



United Nations

Nations Unies

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

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

**INTERIM REPORT ON MATTERS
CONCERNING FORMER UNITED
NATIONS STAFF MEMBER
MR. ALEXANDER YAKOVLEV
AND ASSOCIATED VENDORS**

Report no. PTF-R002/07

**Case nos. PTF/007/06; PTF/022/06; PTF/001/07;
PTF/003/07; PTF/004/07; PTF/019/07**

STRICTLY CONFIDENTIAL

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

2 May 2007

INTERIM REPORT ON ALEXANDER YAKOVLEV
REDACTED AND STRICTLY CONFIDENTIAL

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	APPLICABLE UNITED NATIONS STAFF REGULATIONS AND RULES	2
III.	RELEVANT CONCEPTS OF CRIMINAL LAW.....	5
IV.	METHODOLOGY	5
V.	OVERVIEW OF ALEXANDER YAKOVLEV SCHEME AND PAYMENTS	7
	A. ALEXANDER YAKOVLEV ROLE AS A PROCUREMENT OFFICER.....	7
	B. OVERVIEW OF ALEXANDER YAKOVLEV SCHEME AND FINANCIAL ARRANGEMENTS.....	8
	1. <i>Alexander Yakovlev Financial Motives.....</i>	<i>11</i>
	2. <i>Alexander Yakovlev Corrupt Efforts</i>	<i>12</i>
	C. BANK ACCOUNTS ASSOCIATED WITH ALEXANDER YAKOVLEV.....	14
	1. <i>Moxycu Antigua Overseas Bank Account</i>	<i>15</i>
	a. <i>Ekati Trading Account at Hellenic Bank Ltd.....</i>	<i>16</i>
	2. <i>Liechtensteinische Landesbank Bank Accounts</i>	<i>18</i>
	3. <i>HYPOSWISS Privatbank AG Account.....</i>	<i>18</i>
	4. <i>Bank Austria Creditanstalt Account.....</i>	<i>18</i>
	5. <i>Alexander and Olga Yakovlev UNFCU and Citibank Accounts</i>	<i>19</i>
	6. <i>Olga Yakovlev European Trust Bank Account.....</i>	<i>19</i>
	D. VLADIMIR KUZNETSOV ROLE	20
	1. <i>Nikal Antigua Overseas Bank Account</i>	<i>21</i>
	2. <i>Vladimir and Olga Kuznetsov UNFCU and Chase Manhattan Bank Accounts.....</i>	<i>22</i>
VI.	RESTITUTION.....	23
VII.	FINDINGS.....	23
VIII.	CONCLUSIONS.....	24
IX.	RECOMMENDATIONS.....	25
	A. RECOMMENDATION PTF-R002/07/01	25
	B. RECOMMENDATION PTF-R002/07/02	25
	C. RECOMMENDATION PTF-R002/07/03	26

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.¹ The remit of the Task Force is to investigate all procurement cases, including all matters involving procurement bidding exercises, procurement staff and vendors doing business with the United Nations (“the United Nations” or “the Organisation”).² The Task Force 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. This Interim Report focuses on the financial assets obtained by Mr. Yakovlev derived through his unlawful pursuits and a fraudulent scheme executed with various vendors and vendor intermediaries doing business with the Organisation. The Report also focuses upon entities and individuals which participated with him in his unlawful activities to the detriment of the Organisation, and who paid him sums of money in connection with his position as a United Nations Procurement Officer. This Interim Report sets forth relevant information and evidence which the Task Force recommends be considered by the Organisation in its pursuit to recover the illegal proceeds of Mr. Yakovlev’s illicit activities.

4. The Task Force’s investigation of the matters related to Mr. Yakovlev, including his arrangements with the United Nations vendors, is on-going. The Task Force will issue a Final Report on the matters concerning Mr. Yakovlev, which will identify the United Nations vendors, vendor representatives, consultants, and intermediaries with whom Mr. Yakovlev engaged in corrupt activities in connection with his position with the Organisation, and against whom the Organisation should take action as a result of their participation in the illegal activities set forth herein. The Final Report will also contain a complete examination and review of Mr. Yakovlev’s arrangements with the United Nations vendors and a final assessment of Mr. Yakovlev’s financial assets accumulated as a result of his illegal activities.

¹ Terms of Reference of the Procurement Task Force (12 January 2006).

² *Id.*

II. APPLICABLE UNITED NATIONS STAFF REGULATIONS AND RULES

5. The following provisions of the **Staff Regulations of the United Nations** (“the Staff Regulations”) are relevant:³

(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.”⁴

(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.”⁵

(iii) **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.”⁶

(iv) **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 public, except as appropriate in the normal course of their duties or by authorization of the Secretary-General.”⁷

(v) **Regulation 1.2(l)**: “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.”⁸

6. 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

³ ST/SGB/2006/4 (1 January 2006) (containing revised edition of the Staff Regulations). Throughout this Report, references to earlier editions of the Staff Regulations will be made where applicable.

⁴ ST/SGB/2006/4, reg. 1.2(b) (1 January 2006). This is a long-standing provision of the Staff Regulations. See, e.g., ST/SGB/1999/5, reg. 1.2(b) (3 June 1999).

⁵ ST/SGB/2006/4, reg. 1.2(e) (1 January 2006). This is a long-standing provision of the Staff Regulations. See, e.g., ST/SGB/1999/5, reg. 1.2(e) (3 June 1999).

⁶ ST/SGB/2006/4, reg. 1.2(g) (1 January 2006). This is a long-standing provision of the Staff Regulations. See, e.g., ST/SGB/1999/5, reg. 1.2(g) (3 June 1999).

⁷ ST/SGB/2006/4, reg. 1.2(i) (1 January 2006). This is a long-standing provision of the Staff Regulations. See, e.g., ST/SGB/1999/5, reg. 1.2(l) (3 June 1999).

⁸ ST/SGB/2006/4, reg. 1.2(l) (1 January 2006). This is a long-standing provision of the Staff Regulations. See, e.g., ST/SGB/1999/5, reg. 1.2(l) (3 June 1999).

INTERIM REPORT ON ALEXANDER YAKOVLEV
REDACTED AND STRICTLY CONFIDENTIAL

result of the staff member's negligence or of his or her having violated any regulation, rule or administrative instruction."⁹

7. The following provisions of the **Financial Rules and Regulations 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."¹⁰

(ii) **Rule 105.14**: "[P]rocurement contracts shall be awarded on the basis of effective competition."¹¹

8. The following provisions of the **United Nations Procurement Manual** are relevant:¹²

(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."¹³

(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 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."¹⁴

(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."¹⁵

⁹ ST/SGB/2002/1 (1 January 2002).

¹⁰ Financial Rules and Regulations of the United Nations, ST/SGB/2003/07, reg. 5.12 (9 May 2003).

¹¹ *Id.*, rule 105.14.

¹² United Nations Procurement Manual, Rev. 3 (August 2006) (hereinafter "2006 Procurement Manual"); United Nations Procurement Manual Rev. 2 (January 2004) (hereinafter "2004 Procurement Manual").

¹³ 2006 Procurement Manual, sec. 4.1.5(4)(a). Previous editions of the Procurement Manual contained similar provisions. See, e.g., 2004 Procurement Manual, sec. 4.1.5(4)(a).

¹⁴ 2006 Procurement Manual, sec. 4.2(1). Previous editions of the Procurement Manual contained similar provisions. See, e.g., 2004 Procurement Manual, sec. 4.2.1(1).

¹⁵ 2006 Procurement Manual, sec. 4.2(2). Previous editions of the Procurement Manual contained similar provisions. See, e.g., 2004 Procurement Manual, sec. 4.2.1(2).

INTERIM REPORT ON ALEXANDER YAKOVLEV
REDACTED AND STRICTLY CONFIDENTIAL

(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.”¹⁶

(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.”¹⁷

(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.”¹⁸

(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.”¹⁹

(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.”²⁰

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

(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.”²¹

(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.”²²

¹⁶ 2006 Procurement Manual, sec. 4.3(2)(a). Previous editions of the Procurement Manual contained similar provisions. See, e.g., 2004 Procurement Manual, sec. 4.2.5(2)(i).

¹⁷ 2006 Procurement Manual, sec. 4.3(2)(c). Previous editions of the Procurement Manual contained similar provisions. See, e.g., 2004 Procurement Manual, sec. 4.2.5(2)(iii).

¹⁸ 2006 Procurement Manual, sec. 4.3(3)(b). Previous editions of the Procurement Manual contained similar provisions. See, e.g., 2004 Procurement Manual, sec. 4.2.5(3)(ii).

¹⁹ 2006 Procurement Manual, sec. 4.3(3)(c). Previous editions of the Procurement Manual contained similar provisions. See, e.g., 2004 Procurement Manual, sec. 4.2.5(3)(iii).

²⁰ 2006 Procurement Manual, sec. 7.12.2(1)(a). Previous editions of the Procurement Manual contained similar provisions. See, e.g., 2004 Procurement Manual, sec. 7.12.2(1)(a)(iv).

