



United Nations

Nations Unies

**OFFICE OF INTERNAL OVERSIGHT SERVICES  
PROCUREMENT TASK FORCE**

---

*This Report is strictly confidential and is protected under the provisions of ST/SGB/273 of 7 September 1994, A/RES/59/272 of 2 February 2005, and other applicable issuances*

**REPORT ON** [REDACTED]

**Report no. PTF-R005/08**

**Procurement Task Force case no. PTF/006/06  
Investigations Division case no. 0246/00**

**REDACTED**

**STRICTLY  
CONFIDENTIAL**

This Investigation Report of the Investigations Division of the United Nations Office of Internal Oversight Services is provided upon your request pursuant to paragraph 1(c) of General Assembly resolution A/RES/59/272. The Report has been redacted in part pursuant to paragraph 2 of this resolution to protect confidential and sensitive information. OIOS' transmission of this Report does not constitute its publication. OIOS does not bear any responsibility for any further dissemination of the Report.

**4 December 2008**

## TABLE OF CONTENTS

I.	INTRODUCTION.....	1
II.	DUE PROCESS COMPLIANCE .....	2
III.	BACKGROUND .....	2
IV.	THE PROVISION OF THE [REDACTED] [REDACTED] .....	4
A.	COMMERCIAL BIDS.....	4
B.	[REDACTED] AND THE ESTABLISHMENT OF [REDACTED] .....	4
C.	THE AWARD OF A LETTER OF ASSIST.....	5
V.	THE TASK FORCE INVESTIGATION .....	7
A.	CRIMINAL INVESTIGATION .....	8
VI.	THE REPEATED REQUESTS FOR COOPERATION .....	8
VII.	[REDACTED]'S CONTINUED FAILURE TO COMPLY WITH ITS OBLIGATIONS AS A UNITED NATIONS [REDACTED] TO COOPERATE WITH THE INVESTIGATION .....	13
VIII.	FINDINGS AND CONCLUSIONS .....	14
IX.	RECOMMENDATIONS.....	16
A.	RECOMMENDATION PTF-R005/08/1 .....	16
B.	RECOMMENDATION PTF-R005/08/2 .....	16
C.	RECOMMENDATION PTF-R005/08/3 .....	17
D.	RECOMMENDATION PTF-R005/08/4 .....	17

## I. INTRODUCTION

1. The Procurement Task Force (the "Task Force") was created on 12 January 2006 to address all procurement matters referred to the [REDACTED]. Under its Terms of Reference, the Task Force operates as part of [REDACTED], and reports directly to the [REDACTED].
2. On [REDACTED], the [REDACTED] issued a Comprehensive Management Review of [REDACTED]'s [REDACTED] operations ("Audit Review"). The Audit Review included examination of the provision of an [REDACTED] to the [REDACTED] by way of a Letter of Assist ("LOA") between the [REDACTED] and the United Nations. [REDACTED], a registered United Nations [REDACTED] (now suspended), was later identified through the investigation to have been intimately involved in this transaction through an entity created by [REDACTED]'s principals, [REDACTED], known as [REDACTED]. The Audit Review identified fraud indicators in this transaction, suspecting bid rigging, and noted the involvement of [REDACTED] and the payment of funds to a [REDACTED] bank account owned by [REDACTED]. It also identified a [REDACTED] United Nations [REDACTED] as possibly steering the contract to the [REDACTED].
3. The Task Force was directed by the [REDACTED] to conduct an investigation of the [REDACTED] of an [REDACTED] from the [REDACTED]. Through investigative efforts in [REDACTED], investigators found evidence that the parties to the transaction, including [REDACTED] and its officers, may have been involved in a scheme intended to defraud the Organization. The Task Force's investigation was discussed in some of the Task Force's previous reports.
4. In connection with its investigation, the Task Force identified that United Nations funds were directed to a [REDACTED] bank account owned and controlled by [REDACTED] principals, acting as [REDACTED].
5. Since [REDACTED], the Task Force has made multiple requests of [REDACTED] through its attorneys, for the relevant [REDACTED] bank account records, including records for accounts in [REDACTED] and [REDACTED] that have been identified as recipients of UN payments relating to the [REDACTED] matter. [REDACTED]'s principal, [REDACTED], has refused the Task Force access to the bank records.
6. As a registered UN [REDACTED] and a recipient of a significant amount of UN funds in connection with this and other transactions, [REDACTED] has an obligation to cooperate with this official UN investigation and produce the bank records. The investigation cannot be completed, and the Task Force is unable to report to the Administration the full circumstances of the transaction and the uses to which UN funds were put, including providing information whether any [REDACTED], or other individual or entity received an improper benefit from any party to the transaction, directly or indirectly (as had been alleged), without an examination of these records.
7. Repeated requests were made to [REDACTED]'s attorneys for the records, and the continued refusal of the [REDACTED] to produce the records led to the Organization's

**REPORT ON [REDACTED]**  
STRICTLY CONFIDENTIAL

imposition of a temporary [REDACTED] from the Organization's List of Registered [REDACTED] in [REDACTED].

8. This report fully addresses the matter of [REDACTED]'s non-cooperation with the Task Force's investigation.

## II. DUE PROCESS COMPLIANCE

9. The OIOS Manual of Investigation Practices and Policies ("OIOS Investigation Manual"), under which the Task Force operates, defines the official standard of due process in its investigations as "fairness." The Manual specifies that the "fairness" requirements for a fact-finding exercise are met when the subject of the allegations is:

- (i) made aware of the scope of the possible misconduct;
- (ii) given the opportunity to explain why his or her actions were proper; and
- (iii) given the opportunity to respond to the allegations, including presenting evidence, explanations, information, or witnesses to support their explanation.

