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STRICTLY CONFIDENTIAL

**OFFICE OF INTERNAL OVERSIGHT SERVICES
INVESTIGATIONS DIVISION**

**REDACTED
REPORT OF INVESTIGATION**

ID CASE NO. 0050/05

4 March 2005

Report of Investigation – ID Case 0050/05

I. INTRODUCTION

1. On 13 February 2005, the Investigations Division of the Office of Internal Oversight Services (ID/OIOS) received a request from UNON Official 1 to inquire into allegations that locally recruited United Nations Office at Nairobi (UNON) staff may have engaged in improper conduct by submitting fraudulent letters of appointments showing longer contract duration dates to obtain loans from the United Nations Co-operative Savings and Credit Society Limited (UN-SACCO), which operates within UNON premises.

2. The request was prompted by an earlier report submitted to UNON Management by UNON Official 2, on a scheme whereby locally recruited staff members from the Nairobi-based United Nations Children’s Fund/Somalia Support Centre (UNICEF/Somalia) obtained UN-SACCO loans by submitting fraudulent letters of appointments to UN-SACCO. The primary concern of UNON Management was that a similar fraudulent scheme might have spread to UNON and other Nairobi-based United Nations Agencies.

3. At the time of the request, two ID/OIOS Investigators were on mission to Nairobi on another matter, but given the concerns expressed by UNON Managers, the ID/OIOS Investigators were directed by ID/OIOS Management to look into this matter with celerity, and did so, from 14 through 18 February 2005.

4. The purpose of this report is to present the findings of the preliminary ID/OIOS Investigation together with recommendations for appropriate action by UNON Management.

II. BACKGROUND INFORMATION

A. UN-SACCO

5. According to information provided in a leaflet, (Attachment 1), UN-SACCO was created in 1975, “to establish a forum for United Nations staff in Kenya to save their disposable income and borrow at minimal cost to meet their socio-economic needs.” At present, UN-SACCO has a capital of US \$ 13.5 million with about 2,500 members, and is managed by a Management Committee elected at an annual General Meeting of the Society on a renewable three-year term.

6. In order to become a UN-SACCO member, a staff member of the United Nations completes an “Application for Membership” form (Attachment 2) and pays a fee of Kshs. 500 (about US \$ 7). UN-SACCO members own shares and can request and obtain individual loans after holding membership in UN-SACCO for six months. Members may apply for a loan up to three times the value of their shares. The length of the loans cannot extend beyond the term of employment by the United Nations.

7. To obtain an individual loan, a staff member is required to complete either a “Loan Application & Loan Agreement Form” (Attachment 3) or an “Instant Loan Facility Application & Agreement Form” (Attachment 4). The staff member must attach to his/her request documents including copies of his/her latest payslip, National Identification Card or Passport and a copy of his/her letter of contract.

8. A copy of the letter of contract is required to ensure that the applicant holds a valid contract, which covers the agreed period of time for the repayment of the loan. The benefit of a longer contract is that it permits repayment in lesser amounts over a longer period of time.

9. To ensure guarantee of repayment, the applicant must provide up to six guarantors in the event of the borrower’s default. The guarantors must also be UN-SACCO members.

10. The applications for loans are reviewed by UN-SACCO staff and a Credit Committee, which approve, defer, or reject the application.

B. UNICEF/Somalia Fraud

11. On 10 February 2005, while settling the separation payment of a former locally recruited UNICEF/Somalia staff member, an Administrative Officer who worked on the matter noted that the staff member had borrowed a large amount of money from UN-SACCO in January 2004 and that at the time of his/her separation s/he still owed UN-SACCO about one-third of the amount borrowed.

12. The Administrative Officer learned from UN-SACCO management that the loan was granted based upon a letter of appointment submitted to UN-SACCO by that staff member, which showed that his/her contract would be renewed through 31 December 2006. However, the contract was actually only from 1 January 2004 to 31 December 2004.