²¹ 2006 Procurement Manual, United Nations General Conditions of Contract, art. 2.0. This is a long-standing provision of the General Conditions of Contract. See, e.g., United Nations Procurement Manual, United Nations General Conditions of Contract, art. 2.0 (31 March 1998) (hereinafter “1998 Procurement Manual”)

²² 2006 Procurement Manual, United Nations General Conditions of Contract, art. 6.0. This is a long-standing provision of the General Conditions of Contract. See, e.g., 1998 Procurement Manual, United Nations General Conditions of Contract, art. 6.0.

III. RELEVANT CONCEPTS OF CRIMINAL LAW

10. Some of the well-established concepts of common law are applicable to this Interim Report, including:

(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) **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

(iii) **Aiding and Abetting an Offence:** Under the concept of aiding and abetting, the offence is committed by another. In order to aid and abet a crime, it is necessary that an individual associate himself in some way with the crime, and that he participate in the crime by doing some act to help make the crime succeed. A person who aids and abets another to commit a criminal offence is equally as culpable as if the person committed the offence himself.

11. 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.

IV. METHODOLOGY

12. The Task Force's investigation of the matters pertaining to the scheme to provide Mr. Yakovlev with sums of money in connection with his role as a procurement official within the United Nations has included interviews with numerous witnesses, the review and analysis of a significant number of documents, and extensive examination of electronic media and evidence. The Task Force made significant efforts to locate and obtain all relevant files. Furthermore, the Task Force has engaged in an extensive process of obtaining and examining significant volumes of records and information from a number of the United Nations vendors.

13. The Task Force's investigation of the complex international financial transactions which permeated the scheme has 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 and ability to issue subpoenas, limited cooperation from relevant parties, and the fact that several key witnesses with knowledge of the events discussed herein could not be located or would not agree to an interview.

14. 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

INTERIM REPORT ON ALEXANDER YAKOVLEV
REDACTED AND STRICTLY CONFIDENTIAL

States District Court, Southern District of New York, stemming from investigations into the Oil-for-Food Programme.²³ 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 "Moxycy Ltd." at the Antigua Overseas Bank, Antigua and Barbuda.²⁴ IIC further established that a number of United Nations contractors and Mr. Yakovlev engaged in a continuous course of conduct to provide sums of money to Mr. Yakovlev in connection with his position as a United Nations procurement official.²⁵

15. 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.²⁶ Under this agreement, Mr. Yakovlev agreed to forfeit US\$900,000 to the United States government. Mr. Yakovlev is required to offer all assistance to the United States authorities in their on-going investigations.²⁷

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)

16. Most recently, Mr. Yakovlev testified during a federal criminal trial of Mr. Vladimir Kuznetsov, a former Chairman of the United Nations Advisory Committee and Administrative and Budgetary Questions.²⁸ Mr. Kuznetsov's trial focused on the illegal arrangements put in place by Mr. Yakovlev with the assistance of Mr. Kuznetsov with a

²³ 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 next day. Andrew Toh letter to Alexander Yakovlev (22 June 2005).

²⁴ Independent Inquiry Committee into the Oil-for-Food Programme, "Third Interim Report," p. 65 (8 August 2005).

²⁵ *Id.*

²⁶ Alexander Yakovlev Cooperation Agreement (8 August 2005).

²⁷ *Id.*, pp. 2-3.

²⁸ Unites States v. Vladimir Kuznetsov, trial transcript (SDNY 2007) (hereinafter "Vladimir Kuznetsov trial transcript").

**INTERIM REPORT ON ALEXANDER YAKOVLEV
REDACTED AND STRICTLY CONFIDENTIAL**

number of 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.²⁹

17. Mr. Yakovlev's testimony under oath during the trial of Mr. Kuznetsov provides strong evidence of Mr. Yakovlev's and Mr. Kuznetsov's illegal activities and is incorporated into this Interim Report. During Mr. Kuznetsov's trial, Mr. Yakovlev acknowledged that he provided assistance to Cogim S.p.A. ("Cogim"), Corimec Italiana S.p.A. ("Corimec"), Avicos, Volga-Dnepr Airlines ("Volga-Dnepr"), and Société Générale de Surveillance S.A. ("SGS"), all companies doing business, or seeking to do business, with the United Nations.³⁰ The Final Report on the matters concerning Mr. Yakovlev will contain further information with regard to Mr. Yakovlev's scheme and the entities and individuals involved.

V. OVERVIEW OF ALEXANDER YAKOVLEV SCHEME AND PAYMENTS

A. ALEXANDER YAKOVLEV ROLE AS A PROCUREMENT OFFICER

18. 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 necessary equipment and services to perform their duties.³¹ These goods and services are purchased from the companies registered as United Nations vendors, through the competitive bidding exercises conducted by the Procurement Service.³²

19. Mr. Yakovlev joined the United Nations as a Procurement Officer in August 1985.³³ During his 20-year tenure with the Procurement Service, Mr. Yakovlev was involved in a wide range of procurement exercises involving a variety of goods, including a "whole list of possible commodities and services."³⁴ However, in the last years of his service Mr. Yakovlev primarily dealt with the supplies for the United Nations

²⁹ Christine Kearney, "Russian U.N. diplomat guilty of money laundering," *Reuters*, 7 March 2007.

³⁰ Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, pp. 127-34, 142-48, 150-54 (27 February 2007).

³¹ *Id.*, p. 123; 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."

³² 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; Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 123 (27 February 2007).

³³ Alexander Yakovlev Personnel Arrival Advice (22 August 1985); Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 122 (27 February 2007).

³⁴ *Id.*, p. 124.

**INTERIM REPORT ON ALEXANDER YAKOVLEV
REDACTED AND STRICTLY CONFIDENTIAL**

peacekeeping operations, such as food rations for troops, fuel, lubricants, and security equipment.³⁵

20. 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. With regard to the procurement exercises that 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.³⁶

21. The evaluation of bids submitted by vendors is a multi-step process. It includes the submission of financial and technical evaluations, and consists of the examination of the company's compliance with various contract proposal requirements.³⁷ Generally, the company offering the lowest cost proposal and the most technically acceptable bid is awarded the contract.³⁸ 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.³⁹ Therefore, it is critically important for companies bidding on United Nations contracts to ensure that their contract proposals comply with the bid requirements.⁴⁰

**B. OVERVIEW OF ALEXANDER YAKOVLEV SCHEME AND
FINANCIAL ARRANGEMENTS**

22. The scheme addressed herein began in early 1990s and continued through and up until Mr. Yakovlev's resignation and arrest in 2005. Some of Mr. Yakovlev's activities were already discussed in the Task Force's Report on Eures Support Services (Cyprus) International, IHC Services Inc., and Certain United Nations Staff Members ("ESS Report").⁴¹ As was discussed in the ESS Report and will be further addressed in the subsequent report on Mr. Yakovlev, this assistance included, *inter alia*, providing confidential United Nations documents and information to the United Nations vendors; 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

³⁵ Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 124 (27 February 2007); Alexander Yakovlev deposition (23 March 2006).

³⁶ Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, pp. 123-26 (27 February 2007);

³⁷ *Id.*, p. 125.

³⁸ Financial Rules and Regulations of the United Nations, ST/SGB/2003/07, rules 105.14, 105.15 (9 May 2003); Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, pp. 123-27 (27 February 2007).

³⁹ 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); Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 126 (27 February 2007).

⁴⁰ *Id.*, p. 126.

⁴¹ Procurement Task Force, Report on Eures Support Services (Cyprus) International, IHC Services Inc., and Certain United Nations Staff Members (7 December 2006).

INTERIM REPORT ON ALEXANDER YAKOVLEV
REDACTED AND STRICTLY CONFIDENTIAL

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 to further the scheme. Two of these accounts were established in the names of Moxycy Ltd. (“Moxycy”) and Nikal Ltd. (“Nikal”).

23. Several major United Nations vendors participated in the scheme, including ESS, a United Nations vendor which received more than US\$234 million from the United Nations in connection with nine major food rations contracts;⁴² IHC, a registered vendor since 1996 which received more than US\$15 million from the United Nations;⁴³ Volga-Dnepr Airlines (Russia) and Volga-Dnepr Airlines (Ireland), United Nations vendors since 1996 and 2000, respectively, which received more than US\$134 million from the United Nations;⁴⁴ and Cogim, a company which received more than US\$13 million in payments from the United Nations.⁴⁵ Several other companies will also be discussed in the forthcoming Final Report.

24. During Mr. Kuznetsov’s trial, Mr. Yakovlev testified under oath that he received “[j]ust over [US]\$1 million” for the assistance he provided to these vendors.⁴⁶ The Task Force’s investigation has revealed that Mr. Yakovlev’s scheme generated more than US\$3.5 million from various sources, including a number of United Nations vendors.⁴⁷ These transfers were made into the bank accounts of Nikal, a company controlled by Mr. Kuznetsov, and Moxycy, the company Mr. Yakovlev created to facilitate this scheme. Additionally, there is evidence that certain payments were made to Mr. Yakovlev in cash and into his other accounts, particularly in early 1990s, which will be addressed in the Final Report.