10. In the course of this investigation, the Task Force afforded [REDACTED], and their [REDACTED] (in particular, [REDACTED]) all of these rights, and many more. This was done even though they were not United Nations [REDACTED].

11. As explained in detail below, the Task Force went well beyond the due process requirements of the OIOS Investigation Manual.

12. The Task Force had numerous communications and meetings with [REDACTED], [REDACTED], and their lawyers. The Task Force fully explained the nature and scope of the allegations involving [REDACTED], and their [REDACTED], and provided numerous records that it collected during the investigation for review by [REDACTED], and their legal counsel. The Task Force also afforded [REDACTED] with ample opportunity to provide their own explanations and present evidence, which they failed to do.

13. Despite [REDACTED]'s continued non-cooperation with the investigation, the Task Force—in a good faith effort to provide these [REDACTED] with further opportunity to provide their explanations—prepared and delivered a Power Point presentation to [REDACTED]'s legal counsel on [REDACTED]. The presentation detailed the Task Force's evidence and its understanding of the fraudulent scheme as well as overall circumstances of the matter. However, despite all the efforts of the Task Force to solicit [REDACTED]'s and [REDACTED]'s cooperation, these [REDACTED] and associated individuals discussed in this Report have failed to produce any relevant records or meaningfully cooperate with the investigation.

## III. BACKGROUND

14. An LOA is a contractual arrangement between the United Nations and a Member State government. An LOA for an [REDACTED] differs from a [REDACTED]

**REPORT ON** [REDACTED]  
STRICTLY CONFIDENTIAL

agreement with a [REDACTED] both in its award as well as its execution. With commercial [REDACTED], the [REDACTED] (previously known as the [REDACTED]) is primarily responsible for these awards. An LOA, on the other hand, is administered only by [REDACTED]. The process typically commences when [REDACTED] approaches member state governments to determine their ability to provide assets. In some cases, member states that are aware of a requirement approach the United Nations without any solicitation and offer government assets. [REDACTED] then negotiates directly with the Member State to reach an agreement as to the terms and costs of the requirement. The subsequent contract between the United Nations and the member state is memorialized in a "Letter of Assist." [REDACTED] remains responsible for the execution of the contract.

15. One key benefit of an LOA is that the United Nations pays only for the actual hours [REDACTED] and reimburses the member state only for actual costs, or the price agreed between the parties.

16. Noting indicators of fraud in the overall process which led to the award of the LOA in connection with the lease of one [REDACTED], the Audit Review found that the commercial [REDACTED] was flawed in that it demonstrated "indications that [REDACTED] may have occurred."

**REPORT ON** [REDACTED]  
**STRICTLY CONFIDENTIAL****IV. THE PROVISION OF THE** [REDACTED]**A. COMMERCIAL** [REDACTED]

17. On [REDACTED], the United Nations issued an Invitation to [REDACTED] for two [REDACTED] [REDACTED] for [REDACTED]. [REDACTED] was awarded the contract, but for unspecified reasons and despite United Nations entreaties, [REDACTED] withdrew its offer on approximately [REDACTED]. [REDACTED], then the [REDACTED], and others believed that the initial [REDACTED] were exorbitant. As an alternative, [REDACTED] considered the option of an LOA and entered into parallel negotiations with [REDACTED], on or around [REDACTED]. According to [REDACTED], [REDACTED] decided to request a second Invitation to [REDACTED] be issued as a "comparator [REDACTED]," solely for cost comparison against the LOA. Contemporaneously with LOA negotiations, the [REDACTED] issued a second Invitation to [REDACTED] on [REDACTED]. While the prices submitted in the second Invitation to [REDACTED] were lower than the initial tender, both the [REDACTED] and [REDACTED] still found these offers excessively high. [REDACTED] therefore decided that an LOA would be a less expensive option. The United Nations consequently agreed to enter into an LOA with [REDACTED], and no commercial contract was awarded.

**[REDACTED] AND THE ESTABLISHMENT OF** [REDACTED]

18. [REDACTED] is a privately-owned firm based in [REDACTED], with subsidiaries in several countries, including [REDACTED]. [REDACTED] has been a long-standing [REDACTED] registered with the Organization and began supplying [REDACTED] services to the United Nations missions in [REDACTED]. The [REDACTED] of [REDACTED]; its [REDACTED] is [REDACTED]. Together, they own the [REDACTED]. [REDACTED] acts as the [REDACTED] and [REDACTED] of [REDACTED]. [REDACTED] and [REDACTED] have been the primary representatives of [REDACTED] in its dealings with the United Nations.

19. [REDACTED] has provided [REDACTED] services to the Organization through commercial contracts as the [REDACTED] operator of [REDACTED]. Historically, when [REDACTED] has supplied [REDACTED] to United Nations [REDACTED] it has [REDACTED] them from other companies or acted as the [REDACTED] and [REDACTED] for other owners of [REDACTED] who have secured contracts with the UN.

