



**United Nations**

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

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**REPORT ON COGIM S.P.A. AND  
CORIMEC ITALIANA S.P.A.**

**Report no. PTF-R008/07**

**Case nos. PTF/004/07; PTF/019/07**

**STRICTLY CONFIDENTIAL**

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**28 June 2007**

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## I. INTRODUCTION

1. The Procurement Task Force (“the Task Force”) was created on 12 January 2006 to address all procurement matters referred to the Office of Internal Oversight Services (“OIOS”). The creation of the Task Force was the result of perceived problems in procurement identified by the Independent Inquiry Committee into the Oil-for-Food Programme (“IIC”), and the arrest and conviction of Mr. Alexander Yakovlev, a former United Nations Procurement Officer.

2. Under its Terms of Reference, the Task Force operates as part of the OIOS, and reports directly to the Under-Secretary-General for the OIOS.<sup>1</sup> The remit of the Task Force is to investigate all procurement cases, including all matters involving procurement exercises, procurement staff, and vendors doing business with the United Nations.<sup>2</sup> The Task Force’s investigations have focused upon a number of procurement cases, including cases involving companies doing business with the Organisation. Some of these matters are particularly complex and span significant periods of time.

3. The Task Force has previously issued two reports directly addressing Mr. Yakovlev’s activities.<sup>3</sup> Most significantly, on 2 May 2007, the Task Force issued its Interim Report on matters concerning Mr. Yakovlev and entities and individuals associated with him.<sup>4</sup>

4. As was discussed in these reports, Mr. Yakovlev’s assistance to certain vendors included, *inter alia*, improperly disclosing confidential United Nations documents and information; improperly assisting selected United Nations vendors in preparing their contract proposals; tampering with the results of the financial evaluations; adjusting contract proposals after the official submission to ensure that the contract award would be steered towards a particular company; and favoring selected companies during the execution of their contracts to the detriment of the Organisation. In return, these vendors paid Mr. Yakovlev sums of money which were often paid into secret off-shore bank accounts in the names of entities established in furtherance of the scheme. Two of these accounts were established in the names of Moxycy Ltd. (“Moxycy”) and Nikal Ltd. (“Nikal”).

5. The Interim Report specifically focused on the financial assets derived by Mr. Yakovlev through his participation in fraudulent schemes executed with various vendors and vendor intermediaries doing business with the Organisation. The Interim Report set forth relevant evidence—including information regarding various bank accounts

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<sup>1</sup> Terms of Reference of the Procurement Task Force (12 January 2006).

<sup>2</sup> *Id.*

<sup>3</sup> Procurement Task Force, Report on Eurest Support Services (Cyprus) International, IHC Services Inc., and Certain United Nations Staff Members, Report PTF-R010/06 (7 December 2006); Procurement Task Force, Interim Report on Matters Concerning Former United Nations Staff Member Mr. Alexander Yakovlev and Associated Vendors, Report PTF-R002/07 (2 May 2007) (“Interim Report on Alexander Yakovlev”).

<sup>4</sup> *Id.*

associated with Mr. Yakovlev—for consideration by the Organisation in its pursuit to recover the proceeds of Mr. Yakovlev’s unlawful activities.

6. The purpose of this Report is to address the allegations concerning Cogim S.p.A. and Corimec Italiana S.p.A., two United Nations vendors that had allegedly used Mr. Yakovlev’s assistance in securing United Nations contracts and obtaining confidential United Nations documents and information.

## II. APPLICABLE UNITED NATIONS STAFF REGULATIONS AND RULES

7. The following provisions of the **Staff Regulations of the United Nations** (“the Staff Regulations”) are relevant:

(i) **Regulation 1.2(b)**: “Staff members shall uphold the highest standards of efficiency, competence and integrity. The concept of integrity includes, but is not limited to, probity, impartiality, fairness, honesty and truthfulness in all matters affecting their work and status.”<sup>5</sup>

(ii) **Regulation 1.2(e)**: “By accepting appointment, staff members pledge themselves to discharge their functions and regulate their conduct with the interests of the Organization only in view. Loyalty to the aims, principles and purposes of the United Nations, as set forth in its Charter, is a fundamental obligation of all staff members by virtue of their status as international civil servants.”<sup>6</sup>

(iii) **Regulation 1.2(f)**: “[Staff members] shall conduct themselves at all times in a manner befitting their status as international civil servants and shall not engage in any activity that is incompatible with the proper discharge of the duties with the United Nations. They shall avoid any action, and, in particular, any kind of public pronouncement that may adversely reflect on their status, or on the integrity, independence and impartiality that are required by that status.”<sup>7</sup>

(iv) **Regulation 1.2(g)**: “Staff members shall not use their office or knowledge gained from their official functions for private gain, financial or otherwise, or for the private gain of any third party, including family, friends and those they favour.”<sup>8</sup>

(v) **Regulation 1.2(i)**: “Staff members shall exercise the utmost discretion with regard to all matters of official business. They shall not communicate to any Government, entity, person or any other source any information known to them by reason of their official position that they know or ought to have known has not been made

<sup>5</sup> ST/SGB/2007/4, reg. 1.2(b) (1 January 2007); ST/SGB/1999/5, reg. 1.2(b) (3 June 1999).

<sup>6</sup> ST/SGB/2007/4, reg. 1.2(e) (1 January 2007); ST/SGB/1999/5, reg. 1.2(e) (3 June 1999); ST/SGB/Staff Regulations/Rev. 22, reg. 1.1 (29 July 1993).

<sup>7</sup> ST/SGB/2007/4, reg. 1.2(f) (1 January 2007); ST/SGB/1999/5, reg. 1.2(f) (3 June 1999); ST/SGB/Staff Regulations/Rev. 22, regs. 1.3, 1.4 (29 July 1993).

<sup>8</sup> ST/SGB/2007/4, reg. 1.2(g) (1 January 2007); ST/SGB/1999/5, reg. 1.2(g) (3 June 1999); ST/SGB/Staff Regulations/Rev. 22, reg. 1.6 (29 July 1993).

public, except as appropriate in the normal course of their duties or by authorization of the Secretary-General.”<sup>9</sup>

(vi) **Regulation 1.2(I)**: “No staff member shall accept any honour, decoration, favour, gift or remuneration from any non-governmental source without first obtaining the approval of the Secretary-General.”<sup>10</sup>

8. The following provision of the **Staff Rules of the United Nations** is relevant:

(i) **Rule 112.3**: “Any staff member may be required to reimburse the United Nations either partially or in full for any financial loss suffered by the United Nations as a result of the staff member’s gross negligence or of his or her having violated any regulation, rule or administrative instruction.”<sup>11</sup>

9. The following provisions of the **Financial Regulations and Rules of the United Nations** are relevant:

(i) **Regulation 5.12**: “The following general principles shall be given due consideration when exercising the procurement functions of the United Nations:

- (a) Best value for money;
- (b) Fairness, integrity and transparency;
- (c) Effective international competition;
- (d) The interest of the United Nations.”<sup>12</sup>

(ii) **Rule 105.14**: “[P]rocurement contracts shall be awarded on the basis of effective competition.”<sup>13</sup>

10. The following provisions of the **United Nations Procurement Manual** are relevant:<sup>14</sup>

(i) **Section 4.1.5(4)(a)**: “UN staff shall not allow any Vendor(s) access to information on a particular acquisition before such information is available to the business community at large.”<sup>15</sup>

(ii) **Section 4.2(1)**: “It is of overriding importance that the staff member acting in an official procurement capacity should not be placed in a position where their

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<sup>9</sup> ST/SGB/2007/4, reg. 1.2(i) (1 January 2007); ST/SGB/1999/5, reg. 1.2(1) (3 June 1999); ST/SGB/Staff Regulations/Rev. 22, reg. 1.5 (29 July 1993).

<sup>10</sup> ST/SGB/2007/4, reg. 1.2(1) (1 January 2007); ST/SGB/1999/5, reg. 1.2(1) (3 June 1999).

<sup>11</sup> ST/SGB/2005/1, rule 112.3 (1 January 2005).

<sup>12</sup> ST/SGB/2003/07, reg. 5.12 (9 May 2003). See also ST/SGB/Financial Rules/1/Rev. 3, rule 110.21 (March 1985).

<sup>13</sup> ST/SGB/2003/07, rule 105.14 (9 May 2003). See also ST/SGB/Financial Rules/1/Rev. 3, rule 110.21 (March 1985).

<sup>14</sup> United Nations Procurement Manual, Rev. 3 (August 2006) (“2006 Procurement Manual”); United Nations Procurement Manual Rev. 2 (January 2004) (“2004 Procurement Manual”); United Nations Procurement Manual (31 March 1998) (“1998 Procurement Manual”).

<sup>15</sup> 2006 Procurement Manual, sec. 4.1.5(4)(a); 2004 Procurement Manual, sec. 4.1.5(4)(a); 1998 Procurement Manual, sec. 7.06.01.

actions may constitute or could be reasonably perceived as reflecting favourable treatment to an individual or entity by accepting offers or gifts and hospitality or other similar considerations.”<sup>16</sup>

(iii) **Section 4.2(2)**: “It is inconsistent that a Procurement Officer . . . accepts any gift from any outside source regardless of the value and regardless of whether the outside source is or is not soliciting business with the United Nations. All staff members involved in procurement shall decline offers of gifts.”<sup>17</sup>

(iv) **Section 4.3(2)(a)**: “‘Bribery’ means the act of unduly offering, giving, receiving or soliciting anything of value to influence the process of procuring goods or services, or executing contracts.”<sup>18</sup>

(v) **Section 4.3(2)(c)**: “‘Fraud’ means the misrepresentation of information or facts for the purpose of influencing the process of procuring goods or services, or executing contracts, to the detriment of the UN or other participants.”<sup>19</sup>

(vi) **Section 4.3(3)(b)**: “The UN . . . [w]ill declare a firm ineligible, either indefinitely or for a stated period of time, to become a UN registered Vendor if it at any time determines that the firm has engaged in corrupt practices in competing for or in executing a UN Contract.”<sup>20</sup>

(vii) **Section 4.3(3)(c)**: “The UN . . . [w]ill cancel or terminate a contract if it determines that a Vendor has engaged in corrupt practices in competing for or in executing a UN Contract.”<sup>21</sup>

(viii) **Section 7.12.2(1)(a)**: “The criteria for suspension or removal from the Vendor Database . . . [includes] [f]ailure to perform in accordance with the terms and conditions of one or more contract[s] . . . and [a]busive, unethical or unprofessional conduct, including corrupt practices and submission of false information.”<sup>22</sup>

11. The following provisions of the **United Nations General Conditions of Contract** are relevant:

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<sup>16</sup> 2006 Procurement Manual, sec. 4.2(1); 2004 Procurement Manual, sec. 4.2.1(1); 1998 Procurement Manual, secs. 3.04.05, 7.06.01, 8.03.04.

<sup>17</sup> 2006 Procurement Manual, sec. 4.2(2); 2004 Procurement Manual, sec. 4.2.1(2); 1998 Procurement Manual, secs. 3.04.05, 8.03.04.

<sup>18</sup> 2006 Procurement Manual, sec. 4.3(2)(a); 2004 Procurement Manual, sec. 4.2.5(2)(i); 1998 Procurement Manual, secs. 5.12.01-5.12.02.

<sup>19</sup> 2006 Procurement Manual, sec. 4.3(2)(c); 2004 Procurement Manual, sec. 4.2.5(2)(iii); 1998 Procurement Manual, secs. 5.12.01-5.12.02.

<sup>20</sup> 2006 Procurement Manual, sec. 4.3(3)(b); 2004 Procurement Manual, sec. 4.2.5(3)(ii); 1998 Procurement Manual, secs. 5.12.01-5.12.02.

<sup>21</sup> 2006 Procurement Manual, sec. 4.3(3)(c); 2004 Procurement Manual, sec. 4.2.5(3)(iii); 1998 Procurement Manual, secs. 5.12.01-5.12.02.

<sup>22</sup> 2006 Procurement Manual, sec. 7.12.2(1)(a); 2004 Procurement Manual, sec. 7.12.2(1)(a)(iv); 1998 Procurement Manual, secs. 5.12.01-5.12.02.