25. The amount in excess of US\$3.5 million paid to Moxycy and Nikal included more than US\$2.4 million from entities and individuals associated with Cogim, Volga-Dnepr, and Avicos, as well as over US\$1 million from unknown sources, including a company called Avialiber.⁴⁸ The arrangements that these companies maintained with Mr. Yakovlev will be addressed in detail in the Final Report on Mr. Yakovlev. For the purposes of this Interim Report, the Task Force has established that the payments to Moxycy and Nikal were made through various entities and individuals, including Mr. Leopoldo Braghieri, the then owner of Cogim, on behalf of his company; Volga-Dnepr’s

⁴² *Id.*, p. 11.

⁴³ *Id.*, p. 13.

⁴⁴ United Nations Vendor Listing, Volga-Dnepr Airlines (6 March 2006) (showing that Volga-Dnepr Airlines was registered as a United Nations vendor on 10 July 1996); Kiyohiro Mitsui letter to Volga-Dnepr Airlines (Ireland) (14 August 2000) (informing the company of its vendor registration application was approved); ProcurePlus Database, Reports on Volga-Dnepr Airlines (Russia) and Volga-Dnepr Airlines (Ireland) (19 March 2007).

⁴⁵ ProcurePlus Database, Report on Cogim (19 March 2007).

⁴⁶ Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, pp. 154, 165 (27 February 2007).

⁴⁷ Antigua Overseas Bank, Nikal account records (June 2000 to July 2005); Antigua Overseas Bank, Moxycy account records (February 2000 to July 2005).

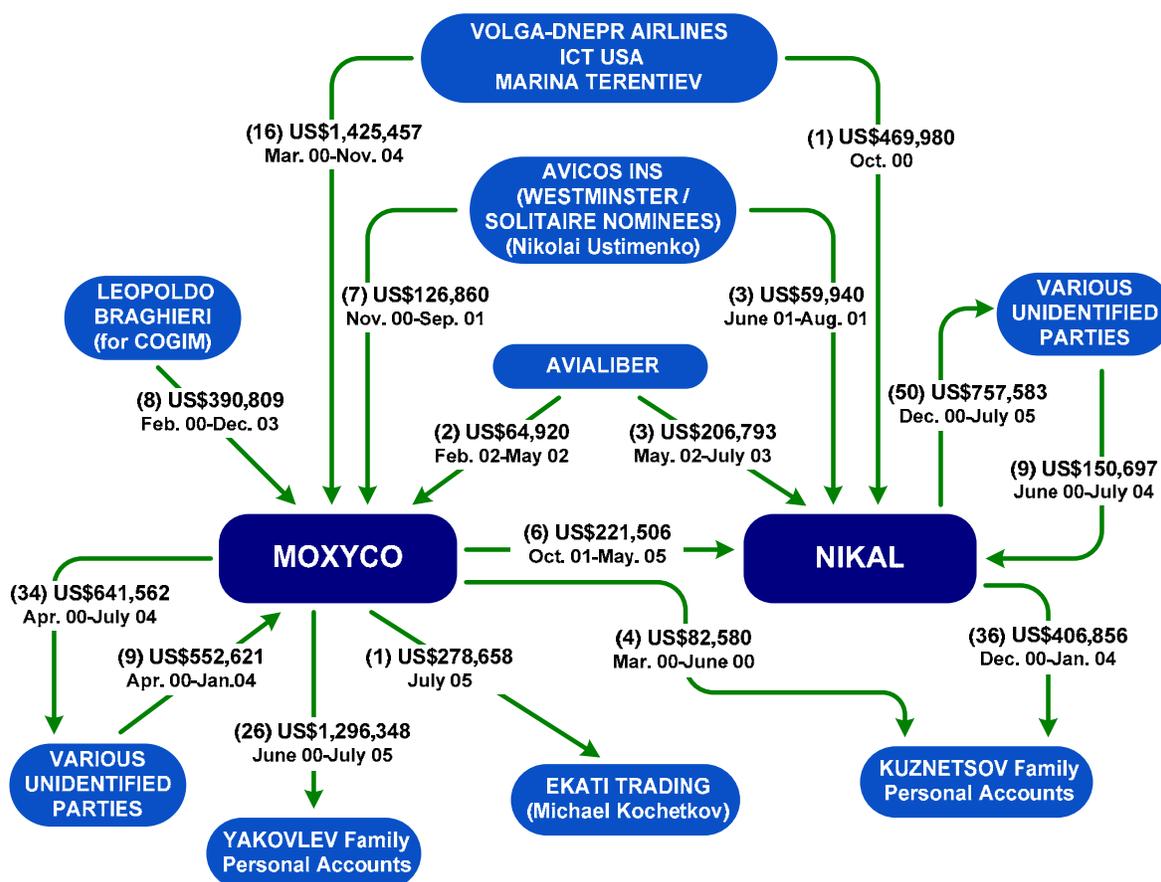
⁴⁸ Antigua Overseas Bank, Nikal account records (June 2000 to July 2005); Antigua Overseas Bank, Moxycy account records (February 2000 to July 2005).

INTERIM REPORT ON ALEXANDER YAKOVLEV
REDACTED AND STRICTLY CONFIDENTIAL

offices in Ireland and ICT USA, Volga-Dnepr’s consultants, on behalf of Volga-Dnepr; and Solitaire Nominees and Westminster International, two off-shore companies associated with the senior managers of Avicos, on behalf of Avicos.⁴⁹

26. Chart A below contains a summary of the payments made into the accounts of Moxycos and Nikal. The number of individual transfers composing each of the total amounts is provided in parenthesis preceding each of the total amounts. The forthcoming Final Report will contain detailed assessments and descriptions of the payments for each of the companies that had arrangements with Mr. Yakovlev.

Chart A: Overview of Payments to Moxycos and Nikal (2000-2005)⁵⁰



⁴⁹ Leopoldo Braghieri interview (29 March 2007); Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, pp. 143-54 (27 February 2007); Alexander Yakovlev deposition (23 March 2006); Alexander Yakovlev interviews (16 and 17 August and 28 September 2005); OIOS mission analysis report (12 September 2005); Antigua Overseas Bank, Nikal account records (June 2000 to July 2005); Antigua Overseas Bank, Moxycos account records (February 2000 to July 2005).

⁵⁰ *Id.*; Antigua Overseas Bank, Nikal account records (June 2000 to July 2005); Confidential source report (23 April 2007). The amounts provided in this Chart are rounded. The Final Report will contain updated transfer amounts based on the additional bank records.

INTERIM REPORT ON ALEXANDER YAKOVLEV
REDACTED AND STRICTLY CONFIDENTIAL**1. Alexander Yakovlev Financial Motives**

27. Mr. Yakovlev's unlawful agreements with these United Nations vendors were part of his efforts to obtain money and tangible benefits through his activities as a United Nations Procurement Officer. Between January 2000, when Moxycyco was established, and June 2005, when Mr. Yakovlev resigned from the Organisation as a result of the identification of his scheme, Mr. Yakovlev's gross legal annual earnings as a United Nations staff member were between US\$128,000 and US\$165,000, a third of which went towards his staff assessment and pension contributions.⁵¹ Mr. Yakovlev's wife, Mrs. Olga Yakovlev, received a salary of US\$180 to US\$300 a month as a teacher at the Russian International School in New York.⁵² Mr. Yakovlev's son, Mr. Dmitry Yakovlev, was a student at New York University and did not report a regular source of income.⁵³

28. Mr. Yakovlev carefully presented himself as a man of modest means, and did not flaunt the excesses he received from his corrupt activities.⁵⁴ As Mr. Yakovlev explained, there were two main reasons he did not expose his new found wealth.⁵⁵ First, he tried to "avoid exposure with additional expenses, which could attract a lot of attention from others, in particular the Russian community in Riverdale, because [they] all lived in a relatively close area."⁵⁶ Secondly, Mr. Yakovlev tried to limit his expenditures because he planned to "retire from the UN much earlier even than the early retirement, and to establish business in Russia."⁵⁷ The Task Force has previously reported on some of Mr. Yakovlev's efforts to explore business opportunities jointly with Mr. Testa of IHC Services.⁵⁸ Nevertheless, Mr. Yakovlev made purchases described in the next paragraph, and was found with more than US\$50,000 cash in a safe in his home. This cash was identified during the search of Mr. Yakovlev's premises carried out by the New York County District Attorney's Office on 1 August 2005.

