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Feds Say $3.177M Passed to Charlemagnes in Woodpile Contract; Prosecutors Seek $3M-Plus Forfeiture as Trial Nears

A federal trial brief says $3.177 million in HUD disaster recovery funds flowed to Davidson and Sasha Charlemagne through the woodpile contract, while prosecutors seek forfeiture and disclose a pending request to continue the July 17 federal trial date.

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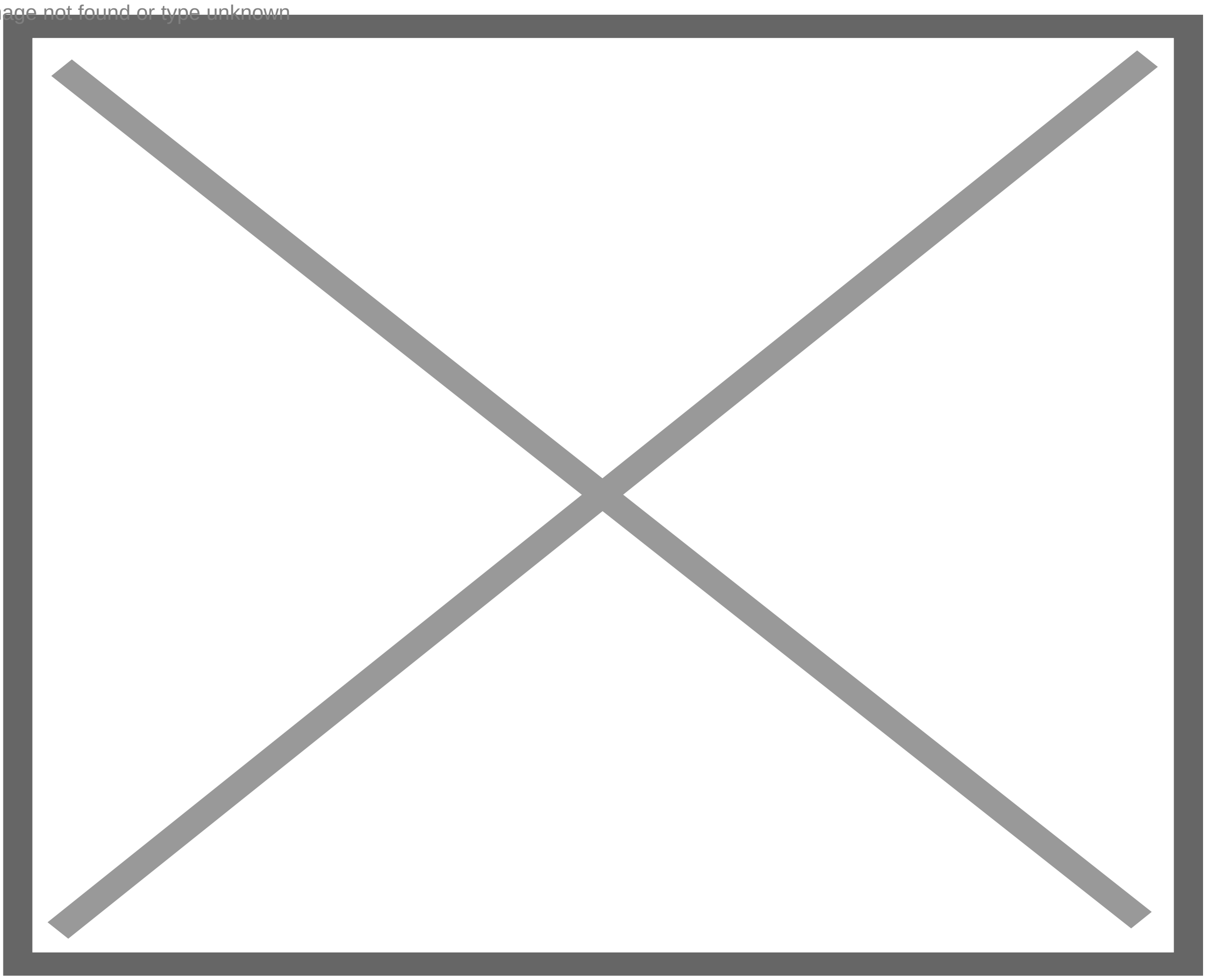

An aerial view shows lumber stored around Henderson Elementary School on St. Croix, a key site in the federal woodpile contract prosecutors say funneled HUD disaster-recovery funds to the Charlemagnes. By. ERNICE GILBERT, V.I. CONSORTIUM.