(i) **Article 2.0:** “The Contractor shall refrain from any action that may adversely affect the United Nations and shall fulfill its commitments with the fullest regard to the interests of the United Nations.”<sup>23</sup>

(ii) **Article 6.0:** “The Contractor warrants that no official of the United Nations has received or will be offered by the Contractor any direct or indirect benefit arising from this Contract or the award thereof. The Contractor agrees that breach of this provision is a breach of an essential term of this Contract.”<sup>24</sup>

### III. RELEVANT CONCEPTS OF CRIMINAL LAW

12. The following well-established common law concepts are applicable to this Report:

(i) **Fraud:** Commonly, fraud is defined as an unlawful scheme to obtain money or property by means of false or fraudulent pretences, representations, or promises. A scheme to defraud is any plan, device, or course of action to obtain money or property by means of false or fraudulent pretences, representations or promises reasonably calculated to deceive persons of average prudence;

(ii) **Bribery:** Commonly, bribery is defined as an act of a public official to corruptly solicit, demand, accept or agree to accept anything of value from any person, in return for being influenced in the performance of any official act or being induced to do or omit to do any act in violation of the official duty of such official;

(iii) **Conspiracy:** Conspiracy is an agreement to do an unlawful act. It is a mutual understanding, either spoken or unspoken, between two or more people to cooperate with each other to accomplish an unlawful act. In this case, it is the agreement to engage in a scheme to improperly obtain sums of money under contracts with the United Nations not properly due and owing to them; and

(iv) **Aiding and Abetting an Offense:** Under the concept of aiding and abetting, the offense is committed by another. In order to aid and abet a crime, it is necessary that individuals involved associate themselves in some way with the crime, and that they participate in the crime by doing some act to help make the crime succeed. Individuals who aid and abet another in committing a criminal offense are equally as culpable as if they committed the offence themselves.

13. If any evidence of bribery or fraud or other criminal offense is revealed during the course of the Task Force’s investigations, a referral to the appropriate prosecutorial agency will be recommended.

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<sup>23</sup> 2006 Procurement Manual, United Nations General Conditions of Contract, art. 2.0; United Nations Procurement Manual, United Nations General Conditions of Contract, art. 2.0 (31 March 1998) (hereinafter “1998 Procurement Manual”)

<sup>24</sup> 2006 Procurement Manual, United Nations General Conditions of Contract, art. 6.0; 1998 Procurement Manual, United Nations General Conditions of Contract, art. 4.0. The previous editions of the Procurement Manual contained similar provisions. Purchase and Transportation Service Manual of Procedures, sec. 5.004 (1 October 1985).

## IV. METHODOLOGY

14. The Task Force's investigations discussed in this Report have included interviews with numerous witnesses, including current and former United Nations staff members, representatives of various United Nations vendors, and other individuals with knowledge of the transactions in question.

15. The Task Force's investigations involved review and analysis of a significant number of documents and extensive examination of electronic media and evidence. The Task Force's review of documentary evidence was complicated by the fact that the United Nations procurement records were often incomplete, missing important documents, and in a state of disarray. The Task Force made significant efforts to locate and obtain all relevant files.

16. The Task Force also engaged in an extensive process of obtaining and examining significant volumes of records and information from various United Nations vendors. Notably, the Task Force did not have access to Cogim S.p.A.'s records as the company did not provide any cooperation to the Task Force.

17. The Task Force's investigations of the complex international financial schemes and transactions described in this Report have faced a number of challenges, including the need to obtain and reconstruct relevant data; the lack of compulsory process outside of the United Nations system; limited cooperation from certain parties; and the fact that several key witnesses with knowledge of the events could not be located or would not agree to an interview.

18. The Task Force has been greatly aided in its investigations by the use of electronic forensic tools. These tools have proved instrumental in reconstructing and recovering crucial evidence relevant to the matters addressed in this Report.

## V. BACKGROUND

19. Subsequent to Mr. Yakovlev's resignation on 21 June 2005, he was arrested and pleaded guilty to conspiracy, wire fraud, and money-laundering charges in the United States District Court, Southern District of New York.<sup>25</sup> The investigations by IIC and the United States Attorney's Office for the Southern District of New York revealed that since 2000, substantial amounts of money had been wired into an account controlled by Mr. Yakovlev, in the name of Moxycyco at the Antigua Overseas Bank, Antigua and Barbuda.<sup>26</sup> IIC further established that a number of United Nations contractors and Mr. Yakovlev

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<sup>25</sup> Alexander Yakovlev letter to Andrew Toh (21 June 2005). In his letter, Mr. Yakovlev stated: "In view of the latest allegations involving my violating of the applicable Staff Rules and in order to protect integrity, reputation and the interest of the Organization, I hereby respectfully submit my resignation effective immediately". *Id.* Mr. Yakovlev's resignation was accepted the next day. Andrew Toh letter to Alexander Yakovlev (22 June 2005).

<sup>26</sup> Independent Inquiry Committee into the Oil-for-Food Programme, "Third Interim Report," p. 65 (8 August 2005). The Third Interim Report is available on-line at <http://www.iic-offp.org/documents.htm>.



engaged in a continuous course of conduct to provide substantial sums of money to Mr. Yakovlev in connection with his position as a United Nations procurement official.<sup>27</sup>

20. As part of his guilty plea, Mr. Yakovlev entered into a cooperation agreement with the United States Attorney's Office for the Southern District of New York.<sup>28</sup> (See figure below.) Under the terms of this agreement, Mr. Yakovlev agreed to forfeit US\$900,000 to the United States government. Mr. Yakovlev was required to offer all assistance to the United States authorities in their on-going investigations, which included testifying at the federal criminal trial of Mr. Vladimir Kuznetsov, a former Chairman of the United Nations Advisory Committee and Administrative and Budgetary Questions.<sup>29</sup>

It is further understood that the defendant agrees to forfeit to the United States, pursuant to Title 18, United States Code, Section 982(a)(7), a sum of money equal to \$900,000 in United States currency, representing property constituting, and derived, directly or indirectly, from gross proceeds traceable to the commission of the wire fraud and money laundering offenses charged in Counts One, Two and Three of the Information, for which the defendant is jointly and severally liable. It is further understood that any forfeiture of the defendant's assets shall not be treated as satisfaction of any fine, restitution cost of imprisonment, or any other penalty the Court may impose upon him in addition to forfeiture.

...

It is understood that the defendant (a) shall truthfully and completely disclose all information with respect to the activities of himself and others concerning all matters

**Figure: Alexander Yakovlev Cooperation Agreement, pp. 2-3 (8 August 2005)**

21. Mr. Yakovlev testified at the trial of Mr. Kuznetsov on 27 and 28 February 2007.<sup>30</sup> Mr. Kuznetsov's trial focused on the money laundering scheme to direct the proceeds of Mr. Yakovlev's criminal activities with certain United Nations vendors. On 7 March 2007, a jury in the United States District Court, Southern District of New York, convicted Mr. Kuznetsov of conspiring to commit money laundering.<sup>31</sup>

22. On 2 May 2007, the Task Force issued its Interim Report on Mr. Yakovlev and associated vendors. As discussed in the Interim Report, the Task Force found that beginning in or about 1993, and continuing until his arrest in 2005, former United Nations Procurement Officer Mr. Yakovlev engaged in a corrupt scheme to solicit and accept sums of money and items of value from a number of United Nations vendors seeking to obtain United Nations contracts in exchange for unlawfully and improperly providing these companies with assistance in the bidding and contract selection process. These agreements were made and implemented by Mr. Yakovlev with the voluntary assistance of Mr. Kuznetsov and entities and individuals associated with them. These

<sup>27</sup> *Id.*

<sup>28</sup> Alexander Yakovlev Cooperation Agreement (8 August 2005).

<sup>29</sup> *Id.*, pp. 2-3.

<sup>30</sup> Unites States v. Vladimir Kuznetsov, trial transcript (SDNY 2007) (hereinafter "Vladimir Kuznetsov trial transcript").

<sup>31</sup> Interim Report on Alexander Yakovlev, p. 7.

payments compromised the integrity of the procurement process, and were made by these vendors and their representatives in direct violation of the United Nations rules and procedures and to the direct detriment of the Organisation.<sup>32</sup>

## VI. OVERVIEW OF THE SCHEME AND PAYMENTS

23. The United Nations Procurement Service (“the Procurement Service”) facilitates the acquisition of various goods and services needed by other departments of the Organisation, including the equipment and services necessary to perform their duties.<sup>33</sup> These goods and services are purchased through competitive bidding exercises conducted by the Procurement Service from the companies registered as United Nations vendors.<sup>34</sup>

24. Mr. Yakovlev joined the United Nations as a Procurement Officer in August 1985.<sup>35</sup> During his twenty-year tenure with the Procurement Service, Mr. Yakovlev was involved in a wide range of procurement exercises involving a variety of goods and services.<sup>36</sup> However, in the last years of his service, Mr. Yakovlev primarily dealt with the supplies for the United Nations peacekeeping operations, such as food rations for troops, fuel, lubricants, and security equipment.<sup>37</sup>

25. During his tenure with the Procurement Service, Mr. Yakovlev also acted as a case Procurement Officer overseeing a significant number of procurement exercises for various United Nations contracts, and was responsible for communicating with vendors on behalf of the Organisation.<sup>38</sup> With regard to the procurement exercises to which he was assigned as a case Procurement Officer, Mr. Yakovlev was responsible for preparing and distributing bidding documents and participating in the evaluation of the submitted proposals.<sup>39</sup>

26. The evaluation of bids submitted by vendors is a multi-step process. It includes the submission of technical and financial evaluations, as well as examination of the company’s compliance with various contract proposal requirements.<sup>40</sup> Generally, the company offering the lowest cost proposal and the most technically acceptable bid is

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<sup>32</sup> *Id.*, pp. 2-5, 24.

<sup>33</sup> *Id.*, p. 7; 2006 Procurement Manual. Prior to August 2004, the Procurement Service was known as the Procurement Division. Joan McDonald memorandum to Andrew Toh (27 August 2004) (renaming the Procurement Division into the Procurement Service). However, for purposes of this Report, the Procurement Division and the Procurement Service are referred to collectively as “the Procurement Service.”

<sup>34</sup> Financial Rules and Regulations of the United Nations, ST/SGB/2003/07, rule 105.14 (9 May 2003) (“procurement contracts shall be awarded on the basis of effective competition”); 2006 Procurement Manual.

<sup>35</sup> Interim Report on Alexander Yakovlev, p. 7.

<sup>36</sup> *Id.*

<sup>37</sup> *Id.*, pp. 7-8.

<sup>38</sup> *Id.*, p. 8.

<sup>39</sup> *Id.*

<sup>40</sup> *Id.*

awarded the contract.<sup>41</sup> However, the procurement rules provide that if any proposal does not conform to the requirements of the technical specifications or proposal guidelines, such proposals can be rejected by the Procurement Service irrespective of the fact that the company nevertheless offered the lowest price.<sup>42</sup> Therefore, it is critically important for companies bidding on United Nations contracts to comply with the bid requirements.

27. As discussed in the Task Force's Interim Report, several major United Nations vendors participated in Mr. Yakovlev's schemes, which generated more than US\$3.5 million.<sup>43</sup> The payments to Mr. Yakovlev were made into the bank accounts of Moxycoco, the company Mr. Yakovlev created to facilitate this scheme, and Nikal, a company controlled by Mr. Kuznetsov.<sup>44</sup> Additionally, the Task Force identified evidence that certain payments were made to Mr. Yakovlev in cash and into his other accounts, particularly in early 1990s.

28. Chart A below contains a summary of the payments made into the accounts of Moxycoco and Nikal.<sup>45</sup> The number of individual transfers composing each of the total amounts is provided in parentheses preceding each of the total amounts. In the period of February 2000 to July 2005, Moxycoco and Nikal received a total of over US\$3.5 million from various United Nations vendors (both directly and through associated front companies) as well as unidentified entities and persons.

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<sup>41</sup> *Id.*; Financial Rules and Regulations of the United Nations, ST/SGB/2003/07, rules 105.14, 105.15 (9 May 2003).