29. According to Mr. Yakovlev, he used approximately US\$150,000 of his illegal proceeds to pay off the mortgage on his house in Yonkers, New York.⁵⁹ Mr. Yakovlev also used some of the money collected into his Moxycyco account to make "a personal loan to [his] friend, Mr. Vladimir Kuznetsov," for the purchase of a house in a prestigious Moscow suburb.⁶⁰ Furthermore, Mr. and Mrs. Yakovlev purchased a new apartment in

⁵¹ Certificate of Incorporation of Moxycyco Ltd. (4 January 2000); Alexander Yakovlev letter to Andrew Toh (21 June 2005); Alexander Yakovlev Personnel File, Personnel Action Forms (1 January 2000 and 21 June 2005); Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, pp. 154-55 (27 February 2007).

⁵² *Id.*, p. 155; Alexander Yakovlev interview (20 June 2005).

⁵³ Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, pp. 121, 155 (27 February 2007).

⁵⁴ Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, pp. 155, 241 (27 and 28 February 2007).

⁵⁵ Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 155 (27 February 2007).

⁵⁶ *Id.*

⁵⁷ *Id.*, pp. 155-56.

⁵⁸ ESS Report, pp. 36-37. During the trial of Mr. Kuznetsov, Mr. Yakovlev confirmed discussing a joint business venture with Mr. Testa. Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 254 (28 February 2007).

⁵⁹ Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 156 (27 February 2007).

⁶⁰ Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, pp. 157, 180, 250 (27 and 28 February 2007).

INTERIM REPORT ON ALEXANDER YAKOVLEV
REDACTED AND STRICTLY CONFIDENTIAL

Moscow for over US\$300,000, a custom-made 2003 Mercedes-Benz for over US\$80,000 and a 1993 BMW for approximately US\$20,000.⁶¹

30. Mr. Yakovlev admitted under oath that he subsequently transferred some of his illicit proceeds to his bank accounts in Switzerland, Austria, and Liechtenstein based on “the advice [he] received from Maritime [Industries], the company [which] assisted [him] in opening [Moxycyco’s] account.”⁶² Maritime Industries suggested to Mr. Yakovlev that “money should not sit too long in [an] offshore bank because offshore banks are not very stable.”⁶³ Mr. Yakovlev’s bank accounts in Europe are discussed below.

2. Alexander Yakovlev Corrupt Efforts

31. Mr. Yakovlev generally described his services as “assisting companies in preparing the bids in terms of ensuring that the bids are fully compliant with procedural, general and substantive requirements of the bid.”⁶⁴ As a seasoned Procurement Service officer, Mr. Yakovlev fully understood the importance of complying with the contract proposal requirements. The significance of proper proposal submission was explained by Mr. Yakovlev in his written deposition to the prosecutorial authorities:⁶⁵

Failure to comply with these changes will result in your proposal being disqualified. It has happened in the past that almost 70% of the applying companies did not even have access to the final stage of this process, as their proposals had not met the necessary requirements from a formal point of view

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

32. As will be fully discussed in the Final Report, Mr. Yakovlev assisted a number of vendors in preparation of their contract proposals, thus providing them with an unfair advantage in the bidding process, and severely compromising the integrity of the bidding process and the reputation of the Organisation. Furthermore, with regard to the selection process for the contracts that he was assigned to as the case Procurement Officer, Mr. Yakovlev admitted to being directly involved in the selection process of these companies:⁶⁶

⁶¹ Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 156 (27 February 2007); Alexander Yakovlev interview (28 September 2005); Alexander Yakovlev letters to European Trust Bank (Russia) (11 September 2003); LexisNexis Reports, New York Motor Vehicle Registration Report on Alexander Yakovlev (25 April 2007) (showing 2003 Mercedes-Benz E55 AMG and 1993 BMW registered in the name of Mr. Yakovlev); Confidential source report (26 April 2007). Mr. Yakovlev purchased the 1993 BMW from Mr. Testa of IHC for US\$20,000. Alexander Yakovlev interview (28 September 2005). Mr. Testa had found the “car of [Mr. Yakovlev’s] dreams” in Spain and shipped it to New York for him. *Id.* However, Mr. Yakovlev had to sell it shortly thereafter as it “started falling apart.” Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 156 (27 February 2007).

⁶² *Id.*, pp. 156-57.

⁶³ *Id.*, p. 157.

⁶⁴ *Id.*, p. 126.

⁶⁵ Alexander Yakovlev deposition (23 March 2006).

⁶⁶ Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, pp. 129-30 (27 February 2007).

INTERIM REPORT ON ALEXANDER YAKOVLEV
REDACTED AND STRICTLY CONFIDENTIAL

THE WITNESS: My role in selection of the company, my individual role, is limited to performing all the stages of evaluation in conjunction with other offices, in particular the office who was the customer for this equipment, and to come up with the joint recommendation in favor of the lowest bidder.

Then this recommendation is presented to the section chief, the chief of the division, and eventually to the body which calls contracts committee which considers all recommended awards in excess of certain threshold.

So my role went up to completing the compliance evaluation, and then selecting the company who's admitted lowest price.

...

Q. Mr. Yakovlev, if I might clarify that last bit of testimony. Were you describing your general duties or the duties you performed with respect to Corimec's bid?

A. It is in general this is the path that is followed in all the evaluations.

Figure: Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, pp. 129-30 (27 February 2007)

33. In fact, as was already addressed in the ESS Report and will be further discussed in the Task Force's upcoming Final Report, Mr. Yakovlev engaged in corrupting, and attempting to corrupt, the contract selection process during several procurement exercises, by favouring certain United Nations vendors.

34. Notably, Mr. Yakovlev has denied assisting any United Nations vendors with prices for their contract proposals—an assertion with which the Task Force disagrees.⁶⁷ In at least two instances—with regard to ESS and Société Générale de Surveillance S.A. (“SGS”)—the Task Force's investigation has established that Mr. Yakovlev engaged in assisting the vendors with pricing determination.

35. During his trial testimony, Mr. Yakovlev admitted that he fully understood the illegality of his arrangements with the United Nations vendors. Mr. Yakovlev acknowledged that he had engaged in wire fraud and money laundering and described the preferential treatment and special assistance he provided to some of the United Nations vendors as “outside of [his] direct UN responsibilities and, therefore, . . . illegal”.⁶⁸

⁶⁷ *Id.*, p. 126 (stating that “price is outside of [his] expertise” and “[i]f [the companies] make it to financial evaluation, they had to win it on their own”).

⁶⁸ *Id.*, pp. 127, 164.

**INTERIM REPORT ON ALEXANDER YAKOVLEV
 REDACTED AND STRICTLY CONFIDENTIAL**

Q. Did you speak with anyone in the procurement division about what you were doing?
 A. No, I did not.
 Q. why not?
 A. Because the services which I provided to the companies were outside of my direct UN responsibilities and, therefore, were illegal.

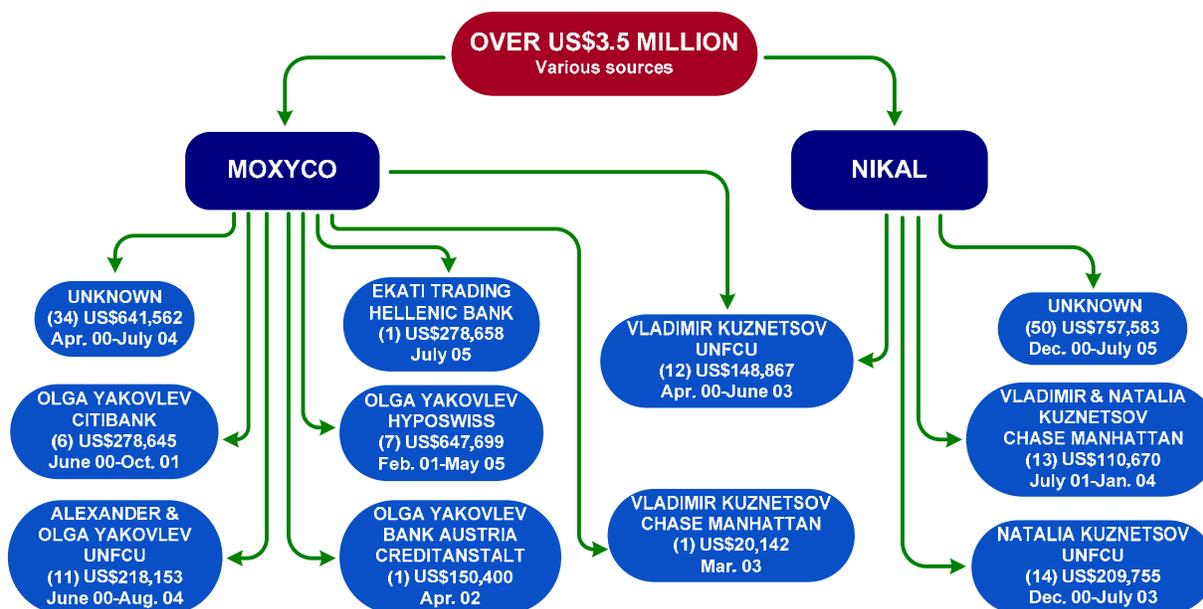
Figure: Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 127 (27 February 2007)

36. Mr. Yakovlev further admitted that by providing his services to certain United Nations vendors, he violated his oath and obligation to maintain neutrality in the bid selection process, and as a result of his actions the Organisation “was deprived of [his] duty of loyalty to the [Organisation].”⁶⁹

C. BANK ACCOUNTS ASSOCIATED WITH ALEXANDER YAKOVLEV

37. In execution of his illegal scheme, Mr. Yakovlev and Mr. Kuznetsov utilized a number of bank accounts in several countries. 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. The number of individual transfers composing each of the total amounts is provided in parenthesis preceding each of the total amounts.