Federal prosecutors are seeking a money judgment of at least $3 million against Davidson and Sasha Charlemagne and forfeiture of more than $158,000 from three Banco Popular accounts, while also asking to delay the July 17 trial in the federal woodpile fraud case because of trial-preparation concerns.

In a June 29 trial brief filed in District Court, the United States laid out the evidence it expects to present against the Charlemagnes, alleging that more than $3.177 million in HUD disaster-recovery funds passed through the Virgin Islands Housing Finance Authority's woodpile contract to accounts controlled by the couple. The government says those funds were obtained through fraudulent schemes tied to false insurance certifications, alleged false claims, falsified timesheets and money laundering.

The trial remains scheduled for July 17 before District Judge Mark A. Kearney, but prosecutors disclosed that they have filed a pending motion to continue pretrial deadlines and the trial date. The government cited "unforeseen circumstances" affecting counsel's ability to prepare, along with the lack of an adequately prepared newly appointed co-counsel.

Davidson Charlemagne is charged with one count of fraud concerning programs receiving federal funds, one count of wire fraud, nine counts of false claims upon the United States, and one count of money laundering conspiracy. Sasha Charlemagne is charged with nine counts of false claims upon the United States, one count of money laundering conspiracy, and one count of wire fraud.

The government's latest filing says the Charlemagnes' case centers on a VIHFA contract for the management of hurricane-recovery woodpiles funded through HUD's Community Development Block Grant-Disaster Recovery program. Prosecutors allege that although the contract was awarded to ISG as the prime contractor, Davidson Charlemagne, acting through D&S Trucking, functioned as the subcontractor and controlled the operations and payments.

According to the trial brief, D&S Trucking was to perform nearly all of the required work and receive approximately 87 percent of the payments, while ISG retained about 13 percent. Prosecutors say the RFP required subcontractors to meet the same eligibility, documentation and certification obligations as the prime contractor, including liability insurance, disclosure of comparable current work and conflict-of-interest certifications.

The government alleges that Davidson Charlemagne falsely certified that D&S Trucking had general liability insurance when it did not, and that he submitted a page from an unrelated policy to conceal that fact. Prosecutors say D&S Trucking would have been ineligible to serve as a subcontractor without the required insurance.

The trial brief also alleges that Davidson Charlemagne failed to disclose that he had already been performing essentially identical warehouse-management services at the Sunshine Mall and Bovoni woodpile sites and receiving payment for that work. Prosecutors say he also falsely certified that he had no existing financial interest in work related to the contract, while allegedly concealing that he had been invoicing and receiving substantial payments for the same services.

On or about February 1, 2021, ISG and D&S Trucking began receiving payments from VIHFA averaging approximately $83,000 per month, according to the trial brief. Prosecutors say payments Davidson Charlemagne had previously received directly for woodpile work apparently stopped once the contract payments began.

The government further alleges that Davidson Charlemagne, while serving as Director of Maintenance for the Department of Education, helped arrange rent-free storage space at

Henderson Elementary School for the St. Croix woodpile, where he was employed as facilities manager. Prosecutors say he did not move the woodpile from Sunshine Mall until August 2021, seven months after contract payments began. By that time, according to the trial brief, more than $582,000 had already been paid by VIHFA to ISG and D&S before any contracted work began.

From 2021 through 2024, prosecutors say federal CDBG-DR funds continued to flow into accounts controlled by Davidson and Sasha Charlemagne, eventually totaling more than $3 million over three years. The government says the woodpiles on St. Croix and St. Thomas remained largely unused during that period.