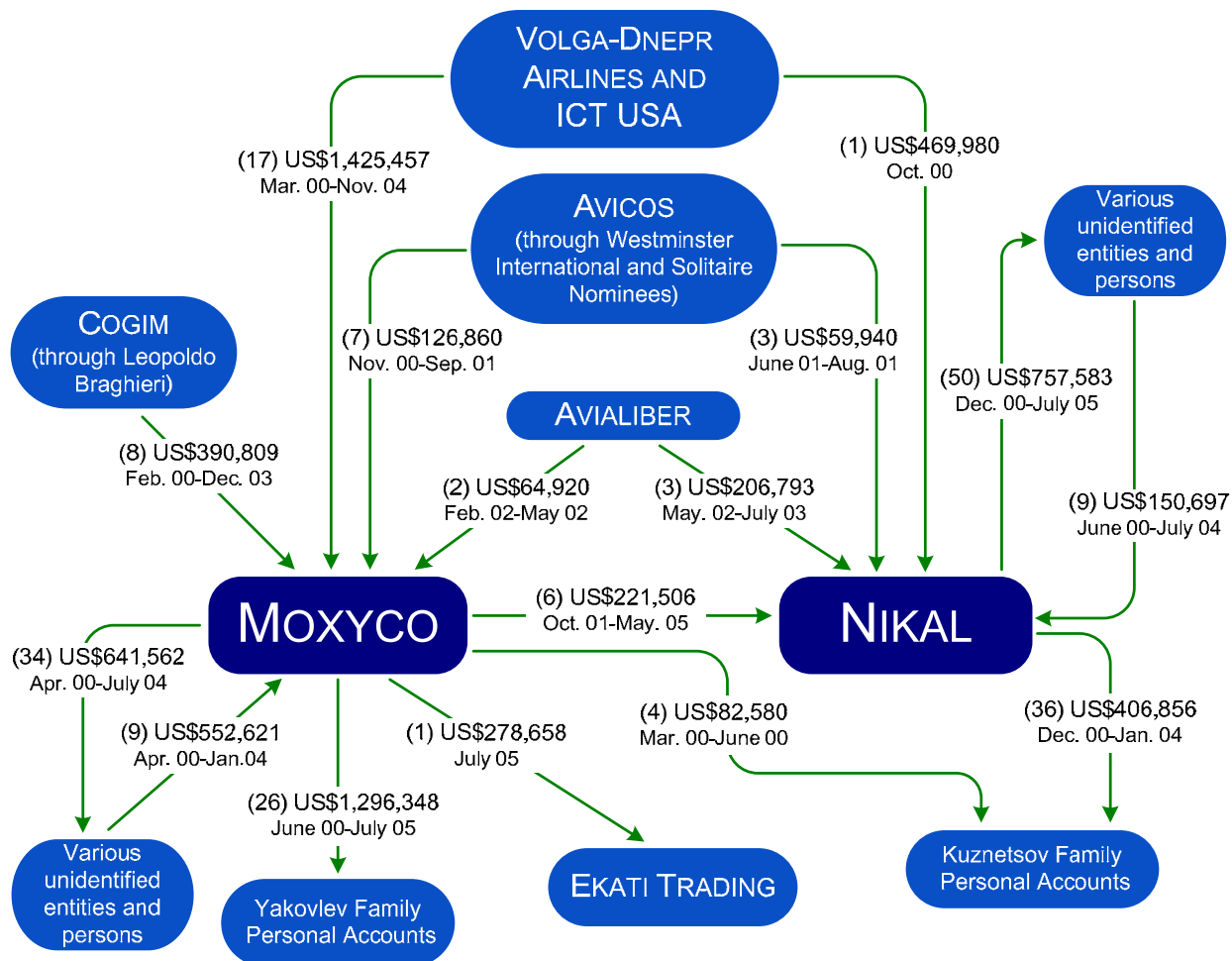
<sup>42</sup> Interim Report on Alexander Yakovlev, p. 8; 2006 Procurement Manual, rules 9.9.24(3), 10.1.5(1), 10.3.3(1)(c)(ii), 10.3.3.(i)(d)(iii), 10.4(4), 10.5.1(2), 11.4(1), 11.5(1), 11.6.9(1), 11.6.9(2), 11.6.10(1).

<sup>43</sup> Interim Report on Alexander Yakovlev, pp. 8-10.

<sup>44</sup> Mr. Yakovlev's creation of Moxycoco and the opening of its bank account at Antigua Overseas Bank were fully described in the Interim Report on Mr. Yakovlev and associated vendors. *Id.*, pp. 15-17.

<sup>45</sup> *Id.*, p. 10; Antigua Overseas Bank, Moxycoco account records (February 2000 to July 2005); Antigua Overseas Bank, Nikal account records (June 2000 to July 2005); Confidential source report (23 April 2007). The amounts provided in Chart A are rounded.

Chart A: Overview of Payments to Moxycy and Nikal (2000-2005)



29. Mr. Yakovlev’s corrupt agreements with a number of United Nations vendors were part of his efforts to illegally obtain money and tangible benefits through his activities as a United Nations Procurement Officer. Mr. Yakovlev’s financial motives for his scheme were addressed in the Task Force’s Interim Report.<sup>46</sup>

30. The proceeds of the scheme were subsequently utilized for various purposes, including purchase of real estate.<sup>47</sup> Mr. Yakovlev also transferred some of the illicit proceeds to his bank accounts in Switzerland, Austria, and Liechtenstein to conceal the financial assets.<sup>48</sup>

31. The Task Force identified fourteen accounts associated with Mr. Yakovlev and Mr. Kuznetsov.<sup>49</sup> These accounts were located in several countries, including Antigua

<sup>46</sup> Interim Report on Alexander Yakovlev, pp. 11-12.

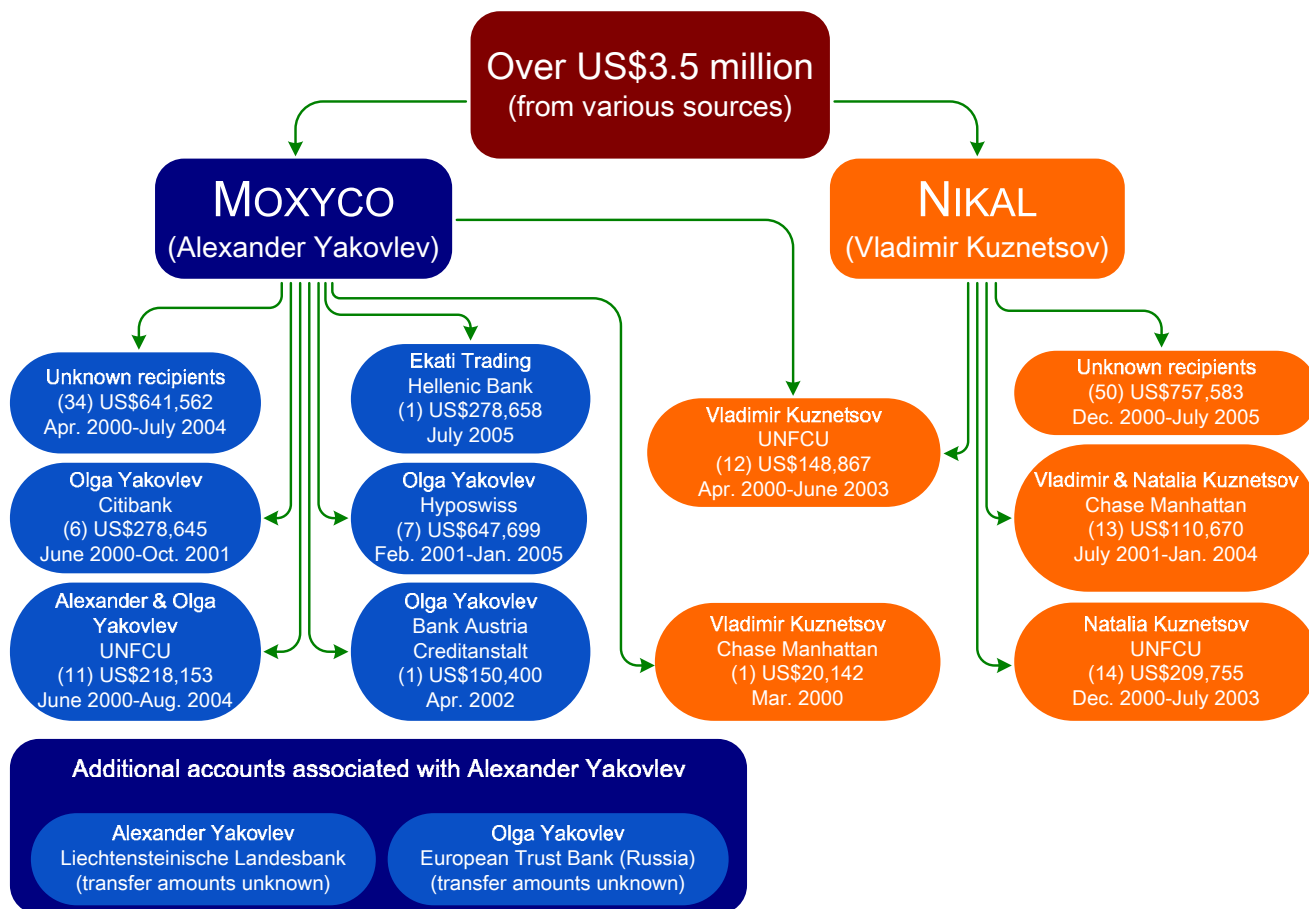
<sup>47</sup> *Id.*

<sup>48</sup> *Id.*

<sup>49</sup> *Id.*, pp. 14-22.

and Barbuda, Austria, the United States, Russia, Cyprus, Switzerland, and Liechtenstein.<sup>50</sup> Chart B below provides an overview of the accounts associated with Mr. Yakovlev and Mr. Kuznetsov and the distribution of the financial assets accumulated by Moxycyco and Nikal.<sup>51</sup> As shown below, Moxycyco and Nikal received more than US\$3.5 million. The number of known individual transfers composing each of the total amounts in Chart B is provided in parentheses preceding each of the total amounts.

Chart B: Overview of Alexander Yakovlev and Vladimir Kuznetsov Accounts



32. The Task Force has obtained information revealing that at least some of these accounts still contain substantial assets as of the date of this Report. As part of its Interim Report on Mr. Yakovlev and associated vendors, the Task Force recommended that the Organisation seek recovery of the illegal proceeds of Mr. Yakovlev’s schemes.<sup>52</sup> Based

<sup>50</sup> *Id.*; Antigua Overseas Bank, Moxycyco account records (February 2000 to July 2005); Antigua Overseas Bank, Nikal account records (June 2000 to July 2005). The amounts provided in Chart B are rounded.

<sup>51</sup> Two bank accounts shown in Chart B—the accounts at Liechtensteinische Landesbank and European Trust Bank—were identified by the Task Force through forensic analysis of Mr. Yakovlev’s electronic files. As of the date of this Report, the Task Force does not have information on the exact amounts of transfers into these accounts.

<sup>52</sup> Interim Report on Alexander Yakovlev, pp. 23, 25-26.

on the Task Force's recommendation, the Organisation has been taking steps to recover the money corruptly obtained by Mr. Yakovlev and entities and individuals associated with him.

## VII. CORIMEC ITALIANA S.P.A. AND LEOPOLDO BRAGHIERI

### A. COMPANY BACKGROUND

33. Corimec Italiana S.p.A. ("Corimec") is an Italy-based company specializing in designing and manufacturing of prefabricated buildings and mobile units.<sup>53</sup> Prefabricated buildings are an important component of the United Nations peacekeeping operations, as they provide necessary accommodations for the United Nations peacekeepers.<sup>54</sup> Corimec began providing services to the United Nations since early 1990s.<sup>55</sup> Since then, Corimec has received over US\$30 million in payments for its contracts with the Organisation.<sup>56</sup>

34. Since 1996, Corimec is owned by Mr. Gianfranco Castiglioni, through his holding company, Casti S.p.A. ("Casti Group").<sup>57</sup> Prior to 1996, Corimec was jointly owned by three shareholders, namely Mr. Leopoldo Braghieri, Mr. Domenico Braghieri, and Cagiva S.p.A., a holding company controlled by Mr. Castiglioni.<sup>58</sup> Cagiva S.p.A. controlled approximately fifty percent of Corimec's shares.<sup>59</sup>

35. On 14 March 2007, based on the evidence disclosed during the trial of Mr. Kuznetsov, the Vendor Review Committee decided to suspend Corimec pending the final findings of the Task Force.<sup>60</sup>

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<sup>53</sup> Corimec, "The History," [http://www.corimec.it/e\\_index.htm](http://www.corimec.it/e_index.htm); Procurement Service Vendor Listing (16 May 1999) (showing Corimec's registration as a manufacturer of prefabricated buildings).