Chart B: Overview of Alexander Yakovlev and Vladimir Kuznetsov Accounts⁷⁰



⁶⁹ *Id.*, p. 127.

⁷⁰ 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 this Chart are rounded. The Final Report will contain updated transfer amounts based on the additional bank records.

INTERIM REPORT ON ALEXANDER YAKOVLEV
REDACTED AND STRICTLY CONFIDENTIAL

38. Both the bank accounts associated with Mr. Yakovlev and Mr. Kuznetsov and the relevant financial transactions into these accounts are discussed more fully below. The Final Report will contain updated transfer amounts based on the additional bank records.

1. Moxycy Antigua Overseas Bank Account

39. Moxycy was incorporated by Mr. Yakovlev on 4 January 2000 in Saint Vincent and the Grenadines, an island nation located in the Caribbean Sea.⁷¹ Mr. Yakovlev chose this location based on a recommendation he received from Maritime International, a company he found on the Internet when he was looking for someone to assist him in opening an off-shore account and establishing an off-shore corporation.⁷² With the assistance of Maritime Industries, Mr. Yakovlev created Moxycy, and identified members of the Board of Directors who exercised no *de facto* authority, including Ms. Laura Mouck, a purported employee of Maritime Industries.⁷³ Ms. Mouck’s position was ceremonial and Moxycy’s incorporation records were stored in a safe in Mr. Yakovlev’s house.⁷⁴ All members of Mr. Yakovlev’s family—Mr. Alexander Yakovlev, his son, and his wife—held a power of attorney, and were authorized to conduct transactions on behalf of Moxycy.⁷⁵

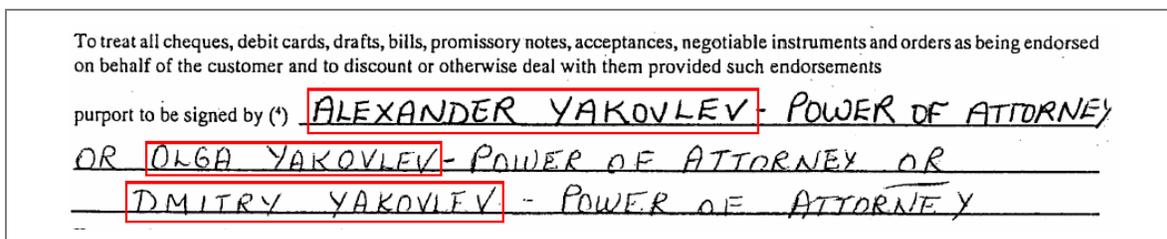


Figure: Moxycy Appointment of Bankers (undated)

40. Mr. Yakovlev, through Moxycy, opened a bank account with the Antigua Overseas Bank.⁷⁶ This bank was suggested to Mr. Yakovlev by Maritime International. Mr. Yakovlev explained that he wanted to have an off-shore account “for the same reason [he] wanted to have a corporation [off-]shore, . . . [namely] to hide . . . the incoming funds.”⁷⁷ He intended to use this off-shore company and the off-shore account to “hide

⁷¹ Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 148 (27 February 2007); Certificate of Incorporation of Moxycy Ltd. (4 January 2000). As was explained by Mr. Yakovlev, he created the name “Moxycy” by using the letters of his wife’s, his son’s and his own names. Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 149 (27 February 2007).

⁷² *Id.*, p. 148.

⁷³ Alexander Yakovlev interview (16 and 17 August 2005).

⁷⁴ *Id.*

⁷⁵ Moxycy Appointment of Bankers (undated) (signed by Ms. Mouck); Moxycy Powers of Attorney (4 January 2000) (issued in the names of Mr. Alexander Yakovlev, Mr. Dmitry Yakovlev, and Mrs. Yakovlev and signed by Ms. Mouck); Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 150 (27 February 2007).

⁷⁶ *Id.*, p. 149; Moxycy Appointment of Bankers (undated).

⁷⁷ Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, pp. 149-50 (27 February 2007).

**INTERIM REPORT ON ALEXANDER YAKOVLEV
REDACTED AND STRICTLY CONFIDENTIAL**

the actual . . . source of incoming funds . . . [b]ecause the services against which the money [was] received were performed illegally.”⁷⁸

41. Mr. Yakovlev accessed his Moxycy bank account information over the telephone using a password and specifically instructed the Antigua Overseas Bank not to send him any bank statements or any other correspondence.⁷⁹ Mr. Yakovlev explained that the purpose of these actions was to “limit the exposure and [his] connection to Moxycy.”⁸⁰

42. Based on the bank records obtained by the Task Force, between February 2000 and July 2005, Moxycy received more than US\$2.6 million from various sources, including a number of United Nations vendors.⁸¹

a. Ekati Trading Account at Hellenic Bank Ltd.

43. On 22 June 2005—just one day after submitting his letter of resignation from the United Nations—Mr. Yakovlev sent a facsimile to the Antigua Overseas Bank, stating that he “hereby close[s] [his] account with AOB effective immediately.” He then requested that the remaining funds be transferred to a Cyprus bank account of Ekati Trading Co. Ltd. (“Ekati Trading”) at Hellenic Bank Ltd.:⁸²

⁷⁸ *Id.*, pp. 148-49.

⁷⁹ Alexander Yakovlev deposition (23 March 2006); Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 150 (27 February 2007).

⁸⁰ *Id.*

⁸¹ Antigua Overseas Bank, Moxycy account records (February 2000 to July 2005).

⁸² Alexander Yakovlev letter to Antigua Overseas Bank (22 June 2005); Alexander Yakovlev letter to Andrew Toh (21 June 2005).

**INTERIM REPORT ON ALEXANDER YAKOVLEV
REDACTED AND STRICTLY CONFIDENTIAL**

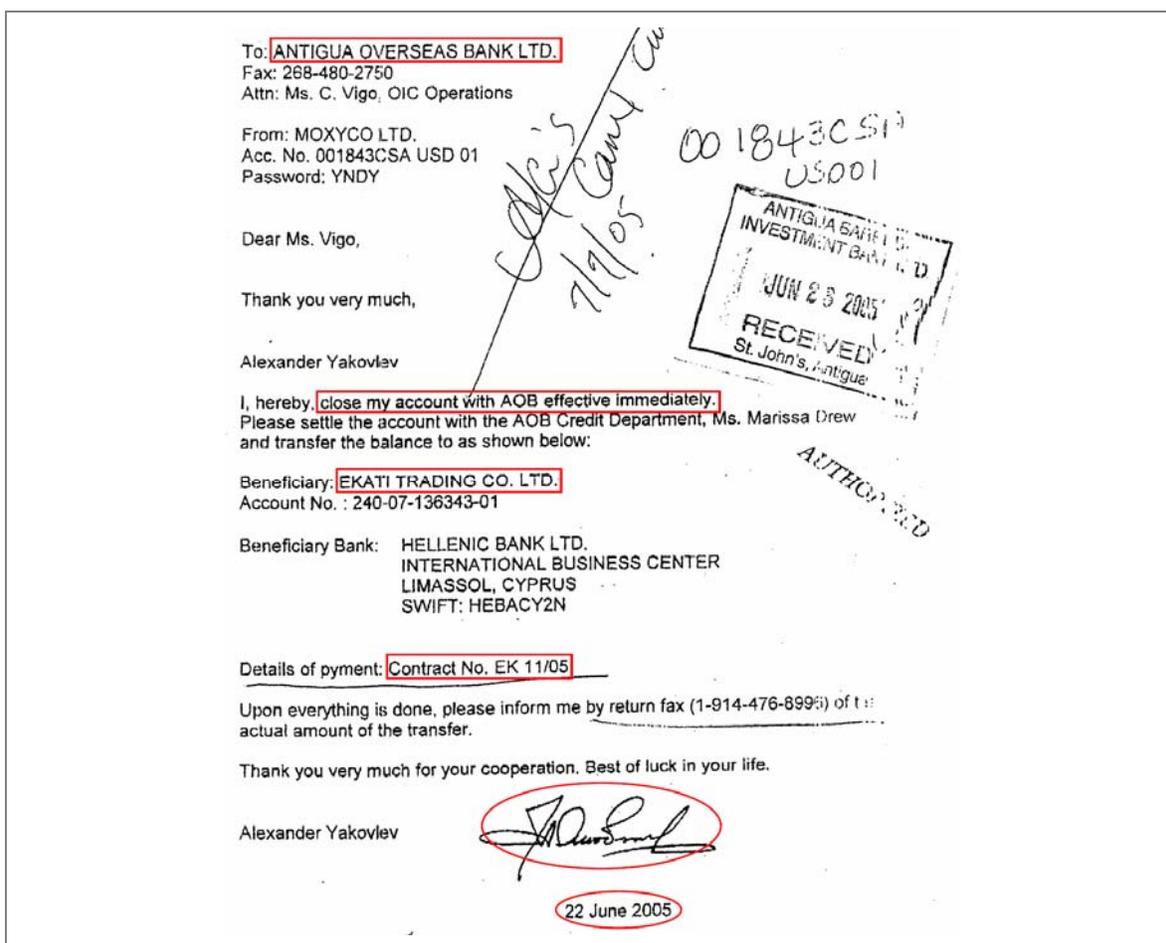


Figure: Alexander Yakovlev letter to Antigua Overseas Bank (22 June 2005)