The false claims counts are tied to timesheets that prosecutors say falsely represented that Sasha Charlemagne worked onsite as D&S warehouse manager at specific times and dates when she was not physically present in the U.S. Virgin Islands. The government says Sasha Charlemagne's wire fraud count involves a falsified timesheet that served as the basis for payment from VIHFA and HUD, with a wire transmission of $59,432 from FirstBank Puerto Rico to United Fidelity Bank.

The trial brief says VIHFA reimbursed labor costs connected to the allegedly falsified timesheets, which prosecutors say Davidson Charlemagne approved. The government also says there is no evidence that he paid required employer payroll taxes or withheld income taxes for any employees, and alleges that the defendants used fraudulently obtained CDBG-DR contract funds to cover personal and business expenses.

The contract amount was increased three times after execution in January 2021, eventually exceeding $4.4 million, according to prosecutors. In January 2024, VIHFA extended the contract for another three years, with monthly payments averaging more than $120,000 continuing to flow to accounts controlled by the Charlemagnes.

Since February 2021, prosecutors say, VIHFA has paid ISG more than $3.6 million in CDBG-DR funds. Of that amount, approximately $3.177 million was passed through to Davidson and Sasha Charlemagne.

The government says the parties have not agreed to any trial stipulations so far, but are expected to meet and review evidence for that purpose. Prosecutors also say they have turned over all discovery they are aware of and will continue to comply with discovery obligations. The brief states that the defense has produced no reciprocal discovery, though reciprocal discovery was requested.

The United States lists 42 potential witnesses, while reserving the right to change the order, substitute, add or omit witnesses before trial. The list includes current and former VIHFA personnel, federal agents, HUD and HUD-OIG witnesses, Department of Education personnel, airline and financial institution records custodians, and others connected to the government's anticipated evidence.

The government's anticipated exhibits include VIHFA procurement files, contract records, payment records, supporting payment packages to ISG, direct payments to Davidson Charlemagne, Department of Education human resources records, insurance records, HUD records, airline records, American Express records, Microsoft, Yahoo and Apple iCloud records, and bank records from Banco Popular, Bank of St. Croix, FirstBank of Puerto Rico and United Fidelity Bank.

Prosecutors also expect to introduce FBI telephone recordings involving Davidson Charlemagne and Morris Anselmi, a video-recorded interview with Davidson Charlemagne, and summaries and timelines under federal evidence rules. The government also intends to submit the video trial deposition of Morris Anselmi because of his inability to appear in person.

On forfeiture, prosecutors say they intend to seek all of the defendants’ interest in funds from three Banco Popular accounts: $71,470.21 from an account ending in 3971 in the name of D&S Trucking; $24,287.38 from an account ending in 4585 in both defendants’ names; and $62,989.05 from an account ending in 8727 in both defendants’ names. The government also intends to seek a money judgment of not less than $3 million for the difference between the total funds prosecutors say the defendants obtained through the charged criminal offenses and the amount seized from the three accounts.

For jury selection, the government has asked that potential jurors be questioned on whether they have ever been enrolled in VIHFA disaster recovery programs for Hurricanes Irma and Maria, and whether they are currently associated with VIHFA or HUD programs.

The case is part of the broader federal investigation commonly known as the woodpile scandal, centered on a VIHFA contract for the storage and management of lumber shipped to the territory for reconstruction after Hurricanes Irma and Maria. Previous Consortium reporting noted that the Charlemagnes and Darin Richardson were ordered to be tried separately after the court found that the allegations against the Charlemagnes and Richardson were improperly joined and that prosecutors had not shown a joint conspiracy between them. Richardson’s case involves separate allegations tied to criminal conflict of interest and false statements.

A later superseding indictment expanded the case, adding charges that exposed some defendants to decades of potential imprisonment. All defendants pleaded not guilty, and the matters involving the Charlemagnes and Richardson remained severed.

The government says it must prove the charges beyond a reasonable doubt.