<sup>54</sup> Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 128 (27 February 2007).

<sup>55</sup> Corimec, "The History," [http://www.corimec.it/e\\_index.htm](http://www.corimec.it/e_index.htm); Yves Pintore interviews (27 and 30 March 2007); Leopoldo Braghieri interview (29 March 2007).

<sup>56</sup> Procurement Service Vendor Listing (18 May 1999) (showing Corimec's re-registration in March 1996 as a United Nations vendor); ProcurePlus Database, Report on Corimec (19 March 2007).

<sup>57</sup> Confidential source report (undated); Annarita Vassalli interview (23 February 2007); Corimec Shareholder 1996-2006 Chart (undated) (provided to the Task Force by Corimec on 22 March 2007); Marina Affri, Annarita Vassalli, and Adam Steinert interview (22 March 2007).

<sup>58</sup> Marina Affri letter to the Task Force (2 April 2007); Marina Affri, Annarita Vassalli, and Adam Steinert interview (22 March 2007); Corimec Shareholder 1996-2006 Chart (undated) (provided to the Task Force by Corimec on 22 March 2007); Corimec Shareholder 1978-1995 Chart (undated) (provided to the Task Force by Corimec on 22 March 2007); Leopoldo Braghieri interview (29 March 2007); Yves Pintore interview (30 March 2007).

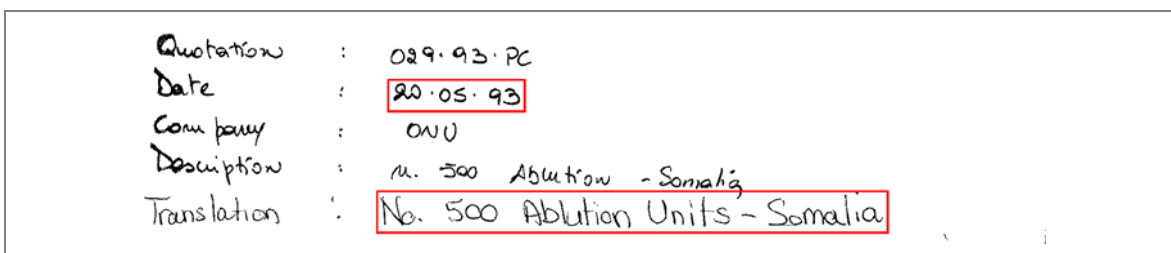
<sup>59</sup> Marina Affri letter to the Task Force (2 April 2007); Corimec Shareholder 1996-2006 Chart (undated) (provided to the Task Force by Corimec on 22 March 2007); Leopoldo Braghieri interview (29 March 2007).

<sup>60</sup> Warren Sach letter to Annarita Vassalli (14 March 2007).

## B. LEOPOLDO BRAGHIERI PAYMENTS TO ALEXANDER YAKOVLEV IN EARLY 1990S

36. In early 1990s, Corimec handled its activities with the United Nations through Mr. Yves Pintore and Hikory France Company (“Hikory”), a small France-based consultancy company controlled by Mr. Pintore.<sup>61</sup> Mr. Yakovlev was introduced to Mr. Pintore through a mutual acquaintance, Mr. Jean-Pierre Simon of Candy Logistics (another United Nations vendor), sometime in or around early 1993.<sup>62</sup> Mr. Pintore and Mr. Leopoldo Braghieri subsequently met Mr. Yakovlev during one of their visits to the Procurement Service to discuss contracts for prefabricated buildings.<sup>63</sup> At that time, Corimec was looking for new business opportunities, and was hoping to get contracts with the United Nations.<sup>64</sup> Mr. Pintore saw big potential in the prefabricated buildings business and told Mr. Leopoldo Braghieri that he would help him develop this line of work.<sup>65</sup>

37. Mr. Pintore, acting in the interests of Corimec, approached Mr. Yakovlev, asking him whether he was willing to assist Corimec in receiving United Nations contracts.<sup>66</sup> At that time, Corimec was bidding for a contract for supply of 500 bungalows for Somalia.<sup>67</sup> The Procurement Service’s and Corimec’s records confirm that the company in fact submitted a proposal in 1993 for a contract for “500 ablution units” for Somalia and secured a purchase order.<sup>68</sup> This purchase order was handled by Mr. Yakovlev.<sup>69</sup>



**Figure: Corimec Quotation Notebook (1993)**

<sup>61</sup> Leopoldo Braghieri interview (29 March 2007) (stating that his association with Mr. Pintore and Hickory ended in 1995).

<sup>62</sup> Alexander Yakovlev deposition (23 March 2006); Leopoldo Braghieri interview (29 March 2007); Yves Pintore interview (30 March 2007).

<sup>63</sup> *Id.*; Leopoldo Braghieri interview (29 March 2007).

<sup>64</sup> *Id.*

<sup>65</sup> Yves Pintore interview (30 March 2007).

<sup>66</sup> Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 128 (27 February 2007).

<sup>67</sup> Yves Pintore interviews (30 March and 16 April 2007).

<sup>68</sup> Corimec Quotation Notebook (1993); Annarita Vassalli email to the Task Force (18 May 2007); The Procurement Service, “Corimec in the period of 1990 to 1999” (31 May 2007) (identifying two purchase orders for US\$5.2 million, dated 1 July 1993 and 17 June 1993); The Procurement Service email to the Task Force (31 May 2007) (stating that the purchase order was for “prefabricated erected mobile ablution units”).

<sup>69</sup> The Procurement Service email to the Task Force (31 May 2007).

38. Mr. Yakovlev agreed to “assist the company in preparing their bid, in terms of ensuring that the bid is fully compliant with procedural, general and substantive requirements of the United Nations invitation to bid.”<sup>70</sup> Mr. Yakovlev also agreed to provide assistance to Mr. Pintore and Mr. Leopoldo Braghieri by keeping them informed about the bidding process.<sup>71</sup>

39. With regard to Corimec, just like with the other contracts to which Mr. Yakovlev was assigned as a case procurement officer, he was involved in the evaluation of the proposals and preparing the presentation to the HCC.<sup>72</sup>

Q. Were you involved in the selection process for Corimec's bid?  
A. I was a person who prepared the documents with recommendation to the chief of the procurement division, and then to the committee of contracts. And then it goes in the hands of the committee whether to accept recommendation or to proceed with something else.

**Figure: Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 130 (27 February 2007)**

40. This provided Mr. Yakovlev ample opportunities to engage in conduct beneficial to Corimec at the expense of the Organisation's interests. Mr. Yakovlev admitted to providing assistance to Corimec with ensuring that its bid was fully compliant with the contract requirements—the services which other bid participants had no access to.<sup>73</sup>

41. At that time, Mr. Leopoldo Braghieri's relations with Mr. Yakovlev were carried out through Mr. Pintore.<sup>74</sup> Mr. Pintore received commission payments of about six percent of the contract price from Corimec.<sup>75</sup> As was agreed by Mr. Leopoldo Braghieri and Mr. Pintore, one third of the six percent fee received by Mr. Pintore was intended for Mr. Yakovlev.<sup>76</sup>

42. According to the evidence obtained by the Task Force, Mr. Yakovlev received substantial sums of money in connection with Corimec's contract. The Task Force has identified two particular episodes when Mr. Yakovlev received payments in connection with this contract.

43. First, during the trial of Vladimir Kuznetsov, Mr. Yakovlev admitted to receiving US\$50,000 in 1993 with relation to Corimec's work with the United Nations.<sup>77</sup> The fact of this payment was confirmed by the Task Force through Mr. Pintore, who stated that in

<sup>70</sup> Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 128 (27 February 2007).

<sup>71</sup> Leopoldo Braghieri interview (29 March 2007).

<sup>72</sup> Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, pp. 129-30 (27 February 2007).

<sup>73</sup> *Id.*, p. 128.

<sup>74</sup> Leopoldo Braghieri interview (29 March 2007).

<sup>75</sup> *Id.*; Yves Pintore interview (30 March 2007).

<sup>76</sup> Leopoldo Braghieri interview (29 March 2007) (stating that he was informed of this arrangement by Mr. Pintore back in 1993, and agreed to it); Yves Pintore interview (30 March 2007) (not disputing that Hikory received a six percent commission, one third of which was intended for Mr. Yakovlev).

<sup>77</sup> Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, pp. 127-28 (27 February 2007).



1993, after Corimec was awarded the contract, he was asked by Mr. Leopoldo Braghieri to transfer US\$50,000 to Mrs. Yakovlev's account in Citibank.<sup>78</sup> The payment to Mrs. Yakovlev was made through Hikory, which was subsequently reimbursed by Mr. Leopoldo Braghieri.<sup>79</sup>

44. Second, the Task Force also obtained information that in August 1993, Mr. Yakovlev received a cash payment of 1 million French francs, an equivalent of approximately US\$165,000.<sup>80</sup> This payment was made on board of Mr. Leopoldo Braghieri's yacht in Monaco during Mr. and Mrs. Yakovlev's visit to Europe in or around August 1993.<sup>81</sup> Mr. Pintore learned about this directly from Mr. Jean-Pierre Simon of Candy Logistics, another United Nations vendor, who was on board of the yacht and participated in the transaction.<sup>82</sup> Mr. Simon organized transportation for Corimec's contract for supply of bungalows for Somalia.<sup>83</sup>

45. The Task Force has interviewed Mr. Leopoldo Braghieri with regard to the payment on board of the yacht.<sup>84</sup> Even though Mr. Leopoldo Braghieri confirmed that he met Mr. and Mrs. Yakovlev on their trip to Europe and that they visited his yacht, he denied making any cash payments to Mr. Yakovlev.<sup>85</sup> The Task Force could not locate Mr. Simon to confirm the information provided by either Mr. Pintore or Mr. Leopoldo Braghieri.<sup>86</sup>

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<sup>78</sup> *Id.*, p. 129; Yves Pintore interviews (30 March and 16 April 2007).

<sup>79</sup> *Id.*; Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 129 (27 February 2007).

Notably, when Mr. Braghieri was advised of Mr. Yakovlev's sworn testimony admitting receiving US\$50,000 from Mr. Pintore for the benefit of Corimec, Mr. Braghieri replied that US\$50,000 seemed too small and more money should have been received by Mr. Yakovlev. Leopoldo Braghieri interview (29 March 2007).

<sup>80</sup> Yves Pintore interviews (30 March and 16 April 2007); OANDA, "Currency Converter," <http://www.oanda.com/convert/classic> (converting French francs to USD as of 15 August 1993).

<sup>81</sup> Yves Pintore interview (30 March 2007) (stating that he met Mr. and Mrs. Yakovlev in Geneva airport).

<sup>82</sup> *Id.*

<sup>83</sup> Yves Pintore interviews (16 April 2007). In the course of its investigations concerning Mr. Yakovlev, the Task Force has also obtained information that Candy Logistics had certain payment arrangements with Mr. Yakovlev concerning this company's United Nations contracts. Yves Pintore interview (30 March 2007). Specifically, the Task Force was informed by Mr. Pintore that at some point Mr. Simon of Candy Logistics acknowledged to him that Mr. Yakovlev received payments in relation to this company's contracts. *Id.* As of the date of this Report, the Task Force was not able to corroborate information provided by Mr. Pintore concerning payments made to Mr. Yakovlev in relation to Candy Logistics' contracts. The Task Force's investigation of this allegation is ongoing. Yves Pintore interview (16 April 2007); Jonathan Marks interviews (10 April, 14 May, and 7 June 2007).

<sup>84</sup> Leopoldo Braghieri interviews (29 March and 11 May 2007).