44. Ekati Trading is a Cyprus-based company owned by Mr. Mikhail Kochetkov, a friend of Mr. Yakovlev. Mr. Kochetkov has been identified as being associated with Avicos, one of the companies that had an arrangement with Mr. Yakovlev and made illicit payments to him.⁸³ On 12 July 2005, following Mr. Yakovlev’s instructions to transfer the money from Moxycy to Ekati Trading in an effort to conceal his illegal income, a payment of US\$278,658 was made to Ekati Trading’s account at Hellenic Bank Ltd.⁸⁴ Mr. Yakovlev confirmed that he ordered to transfer the balance of his Antigua Overseas Bank account when he became aware of the investigations against him.⁸⁵

⁸³ Alexander Yakovlev interview (28 September 2005); Ilya Kabachnik interview (22 February 2007). Mr. Kabachnik is the Executive Director of Avicos. *Id.*

⁸⁴ Antigua Overseas Bank, Moxycy account records (12 July 2005).

⁸⁵ Alexander Yakovlev interview (28 September 2005).

INTERIM REPORT ON ALEXANDER YAKOVLEV
REDACTED AND STRICTLY CONFIDENTIAL

2. Liechtensteinische Landesbank Bank Accounts

45. The Task Force has established that Mr. Yakovlev either controlled or was associated with at least two accounts in Liechtenstein which he used to receive the proceeds of his fraudulent activities.⁸⁶ Emails identified and obtained by the Task Force show that these accounts were held at Liechtensteinische Landesbank AG (Vaduz, Liechtenstein).⁸⁷ It appears that Mr. Yakovlev was coordinating his financial activities with a bank employee, Mr. Bruno Vogt.⁸⁸

46. The Task Force has obtained information that as of the date of this Interim Report, the bank accounts associated with Mr. Yakovlev at Liechtensteinische Landesbank AG have been frozen, and are believed to contain at least several hundred thousand United States dollars as the proceeds of his illegal activities.

3. HYPOSWISS Privatbank AG Account

47. The Task Force has established that Mr. Yakovlev controlled at least one account in Switzerland, held at HYPOSWISS Privatbank AG, and used it to receive the proceeds of his fraudulent activities.⁸⁹ The bank records show at least seven payments totaling over US\$647,000 between February 2001 and January 2005 from Moxycy to an account in the name of Mrs. Yakovlev at HYPOSWISS Privatbank AG.⁹⁰

48. The Task Force has obtained information that, as of the date of this Report, the bank accounts associated with Mr. Yakovlev at HYPOSWISS Privatbank AG have been frozen, and are believed to contain at least several hundred thousand United States dollars illegally obtained by Mr. Yakovlev.

4. Bank Austria Creditanstalt Account

49. The Task Force has established that Mr. Yakovlev controlled at least one account in Austria which he used to store the proceeds of his fraudulent activities.⁹¹

50. The bank records obtained by the Task Force show that there was at least one payment of US\$150,400 from Moxycy into an account in the name of Mrs. Yakovlev in

⁸⁶ *Id.*; Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, pp. 156-57 (27 February 2007); Bruno Vogt emails to Alexander Yakovlev (13 December 2004 and 14 and 16 February 2005) (discussing United States dollars account nos. 208.638.98 and 212.440.51). It appears that account no. 212.440.51 was registered in the name of Angelus Finance Ltd. (British Virgin Islands). *Id.*

⁸⁷ *Id.*

⁸⁸ *Id.*

⁸⁹ Antigua Overseas Bank, Moxycy account records (April 2004 to January 2005) (showing transfers to account no. 77445 at HYPOSWISS Privatbank AG (Zurich, Switzerland)); Alexander Yakovlev interview (28 September 2005); Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, pp. 156-57 (27 February 2007).

⁹⁰ Antigua Overseas Bank, Moxycy account records (April 2004 to January 2005).

⁹¹ Alexander Yakovlev interview (28 September 2005); Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, pp. 156-57 (27 February 2007).

**INTERIM REPORT ON ALEXANDER YAKOVLEV
REDACTED AND STRICTLY CONFIDENTIAL**

the Bank Austria Creditanstalt.⁹² When asked about this account, Mr. Yakovlev explained that when he made a transfer from Moxycy's account to Bank Austria Creditanstalt, he was told that this Austrian bank would permit a transfer from such an off-shore account only once and warned him not to do it again.⁹³

51. Mr. Yakovlev subsequently transferred US\$350,000 from his bank account in Switzerland to his bank account in Austria.⁹⁴ He stated that his Austrian account was subsequently closed, and that he transferred the funds to his account in Liechtenstein.⁹⁵

5. Alexander and Olga Yakovlev UNFCU and Citibank Accounts

52. Mr. Yakovlev transferred at least some of his illegal proceeds from Moxycy's account at the Antigua Overseas Bank into Mr. and Mrs. Yakovlev's personal accounts at the United Nations Federal Credit Union ("UNFCU"), and Citibank. Specifically, in the period of June 2000 to August 2004, over US\$218,000 was transferred into their account at UNFCU, and in the period of June 2000 to October 2001, over US\$278,000 was transferred into their account at Citibank.⁹⁶

6. Olga Yakovlev European Trust Bank Account

53. The Task Force has obtained forensically-recovered electronic data showing a transfer of €304,993 from Mr. Yakovlev to Mrs. Yakovlev's account at the European Trust Bank (Moscow, Russia). In his letter to a bank official, Mr. Yakovlev described the transfer as a "gift" to his wife.⁹⁷

⁹² Antigua Overseas Bank, Moxycy account records (29 April 2002) (showing a transfer to account no. 501-84285300 at Bank Austria Creditanstalt).

⁹³ Alexander Yakovlev interview (28 September 2005).

⁹⁴ *Id.*

⁹⁵ *Id.*

⁹⁶ Antigua Overseas Bank, Moxycy account records (June 2000 to July 2004) (showing transfers to account no. 429290 at UNFCU); Antigua Overseas Bank, Moxycy account records (June 2000 to October 2001) (showing transfers to account no. 69351036 at Citibank).

⁹⁷ Alexander Yakovlev letter to European Trust Bank (11 September 2003) (discussing a transfer of €304,993 to Mrs. Yakovlev's account no. 42301978300010000083 at the European Trust Bank (Moscow, Russia)).

OIOS PROCUREMENT TASK FORCE
INTERIM REPORT ON ALEXANDER YAKOVLEV
REDACTED AND STRICTLY CONFIDENTIAL



Draft Translation from Russian

Кому:	Коммерческий Банк "Европейский трастовый банк" Начальнику Отдела Развития Розничных программ Г-же Ершовой Ю.Ю.	To:	Commercial Bank "European trust bank" Head of the Retail Programs Development Section Ms. Yershova Y. Y.
Факс №:	011-7095-959-0020	Fax no.:	011-7095-959-0020
От:	Яковлева А.В.	From:	A. V. Yakovlev

Заявление Request

Я, Яковлев А.В. настоящим подтверждаю, что мой перевод в сумме 304.993,00 ЕВРО на счет моей супруги Яковлевой О.В. № 42301978300010000083 в Европейском трастовом банке поступил в качестве подарка

I, A. V. Yakovlev, hereby certify that my transfer of €304,993.00 to the account no. 42301978300010000083 in the name of my wife O. V. Yakovleva at the European trust bank was a gift.

С уважением	Александр Яковлев	Regards,	Alexander Yakovlev
-------------	-------------------	----------	--------------------

11 сентября 2003 11 September 2003

Figure: Alexander Yakovlev letter to European Trust Bank (11 September 2003)

54. Based on the timing of the transfer and other forensically-recovered data, it appears that these funds were used for the purchase of Mr. and Mrs. Yakovlev's apartment in Moscow.

