

The Virgin Islands Consortium

John Engerman's 'The Strategy Group' Now In Control Of BDO PR/VI's Contracts In U.S. Virgin Islands

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Monday was orientation day for roughly 30 employees of The Strategy Group VI (T.S.G.), the new company [promised by John Engerman](#) -- who ran the BDO PR/VI operation in the Virgin Islands -- that he said would takeover the work of BDO PR/VI in the territory, following a [32-count federal indictment](#) that implicated the head of BDO PR/VI Fernando Scherrer.

During an interview in mid-July, Mr. Engerman told the Consortium that he would buy the Virgin Islands arm of the firm, and 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. He has now successfully accomplished the feat, with an email coming from

T.S.G. and circulated to its clients making known that moving forward T.S.G. would be the one performing the duties that BDO PR/VI once did.

"Good day, I am excited to inform you that as of August 5, 2019, The Strategy Group V.I. (TSG) will now provide you the managerial and administrative services previously provided by BDO USVI under sub contract to Witt O'Brien's," reads the email message obtained by the Consortium. "TSG is a locally owned, full-service consulting firm that offers strategic, financial, business and marketing solutions to its clients. TSG has hired 100% of the BDO USVI PMO Team. Please be assured that we remain fully committed to maintaining the highest level of service to your organization. Thank you for your continuing support."

During the July 15 interview, Mr. Engerman said the turnaround from buyout to new name would take about 30 days; he accomplished it in two weeks. 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 during the interview. "Again, everything happened so fast. No one knew it was coming. I had no idea what was going on in Puerto Rico."

The Consortium on Monday morning asked Mr. Engerman whether T.S.G. was able to keep the BDO PR/VI contracts, and if so, what was the process. "We are not yet ready to formally introduce to the public T.S.G.," he said. "As you would understand, as a private sector company, it would not be prudent for us to respond to your inquiries in specifics at this time."

Relative to questions about BDO PR/VI and the U.S. Housing and Urban Development's decision to delay disaster recovery funding for Puerto Rico and the U.S. Virgin Islands based of corruption in Puerto Rico that BDO PR/VI is attached to, and because of "capacity" issues in the U.S. Virgin Islands, Mr. Engerman referred this publication to officials of BDO PR/VI and Witt O'Brien's.

BDO PR/VI had millions of dollars in disaster recovery contracts with the Government of the Virgin Islands through Witt O'Brien's, a firm that considers itself "the leader in crisis and management," which the G.V.I. has paid roughly \$80 million so far to ascertain that the delivery of federal disaster dollars in the territory are managed correctly.

BDO VI/PR was given millions of dollars in USVI disaster recovery contracts in part because of BDO's international track record. For example, part of the BDO appeal is the "world-class resources" available to its clients. The VI/PR operation's About Us page says, "BDO in Puerto Rico/USVI is a member of BDO International, the world's fifth largest accounting and consulting network."

But T.S.G. was able to secure the BDO VI/PR contracts, according to the email message circulated to clients, even if the firm is essentially a startup. The questions remain: How was T.S.G. able to keep the contracts? What was the process with Witt O'Brien's? Were there any hurdles? What did T.S.G. had to show Witt O'Brien's to prove its ability to manage the work?

While Mr. Engerman rightfully stated that T.S.G. is a private firm and therefore he would not speak. However, the millions of dollars involved are public funds, and there is

heightened scrutiny following the BDO PR/VI corruption scandal in Puerto Rico, which has also placed the recovery of the U.S. Virgin Islands in jeopardy.

Mr. Engerman is also a close friend and confidante of Governor Albert Bryan. He was Mr. Bryan's campaign manager during the 2018 primary and general elections. Though no improprieties were cited for the USVI, the optics do not look good. Mr. Scherrer, the BDO PR/VI president who recently resigned, had connections in the administration of former PR Governor Ricardo Rosselló, which allegedly allowed him to secure deals for BDO 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 close relationship with the governor played a role in securing the contracts. Even so, it is important to note that BDO PR/VI under Mr. Engerman's guidance locally had been securing contracts with the government before Mr. Bryan's tenure.

Senator Kurt VIALET, chairman of the Committee on Finance, said the Virgin Islands government must now do everything in its power to reassure the federal government that it is in no way aligned with Puerto Rico.

"I think the whole thing has changed with Ben Carson's recent decision in reference to holding back those monies based on corruption and capacity issues," Mr. VIALET told The Consortium Monday. "It is incumbent upon the Virgin Islands to show that in no way are we aligned with any of the alleged groups that were caught up in the arrest that recently took place in Puerto Rico. And whether or not you want to accept or admit it, the fact that the president of BDO Puerto Rico is the same president of BDO VI, casts a negative light on the Virgin Islands. And I don't know as to whether or not just simply changing a name is going to suffice with the federal government in reference to the corruption charges that have been levied against the president of BDO Puerto Rico.

He added, "This issue is affecting our ability to acquire federal funds and I will charge the governor to do everything possible to make sure that we are at capacity, and to make sure that in no way do they believe that there's any corruption relative to the spending of the funds in the Virgin Islands."

In a statement issued early Tuesday, Mr. VIALET said he "highly recommends" that Mr. Bryan immediately convene a meeting with Mr. Carson to discuss measures outlined in the H.U.D. press release. In addition, Mr. VIALET said it is imperative for a discussion led by Mr. Bryan "to take place with the Public Finance Authority, Office of Disaster Recovery, Witt O'Brien's and Ernst & Young to address alleged corruption and capacity issues."

Mr. VIALET also had concerns about H.U.D.'s comments on the territory's capacity issues. "If there is capacity issues, then I want to know what is the role of the \$80 million contract that we presently have with Witt O'Brien's, and the \$15 million per year that we have with Ernst and Young," said the Finance Committee chair. "They were supposed to be that capacity builder for the Virgin Islands. So if we're spending \$95 million a year and we're still lacking capacity, then do we need these contracts?"

In a statement issued by Government House Monday evening, Mr. Bryan said he was disappointed in H.U.D.'s decision to delay the funding, and said he was push back against Washington.

"The statement by Secretary Ben Carson announcing H.U.D.'s intent to delay the Federal Register Notice for disaster mitigation funds to the territory is deeply disappointing," Mr. Bryan said.

He added, "While I understand the concern for heightened scrutiny given the recent developments in Puerto Rico, there have been no improprieties in the Virgin Islands' disaster recovery process and no discernible reason to couple the U.S. Virgin Islands with Puerto Rico in this matter. We are not Puerto Rico.

"Our administration has implemented measures to build capacity and ensure coordination and compliance with federal disaster grant funding through our Office of Disaster Recovery, which is monitored and funded through the U.S. Department of Interior."

Mr. Bryan further stated, "We question the decision to not include the territories in the Federal Register Notice with the other storm-affected areas in the continental United States, and our administration plans to push back against this decision aggressively. I have been lobbying the White House and Secretary Carson to get a better understanding of the implications. Almost two years have passed since the storms, and we can't afford to delay any further."