13. The Administrative Officer requested a copy of the appointment letter and found that it was fraudulent, in that the date of the expiration of the contract was false and the signature of a UNICEF Operations Officer named in the letter was forged. Upon further inquiries from UN-SACCO managers, UNICEF/Somalia Management started an inquiry and found that other UNICEF/Somalia staff members had obtained similarly improper loans. UNICEF/Somalia has only approximately 20 staff members.

14. The results of this inquiry were described in a “Report on the preliminary investigation of a case of fraudulent signatures and use of office stationary and official seal – UNICEF Somalia, Nairobi”, dated 11 February 2005, which included copies of the false letters of appointment and written statements of several locally recruited UNICEF staff who admitted their improper conduct. (Attachment 5)

III. INVESTIGATIVE DETAILS

C. Interviews with UNICEF staff

15. Upon request from ID/OIOS, UNICEF Management agreed to cooperate with the ID/OIOS inquiry by providing access to its files and staff members involved in the fraud. However, UNICEF Management insisted, and ID/OIOS agreed, that ID/OIOS interviews of their staff be conducted at UNICEF premises and in the presence of two Senior UNICEF Managers. The objectives of these interviews by ID/OIOS were to confirm and/or rule out involvement by UNON staff members in similar cases and to obtain information to ensure that UNON management safeguard mechanisms to avoid similar occurrences at UNON.

16. ID/OIOS could not interview all UNICEF staff or former staff involved in the fraud. For example, one staff member passed away and another, who had left UNICEF, declined the interview. In addition, the UNICEF inquiry was not final and information obtained primarily through the interviews of UNICEF staff by ID/OIOS suggested that there might be more UNICEF staff involved than initially envisaged.

17. During their interviews with ID/OIOS, the concerned UNICEF staff confirmed that they misused UNICEF letterhead and official seal, indicated that they forged the signature of a UNICEF Operations officer and that they provided UN-SACCO with incorrect information about the duration of their contracts in order to obtain loans. All of them mentioned the ease with which they accessed official UNICEF stamps, stationeries and computers, although given the limited responsibilities of some of them, for example, the drivers, such access should not have occurred.

18. Further, most interviewees stated that they acted alone and, with one exception, all denied that either their UNICEF or UNON colleagues assisted them in their fraudulent activities or had been otherwise aware of or involved in such improper actions.

D. Interviews with UN-SACCO and UNON staff

19. UN-SACCO and UNON staff members interviewed by the ID/OIOS Investigators provided general information about their operations and otherwise cooperated with the ID/OIOS inquiry by providing unhindered access to their files. However, these interviews did not produce conclusive information to either suggest or completely rule out improper conduct on the part of UNON staff members.

E. Additional Investigative steps

20. Documentation obtained from UN-SACCO shows that about 2,500 staff members from UNON and other United Nations related organizations have requested and obtained UN-SACCO loans, about one thousand of whom are UNON staff. Given the large number of records to review, which would then need to be compared to similar records from UNON, and the absence of any identified subjects, the ID/OIOS Investigators decided to do a thorough review of a sampling of cases. Files were selected for review where the loan amount was high, the duration of the contract long, or the applicant was also a guarantor on other loans.

21. Further, whenever the ID/OIOS Investigators noted apparent irregularities concerning letters of appointments or other similar documents produced by these staff to UN-SACCO, for example letters suggesting that their contracts would be renewed

beyond the expiration date of their contracts, the ID/OIOS officers made copies of those documents and compared them with the corresponding documentation available in the Official Status Files of those staff and/or confirmed with UNON officials whose signatures appeared on those letters that they had indeed signed them.

22. The ID/OIOS Investigators noted with concern that in January 2005, one Senior UNEP Manager had informed UN-SACCO management that the contract of a particular staff member is likely to be extended for a further two years, subject to satisfactory performance. During the manager's interview with ID/OIOS, s/he admitted s/he had written a letter at the request of the staff member and advised that such letters are sometimes provided to UN-SACCO so that locally recruited staff can obtain loans. ID/OIOS cautions managers that the issuance of these letters may give the impression that a staff member's contract will be renewed.