<sup>85</sup> *Id.*

<sup>86</sup> Yves Pintore interview (16 April 2007); Jonathan Marks interviews (10 April, 14 May, and 7 June 2007).

## C. INVOLVEMENT OF THE CURRENT MANAGEMENT AND OWNER OF CORIMEC

46. Prior to 1996, Corimec was managed by Mr. Domenico Braghieri and Mr. Leopoldo Braghieri. According to Corimec, Mr. Castiglioni, the current owner of the company, was not involved in the day-to-day business operations of Corimec.<sup>87</sup>

47. Following Casti S.p.A.'s acquisition of Corimec in 1996, the company severed its relationship with Mr. Leopoldo Braghieri and Mr. Domenico Braghieri.<sup>88</sup> Corimec's separation with Mr. Leopoldo Braghieri and Mr. Domenico Braghieri was communicated to the United Nations.<sup>89</sup> On 10 September 1996, Corimec advised the Procurement Service that "Messrs. Domenico and Leopoldo Braghieri are no longer in charge to represent Corimec."<sup>90</sup> The Task Force does not have any information showing Mr. Domenico Braghieri's or Mr. Leopoldo Braghieri's direct involvement in managing the company after October 1996.

48. Mr. Castiglioni asserted to the Task Force that he never discussed the specifics of any United Nations contract with either Mr. Domenico Braghieri or Mr. Leopoldo Braghieri, and, even though he was "periodically informed" about the business performance of Corimec, was never informed of any payments to Mr. Yakovlev or any other United Nations staff members.<sup>91</sup> Mr. Castiglioni denied ever hearing from Mr.

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<sup>87</sup> Gianfranco Castiglioni, Marina Affri, and Annarita Vassalli interviews (8 March and 13 April 2007) (describing Mr. Castiglioni's affiliation with Corimec between 1990 and 1996 as financial in nature, acting as a lender through his holding company Cagiva S.p.A.); Leopoldo Braghieri interview (29 March 2007) (stating that he was responsible for the operational management of Corimec, including its relations with the United Nations); Yves Pintore interview (30 March 2007) (confirming that the company was run by Mr. Leopoldo Braghieri and that Mr. Castiglioni was not involved in the day-to-day business activities of Corimec); Yves Pintore interview (16 April 2007) (stating that Mr. Castiglioni would not get involved in the details of Corimec's operations); J. Dubois and Yves Pintore letter to Gianfranco Castiglioni (6 May 1996) (requesting Mr. Castiglioni for a settlement of debts and acknowledging that "we did not know that you did not control Corimec"); Marina Affri, Annarita Vassalli, and Adam Steinert interview (22 March 2007); Marina Affri letter to the Task Force (2 April 2007).

<sup>88</sup> Marina Affri, Annarita Vassalli, and Adam Steinert interview (22 March 2007); Marina Affri letter to the Task Force (21 March 2007) (stating that Corimec went under the full operational control of Casti S.p.A. on 14 June 1996); Vinicio Ferrante letter to Gianfranco Castiglioni and Marina Affri (18 March 2007) (identifying himself as a lawyer with a law firm representing Corimec's interests in the period of 1996 to 2003); Confidential source report (undated); Annarita Vassalli letter to Warren Sach (12 April 2007); Annarita Vassalli letter to the Task Force (1 March 2007) (attaching copies of company registration documents) (confirming that "[n]o members of the Braghieri family have had any involvement in the equity of [Corimec] since 22 December 1997") (attaching copies of company registration documents); Leopoldo Braghieri interview (29 March 2007).

<sup>89</sup> Gianfranco Castiglioni and Marina Affri letter to the Procurement Service (7 August 1996) (stating "'Cagiva Group' has taken over . . . 'Corimec' and Braghieri brothers and no longer members of the Board" and advising the Procurement Service to "distrust . . . everyone who will introduce himself in the name of Corimec"); Corimec letter to the Procurement Service (10 September 1996) (on file with the Procurement Service).

<sup>90</sup> Corimec letter to the Procurement Service (10 September 1996) (on file with the Procurement Service).

<sup>91</sup> Gianfranco Castiglioni, Marina Affri, and Annarita Vassalli interview (13 April 2007); Marina Affri letter to the Task Force (2 April 2007).

Leopoldo Braghieri or Mr. Domenico Braghieri of any special relations with or payments to any United Nations staff member and stated that he never met Mr. Pintore or Mr. Yakovlev.<sup>92</sup>

49. At the time of Mr. Leopoldo Braghieri's payments to Mr. Yakovlev, Mr. Castiglioni was a member of the Board of Directors of Corimec.<sup>93</sup> The Task Force has obtained copies of Corimec's Board of Directors meeting minutes for the period of February 1991 to May 1996, when the company went under the sole control of Casti S.p.A.<sup>94</sup> The meeting minutes show that Mr. Castiglioni participated in the meetings of the Board of Directors on a regular basis starting 27 March 1993.<sup>95</sup> However, between February 1991 and May 1996, the Board of Directors meeting minutes contain only one reference to the United Nations, made during the 30 November 1994 meeting.<sup>96</sup>

50. Mr. Pintore and Mr. Leopoldo Braghieri, who were directly involved in Mr. Yakovlev's scheme, could not confirm that Mr. Castiglioni, Ms. Annarita Vassalli, or Ms. Marina Affri were aware or involved in the scheme. When asked whether he had any information showing that Mr. Castiglioni was aware of payments to Mr. Yakovlev, Mr. Pintore stated: "Honestly, I don't think he knew about it."<sup>97</sup> Mr. Pintore stated that he never met Mr. Castiglioni and that the latter was not involved in the day-to-day business activities of Corimec.<sup>98</sup> Mr. Pintore further stated that Mr. Leopoldo Braghieri and Mr. Castiglioni "were hiding things from each other."<sup>99</sup> Similarly, Mr. Leopoldo Braghieri stated that Mr. Castiglioni was not present during Mr. Leopoldo Braghieri's discussions with Mr. Pintore and could not confirm whether he ever told Mr. Castiglioni about the payments to Mr. Yakovlev.<sup>100</sup>

51. The Task Force has also interviewed Ms. Vassalli, current Director of Corimec, and Ms. Affri, member of Corimec's Board of Directors. The Task Force did not identify information showing that Ms. Vassalli and Ms. Affri participated in Mr. Yakovlev's payment scheme.<sup>101</sup>

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<sup>92</sup> Gianfranco Castiglioni, Marina Affri, and Annarita Vassalli interviews (8 March and 13 April 2007); Gianfranco Castiglioni and Marina Affri letter to the Task Force (30 March 2007); Gianfranco Castiglioni letter to the Task Force (15 April 2007).

<sup>93</sup> Gianfranco Castiglioni, Marina Affri, and Annarita Vassalli interview (8 March and 13 April 2007); Marina Affri, Annarita Vassalli, and Adam Steinert interview (22 March 2007); Marina Affri letter to the Task Force (2 April 2007).

<sup>94</sup> Corimec Board of Directors Meeting Minutes (February 1991 to May 1996).

<sup>95</sup> *Id.*; Leopoldo Braghieri interview (29 March 2007) (confirming that Mr. Castiglioni was on the Board of Directors).

<sup>96</sup> Corimec Board of Directors Meetings Minutes (30 November 1994); The Task Force note-to-file (18 May 2007).

<sup>97</sup> Yves Pintore interview (16 April 2007); Yves Pintore interview (30 March 2007) (stating that he never met Mr. Castiglioni and "[a]t that time, I'm sure he didn't know about Alexander Yakovlev, after – I'm more suspicious")

<sup>98</sup> Yves Pintore interview (30 March 2007).

<sup>99</sup> *Id.*

<sup>100</sup> Leopoldo Braghieri interview (29 March 2007).

<sup>101</sup> Gianfranco Castiglioni, Marina Affri, and Annarita Vassalli interviews (8 March and 13 April 2007); Yves Pintore interviews (30 March and 16 April 2007); Leopoldo Braghieri interview (29 March 2007)

## D. CORIMEC RELATIONSHIP WITH IHC

52. The Task Force has obtained information that between 1997 and 2006, Corimec used IHC as its intermediary and outside representative in its dealings with the United Nations.<sup>102</sup> Because of the Task Force's prior findings with regard to IHC's conduct, the Task Force has also examined Corimec's relationship with IHC.<sup>103</sup> This examination has included review of hard-copy and electronic records, including those from IHC and Corimec, and interviews with several key officers of Corimec. Additionally, the Task Force has obtained copies of documents received by Corimec from IHC and their correspondence with each other.<sup>104</sup>

53. As of now, the Task Force has not identified evidence suggesting that Corimec received confidential internal United Nations documents and information through IHC or Mr. Testa.<sup>105</sup>

## E. COMPANY RESPONSE TO THE TASK FORCE

54. During the course of the Task Force's investigation, Corimec was made fully aware of the allegations, namely inappropriate relationship with and payments to Mr. Yakovlev in relation to Corimec's United Nations contract.<sup>106</sup> These matters were discussed with Corimec representatives on numerous occasions and the Task Force has provided Corimec with the information available to it concerning the allegations, including a copy of Mr. Yakovlev's testimony at the recent trial of Mr. Kuznetsov, discussing payments to Mr. Yakovlev in relation to Corimec. Further, the company was afforded ample opportunity to present its own evidence for the consideration by the Task Force.

55. Corimec provided substantial cooperation to the Task Force, producing hard-copy and electronic records for the Task Force's review and making its officials available for numerous interviews. Corimec provided records showing that the company was effectively controlled by Mr. Domenico Braghieri and Mr. Leopoldo Braghieri prior to change of ownership in 1996, and that the current managers and owner of the company were not involved in Mr. Leopoldo Braghieri's arrangements with Mr. Yakovlev.

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(stating that he could not remember whether Mr. Castiglioni, Ms. Vassalli, or Ms. Affri knew about payments to Mr. Yakovlev or whether he ever told them about it).

<sup>102</sup> Annarita Vassalli interview (18 May 2007); Gianfranco Castiglioni, Marina Affri, and Annarita Vassalli interview (8 March 2007); Ezio Testa letter to Annarita Vassalli (18 October 2005).

<sup>103</sup> Procurement Task Force, Report on Eures Support Services (Cyprus) International, IHC Services Inc., and Certain United Nations Staff Members, Report PTF-R010/06 (7 December 2006).

<sup>104</sup> Marina Affri, Annarita Vassalli, and Adam Steinert interview (22 March 2007).

<sup>105</sup> *Id.*; Gianfranco Castiglioni, Marina Affri, and Annarita Vassalli interview (8 March 2007); Annarita Vassalli interview (23 February 2007) (stating that she was "surprised when [she] read [about] that kind of thing" and that it "never happened with us [Corimec]").

<sup>106</sup> The Task Force emails to Annarita Vassalli (21 and 23 February; 8 March; 3 and 10 April 2007); The Task Force facsimile to Annarita Vassalli (21 February 2007); The Task Force letters to Annarita Vassalli (21 and 23 February 2007).

## VIII. COGIM S.P.A. AND LEOPOLDO BRAGHIERI

### A. COMPANY BACKGROUND

56. Cogim S.p.A. (“Cogim”) is an Italy-based company specializing in production of pre-fabricated units and containers.<sup>107</sup> Cogim was established in 1994 and began working with the United Nations shortly thereafter.<sup>108</sup> Throughout its work with the United Nations, it received over US\$13 million in payments from the United Nations.<sup>109</sup> Cogim is a direct competitor of Corimec, one of the companies also discussed in this Report, and was owned and managed by Mr. Leopoldo Braghieri after his departure from Corimec in 1996.<sup>110</sup>

57. Mr. Leopoldo Braghieri conducted his business in association with his son, Mr. Filippo Braghieri.<sup>111</sup> Since 2002, Cogim has been fully owned by Mr. Filippo Braghieri through FB Holding S.r.l. (Limited), his Milan-based company.<sup>112</sup> Mr. Filippo Braghieri has been Cogim’s stockholder and CEO since 22 April 1997.<sup>113</sup>

58. On 26 June 2006, following reports in the Italian newspaper *Il Sole 24 Ore* concerning Mr. Leopoldo Braghieri’s links to Mr. Yakovlev, the Vendor Review Committee recommended to permanently remove Cogim from the United Nations vendor database.<sup>114</sup> The recommendation was approved by Mr. Warren Sach, Assistant Secretary-General for the Office of Central Support Services, and Cogim was informed of the decision.<sup>115</sup> Following the removal from the United Nations vendor database, Cogim had sent several letters to the United Nations claiming that Cogim was not involved in any inappropriate conduct and describing the media reports concerning Mr. Leopoldo Braghieri’s involvement with Mr. Yakovlev as “unsubstantiated and containing inaccurate information . . . from sources which are not verifiable.”<sup>116</sup> On 14 February

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<sup>107</sup> Cogim United Nations Global Marketplace User Profile (22 March 2006) (showing that Cogim was established in 1994); Cogim, “Who We Are,” <http://www.cogim.it/ing/chisiamo.html>.