20. [REDACTED]'s relations with the Organization, however, were particularly strained during the [REDACTED], when it was [REDACTED] twice from the United Nations List of Registered [REDACTED] following various allegations that it had manipulated the [REDACTED] process and acted improperly in the execution of several contracts. The first [REDACTED] occurred in [REDACTED] and led ultimately to an [REDACTED] proceeding between the two parties. Thereafter, [REDACTED] was reinstated. However, after having been reinstated as a registered UN [REDACTED], [REDACTED] was later [REDACTED] again and a second [REDACTED] ensued. In early [REDACTED], [REDACTED] returned to the United Nations [REDACTED] roster.

**REPORT ON [REDACTED]**  
STRICTLY CONFIDENTIAL

21. [REDACTED] is a corporation which was founded in [REDACTED] and is registered in [REDACTED]. At the time of the [REDACTED] LOA, [REDACTED] was the [REDACTED] of [REDACTED]. The entity was run from [REDACTED]'s headquarters in [REDACTED] at [REDACTED]. [REDACTED] also provided part of the start up financing for [REDACTED].

22. [REDACTED] has never been a registered [REDACTED] with the United Nations, and the investigation has established that the entity was created solely and exclusively for this transaction with the United Nations and has since engaged in no further business. [REDACTED] has readily admitted this fact. At the time of the LOA negotiations in early [REDACTED], the United Nations had no prior business dealings with [REDACTED], and [REDACTED] officials were not familiar with the company. Moreover, [REDACTED] had no established reputation for providing the services the [REDACTED] represented to the United Nations that it would do.

23. [REDACTED] is intrinsically linked to [REDACTED]. In fact, [REDACTED] was founded by [REDACTED] specifically to be used in connection with the LOA. The company was owned partly by [REDACTED] and partly by [REDACTED]. Notably, based on the records obtained by the Task Force, [REDACTED] and [REDACTED] operated out of the same address.

24. According to [REDACTED] representatives, [REDACTED] created [REDACTED] for the [REDACTED] deal in order to keep its own commercial transactions separate from any government projects and, also, to conceal the fact of its participation in the transaction because of previous hostility between [REDACTED] and the United Nations. According to [REDACTED], as well as [REDACTED]'s attorneys, [REDACTED] did not feel comfortable operating under its own name with the Organization. [REDACTED] did not conduct any business through [REDACTED] after the LOA.

**C. THE AWARD OF A LETTER OF ASSIST**

25. Having established [REDACTED], [REDACTED] then approached the [REDACTED] government, which it knew had [REDACTED], and suggested that the [REDACTED] [REDACTED] its [REDACTED] to the United Nations through an LOA. The first contact with the [REDACTED] was made on [REDACTED]'s behalf by [REDACTED], who was part owner of [REDACTED]. In [REDACTED], [REDACTED] wrote to [REDACTED], stating that [REDACTED] of [REDACTED] had many clients, including governments and international organizations, and that "[o]ne of our clients . . . has asked about the possibility of [REDACTED]." The client referred to was, in fact, the United Nations, with which [REDACTED] had no direct relationship, before or since. Indeed, [REDACTED] was not a registered [REDACTED] with the Organization at the time of [REDACTED]' representation to [REDACTED].

26. [REDACTED] agreed to work with [REDACTED] and [REDACTED], and provide the [REDACTED] to the Organization. Thereafter, [REDACTED] began negotiations with the United Nations. In the negotiations with the UN, [REDACTED] informed the Organization that [REDACTED] would be supporting the [REDACTED].

27. [REDACTED] officials never informed [REDACTED] that [REDACTED] was involved in the [REDACTED] deal. In addition, [REDACTED], while representing to United Nations officials that

**REPORT ON** [REDACTED]  
STRICTLY CONFIDENTIAL

[REDACTED] would be involved, indicated that it would be merely a support role for the [REDACTED].

28. On [REDACTED], the LOA was executed. Under its terms, the United Nations was to reimburse the [REDACTED] for costs not to exceed US\$10,491,000.

29. [REDACTED] signed the LOA on behalf of the [REDACTED]. While purporting to represent the [REDACTED], [REDACTED] independently negotiated the [REDACTED] of the [REDACTED] with the involvement of [REDACTED]. In this way, [REDACTED] acted outside the scope of his authority. It is now evident that he had no authority to independently [REDACTED] the LOA without the knowledge and approval of the [REDACTED]. Notably, [REDACTED] authorized [REDACTED] in a Supreme Resolution to lease two [REDACTED] to the United Nations; however, [REDACTED] did not authorize the involvement of a third-party as the [REDACTED] agency.

30. On [REDACTED], [REDACTED], on behalf of [REDACTED], formally memorialized its agreement with [REDACTED]. The agreement covered the period of the LOA from [REDACTED] to [REDACTED]. [REDACTED] was described as a "contracting party" and agreed to pay US\$300,000 per month for the months of [REDACTED], and [REDACTED] (totaling US\$1.2 million) for one year's use of the [REDACTED]. [REDACTED] was to provide a bank guarantee of US\$200,000 in the event of a default. It was also to bear the costs of the operation, which covered, *inter alia*, housing and subsistence allowances for the [REDACTED], [REDACTED], and [REDACTED].

31. In [REDACTED], allegations surfaced in the [REDACTED] press that a scheme existed on the part of [REDACTED] ([REDACTED] and [REDACTED]) and others to personally enrich themselves using proceeds from the LOA. Translations of these press reports were circulated within [REDACTED]. [REDACTED] investigations revealed that the [REDACTED] in charge of [REDACTED] had planned to use the LOA to profit individually.