D. VLADIMIR KUZNETSOV ROLE

55. Shortly after he established Moxycy and began receiving payments from Volga-Dnepr, Mr. Yakovlev told Mr. Kuznetsov, a close friend of fifteen years, that he had a "business on the side."⁹⁸ At that time, Mr. Kuznetsov served as the Chairman of the United Nations Advisory Committee and Administrative and Budgetary Questions and received a salary from the United Nations.⁹⁹ According to Mr. Yakovlev, he made it known to Mr. Kuznetsov that he was receiving money for providing assistance to a number of companies.¹⁰⁰ Mr. Yakovlev confirmed that Mr. Kuznetsov was aware of the origin of this money and the impropriety of Mr. Yakovlev's actions, and was therefore aware of the need to obscure the transactions.¹⁰¹

56. According to Mr. Yakovlev, upon learning this, Mr. Kuznetsov asked Mr. Yakovlev if he might "help him" financially.¹⁰² At that time, Mr. Kuznetsov owned apartments in Moscow, but wanted to build a house in a prestigious Moscow suburb.¹⁰³ Mr. Kuznetsov told Mr. Yakovlev that he planned to sell his Moscow apartments in order to pay him back, but for the time being he needed money for construction of his new

⁹⁸ Alexander Yakovlev interview (16 and 17 August 2005).

⁹⁹ Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 359 (28 February 2007).

¹⁰⁰ Alexander Yakovlev interview (16 and 17 August 2005).

¹⁰¹ *Id.*

¹⁰² *Id.*; Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 180 (27 February 2007).

¹⁰³ *Id.*; Alexander Yakovlev interview (16 and 17 August 2005).

INTERIM REPORT ON ALEXANDER YAKOVLEV
REDACTED AND STRICTLY CONFIDENTIAL

house.¹⁰⁴ Mr. Yakovlev agreed to loan Mr. Kuznetsov the money interest-free, and planned for Mr. Kuznetsov to repay him after he would sell his Moscow apartments.¹⁰⁵

57. As will be discussed below, the bank records confirm that Mr. Kuznetsov was aware of and actively participated in Mr. Yakovlev's illegal scheme, since Nikal received several bank transfers into its account at the Antigua Overseas Bank from the same entities that made payments to Moxycy. Mr. Kuznetsov was convicted of conspiring to commit money laundering on 7 March 2007 by a jury in the United States District Court, Southern District of New York.¹⁰⁶

1. Nikal Antigua Overseas Bank Account

58. As was established at the trial of Mr. Kuznetsov, Mr. Yakovlev told Mr. Kuznetsov that he would also need to set up an offshore account into which Mr. Yakovlev could transfer money.¹⁰⁷ Using Maritime Industries—the same company used by Mr. Yakovlev to form Moxycy—Mr. Kuznetsov established Nikal Ltd.¹⁰⁸ Nikal was incorporated on 25 April 2000 in Saint Vincent and the Grenadines, the very same place Moxycy was incorporated.¹⁰⁹

59. Nikal's Board of Directors consisted of the same persons that appeared on Moxycy's Board of Directors, including Ms. Mouck, who purportedly signed the Board of Directors' meetings minutes.¹¹⁰ However, Ms. Mouck's position was again ceremonial and lacked any actual authority. Mrs. Natalia Kuznetsova, Mr. Kuznetsov's wife, held the power of attorney and was authorized to "manage the business interests of Nikal."¹¹¹

60. Similar to Moxycy, Nikal opened a bank account at the Antigua Overseas Bank, with Mrs. Kuznetsova as an authorized signatory on the account.¹¹² Mrs. Kuznetsova, however, was merely a ceremonial figure because the account was effectively controlled by Mr. Kuznetsov.¹¹³ As was explained by Mr. Yakovlev, the reason they decided to have Moxycy and Nikal use same bank was to "minimize the exposure of the transfers":¹¹⁴

¹⁰⁴ *Id.*

¹⁰⁵ *Id.*

¹⁰⁶ Christine Kearney, "Russian U.N. diplomat guilty of money laundering," *Reuters*, 7 March 2007.

¹⁰⁷ *Id.*; Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 194 (27 February 2007); Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 253 (28 February 2007).

¹⁰⁸ Alexander Yakovlev interview (16 and 17 August 2005).

¹⁰⁹ Certificate of Incorporation of Nikal Ltd. (25 April 2000). As was explained by Mr. Yakovlev, the name "Nikal" was created by Mr. Kuznetsov combining the letters of his son's and his daughter's first names. Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 361 (28 February 2007).

¹¹⁰ Nikal Minutes of Meeting of the Board of Directors (26 April 2000).

¹¹¹ Nikal Power of Attorney (26 April 2000) (signed by Ms. Mouck).

¹¹² Nikal Appointment of Bankers (26 April 2000) (signed by Ms. Mouck); Natalia Kuznetsova Specimen Signature (6 May 2000); Antigua Overseas Bank, Nikal account documents (identifying Nikal's bank account no. 11407245 at Antigua Overseas Bank).

¹¹³ Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, pp. 196-97 (27 February 2007).

¹¹⁴ Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 253 (28 February 2007).

INTERIM REPORT ON ALEXANDER YAKOVLEV
REDACTED AND STRICTLY CONFIDENTIAL

Q. what was the actual objective to have accounts in the actual same bank?

A. To minimize the exposure of the transfers.

Figure: Vladimir Kuznetsov trial transcript, Alexander Yakovlev testimony, p. 253 (28 February 2007)

61. Between June 2000 and July 2005, over US\$1.1 million was deposited into Nikal's account from a number of sources, including at least US\$220,000 from Moxycy.¹¹⁵ The amount of US\$1.1 million included at least US\$469,000 received directly from ICT USA, an entity associated with Volga-Dnepr, and at least US\$59,000 from Solitaire Nominees Ltd., an entity associated with Avicos.¹¹⁶ (See Chart A). These same companies made payments to Moxycy. Their role and arrangements with Mr. Yakovlev will be fully discussed in the forthcoming Final Report.

2. Vladimir and Olga Kuznetsov UNFCU and Chase Manhattan Bank Accounts

62. Based on the bank records, some of the financial assets obtained by Mr. Kuznetsov through Nikal were later transferred from Nikal's account at the Antigua Overseas Bank into Mrs. Kuznetsova's and Mr. Kuznetsov's personal accounts at UNFCU and Chase Manhattan Bank.

63. Specifically, in the period of December 2000 to July 2003, over US\$209,000 was transferred from Nikal to Mrs. Kuznetsova's account at UNFCU, and in the period of May 2001 to June 2003, over US\$86,000 was transferred from Nikal to Mr. Kuznetsov's account at UNFCU.¹¹⁷ Moreover, in the period of April 2000 to June 2000—around the time of Nikal's incorporation—at least US\$62,000 was transferred from Moxycy directly into Mr. Kuznetsov's account at UNFCU.¹¹⁸

64. Furthermore, in the period of July 2001 to January 2004, over US\$110,000 was transferred from Nikal's account into Mrs. Kuznetsova's and Mr. Kuznetsov's joint account at Chase Manhattan Bank.¹¹⁹ Additionally, on 29 March 2000, prior to establishment of Nikal, over US\$20,000 was transferred from Moxycy directly into Mr. Kuznetsov's account at Chase Manhattan Bank.¹²⁰

¹¹⁵ Antigua Overseas Bank, Nikal account documents (June 2000 to July 2005).

¹¹⁶ Antigua Overseas Bank, Nikal account documents (2 October 2000, 26 March, 11 June, 20 July, and 24 August 2001).

¹¹⁷ Antigua Overseas Bank, Nikal account records (December 2000 to July 2003) (showing transfers to account no. 374570 at UNFCU in the name of Mrs. Kuznetsova and account no. 374571 at UNFCU in the name of Mr. Kuznetsov).

¹¹⁸ Antigua Overseas Bank, Moxycy account records (April to June 2000) (showing transfers to account no. 347571 at UNFCU).

¹¹⁹ Antigua Overseas Bank, Nikal account records (July 2001 to January 2004) (showing transfers to account no. 015-566854 at Chase Manhattan Bank).

¹²⁰ Antigua Overseas Bank, Nikal account records (29 March 2000) (showing one transfer to account no. 015-240797 at Chase Manhattan Bank).

VI. RESTITUTION

65. The United Nations is a victim of Mr. Yakovlev's illegal and unethical schemes and as such, is fully entitled to restitution. Further, the United Nations should seek to recoup the monies in the various accounts, through making direct requests of the national authorities in each of these jurisdictions, and through the criminal proceeding in the United States District Court, Southern District of New York. A representative of the Liechtenstein Financial Investigations Unit has formally advised the Task Force, after consulting the Liechtenstein government, that the United Nations should join the criminal proceedings in Liechtenstein and advance its claim. The United Nations should make similar requests of the various authorities in the other affected jurisdictions.

66. At the sentencing of Mr. Yakovlev, the district court has the authority and ability to order restitution to any victims of the scheme. It is axiomatic in the law that the Organisation which employs an official who then uses his or her official position to engage in corrupt activity with vendors doing business with the Organisation is a victim of these illegal acts, as its integrity and processes are compromised and the Organisation's financial interests are directly affected. The Organisation paid substantial amounts of money to the companies which obtained United Nations contracts by engaging in illegal arrangements with Mr. Yakovlev in direct violation of United Nations regulations and rules and corruptly and illegally paid Mr. Yakovlev for his efforts on their behalf.