<sup>108</sup> Leopoldo Braghieri interview (29 March 2007); Cogim United Nations Global Marketplace User Profile (22 March 2006) (showing that Cogim was established in 1994); Yves Pintore interview (27 March 2006).

<sup>109</sup> ProcurePlus Database, Report on Cogim (19 March 2007).

<sup>110</sup> Heller Ehrman letter to the Task Force (22 March 2007) (identifying the law firm of Heller Ehrman LLP as Cogim’s legal counsel); Annarita Vassalli interview (23 February 2007).

<sup>111</sup> *Id.*

<sup>112</sup> Confidential source report (undated); Leopoldo Braghieri interview (29 March 2007); Annarita Vassalli interview (23 February 2007).

<sup>113</sup> Confidential source report (undated); Yves Pintore interview (30 March 2007).

<sup>114</sup> Vendor Review Committee Meeting Minutes no. VRC A16.06 (26 June 2006).

<sup>115</sup> Warren Sach letter to Giorgio Cattani (26 June 2006) (identifying Mr. Cattani as Cogim’s Field Sales Manager).

<sup>116</sup> Michele Masala facsimile to Dmitry Dovgopoly (30 June 2006); Michele Masala letter to Warren Sach (25 July 2006); Michele Masala facsimile to Dmitry Dovgopoly (7 July 2006); Michele Masala facsimile to Warren Sach (29 August 2006) (introducing the law firm of Heller Ehrman as Cogim’s legal counsel); Heller Ehrman letter to Paul Buades (18 January 2007).

2007, Cogim was informed that the Organisation would make a final decision concerning Cogim's status upon completion of the investigation concerning the company.<sup>117</sup>

## B. COGIM ARRANGEMENTS WITH ALEXANDER YAKOVLEV

59. The Task Force has established that in or about 1999, several years after Mr. Yakovlev's and Mr. Leopoldo Braghieri's successful arrangements with regard to Corimec, they resumed their discussions on how to benefit from the United Nations contracts.<sup>118</sup> According to Mr. Yakovlev, Mr. Leopoldo Braghieri asked him to "guide [Mr. Leopoldo Braghieri] in setting up strategies to allow him to win the bid and . . . stressed that my [Mr. Yakovlev's] help was essential to reach this goal and that he [Mr. Leopoldo Braghieri] wanted to have a long term cooperation with me [Mr. Yakovlev]."<sup>119</sup> Mr. Leopoldo Braghieri further added that if Mr. Yakovlev agreed to this, he would be "extremely satisfied."<sup>120</sup> Mr. Yakovlev and Mr. Leopoldo Braghieri reached an agreement that Mr. Yakovlev would assist Cogim in "preparation of their bid . . . from the standpoint [of] procedural, general and substantive compliance with the requirements of the bid to ensure that the company . . . could make it to the last stage of evaluation."<sup>121</sup> Mr. Yakovlev accepted the proposal and assisted Cogim in securing the contract.<sup>122</sup> According to Mr. Yakovlev, he offered some advice on how to increase Cogim's chances to obtain the contract.<sup>123</sup>

60. In the summer of 1999, with Mr. Yakovlev's assistance, Cogim was awarded contract PD/C0451/99 for prefabricated buildings.<sup>124</sup> Between August 1999 and December 1999, Cogim executed seven purchase orders under this contract for a total of US\$6,592,820.<sup>125</sup>

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<sup>117</sup> Paul Buades letter to Heller Ehrman (14 February 2007).

<sup>118</sup> Alexander Yakovlev deposition (23 March 2006); Alexander Yakovlev interview (16 and 17 August 2005); Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 132-133 (27 February 2007); Leopoldo Braghieri interview (29 March 2007).

<sup>119</sup> Alexander Yakovlev deposition (23 March 2006); Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 133 (27 February 2007). Mr. Braghieri's recollection differed from that of Mr. Yakovlev. According to Mr. Braghieri, Mr. Yakovlev contacted him asking for money in return for his help with the United Nations matters. Leopoldo Braghieri interview (29 March 2007). Mr. Yakovlev told Mr. Braghieri that he had done a lot for him to ensure that Cogim gets contracts, and in return he wanted 2 percent of the purchase order payments made to Cogim. Mr. Braghieri said he decided to pay the money to Mr. Yakovlev because at that time he was involved with a US\$28 million contract with the United Nations and thought there could be some problems if he did not pay. Leopoldo Braghieri interview (29 March 2007).

<sup>120</sup> Alexander Yakovlev deposition (23 March 2006); Alexander Yakovlev interview (16 and 17 August 2005).

<sup>121</sup> Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 133 (27 February 2007).

<sup>122</sup> Alexander Yakovlev deposition (23 March 2006); Alexander Yakovlev interview (16 and 17 August 2005).

<sup>123</sup> *Id.*

<sup>124</sup> Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 133 (27 February 2007); Procurement Service, "List of PO issued for Cogim SPA in the period of 1996 to 1999" (provided to the Task Force on 24 May 2007).

<sup>125</sup> *Id.*

61. After Cogim received its first purchase order, Mr. Leopoldo Braghieri telephoned Mr. Yakovlev and asked for his bank account information to send him the money.<sup>126</sup> Mr. Leopoldo Braghieri told Mr. Yakovlev that the money would come from his personal account and not that of Cogim.<sup>127</sup> Mr. Yakovlev sent his bank coordinates to Mr. Leopoldo Braghieri from his own home facsimile machine, providing bank account information for the recently-created bank account of Moxycyco with the Antigua Overseas Bank.<sup>128</sup> By that time, Moxycyco had been already established to accept payments from Volga-Dnepr, another vendor that had corrupt arrangements with Mr. Yakovlev and is addressed in a separate report issued by the Task Force.<sup>129</sup>

62. According to Mr. Yakovlev, after each transfer made by Mr. Leopoldo Braghieri, the latter would call him to confirm that the money was sent to Mr. Yakovlev's account.<sup>130</sup> Mr. Yakovlev and Mr. Leopoldo Braghieri agreed that all transfers from Mr. Leopoldo Braghieri would contain a reference to "your best friend" to make it easier to identify his payments.<sup>131</sup> Mr. Leopoldo Braghieri stated he began including these notations after discussing the payment procedure with Mr. Yakovlev.<sup>132</sup> Mr. Braghieri explained that, although he could not put "Braghieri" on the payment documents, he still needed an identifiable reference so Mr. Yakovlev would know these payments came from him.<sup>133</sup> Therefore, he was told by Mr. Yakovlev to use the "best friend" notation on each transfer.<sup>134</sup>

63. Mr. Leopoldo Braghieri admitted making several payments to Mr. Yakovlev totaling approximately US\$400,000 or US\$500,000.<sup>135</sup> Mr. Braghieri explained that his payments to Moxycyco were made from Mr. Braghieri's own personal bank accounts at Gesfid S.A. and BSI S.A., two Switzerland-based financial institutions, since he did not want Cogim to be directly involved in the transactions.<sup>136</sup> However, at the time Mr. Leopoldo Braghieri owned and controlled Cogim.<sup>137</sup>

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<sup>126</sup> Alexander Yakovlev deposition (23 March 2006).

<sup>127</sup> *Id.*

<sup>128</sup> *Id.*; Leopoldo Braghieri interview (29 March 2007).

<sup>129</sup> Alexander Yakovlev interview (16 and 17 August 2005); Interim Report on Alexander Yakovlev, pp. 15-17.

<sup>130</sup> Alexander Yakovlev deposition (23 March 2006).

<sup>131</sup> *Id.*; Leopoldo Braghieri interview (29 March 2007). See, e.g., Antigua Overseas Bank, Moxycyco account records, credit advice (3 August 2001).

<sup>132</sup> Leopoldo Braghieri interview (29 March 2007).

<sup>133</sup> *Id.*

<sup>134</sup> *Id.*

<sup>135</sup> *Id.*

<sup>136</sup> *Id.*; Confidential source report (undated); BSI SI, "BSI Group," <http://www.ch.bsibank.com>; Banca Del Gottardo, "Company History," [http://www.gottardo.com/PUBLIC/publisher/main/en/about/7\\_about.html](http://www.gottardo.com/PUBLIC/publisher/main/en/about/7_about.html) (indicating Banca Del Gottardo's ownership of Gesfid S.A. since 1998).

<sup>137</sup> Leopoldo Braghieri interview (29 March 2007). Mr. Braghieri refused to provide his bank records to the Task Force. Leopoldo Braghieri interview (29 March 2007).

64. Mr. Yakovlev admitted that he received a total of over \$250,000 from Mr. Leopoldo Braghieri in several transfers.<sup>138</sup> However, the Task Force confirmed through the bank records that Mr. Yakovlev received at least eight payments totaling over US\$390,000 from Mr. Braghieri in the period of February 2000 to December 2003.<sup>139</sup>

Table A: Cogim-related payments to Moxycoco

Date of transfer	Recipient	Amount	Sender
17-Feb-00	Moxycoco	\$ 39,985	Leopoldo Braghieri
30-Aug-00	Moxycoco	39,994	Leopoldo Braghieri
01-Dec-00	Moxycoco	39,960	Leopoldo Braghieri
01-Dec-00	Moxycoco	39,960	Leopoldo Braghieri
09-Jan-01	Moxycoco	39,980	Leopoldo Braghieri
03-Aug-01	Moxycoco	40,000	Leopoldo Braghieri
14-Jan-03	Moxycoco	100,000	Gesfid S.A. (for Leopoldo Braghieri)
01-Dec-03	Moxycoco	50,931	Gesfid S.A. (for Leopoldo Braghieri)
<b>Total</b>		<b>\$ 390,810</b>	

65. Chart C below summarizes the payments generated by the scheme in relation to Cogim.

Chart C: Cogim-related payments to Moxycoco



66. Information received by the Task Force from a confidential source shows that the amount of Mr. Leopoldo Braghieri’s payments to Mr. Yakovlev could have been as high as US\$720,000.<sup>140</sup> It should be further noted that the amount of actual payments related to Cogim could even exceed US\$720,000, as Moxycoco and Nikal received substantial additional sums of money from sources that cannot be identified from the bank records currently available to the Task Force. (See Chart A.)

## C. COMPANY RESPONSE TO THE TASK FORCE

67. On 22 March 2007, Cogim’s legal counsel provided Cogim’s response to the allegations against the company. Cogim’s response is attached as Annex A to this Report. Cogim denied any knowledge of or involvement in the payments, stating that

<sup>138</sup> Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 134 (27 February 2007); Alexander Yakovlev deposition (23 March 2006).

<sup>139</sup> Antigua Overseas Bank, Moxycoco account records (February 2000 to December 2003).

<sup>140</sup> Confidential source report (23 April 2007).



Cogim's records contain no information concerning any payments to Moxycoco or Mr. Yakovlev.<sup>141</sup>

With reference to the letter dated March 8, 2007, Cogim responds as follows:

- 1) There exists no documentation of any agreements between Cogim and any of Moxycoco, Mr. Alexander Yakovlev or Mr. Yves Pintore. Moxycoco does not appear in the records of Cogim. Mr. Yakovlev is known as one of officers of the UN Procurement Service and the only documentation in Cogim's records which bears his name is official tenders submitted to the UN;
- 2) An examination of Cogim's files has revealed no report of invoices sent to Cogim by any of Moxycoco, Mr. Yakovlev or Mr. Pintore;
- 3) Similarly, an examination of Cogim's files has revealed no payment made by Cogim to Moxycoco, Mr. Yakovlev or Mr. Pintore;

**Figure: Heller Ehrman letter to the Task Force (22 March 2007)**


68. However, Cogim did not produce any records to the Task Force and did not make any officials available for interviews.