32. In light of these allegations in the [REDACTED] press, [REDACTED] decided not to renew the LOA with [REDACTED]. Instead, [REDACTED] decided to procure the use of the [REDACTED] through a commercial [REDACTED] and the [REDACTED] company was ultimately awarded the contract.

**REPORT ON [REDACTED]**  
STRICTLY CONFIDENTIAL**V. THE TASK FORCE INVESTIGATION**

33. The Audit Review, and ultimately the Task Force, has identified evidence supporting the conclusion that a criminal scheme may have existed in connection with the acquisition and deployment of the [REDACTED] to [REDACTED] in [REDACTED]. The evidence indicates that [REDACTED], and its officials, acting in association with [REDACTED] individuals and others, may have been involved in fraudulent conduct.

34. [REDACTED] and [REDACTED] were linked through their business operations, and [REDACTED] was a creation of [REDACTED] officials. [REDACTED] simultaneously served as [REDACTED] for both [REDACTED] and [REDACTED]. The amended agreement (signed in [REDACTED] when the corruption of [REDACTED] had been discovered by [REDACTED]) listed [REDACTED]'s address as [REDACTED], a postal address shared by [REDACTED]. [REDACTED] members were paid in part from a [REDACTED] bank account held at the [REDACTED]. In addition, [REDACTED], the majority [REDACTED] of [REDACTED], was an authorized [REDACTED] on [REDACTED] accounts used in the [REDACTED] deal.

35. [REDACTED] officials interviewed by the Task Force denied knowledge of any links between [REDACTED] and [REDACTED], or any involvement of [REDACTED] at the time of the LOA negotiations. [REDACTED] asserted that [REDACTED] officials did not learn of a possible link between the two [REDACTED] until [REDACTED].

36. To the extent the Task Force has been able to reconstruct the events as described herein, the evidence identified by the Task Force demonstrates that the United Nations payments were first transferred to the [REDACTED] and subsequently transferred to [REDACTED]'s three bank accounts with the [REDACTED], as well as [REDACTED]'s account with [REDACTED].

**REPORT ON [REDACTED]**  
STRICTLY CONFIDENTIAL

37. Since [REDACTED], the United Nations authorized a total of over US\$6 million in payments to [REDACTED] in connection with the LOA. Significantly, [REDACTED] initially asked the United Nations for the payments to be made to [REDACTED]'s account in [REDACTED]. However, the Organization would not pay a [REDACTED] and found these circumstances suspicious. Instead, the payments were authorized to be made to the Permanent Mission of [REDACTED] account with [REDACTED]. The investigation has revealed that after the funds were paid into the [REDACTED] account, they were transferred to the [REDACTED] [REDACTED] account in [REDACTED], before then being paid to the [REDACTED] accounts. There is no question that UN funds were diverted to the [REDACTED] accounts in [REDACTED].

38. The last known payment made by the [REDACTED] [REDACTED] to [REDACTED] was that of US\$260,000, paid in [REDACTED]. All known transfers were made by [REDACTED] to [REDACTED]'s accounts in [REDACTED] or the [REDACTED]. As explained above, [REDACTED] told the Task Force that the [REDACTED] [REDACTED] transaction was the only deal for which [REDACTED] was utilized.

**A. CRIMINAL INVESTIGATION**

39. There have been other investigations into the [REDACTED] transaction. [REDACTED] began its own investigation into this deal, and initially, the [REDACTED] conducted an inquiry and then indicted [REDACTED] for fraud. This was followed by a [REDACTED]. The [REDACTED] investigation also found that the LOA through which the [REDACTED] was provided to the United Nations was obtained through fraud. Lastly, this matter has been investigated by the [REDACTED] for cases involving former [REDACTED] and [REDACTED].

**VI. THE REPEATED REQUESTS FOR COOPERATION**

40. There are three separate bases for the Task Force's request for relevant bank records, including (i) Task Force's own investigations and the indications of the existence of a fraudulent scheme; (ii) the nature and circumstances of bank transactions involving [REDACTED]; and (iii) the criminal investigation into the [REDACTED] matter. These bases—both individually and jointly—provide legitimate and justified reasons for making the requests.

41. The Task Force has requested certain financial information from [REDACTED] officials since the company was intimately involved in, and indeed engineered, the transactions, and received all the profits. Specifically, the Task Force has requested that the company provide investigators with relevant invoices and banking records to support [REDACTED]'s assertions that there had been no inflation of costs and no inappropriate invoicing in relation to the LOA, and to determine the disposition of the proceeds. To date, despite a full briefing to [REDACTED] lawyers on the evidence gathered by the Task Force to justify its concerns, [REDACTED] officials have refused to provide a single bank record or invoice to the Task Force, despite the fact that the company is a registered [REDACTED] with the Organization, and despite the good faith efforts of the Task Force to

**REPORT ON [REDACTED]**  
STRICTLY CONFIDENTIAL

demonstrate to [REDACTED] lawyers the basis and purpose for the requests. Such a refusal is clearly against the interests of the Organization and should not be countenanced.

42. Both [REDACTED] and [REDACTED] refused to disclose [REDACTED] or [REDACTED]'s finances to the Task Force on the basis that these records were inconsequential to the Task Force's investigation since the United Nations' agreement was with [REDACTED]—not with [REDACTED] or [REDACTED]. Both [REDACTED] and [REDACTED] further argued that the United Nations had no right to investigate beyond the issue of the cost to [REDACTED].

