricans taking to the streets demanding that he step down.

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.

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