69. Furthermore, when approached by the Task Force, Cogim attempted to distance the current owner and president of the company from the events in question.<sup>142</sup> However, Mr. Filippo Braghieri, the current manager and owner of Cogim, was involved with the company's operations since at least 1997.<sup>143</sup> Mr. Yakovlev confirmed meeting with Mr. Filippo Braghieri at least twice and asserted that Mr. Filippo Braghieri was aware of Cogim's illegal arrangements with Mr. Yakovlev as early as 2000.<sup>144</sup>

I would like to underline that I have met Leopoldo's son, Filippo, on two occasions. In about 2000 Filippo indicated he was aware of the business relationship, referenced above, between his father and I. In the same meeting, Filippo advised me that his father had retired from the business completely and that all future correspondence and contacts should be made with Filippo.

...

The person under investigation



**Figure: Alexander Yakovlev deposition (23 March 2006) (signed by Mr. Yakovlev)**

<sup>141</sup> Heller Ehrman letter to the Task Force (22 March 2007).

<sup>142</sup> Leopoldo Braghieri interview (29 March 2007) (stating that until 2002, Mr. Filippo Braghieri was a "figure head" with no real authority and was not aware of Mr. Braghieri's relationship with Mr. Yakovlev); Heller Ehrman letter to the Task Force (22 March 2007).

<sup>143</sup> Yves Pintore interviews (27 and 30 March 2007) (stating that Mr. Filippo Braghieri was essentially "number 2" in the company); Alexander Yakovlev deposition, p. 5 (23 March 2006).

<sup>144</sup> Alexander Yakovlev deposition, p. 5 (23 March 2006).

70. Despite numerous requests, Mr. Filippo Braghieri did not make himself available for an interview with the Task Force.<sup>145</sup>

71. The Task Force has confirmed Mr. Leopoldo Braghieri's and Mr. Yakovlev's inappropriate arrangements to benefit Cogim through a number of independent sources, including bank records and interviews with the individuals directly involved in the payment scheme. Furthermore, the evidence obtained by the Task Force shows that Mr. Filippo Braghieri, the current owner of the company, was aware of the transactions discussed herein and knew of Mr. Yakovlev's assistance provided to the company.

72. On 25 April 2007, the Task Force provided Cogim with a formal adverse finding letter, informing the company that as a result of the Task Force's investigation, it was found to be in violation of the United Nations regulations and rules. (See Annex B.) The company was further informed that between February 2000 and December 2003, a total of at least US\$390,000 was paid to Moxycyco by Mr. Leopoldo Braghieri, the then owner of the company, in exchange for assistance provided by Mr. Yakovlev to Cogim in securing its United Nations contracts.<sup>146</sup>

73. Cogim has not furnished any further information to the Task Force in response to the Task Force's adverse finding letter.

## **IX. DUE PROCESS**

### **A. CORIMEC ITALIANA S.P.A.**

74. During the course of the Task Force's investigation, Corimec was made fully aware of the allegations, namely inappropriate relationship with and payments to Mr. Yakovlev in relation to Corimec's United Nations contract.<sup>147</sup> These matters were discussed with Corimec representatives on numerous occasions and the Task Force has provided Corimec with the information available to it concerning the allegations, including a copy of Mr. Yakovlev's testimony at the recent trial of Mr. Kuznetsov, discussing payments to Mr. Yakovlev in relation to Corimec. Further, the company was provided ample opportunity to present its own evidence for consideration by the Task Force.

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<sup>145</sup> The Task Force letter to Filippo Braghieri (25 April 2007); The Task Force notes-to-file (3 and 16 April 2007); The Task Force email to Heller Ehrman (12 March 2007); The Task Force letter to Heller Ehrman (8 March 2007).

<sup>146</sup> The Task Force letter to Filippo Braghieri (25 April 2007). The Task Force's adverse finding letter referred to over US\$720,000 in payments to Moxycyco. *Id.* This data was based on confidential information obtained by the Task Force from a reliable source. Confidential source report (23 April 2007). However, in preparation of this Report the Task Force has relied on the actual bank records, and not all payments related to Mr. Leopoldo Braghieri can be unambiguously identified directly from the available bank documents. Thus, the Task Force cites the amount of US\$390,000, which is based on the available bank statements and credit advices for Moxycyco's bank account. Antigua Overseas Bank, Moxycyco account records (February 2000 to December 2003).

<sup>147</sup> The Task Force emails to Annarita Vassalli (21 and 23 February; 8 March; 3 and 10 April 2007); The Task Force facsimile to Annarita Vassalli (21 February 2007); The Task Force letters to Annarita Vassalli (21 and 23 February 2007).

75. Corimec provided substantial cooperation to the Task Force, producing hard-copy and electronic records for the Task Force's review and making its officials available for numerous interviews.

## **B. COGIM S.P.A.**

76. During the course of the Task Force's investigation, Cogim was made fully aware of the allegations and provided with copies of bank records for payments made to Mr. Yakovlev in connection with Cogim's contracts.<sup>148</sup> Cogim was also afforded ample opportunity to produce documents and relevant information to the Task Force. Throughout its investigation, the Task Force coordinated its communications with the company and its officials through Cogim's legal counsel, Heller Ehrman LLP.

77. The Task Force notes that Cogim did not provide meaningful cooperation to the Task Force, did not produce any records, and did not make any officials available for interviews.

# **X. FINDINGS**

## **A. CORIMEC ITALIANA S.P.A.**

78. The Task Force finds that sometime in or about 1993, Mr. Alexander Yakovlev, then a United Nations Procurement Service official, received corrupt and illegal sums of money from Mr. Leopoldo Braghieri, the then senior manager of Corimec Italiana S.p.A., a United Nations vendor, in exchange for Mr. Yakovlev's assistance in securing a contract with the Organisation for the supply of bungalows for Somalia. At the time, Corimec was registered as a United Nations vendor, and thereby bound by the Organisation's rules. These payments were made to improperly and unlawfully influence the procurement processes and official business of the United Nations, and in exchange for his assistance in securing contracts for the company. The conduct Mr. Braghieri and Mr. Pintore on behalf of Corimec, as discussed in this Report, was corrupt and unlawful, and severely compromised the integrity of the procurement exercise in which these companies participated. Further, the conduct described in this Report served to undermine the reputation of the United Nations and its staff members.

79. The conduct set forth in the preceding paragraph was in violation of criminal laws of the host country, as well as the United Nations regulations and rules, including procurement and financial rules. By orchestrating a scheme to obtain valuable United Nations contracts through fraudulent and corrupt means, including payments to a public official to influence the operations of an international organisation, Mr. Leopoldo Braghieri and Mr. Yves Pintore, and possibly others acting on behalf of Corimec, committed criminal acts. Corimec violated, and caused to be violated, United Nations

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<sup>148</sup> The Task Force letter to Filippo Braghieri (25 April 2007); The Task Force notes-to-file (3 and 16 April 2007); The Task Force email to Heller Ehrman (12 March 2007); The Task Force letter to Heller Ehrman (8 March 2007).

procurement rules, procedures, and contractual provisions, which prohibit the United Nations vendors from engaging in corrupt practices during the procurement process.

80. The conduct of Corimec, acting through Mr. Leopoldo Braghieri and Mr. Pintore, caused financial loss to the Organisation. The funds corruptly provided to Mr. Yakovlev were directly attributable to Corimec's profits from the United Nations, and directly derived from the payments made by the Organisation to Corimec. Furthermore, the conduct of Mr. Leopoldo Braghieri and Mr. Pintore caused substantial damage to the Organisation's reputation.

81. The Task Force has not identified evidence that Corimec's current management and current owner were aware or involved in the payment scheme to benefit Mr. Yakovlev. Neither the current management nor the current owner of the company were actively involved in the operations of Corimec at that time. Mr. Leopoldo Braghieri left the company in or about October 1996.

82. The Task Force notes that Corimec provided substantive cooperation to the Task Force's investigation, including access to its principals and managers and the production of documents, in accordance with the company's obligations as a United Nations vendor.

## **B. COGIM S.P.A.**

83. The Task Force finds that, in the period of approximately February 2000 to December 2003, Mr. Leopoldo Braghieri, the then owner of Cogim S.p.A., corruptly provided over US\$390,000 to Mr. Yakovlev in exchange for Mr. Yakovlev's assistance in securing Cogim's contracts with the United Nations. At the time, Cogim was registered as a United Nations vendor, and thereby bound by the Organisation's rules. These payments were made to improperly and unlawfully influence the procurement processes and official business of the United Nations and were made in exchange for his assistance in securing Cogim's contracts. The company's conduct, discussed in this Report, was corrupt and unlawful, and severely compromised the integrity of the procurement exercise in which these companies participated. Further, the conduct described in this Report served to undermine the reputation of the United Nations and its staff members.

84. The conduct set forth in the preceding paragraph was in violation of criminal law, as well as the United Nations regulations and rules, including procurement and financial rules. By orchestrating a scheme to obtain valuable United Nations contracts through fraudulent and corrupt means, including payments to a public official to influence the operations of an international organisation, Corimec, Mr. Leopoldo Braghieri, Mr. Filippo Braghieri, and possibly other company officials and representatives, committed criminal acts. Cogim violated, and caused to be violated, United Nations procurement rules, procedures, and contractual provisions, which prohibit the United Nations vendors from engaging in corrupt practices during the procurement process.

85. The conduct of Cogim, Mr. Leopoldo Braghieri, Mr. Filippo Braghieri, and possibly other company officials, caused financial loss to the Organisation. The funds corruptly provided to Mr. Yakovlev were directly attributable to Cogim's profits from the

fraudulently obtained United Nations contracts, and directly derived from the payments made by the Organisation to Cogim. Furthermore, the conduct of Cogim caused substantial damage to the Organisation's reputation.

86. The Task Force further finds that the current owner of Cogim, Mr. Filippo Braghieri (Mr. Leopoldo Braghieri's son), was involved with Cogim since at least 1997 and was aware of the illegal arrangements with and payments to Mr. Yakovlev.

87. The Task Force notes that Cogim did not cooperate with the Task Force in the course of its investigation and did not provide any relevant records or access to Mr. Filippo Braghieri, the company's owner.

## **XI. CONCLUSIONS**

88. The Task Force concludes that Cogim S.p.A., Mr. Leopoldo Braghieri, Mr. Yves Pintore, and possibly other employees, officials, and representatives of Cogim, engaged in criminal acts, including bribery, corruption, and money laundering. The Task Force concludes that Cogim violated the following provisions of the United Nations procurement rules:

(i) Sections 4.3(2)(a) and 4.3(2)(c) of the 2006 Procurement Manual and corresponding provisions in earlier editions of the Procurement Manual, which provide that vendors should not engage in bribery and fraud;

(ii) Section 4.3(3)(c) of the 2006 Procurement Manual and corresponding provisions in earlier editions of the Procurement Manual), which state that vendors should not engage in "unethical or unprofessional conduct, including corrupt practices and submission of false information";

(iii) Article 2.0 of the United Nations General Conditions of Contract, which states that vendors "shall refrain from any action that may adversely affect the United Nations and shall fulfill . . . [their] commitments with the fullest regard to the interests of the United Nations"; and

(iv) Article 6.0 of the United Nations General Conditions of Contract, which states that "[t]he Contractor warrants that no official of the United Nations has received or will be offered by the Contractor any direct or indirect benefit arising from this Contract or the award thereof. The Contractor agrees that breach of this provision is a breach of an essential term of this Contract."

89. The Task Force concludes that Cogim, Mr. Leopoldo Braghieri, and Mr. Yves Pintore caused violations of Staff Regulations 1.2(b), 1.2(e), 1.2(f), 1.2(g), 1.2(i), and 1.2(l), as well as Sections 4.1.5(4)(a), 4.2(1), and 4.2(2) of the 2006 Procurement Manual (and corresponding provisions in earlier editions of the Procurement Manual), which state that procurement officers should act in the best interests of the Organisation and should not use their office for private gain. The Task Force further concludes that Cogim, Mr. Leopoldo Braghieri, and Mr. Yves Pintore caused violations of Financial Regulation 5.12 and Financial Rule 105.14, which state that the United Nations procurement is guided by

the principles of best value for money, fairness, effective competition, and by the interests of the United Nations.