43. The Task Force initially contacted [REDACTED] on [REDACTED]. Investigators briefly interviewed [REDACTED] and [REDACTED] on [REDACTED] over the telephone. [REDACTED] then agreed to meet with the Task Force in New York on [REDACTED]. [REDACTED] was unable to come to the Task Force offices at this time.

44. The Task Force first requested access to [REDACTED] and [REDACTED]'s bank records and other relevant material on [REDACTED], during [REDACTED]'s interview. On [REDACTED], the Task Force wrote to [REDACTED] confirming its request for bank records. The Task Force reiterated the reason for the request (that UN funds were directed to a [REDACTED] account in [REDACTED]), and requested that [REDACTED] provide a release waiver to the Task Force in order to provide investigators access to the company's records at financial institutions in [REDACTED] and [REDACTED]. The Task Force also asked for financial documents and records related to the LOA transaction, as well as other relevant documents, such as invoices for the [REDACTED], [REDACTED] and shipping costs, financial accounts of [REDACTED] and copies of correspondence files including payment information relating to the [REDACTED].

45. On [REDACTED], [REDACTED] and [REDACTED] placed a telephone call to the Task Force following the Task Force's email request for financial information of that same day. In this conversation, [REDACTED] and [REDACTED] stated that the Task Force had no right to request financial information. Although the Task Force repeated its request for the bank records and invoices, [REDACTED] continued to refuse to provide access to banking records, saying "that I will never give." In addition, he stated that the [REDACTED] had previously asked the [REDACTED] for the bank records, but had been turned down as there was "nothing in them."

46. The following day, [REDACTED], [REDACTED] telephoned and informed the Task Force that he had started looking for documents but that it was "quite a big job," but that they hoped to have something by the middle of next week. Nothing was received the following week.

47. On [REDACTED] the Task Force received a call from [REDACTED], lawyers for [REDACTED], [REDACTED], and [REDACTED]. The investigator repeated the request for invoices and bank records to confirm that what was claimed had actually been spent and also said that [REDACTED] had promised to provide documents. The lawyers restated [REDACTED]'s and [REDACTED]'s point that the United Nations should have no interest in this matter as [REDACTED] was entitled to make a profit. The following day, [REDACTED], the Task Force emailed [REDACTED] and repeated the request for documents and also

**REPORT ON** [REDACTED]  
STRICTLY CONFIDENTIAL

invited [REDACTED] to come in to review the Task Force's record of conversation of [REDACTED]. A deadline of [REDACTED] was given.

48. The same day, [REDACTED] wrote to the Task Force confirming their authorization to act and asking to be allowed to inspect and review all Task Force records of conversation, notes, and documents shown to either [REDACTED] or [REDACTED]. On [REDACTED], the Task Force wrote to [REDACTED] at [REDACTED] and informed him that the current Task Force policy does not allow third parties to view records of conversation. However, as a courtesy the Task Force would allow [REDACTED] to accompany [REDACTED] when he comes to review the document. The Task Force repeated the request for documents and asked that they be provided as per the original deadline of [REDACTED].

49. On [REDACTED], [REDACTED] and [REDACTED] attended the Task Force offices for a meeting to discuss the [REDACTED] matter. The Task Force explained the basis of their concerns that the United Nations had been charged for costs which were not incurred and noted the need for [REDACTED] to provide documents. [REDACTED]'s counsel stated their position, which was that if the United Nations agreed to a price with the [REDACTED], it was irrelevant what costs had been incurred by [REDACTED] during the deal. The Task Force referred to correspondence between [REDACTED] and the United Nations, which [REDACTED] had confirmed he drafted, where representations were made as to what costs were being incurred and would require reimbursement as per the terms of the LOA. Copies of these documents were shown to counsel. Additionally, the Task Force referred to the Profit and Loss sheet provided by [REDACTED] at the interview, which did not reflect the costs represented to the Organization. [REDACTED]'s counsel said they had not seen these particular documents and asked for copies, to which the Task Force agreed.

50. On [REDACTED], as a result of [REDACTED]'s non-cooperation with the investigation, the [REDACTED] of the United Nations recommended the [REDACTED] of [REDACTED] on the basis of the OIOS recommendation.

51. On [REDACTED], [REDACTED] emailed the Task Force and expressed their surprise at the [REDACTED] of [REDACTED]. They stated that as they had not received any documentation from the Task Force after the meeting on [REDACTED] they assumed the investigation was closed. The Task Force responded the same day that it never suggested, agreed or allowed [REDACTED] counsel to believe that [REDACTED]'s production of documents was conditional on the Task Force producing all or any relevant documents to the company. [REDACTED] was informed that the Task Force investigation could not be completed without "full and unfettered cooperation from [REDACTED] and its principals." This included access to the bank records which had been requested previously on several occasions. The Task Force offered to make available some documents in order to get this matter back on track. The email is shown below.

REDACTED

Figure: Task Force email to [REDACTED] ([REDACTED])

**REPORT ON [REDACTED]**  
STRICTLY CONFIDENTIAL

52. Documents were then provided to [REDACTED], via email, for their examination, including the Profit and Loss sheet provided by [REDACTED] at his interview in [REDACTED]. [REDACTED] attended at the Task Force offices on [REDACTED] for the first review of documents. Over 100 documents were provided for review. They included the LOA negotiation documents between [REDACTED] and [REDACTED] wherein prices, costs and estimates were given. They also included the letters sent by [REDACTED] to the United Nations, letters that [REDACTED] accepted he drafted.

