

The Virgin Islands Consortium

As BDO PR/USVI Former President Appears In Federal Court On Corruption Charges, Questions Linger About The Company's USVI Operations

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Fernando Scherrer appeared in federal court in Puerto Rico on Tuesday to finalize bail procedures as part of a group of six people arrested on July 10 for their roles in a wide-reaching corruption scandal on the island. Mr. Scherrer, who resigned from BDO last Wednesday as president/managing director, faces six criminal charges for electronic fraud, conspiracy to steal, and conspiracy to launder money.

Meanwhile in the U.S. Virgin Islands, where Mr. Scherrer headed the USVI operations with John Engerman being his immediate subordinate, questions linger about the legality

of BDO PR/USVI operations in the U.S. Virgin Islands, as Mr. Scherrer, who registered as a CPA in the territory as part of the procedure to get the company up and running here, is no longer at the firm.

Mr. Engerman, thought to be the head of BDO in the territory, was actually not; his superior Mr. Scherrer was. In fact on the company's official website, there is no BDO USVI. Instead, it is named "BDO PR/USVI" on the "About Us" page, as seen below.



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"About Us" page of BDO Puerto Rico/USVI

Mr. Engerman met with officials of the USVI's CPA Board on Tuesday morning. When asked about the meeting, he told The Consortium that he first needed to "gather it," pointing to a long and perhaps exhaustive day.

[The day before](#), Mr. Engerman revealed to The Consortium his plans to buyout BDO's USVI operations in an effort to unbind the work being done in the territory from the corruption scandal that has plagued the PR operation.

Yet even with that effort, if successful, Mr. Engerman would have to deal with a slew on consequential challenges. For example, part of the BDO appeal is the "world-class resources" available to its clients. The About Us page says, "BDO in Puerto Rico/USVI is a member of BDO International, the world's fifth largest accounting and consulting network." Untying the USVI operations from BDO and essentially forming a new company, which Mr. Engerman said he will wholly own, could lead to a halt in the company's operations -- and even a nullification of current contracts. It is expected that firms that are approved for major, multi-million federal contracts go through a rigorous process before approval.

In a release [issued in February](#), BDO Puerto Rico/USVI said it would "operate within the Public Finance Authority's (PFA) newly established Office of Disaster Recovery, which will provide strategic oversight for the expected \$8 billion in federal disaster recovery funds allotted to the USVI." BDO Puerto Rico/USVI makes a bulk of its money in the territory by securing millions of dollars in federal contracts from Witt O'Brien, which was hired by the Government of the Virgin Islands to ascertain that the federal dollars are spent effectively and wisely.

But the corruption scandal in Puerto Rico in which BDO was implicated, made for bad optics in the U.S. Virgin Islands. Mr. Engerman is a confidant and close friend of Governor Albert Bryan. He led Mr. Bryan's campaign as manager during the primary and general elections. Likewise, Mr. Scherrer had connections in the Ricardo Rosselló administration, which allegedly allowed him to secure deals in PR. The fact that BDO Puerto Rico/USVI has been awarded millions in contracts in the U.S. Virgin Islands could easily lead people to believe that Mr. Engerman's relationship played a role in securing the deals.

But the company under Mr. Engerman's guidance locally has been securing contracts with the government for a number of years.

BDO Puerto Rico/USVI's future in the U.S. Virgin Islands

It remains to be seen what will be the course of action in the coming days as it relates to BDO Puerto Rico/USVI's operations in the U.S. Virgin Islands, and whether a halt on operations will be initiated until a process of examination is completed.

Mr. Engerman has said he had no idea of what was happening in Puerto Rico with the company. "This caught everybody by surprise," he said.

Meanwhile, the scandal has caused Washington to take a closer look at the territory, and has bolstered the Trump administration's position that Puerto Rico is rife with corruption.

“The unfortunate events of the past week in Puerto Rico prove the president’s concerns about mismanagement, politicization and corruption have been valid,” said White House spokesman Judd Deere.

For Mr. Engerman's part, the turnaround from buyout of BDO Puerto Rico/USVI USVI's operation can't come fast enough; he said it should take about 30 days. “I can’t go faster than the paperwork and lawyers will allow it to go,” Mr. Engerman 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.