67. Under United States law, including the Victim and Witness Protection Act and the newly-enacted Crime Victims' Rights Acts, a victim of an offense has a number of compensatory rights, including the right to seek reimbursement and restitution from the court via the Probation Office.¹²¹ In this case, as part of his agreement with the United States government, Mr. Yakovlev has agreed to forfeit US\$900,000 to the United States government. This money will be paid into the United States Treasury, unless otherwise directed. In some circumstances, district courts recognize restitution in lieu of forfeiture, and will impose a restitution order for recovery of the funds, a forfeiture agreement notwithstanding. The proceeds of Mr. Yakovlev's activities should be ordered to be paid to the Organisation, and the proceeds of Mr. Yakovlev's accounts transferred to the benefit of the United Nations. In the estimation of the Task Force and based on the evidence introduced at the trial of Mr. Kuznetsov, this amount exceeds \$3.5 million.

VII. FINDINGS

68. The Task Force finds that beginning in or about 1993, and continuing until Mr. Yakovlev's arrest in 2005, Mr. Yakovlev, a former United Nations Procurement Officer, engaged in a corrupt scheme to solicit, and accept, sums of money and things of value from a number of United Nations vendors seeking to obtain United Nations contracts, including, but not limited to, Avicos, Cogim, and Volga-Dnepr, in exchange for

¹²¹ Victim and Witness Protection Act, 18 U.S.C. §3663-3664 (establishing the rules and procedures for orders of restitution); Crime Victims' Rights Act, 18 U.S.C. §3771 (stating that "[a] crime victim has . . . [t]he right to full and timely restitution as provided by law").

INTERIM REPORT ON ALEXANDER YAKOVLEV
REDACTED AND STRICTLY CONFIDENTIAL

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 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.

69. In summary, in the period of February 2000 to July 2005, Mr. Yakovlev, through Moxycy and Nikal, received a sum of at least US\$3.5 million from a number of United Nations vendors, including Avicos, Cogim, and Volga-Dnepr. These payments were made both directly by these vendors, as well as through a number of front companies. Furthermore, there is evidence that certain payments were made to Mr. Yakovlev in cash and into his other accounts, particularly in early 1990s, which will be addressed in the Final Report. These additional payments will be discussed in greater detail in the upcoming Final Report on Mr. Yakovlev.

70. The proceeds of Mr. Yakovlev's illegal activities were disbursed into a number of bank accounts in the United States and Europe, including accounts at the Antigua Overseas Bank (Antigua and Barbuda), Bank Austria Creditanstalt (Austria), Chase Manhattan Bank (New York, USA), Citibank (New York, USA), Hellenic Bank Ltd. (Limassol, Cyprus), HYPOSWISS Privatbank AG (Zurich, Switzerland), Liechtensteinische Landesbank (Vaduz, Liechtenstein), and UNFCU (New York, USA).

VIII. CONCLUSIONS

71. By engaging in an illegal scheme to seek and obtain valuable United Nations contracts to the detriment of the Organisation, Mr. Yakovlev violated Staff Regulations 1.2(b), 1.2(e), 1.2(g), 1.2(i), and 1.2(l), Financial Regulation 5.12, Financial Rule 105.14, and United Nations Procurement Manual Sections 4.1.5(4)(a), 4.2(1), and 4.2(2). Mr. Yakovlev failed to act in the best interests of the Organisation, failed to uphold the highest standards of honesty, competence, integrity, and truthfulness, solicited and accepted illegal payments from a number of United Nations vendors, improperly assisted certain United Nations vendors in preparation of their contract proposals, and favored certain companies during the execution of their contracts to the detriment of the Organisation.

72. The Task Force concludes that appropriate action should be taken by the Organisation to attempt to recoup the funds of the scheme, including asserting claims against the funds held at the 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 United Nations should seek to recover the proceeds of Mr. Yakovlev's illegal activities under the common principles of criminal and civil liability, as well as the United Nations rules and regulations, including the 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

**INTERIM REPORT ON ALEXANDER YAKOVLEV
REDACTED AND STRICTLY CONFIDENTIAL**

member's negligence or of his or her having violated any regulation, rule or administrative instruction."¹²²

73. The Task Force continues its investigation of the matters related to Mr. Yakovlev and will report shortly on the United Nations vendors, vendor representatives, consultants, and intermediaries engaged in illegal arrangements with Mr. Yakovlev. The forthcoming Final Report will contain specific recommendations against the entities and individuals that had inappropriate arrangements and made illegal payments to Mr. Yakovlev and Mr. Kuznetsov.

IX. RECOMMENDATIONS

A. RECOMMENDATION PTF-R002/07/01

74. The Task Force recommends that the Secretary-General request the Office of Legal Affairs to make efforts, through all available means, including legal process, to seek restitution from the perpetrators of the scheme, including Mr. Yakovlev and Mr. Kuznetsov, as well as the vendors identified herein, to recover the proceeds of the offense.

75. In that regard, the Task Force recommends that the Office of Legal Affairs be directed to give notice to the United States District Court, Southern District of New York, as well as courts in Liechtenstein, Switzerland, and other relevant jurisdictions, of the Organization's claim to the proceeds of the scheme in a total amount of at least US\$3.5 million. In connection with the accounts in Liechtenstein, the Task Force has been specifically notified by the appropriate prosecutorial authorities of the need for the United Nations to enter the criminal court proceedings for its claims to be considered. In connection with the upcoming criminal sentencing proceedings of Mr. Yakovlev and Mr. Kuznetsov in United States District Court, Southern District of New York, it is clear that the Organisation must make an immediate claim for restitution in the amount of US\$3.5 million with the United States Probation Office, the court, and with the United States Attorney, prior to Mr. Kuznetsov's and Mr. Yakovlev's sentencing proceedings, to protect the rights and interests of the Organisation. The United States Attorney, the Attorney General of Switzerland, the prosecutorial authorities of Liechtenstein, and other relevant authorities should be asked to consent to these requests, and in the case of the United States, the prosecutorial authorities should be requested to consent to the issuance of a restitution order for the benefit of the United Nations in lieu of forfeiture.

B. RECOMMENDATION PTF-R002/07/02

76. The Task Force recommends that the Secretary-General request the Office of Legal Affairs to take appropriate legal action on behalf of the Organisation to insure the recovery of the illicit proceeds of Mr. Yakovlev's and Mr. Kuznetsov's illegal activities,

¹²² ST/SGB/2002/1, rule 112.3 (1 January 2002).

**INTERIM REPORT ON ALEXANDER YAKOVLEV
REDACTED AND STRICTLY CONFIDENTIAL**

which are maintained in a number of bank accounts in financial institutions associated with Mr. Yakovlev and Mr. Kuznetsov. These accounts include:

- (i) Antigua Overseas Bank (Antigua and Barbuda): (a) account no. 11316945 (in the name of Moxycy Ltd.), and (b) account no. 11407245 (in the name of Nikal Ltd.);
- (ii) Bank Austria Creditanstalt (Austria): account no. 501-84285300 (in the name of Mrs. Yakovlev);
- (iii) Chase Manhattan Bank (New York, USA): (a) account no. 015-566854 (in the name of Mr. and Mrs. Kuznetsov), and (b) account no. 015-240797 (in the name of Mr. Kuznetsov);
- (iv) Citibank (New York, USA): account no. 69351036 (in the name of Mrs. Yakovlev);
- (v) European Trust Bank (Moscow, Russia): account no. 42301978300010000083 (in the name of Mrs. Yakovlev);
- (vi) Hellenic Bank Ltd. (Limassol, Cyprus): account no. 240-07-136343-01 (in the name of Ekati Trading Co. Ltd.);
- (vii) HYPOSWISS Privatbank AG (Zurich, Switzerland): account no. 77445 (in the name of Mrs. Yakovlev);
- (viii) Liechtensteinische Landesbank (Vaduz, Liechtenstein): (a) account no. 208.638.98 (in the names of Mr. and Mrs. Yakovlev), and (b) account no. 212.440.51 (possibly in the name of Angelus Finance Ltd. (British Virgin Islands)); and
- (ix) UNFCU (New York, USA): (a) account nos. 374570 and 374571 (in the names of Mr. Kuznetsov and Mrs. Kuznetsova), and (b) account no. 429290 (in the names of Mr. and Mrs. Yakovlev).

C. RECOMMENDATION PTF-R002/07/03

77. The Task Force further recommends that the Secretary-General request the Office of Legal Affairs to seek appropriate legal action on behalf of the Organisation to recover all tangible and intangible assets which Mr. Kuznetsov and Mr. Yakovlev acquired from the proceeds of their illegal activities. Such assets would include, *inter alia*, the real property obtained by Mr. Yakovlev and Mr. Kuznetsov, as well as Mr. Yakovlev's motor vehicles acquired using the proceeds of his illegal activities.