53. On [REDACTED], [REDACTED], the United Nations [REDACTED] and [REDACTED], wrote to [REDACTED] of [REDACTED] informing him that [REDACTED] was [REDACTED] from the Organization's List of Registered [REDACTED] as a result of non-cooperation with the investigation, and that this [REDACTED] would be reconsidered once a conclusive assessment was made by the Task Force. He was informed that [REDACTED] had thirty days within which to ask for a review of the decision. [REDACTED] replied the following day, asking for the [REDACTED] to be lifted.

54. On [REDACTED], [REDACTED] approached Task Force investigators, describing himself as a "friend of the family" and asked to discuss "the [REDACTED] [REDACTED]" and [REDACTED]. [REDACTED] suggested that an independent audit firm be permitted to serve as an intermediary to review the files. The Task Force agreed to consider all suggestions, but pointed out that the terms of any such arrangement would have to be clear and [REDACTED] would not be permitted to "sift through" and eliminate any documents prior to an independent review.

55. On [REDACTED], the Task Force emailed [REDACTED] reminding them that the Task Force had now provided numerous documents over the past few weeks, but that the company had still failed to provide any documents as requested over the last five months. A deadline of [REDACTED] was given for documents to be provided. The email is shown below.

**REDACTED**

**Figure: Task Force email to [REDACTED] ([REDACTED])**

56. [REDACTED] replied the same day, stating that they were "now in an expedited process of looking for and reviewing records," and asked for an extension of time in which to produce the documents. They also pointed out that their involvement in this matter, after [REDACTED], superseded any prior communication with [REDACTED].

57. The Task Force sent an email to [REDACTED] on [REDACTED], asking for a progress report on when to expect receipt of the documents. [REDACTED] replied stating that they anticipated responding to Task Force queries in the "next 5-10 days." Nevertheless, although the Task Force again extended this courtesy to the company, financial documents were never provided.

58. Instead, on [REDACTED], [REDACTED] made its first full length detailed submission to the United Nations. The submission, however, did not contain any of the banking documents that had been requested multiple times by the Task Force. Rather, the

**REPORT ON** [REDACTED]  
STRICTLY CONFIDENTIAL

submission was a letter to the [REDACTED] requesting a review of the company's [REDACTED]. The letter included other, non-financial, documents, such as copies of internal United Nations documents from the relevant period pertaining to the [REDACTED] transaction and the OIOS investigation in [REDACTED]. In its communication, [REDACTED] complained about lack of due process with regard to the Task Force's investigation of this matter (despite the fact that the Task Force had made multiple disclosures for which it was not required to do—and [REDACTED] had not reciprocated), and falsely claimed that the company had indeed been cooperating with the Task Force throughout the course of the investigation.

59. On [REDACTED], the Task Force wrote to [REDACTED] advising them of the proposed findings against the company. It invited the company to offer any comment, response or offer any evidence that it thought the Task Force should consider. The Task Force also reiterated the fact that despite numerous requests for banking records—as well as other records that would prove the assertions made by [REDACTED]—none had been received. The letter is shown below.

[REDACTED]

**Figure: Task Force letter to [REDACTED], p. 1 ([REDACTED])**

[REDACTED]

**Figure: Task Force letter to [REDACTED], p. 2 ([REDACTED])**

60. Communications between the Task Force and [REDACTED]'s counsel continued during [REDACTED], and [REDACTED] was given two further opportunities to review Task Force documents. On [REDACTED], [REDACTED] wrote an email to the Task Force requesting a meeting to see if parties could reach “an amicable solution.”

61. On [REDACTED], after further discussions, [REDACTED] wrote to the Task Force providing detailed comments on the Proposed Findings, and requested an opportunity to study the Task Force's documents before submitting any formal response. [REDACTED] also asked to see all documents and communications gathered during the original OIOS investigation and by the Task Force, as well as those UN documents which the Task Force may or may not have gathered from entities such as the [REDACTED], [REDACTED], and [REDACTED].

62. Following receipt of the letter from [REDACTED], the Task Force delivered a detailed PowerPoint presentation to [REDACTED]'s counsel on [REDACTED], describing the Task Force's evidence and its understanding of the fraudulent scheme that took place. Further, the Task Force had a discussion of germane issues with [REDACTED], also addressing [REDACTED]'s comments, prepared on behalf of [REDACTED], to the Proposed Findings.

63. Although [REDACTED], through its counsel and its representative [REDACTED], had indicated its willingness for a third party to review [REDACTED]'s accounts, the company

**REPORT ON [REDACTED]**  
STRICTLY CONFIDENTIAL

has failed to provide such records or other relevant financial information either to the Task Force or to an independent reviewer.

## VII. [REDACTED]'S CONTINUED FAILURE TO COMPLY WITH ITS OBLIGATIONS AS A UNITED NATIONS [REDACTED] TO COOPERATE WITH THE INVESTIGATION

64. [REDACTED], at all material times a registered United Nations [REDACTED], has been under an obligation to cooperate with this investigation. During the Task Force's investigation, [REDACTED] had an on-going contract with the Organization for the supply of [REDACTED] services to the [REDACTED]. The contract was signed in [REDACTED] and was extended three times, to expire in [REDACTED].

65. The total value of [REDACTED]'s contract with the UN was over US\$136 million. The Task Force's investigation of [REDACTED]-related matters and direct interactions with the company began in [REDACTED]—i.e., six months before the expiration of [REDACTED]'s contract. The value of [REDACTED]'s contract between [REDACTED], when the Task Force started making its requests to the company, and [REDACTED], when its [REDACTED] contract expired, exceeded US\$50 million.