90. The Task Force concludes that Corimec Italiana S.p.A., under the control of Mr. Leopoldo Braghieri and with the assistance of Mr. Yves Pintore, engaged in criminal acts, including bribery and corruption, and violated Section 5.004 of the Purchase and Transportation Service Manual of Procedures of 1985, applicable at the time. The Task Force further concludes that Corimec, through the conduct of Mr. Leopoldo Braghieri and Mr. Yves Pintore, caused violations of Staff Regulations 1.1, 1.3, 1.4, 1.5, and 1.6, applicable in 1993, which required the United Nations staff members to act in the best interests of the Organisation and not to use their office for private gain.

91. The Task Force has not identified evidence to show that the current owner and senior management of Corimec were aware of, or involved in, the corrupt payments to Mr. Yakovlev at the time. Both Mr. Leopoldo Braghieri and Mr. Pintore are no longer associated with Corimec.

## **XII. RECOMMENDATIONS**

### **A. RECOMMENDATION PTF-R008/07/1**

92. The Task Force recommends that the Procurement Service take all necessary steps to permanently remove Cogim S.p.A. from the vendor registration list in accordance with the United Nations procurement rules, and that this company, in any form and in any capacity, be banned from United Nations business, either directly or indirectly, including as an affiliate of any other vendor. The Task Force further recommends that the Organisation should not conduct any business with any joint ventures that this company participates in.

93. The Task Force further recommends that the entities and individuals involved in Cogim S.p.A.'s arrangements with Mr. Alexander Yakovlev—including Mr. Leopoldo Braghieri and Mr. Filippo Braghieri—be banned from conducting any business with the Organisation.

### **B. RECOMMENDATION PTF-R008/07/2**

94. The Task Force recommends that the Procurement Service consider reinstating Corimec Italiana S.p.A. as a United Nations vendor, provided that the company's reinstatement be conditioned upon Casti S.p.A. (Corimec's parent company) and Corimec's instituting a new ethics and anti-corruption compliance programme approved by, and acceptable to, the United Nations. Any such program must be subject to monitoring by the United Nations, and the company must agree to inspections and investigations irrespective of whether an allegation has been made. The company must agree to such terms in writing, in advance of any reinstatement. Further, any such compliance program must include anti-corruption and ethics training for all staff, employees, representatives, and agents of the company, as well as all associated companies.

95. The Task Force further recommends that Mr. Yves Pintore, as a close associate of Mr. Leopoldo Braghieri and Mr. Alexander Yakovlev in their fraudulent scheme to benefit Corimec, be banned from conducting any business with the Organisation.

### **C. RECOMMENDATION PTF-R008/07/3**

96. The Task Force further recommends that the Secretary-General request the Office of Legal Affairs to make appropriate referrals for criminal prosecution with regard to Cogim S.p.A. and company officials identified in this Report.

### **D. RECOMMENDATION PTF-R008/07/4**

97. The Task Force recommends that the Secretary-General request the Office of Legal Affairs to continue its efforts to recoup the proceeds of Mr. Yakovlev's unlawful schemes, including asserting claims against the funds held at various financial institutions for the benefit of Mr. Yakovlev, and asserting a claim with the United States District Court, Southern District of New York. Further, the Task Force recommends that the United Nations seek recovery of the proceeds of Mr. Yakovlev's illegal schemes under the common principles of criminal and civil liability, as well as under the United Nations rules and regulations, including Staff Rule 112.3, which states that "[a]ny staff member may be required to reimburse the United Nations either partially or in full for any financial loss suffered by the United Nations as a result of the staff member's negligence or of his or her having violated any regulation, rule or administrative instruction."

### **E. RECOMMENDATION PTF-R008/07/5**

98. The Task Force strongly recommends that the Secretary-General direct the Office of Legal Affairs and the Procurement Service to amend and revise the United Nations General Conditions of Contract and vendor registration forms to require, as a condition of doing business with the Organisation, that vendors, their subsidiaries, agents, intermediaries, and principals cooperate with OIOS in its investigations. Such cooperation shall include, but not be limited to, access to all employees, representatives, agents, and assignees of the vendor, as well as production of all documents requested, including financial records. Failure to fully cooperate with investigations must be sufficient grounds allowing the Organisation to repudiate and terminate the contract and debar and remove the vendor from the Organisation's list of registered vendors. Further, notice to this effect should be included in the Procurement Manual and provided to prospective vendors through the Procurement Service's website and solicitation documents.

## ANNEX A: HELLER EHRMAN LETTER TO THE TASK FORCE (22 MARCH 2007)

HellerEhrman<sup>LLP</sup>

March 22, 2007

*By Messenger*

Paul Downs  
paul.downs@hellerehrman.com  
Direct (212) 847-8767  
Main +1.212.832.8300  
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43638.0001

Mr. Robert Appleton  
Acting Chairman  
Procurement Task Force  
Office of Internal Oversight Services  
United Nations  
825 Third Avenue, 16<sup>th</sup> Floor  
New York, NY 10022

**Re: Cogim S.p.A (UN Vendor ID No. 12602)**

Dear Mr. Appleton:

I refer to your letter to me of March 8, 2007 and to the email to me from Mr. Aleksandr Shapovalov of March 12, 2007 following my telephone conversation with Mr. Shapovalov earlier that day.

Our client, Cogim S.p.A. ("Cogim"), remains eager to cooperate with your investigation and has authorized us to respond as follows:

You have requested materials relating to certain individuals as they had relationships with Cogim. The responses below are numbered to correspond to the requests in your March 8 letter.

As I mentioned to Mr. Shapovalov in our telephone conversation on March 12, 2007, the appearance of several names in particular strikes Cogim as very odd. Cogim has never had any kind of relationship with IHC nor with Mr. Ezio Testa of IHC. In fact, so far as Cogim is aware, Mr. Testa is the agent of Corimec SpA with an address at Strada Statale Fossadello di Caorso, 10, 29012 Caorso (PC), Italy; tel. +39.0523.810.410, fax +39.0523.821.345. Cogim is aware of this information because Corimec SpA is an Italian competitor of Cogim which competes, in fact, for UN contracts. To Cogim's understanding, Corimec SpA, has received UN contracts during the period from 1999 to 2006, in an aggregate amount of approximately US\$ 60,000,000. Similarly, Cogim has never had any relationship with Mr. Yves Pintore, a former agent of Corimec SpA during approximately the period of 1990 - 1996, during which period Corimec SpA received UN contracts for approximately US\$ 80,000,000. Cogim is also aware that during that same period Mr. Pintore also acted as agent for a number of other French and Italian manufacturers.

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Anchorage Beijing Hong Kong Los Angeles Madison, WI **New York** San Diego San Francisco Seattle  
Silicon Valley Singapore Washington, D.C.



HellerEhrman LLP

Mr. Robert Appleton  
March 22, 2007  
Page 2

With reference to the letter dated March 8, 2007, Cogim responds as follows:

- 1) There exists no documentation of any agreements between Cogim and any of Moxycoco, Mr. Alexander Yakovlev or Mr. Yves Pintore. Moxycoco does not appear in the records of Cogim. Mr. Yakovlev is known as one of officers of the UN Procurement Service and the only documentation in Cogim's records which bears his name is official tenders submitted to the UN;
- 2) An examination of Cogim's files has revealed no report of invoices sent to Cogim by any of Moxycoco, Mr. Yakovlev or Mr. Pintore;
- 3) Similarly, an examination of Cogim's files has revealed no payment made by Cogim to Moxycoco, Mr. Yakovlev or Mr. Pintore;
- 4) An examination of the Cogim's files has revealed no copies of the requested correspondence;
- 5) As answered above, no responsive document is present in Cogim's records;
- 6) Cogim was established in 1997; there are no records before that date. Mr. Filippo Braghieri became President and owner of Cogim in 2005 (attached hereto are copies of extracts from the Italian company registry showing, as of the dates thereof, ownership of Cogim and FB Holding Srl, its corporate shareholder, and the composition of the board of directors of Cogim);
- 7) Messrs. Leopoldo and Domenico Braghieri can be contacted at the following telephone number +39.335.6118045. As mentioned to Mr. Shapovalov during our telephone conversation, Messrs. Leopoldo and Domenico Braghieri are not in the employ of Cogim and Cogim is unable to compel their attendance at a meeting with the Task Force.

As mentioned in my telephone conversation with Mr. Shapovalov, Mr. Filippo Braghieri is willing to meet with your investigator in New York at a mutually convenient time soon (although it is unlikely that he will be available on the precise dates you proposed). At, or before that meeting, we will also furnish to you relevant documentation regarding the legal action against Mr. Leopoldo Braghieri instituted by Cogim and Mr. Filippo Braghieri.

Very truly yours,

  
Paul D. Downs

Attachments

## ANNEX B: THE TASK FORCE LETTER TO FILIPPO BRAGHIERI (25 APRIL 2007)

UNITED NATIONS  NATIONS UNIES

POSTAL ADDRESS—ADRESSE POSTALE UNITED NATIONS, N.Y. 10017  
CABLE ADDRESS—ADRESSE TELEGRAPHIQUE UNATIONS NEWYORK

25 April 2007  
VIA EMAIL

REFERENCE:

Dear Mr. Filippo Braghieri,

Please be advised that the Procurement Task Force ("the Task Force") of the Office of Internal Oversight Services ("OIOS") of the United Nations is in the process of completing its investigation concerning Cogim S.p.A. ("Cogim") and issuing its final report to the Organisation. As you are aware, Cogim is a subject of the investigation.

This is to provide you with notice of the intention of the Task Force, consistent with its mandate, to report to the Organization formally upon this matter and to allow you an opportunity to provide any comments or response to the proposed final findings, and offer any information and evidence you deem appropriate and relevant, and believe the Task Force should consider. The Task Force will evaluate your comments, and consider your evidence before it reaches firm conclusions, and before it reports, provided that such you submit such relevant information to the Task Force in a timely manner.

The Task Force had several discussions and exchanges with your company and its representative Mr. Paul Downs. On 14 February 2007 and 8 and 12 March 2007, the Task Force provided you with information and the bank transfers summary sheets substantiating the allegations against Cogim. Furthermore, you were given an opportunity to present you own information, documents, and any other evidence that you consider relevant. Your company has provided a written response to the Task Force's questions and document request on 22 March 2007. Your statements and comments have been taken into consideration by the Task Force.

Regrettably, as of now Cogim has not provided the Task Force with any relevant documents concerning the matters under examination. Notably, the Task Force has not been provided with an opportunity to conduct an interview with you.

A summary of the proposed draft findings in the Task Force's final report is provided below:

*Between February 2000 and December 2003, a total of over US\$720,000 was paid by Mr. Leopoldo Braghieri, the then-owner of Cogim, on behalf of his company to Moxycoco*

**OIOS PROCUREMENT TASK FORCE**  
**REPORT ON COGIM AND CORIMEC**  
**REDACTED AND STRICTLY CONFIDENTIAL**



*Ltd. ("Moxycoco"). Moxycoco was created by a former United Nations official to conceal his illegal arrangements with a number of United Nations vendors. These payments were made in exchange for assistance provided to Cogim in securing its United Nations contracts. These payments were made in direct violation of the United Nations rules and regulations.*

Please provide any response, and any information you would like the Task Force to consider by 7 May 2007. If you have any questions, or would like to review the documents gathered during the investigation upon which the Task Force will rely in this case, please contact Task Force Investigator Aleksandr Shapovalov, at shapovalov@un.org or +1 (917) 367-3210 to make the necessary arrangements.

Yours sincerely,

Robert Appleton  
Chairman  
Procurement Task Force  
Office of Internal Oversight Services

Mr. Filippo Braghieri  
c/o Mr. Paul D. Downs  
Heller Ehrman LLP  
Times Square Tower  
7 Times Square  
New York, NY 10036