

**United Nations Development Programme**  
Office of Audit and Investigation (OAI)



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## **CONFIDENTIAL**

### **OAI investigation into LOTFA - Update for Donors - October 2012**

This interim update on the OAI investigation into irregularities in the LOTFA project is provided following briefings to donors on 10 and 11 October, 2012. The paper incorporates points made by OAI and takes account of comments from donors.

#### Background

OAI commenced an assessment of allegations relating to the LOTFA project in December 2011 and has been investigating these allegations since March 2012. The information initially provided was limited and quite general. OAI's investigators undertook confidential inquiries with a view to determining the scope of alleged irregularities and whether the initial reports were credible.

#### First investigation mission

In March 2012, based on additional information received, OAI determined that a full investigation was necessary. An investigation mission was conducted over the period 16 May to 12 June 2012 in Kabul. 4 investigators participated in this mission. OAI investigators secured relevant evidence, interviewed witnesses, conducted vendor verification visits and reviewed a large number of procurement files. The focus of this investigation work was on Phase VI of LOTFA (January 2011 – present) because the preliminary information related to alleged irregularities during this period.

On the basis of evidence gathered by OAI, the following action was taken by UNDP:

- The Country Office immediately terminated the contracts of three personnel on service contracts; and
- Two senior staff members in Afghanistan were placed on administrative leave, pending the outcome of the investigation.

#### Second investigation mission

OAI deployed a team of investigators for a second mission to Afghanistan on 7 September 2012 to conduct follow-up inquiries. The primary objective of this mission, which concluded on 10 October 2012, was to complete investigation inquiries on LOTFA.

The investigation work on this mission was undertaken by 5 OAI investigators. The 'on the ground' investigation work relating to LOTFA Phases I-VI is now complete.

The investigation has included: interviews with almost 80 witnesses; approximately 35 separate meetings with UNDP Country Office senior management and project personnel; the review of procurement committee and evaluation minutes, project documentation, personnel files, audit reports and UNDP financial records (Atlas); the review of approximately 1,500 procurement files; the scanning of documents relating to irregular procurement (invoices, receipts, contracts, payment vouchers, etc.); verification of certain training courses & DSA payments; field work associated with



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vendor verification visits; an extensive review of emails and data obtained from seized computers; and a review and analysis of financial expenditures for all Phases (I to VI).

Although the focus of the current investigation mission has been to finalise inquiries relating to the alleged irregularities in LOTFA, OAI has also undertaken investigations into other projects to determine whether similar problems exist in those projects. Some of these inquiries have been initiated on the basis of information from witnesses spoken to during the LOTFA investigation. In the case of one project, UNDP's Regional Bureau for Asia and the Pacific requested OAI to proactively review files and conduct interviews. OAI is also investigating an allegation that one of the current subjects may have inflated some reporting statistics relating to the number of Afghanistan Police. It is not known at this stage whether the allegation is factually based or not. OAI is advised that the statistical manipulation does not have a financial implication, but as part of the process of establishing the facts OAI will be investigating this along with other possibilities (for example, that the subject was attempting to show higher results than actual). At this time it is too early to provide additional details on these inquiries. Investigators are in the process of narrowing down the areas requiring further investigation.

#### The extent of irregularities

Investigations have identified the start of irregularities in LOTFA as being late in Phase III (2005). However, the level of irregularities in Phases III and IV appear to have affected only a small proportion of procurement during those phases. Approximately 90% of the irregularities identified were in Phases V and VI. Examples include: (i) vendors associated with, or colluding with, former contract personnel working in LOTFA; (ii) collusion between vendors; and (iii) bid-rigging (ensuring that certain vendors would win or using fake bids from non-existent companies).

At this stage, we are not able to provide reliable figures on the amount of the loss. Analysis conducted by the investigators so far indicates that over-pricing is likely to have been in the order of 10-20% on contracts valued at a total of \$7m to \$8m (i.e. a 'ball park' figure for the loss, on the basis of estimates that can be made at this stage, is \$0.7m to \$1.6m).

#### Follow-up action

The field-based investigation stage has now been completed for all phases of LOTFA. While we now have quite a good understanding of the nature and extent of irregularities in LOTFA, significant work remains to be done after the return of the investigation team. This involves compiling all evidence for vendor sanctions, disciplinary procedures and/or other action as appropriate. OAI has been reviewing thousands of documents and literally millions of pieces of IT data. Tasks remaining include the finalization of all witness statements, finalization and transcribing of subject interviews, analysis of complex financial information, and writing reports, incorporating this evidence, for appropriate action.



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Vendor sanctions action has already been initiated in respect to a number of companies, and evidence is being compiled on other companies identified in collusive or corrupt practices.

The 'lessons learned' from this investigation will be provided, at the end of the investigation, to senior management in the Bureau and Country Office for remedial action as appropriate. This may include recommendations for additional training, monitoring, and changes to policy or enforcement of existing policies.

Although follow-up action will continue beyond the end of 2012, OAI aims at providing donors with a summary report on the LOTFA investigation results by mid-December 2012.