66. Under the terms of its contract with the United Nations, [REDACTED] was bound by Section 2.0 of the United Nations General Conditions of Contract, which stated that a UN [REDACTED] shall refrain "from *any* action which may adversely affect the United Nations and shall fulfill its commitments with the fullest regard to the interests of the United Nations." This provision was included in the [REDACTED] [REDACTED] contract between the Organization and [REDACTED].

67. Any United Nations [REDACTED] that refuses to cooperate with official OIOS investigations—while at the same time receiving payments by the United Nations for its services—is in violation of its obligations under the United Nations General Conditions of Contract, which, in turn, allows the Organization to take appropriate action against the [REDACTED] in accordance with Section 7.14.1 of the United Nations [REDACTED] Manual.

68. By knowingly and willfully failing to produce the bank records and comply with the Task Force's requests, [REDACTED] breached its obligations under General Conditions of Contract, as well as the policies of the United Nations expressed through the [REDACTED] Manual and issuances of the [REDACTED]), that United Nations registered [REDACTED] must cooperate with internal investigations.

69. On [REDACTED], [REDACTED] issued a memorandum to [REDACTED], reiterating that [REDACTED] are required to reasonably cooperate with United Nations investigations. The latest revised version of the United Nations General Conditions of Contract (issued in [REDACTED]) further strengthened this position. Specifically, Section 23.2 of the current General Conditions of Contract states that "the United Nations *may conduct investigations relating to any aspect of [a] contract. . . .* The Contractor shall provide its *full and timely cooperation* with any such . . . investigations. Such cooperation shall

**REPORT ON [REDACTED]**  
STRICTLY CONFIDENTIAL

include, but shall not be limited to, the Contractor's obligation to *make available its personnel and any relevant documentation* for such purposes at reasonable times and on reasonable conditions."

70. Further, the United Nations [REDACTED] Code of Conduct, dated [REDACTED] and available on the United Nations [REDACTED] Division's website, states that the Organization "expects UN [REDACTED] to adhere to the highest standard of moral and ethical conduct, to respect local laws and not engage in any form of corrupt practices." It further states that "UN [REDACTED] are expected to disclose to the UN any situation that may appear as a conflict of interest."

71. Despite the lack of cooperation on the part of [REDACTED], [REDACTED], and their [REDACTED] and [REDACTED], sufficient evidence was identified by the Task Force to support the existence of a fraudulent scheme concerning the [REDACTED] matter and involving [REDACTED]. Without access to the bank records and related materials, however, the Task Force has been unable to fully conclude the investigation, identify the full nature and scope of the scheme, and determine whether any material benefit was bestowed upon any UN [REDACTED] [REDACTED] as a *quid pro quo* for the award of the LOA to [REDACTED]'s principals, as alleged.

## VIII. FINDINGS AND CONCLUSIONS

72. [REDACTED] is a registered UN [REDACTED] which has enjoyed the benefit of several contracts with the Organization with an aggregated value in the hundreds of millions of dollars. [REDACTED], through its principals [REDACTED] and [REDACTED], created [REDACTED], a front company, to engage in business with the Organization at a time when there were steep sensitivities flowing from [REDACTED]'s [REDACTED], and resulting [REDACTED], in the [REDACTED]. The purpose of the creation of [REDACTED], as principals have conceded, was to hide its participation in the [REDACTED] of the [REDACTED] deal in [REDACTED]. [REDACTED] officials, through [REDACTED], controlled and executed the [REDACTED] transaction, and received, managed, and dispersed the UN proceeds paid by the Organization.

73. Throughout the execution of the LOA between the [REDACTED] and the United Nations, [REDACTED] financed the operation of the equipment, organised its positioning, paid the [REDACTED] salaries, and put its own [REDACTED] in [REDACTED].

74. While [REDACTED] and [REDACTED] officials executed an agreement wherein [REDACTED] would provide all funding for the effort, [REDACTED], in return, was to pay US\$100,000 per month for the [REDACTED] of the [REDACTED] to the [REDACTED].

75. *Prima facie* evidence has been adduced that the provision of the [REDACTED] to the United Nations was tainted by fraud. The full nature and participation of the scheme is unclear, and the flow of money cannot be fully examined without the cooperation by [REDACTED] and [REDACTED] officials.

76. As part of its investigation, numerous requests for relevant documents were made to [REDACTED] and [REDACTED], including important bank account records used for UN-related transactions. These bank account records are directly relevant to the investigation, and are indeed critical to establishing the disposition of UN proceeds, and the uses to which

**REPORT ON** [REDACTED]  
**STRICTLY CONFIDENTIAL**

UN monies were put. These bank account records are also absolutely necessary to assist in addressing the issue whether any improper benefit was bestowed upon any UN [REDACTED], as alleged in the Audit.

77. For many reasons, including the policy of the United Nations as well as the terms and conditions of the General Conditions of Contract, both in place at the time of the transaction and at the time of the investigation, [REDACTED], as a registered UN [REDACTED], and party to numerous contracts with the Organization, was under an obligation to cooperate with the official internal investigation of the United Nations, and respond and comply with legitimate requests for documents.

78. Notwithstanding the fact that a justification for the records need be made, such reasons were evident in this case for the company to produce the [REDACTED] bank records and related invoices, including (i) Task Force's own investigations and the indications of the existence of a fraudulent scheme, as explained above; (ii) the nature and circumstances of bank transactions involving [REDACTED]; and (iii) the criminal investigation into the [REDACTED] matter.