23. In this regard, it should be noted that most, if not all letters of appointments issued by the Organization, provide that fixed-term appointments do not carry any expectation of renewal or of conversion to any other type of appointment and expire automatically and without prior notice on the expiration date specified in the letter of appointment.

24. This position is consistent with the jurisprudence of the United Nations Administrative Tribunal (UNAT), which has established that good performance by a staff member does not by itself create any legitimate expectation for renewal of any fixed-term contract (see Judgement 562 dated 2 July 1993).

IV. FINDINGS

25. Given the absence of concrete information concerning improper conduct by UNON staff, and based upon the review of a limited number of UN-SACCO and UNON files, ID/OIOS finds that, while there is evidence of improper conduct on the part of some UNICEF staff members in obtaining loans from UN-SACCO, there is no evidence that such similar improper conduct also occurred at UNON.

26. In fact, as noted above, rather than producing information about possible involvement of UNON staff in a similar fraud, the interviews of UNICEF/Somalia staff yielded more information about further possible UNICEF subjects involved in the same type of fraud, who had either not been identified in the UNICEF preliminary inquiry or had not been interviewed. Moreover, these interviews also suggested possible improper conduct by one UNICEF manager, who may have contributed to the fraud by providing a letter, which suggested that the contract of one staff would be extended further beyond its normal term.

27. The review of likely candidates for such frauds (*i.e.*, those with large loans and long contracts) did not produce a single instance of fraud. However, ID/OIOS cannot exclude the possibility that locally recruited UNON staff members have submitted fraudulent letters to UN-SACCO to obtain loans, as had their UNICEF colleagues. Without concrete leads or a thorough review of all of the numerous files of the UNON staff members who have obtained UN-SACCO loans, it is not possible to rule out similar fraudulent schemes undertaken by UNON staff.

28. ID/OIOS noted with concern the ease with which locally recruited UNICEF staff, such as drivers, obtained access to official UNICEF stamps, stationeries and computers. UNON should ensure that there are adequate controls in place to prevent such abuses in UNON.

29. Further, while analysing the fraudulent scheme at UNICEF/Somalia, ID/OIOS noted that when requests for letters of appointment suggesting contract renewal were denied, staff members produced fraudulent letters of appointment which were accepted by UN-SACCO management, although they were clearly different in style and format from legitimate letters.

30. Furthermore, as noted above, in one case detected by ID/OIOS a letter of appointment, which stated that renewal for two years was subject to satisfactory performance, was provided to a UNON staff member. Such a letter, even from one with the authority to do so, is improper, may be used to demonstrate a staff member's "right" to a renewal, and should stop immediately.

V. CONCLUSIONS AND RECOMMENDATIONS

31. In light of the foregoing, ID/OIOS offers the following recommendations, which could reduce the risk of the occurrences of similar fraudulent activities as the one described in this report:

Recommendation 1: It is recommended that UNON Management inform UN-SACCO Management that henceforth they should require original official UNON documentation from UNON staff members, and any suspicions about the veracity of such documentation should be promptly reported to UNON and the authenticity of those documents verified. (ID Rec. No. IV05/050/01)

Recommendation 2: It is recommended that UNON ascertain if its personnel officers are aware of instances of staff members requesting letters or documentation averring that their contracts would be renewed beyond their expiration dates, and such requests were denied. If so, UNON Management should liaise with UN-SACCO Management to determine whether such staff members then submitted fraudulent documentation to obtain loans. (ID Rec. No. IV05/050/02)

Recommendation 3: It is recommended that UNON Management ensure that its official UNON seals/stamps are placed in secured places and are used solely by authorized UNON officials to prevent the risk of their misuse by other persons. (ID Rec. IV05/050/03)

Recommendation 4: It is recommended that UNON Management requests UN-SACCO Management to systematically confirm with UNON Personnel offices any information related to employment duration provided to them by UNON staff members. (ID Rec. IV05/050/04)