79. Both [REDACTED] and its lawyers have represented that they were making efforts to locate the records requested by the Task Force. During subsequent meetings with [REDACTED]'s lawyers it has been apparent that they have had access to documentary records from the period provided by their clients, and indeed it was clear that they were in possession of [REDACTED]'s bank records, but failed to provide them to the Task Force. Further, in written submissions to the Task Force the attorneys have attached copies of internal UN documents from the period, including documents concerning this transaction, and the [REDACTED] investigation in [REDACTED]. [REDACTED] has, however, never provided any substantive documents responsive to the Task Force's requests despite being a [REDACTED] to the United Nations at the time of the investigation, and despite the good faith efforts of the Task Force to present the company with information and evidence justifying the request.

80. In that regard, the Task Force has provided [REDACTED] access to substantial volumes of documentary records gathered during its investigation on several occasions, and indeed gave a PowerPoint presentation to their lawyers outlining the issues, the evidence, and the circumstances of the request. Further, Task Force investigators have provided an oral briefing to [REDACTED]'s lawyers on the key documents in the case and the Task Force's concerns, and afforded [REDACTED]'s lawyers the opportunity to provide material, and information.

81. The requests by the Task Force for the relevant records and information date back to the beginning of this investigation, [REDACTED]. Despite repeated requests, [REDACTED] has never provided access to any of the material requested. The material requested is directly related to transactions in which UN funds were utilized, and the requests were squarely relevant to the analysis of the transactions and the disposition of UN funds. To this date, it is still completely unclear what happened to millions of UN dollars. [REDACTED]'s actions and representations, in the two years since the first request, demonstrate a clear refusal to assist the UN in its efforts to answer this question.

**REPORT ON** [REDACTED]  
STRICTLY CONFIDENTIAL

82. As a recipient of a United Nations [REDACTED] at the material time of the investigation, [REDACTED] was subject to Section 2.0 of the United Nations General Conditions of Contract. Thus, [REDACTED] was obligated to refrain from “any action that may adversely affect the United Nations.” Instead, although [REDACTED] had an ongoing [REDACTED] [REDACTED] worth over US\$136 million, it failed to cooperate with the Task Force, thus acting to the detriment of the Organization.

83. This failure by [REDACTED] and its two main officers, [REDACTED] and [REDACTED], to cooperate with the Task Force’s requests for records was in violation of Section 2.0 of the General Conditions of Contract. [REDACTED]’s conduct was unethical and unprofessional and was against the interests of the Organization. Furthermore, the Task Force concludes that there are grounds to believe that [REDACTED] might have been involved in a corrupt scheme to improperly benefit from a UN-related transaction to the detriment of the Organization.

84. The policies of the Organization, as codified in legal documents of the Organization, and the newly enhanced cooperation provisions of the United Nations General Conditions of [REDACTED], require [REDACTED] to cooperate with investigations as a prerequisite for doing business with the Organization. These policies and provisions are in place to ensure that the Organization is not placed in a position where its own [REDACTED] are allowed to act in bad faith while at the same time benefiting from valuable UN business and commercial activities. Accordingly, appropriate action in accordance with Section 7.14.1(1)(a)(i)–(iii) of the 2008 [REDACTED] Manual (“Criteria for [REDACTED] or [REDACTED]”) is justified.

85. Therefore, [REDACTED], [REDACTED], and its principals, [REDACTED] and [REDACTED], have intentionally refused to cooperate with an official UN investigation involving the disposition of UN funds, and allegations of fraud, and thereby have failed to comply with the General Conditions of [REDACTED] of the Organization, the policies requiring [REDACTED] to cooperate with investigations, and the spirit of these rules and procedures.

## IX. RECOMMENDATIONS

### A. RECOMMENDATION PTF-R005/08/1

86. The Task Force recommends that the [REDACTED] permanently [REDACTED] and any entities and individuals affiliated with it—including [REDACTED]—from the List of Registered [REDACTED] and place them on the [REDACTED]’s “Watch List” to ensure that they are not allowed to do any future business, directly or indirectly, with the Organization or participate, directly or indirectly, in any United Nations projects.

### B. RECOMMENDATION PTF-R005/08/2

87. The Task Force recommends that the [REDACTED] permanently debar [REDACTED], the [REDACTED] of the [REDACTED], from doing any future

**REPORT ON [REDACTED]**  
**STRICTLY CONFIDENTIAL**

---

business, directly or indirectly, with the Organization and from any participation, directly or indirectly, in any United Nations projects, and place [REDACTED] on the [REDACTED]'s "Watch List."

**C. RECOMMENDATION PTF-R005/08/3**

88. The Task Force recommends that the [REDACTED] permanently [REDACTED], the [REDACTED] of [REDACTED], from doing any future business, directly or indirectly, with the Organization and from participation, directly or indirectly, in any United Nations projects, and place [REDACTED] on the [REDACTED]'s "Watch List."

**D. RECOMMENDATION PTF-R005/08/4**

89. The Task Force recommends that [REDACTED] consider revising the Organization's Letters of Assist to include a clause (or clauses) dealing with [REDACTED]. Currently, there is no provision for the regulation of any [REDACTED] arrangements or rights of the UN to refuse provision of goods or services through [REDACTED]. The Task Force recommends that changes be made so that [REDACTED] are not able to obtain UN business either directly or indirectly through a Letter of Assist.