

Coburn Amendment # 2773 United Nations Transparency and Accountability

Purpose: to ensure that the U.S. contribution to the United Nations is not being lost to waste, fraud, abuse or corruption by maximizing the public transparency of all UN spending.

What the amendment does:

This amendment would require the Secretary of State to certify that the United Nations is publicly transparent about all its spending in 2007 before UN contributions for 2008 are released. The basic transparency would include posting on a publicly available web site, copies of all contracts, grants, program reviews, audits, budgets, project progress reports relating to fiscal year 2007.

Why the UN should be transparent and accountable:

The United Nations has a history of financial scandals.

- **The Oil For Food Program** was a program involving over \$130 billion that flowed through the United Nations and was intended to provide healthcare, food, and other humanitarian assistance to the people of Iraq. The program is considered the largest financial scandal in history and was undermined by massive fraud, kick-back schemes, and graft.
 - According to the Department of State, Saddam Hussein took more than **\$10.1 billion in illegal revenues** from the program.¹
 - In January of this year, **U.S. attorneys indicted the former head of the program**, Benon Sevon, who is hiding out in Cyprus, on charges of bribery and conspiracy to commit wire fraud.

¹ "New Data Indicate Saddam Took \$10.1 Billion From U.N. Oil Program," U.S. State Department, March 18, 2004.

- According to Claudia Rossett of The Foundation for the Defense of Democracies, U.S. attorneys investigating the Oil For Food scandal have produced 8 guilty pleas, 2 guilty verdicts, 2 agreements and forfeiture judgments, and 9 pending cases.²
- To this day, the **UN refuses to fully and publicly release the Oil For Food Program's contracts and financial documents** involved in what many refer to as the largest financial scandal in history.
- **Procurement Fraud** continues to plague the United Nations.
 - Last year, former U.S. Ambassador to the UN, John Bolton, testified to the Federal Financial Management Subcommittee, that, of **\$1 billion in UN Peacekeeping contracts that were audited by the U.N., up to a third was found to be lost to waste**, corruption and mismanagement. The UN refused to release the audit to the Ambassador, but he was able to secure a leaked copy.³
 - The amount lost in these audited procurement contracts is equivalent to the amount of the U.S. share of the procurement contracts audited. In other words, an amount equivalent to the entire U.S. contribution was lost to fraud and abuse.
- **The UN's Cash for Dictators Scandal** involves the United Nations Development Program (UNDP) and the illicit cash and technology transfers that took place with North Korea. According to the UNDP whistleblowers and leaked internal documents:
 - **UNDP programs in North Korea cost up to \$110M** over the past decade.

² "Guilty, Guilty, Guilty," The Claudette Report, August 17th, 2007.

³ "U.N. Procurement Scandal: A 'Culture of Impunity'" by George Russell and Claudia Rossett, Fox News, January 23, 2006.

- During this time, UNDP transferred **tens of millions in cash directly to the regime of North Korea without monitoring** how the money was spent.
- There is evidence that part of this cash was used by the regime to purchase homes for its officials in Europe and Canada.
- The Chicago Tribune reports there is evidence that UNDP deposited cash into the same accounts that North Korea uses to purchase ballistic missiles.⁴
- The UNDP refuses to allow U.S. investigators to audit and review its financial information—despite the U.S. sitting on the UNDP Executive Board and being the largest contributor to the UNDP budget.

Basic transparency can protect against scandal:

If the United Nations were to adopt simple transparency measures as outlined in my amendment, these scandals could have been prevented or nipped in the bud before causing as much damage as they have caused.

For example, the Oil For Food and Procurement scandals could have been prevented if contracts were publicly posted. This would enable us to identify the front companies and graft before the ink was dried on the contracts.

If the UNDP released its program reports, budgets, and financial information to the public, we could have caught the illicit cash transfers and corrupt funding arrangements between the UN and North Korea in the beginning and not inadvertently have sent U.S. taxpayer dollars to prop up a regime that engages in massive human rights abuses, the trafficking of counterfeits and illegal drugs, and the proliferation of weapons of mass destruction.

⁴ “U.S.: N. Korea misused UN cash - Money could have aided arms program” by Bay Fang, Chicago Tribune, June 9, 2007.

The UN refuses to be transparent with its largest donor:

All domestic agencies in the U.S. are compelled to provide Congress with detailed financial information, program reviews, audits, and budgets.

According to OMB, the U.S. taxpayer provides more than \$5.3 *billion* annually to the United Nations⁵, but despite repeated Congressional requests, the UN will not make its audits, program reviews, or other financial data available to Congress or the public. In most cases, documents have to be leaked before Congress is able to see exactly how this money is spent.

Why this amendment matters:

For every U.S. tax dollar that is lost to corruption at the UN, that is one less dollar that can go towards helping the most vulnerable or investing in regional stabilization or promoting human rights and the rule of law.

For example, it costs conservatively \$500 a year to treat a person with HIV/AIDS. The \$100 million that we suspect has been lost in the UNDP Cash for Dictators scandal could have been used to treat 20,000 more people that will otherwise die this year from HIV/AIDS.

Or take the country of Uganda—plagued over the years by civil war, epidemics, and other roadblocks to development. According to the World Bank, Uganda's GDP last year was only \$9.3 billion.⁶ Imagine what the \$10 billion that Saddam stole from the Oil For Food program could have accomplished in that country?

Claims vs. Facts

⁵ OMB: Report on U.S. Contributions to the U.N. System (FY01-05)

⁶ <http://siteresources.worldbank.org/DATASTATISTICS/Resources/GDP.pdf>

<i>Claim:</i>	The United Nations has a procurement website where information on all UN contracts and grants are posted
<i>Fact:</i>	<ul style="list-style-type: none">• The UN procurement website only shows the fraction of procurement controlled by the UN Secretariat and not the dozens of subsidiary UN bodies.• The UN information on the website is not exhaustive, does not include information regarding the purposes or outcomes of the procurement, and is many times missing contracts.

New Data Indicate Saddam Took \$10.1 Billion From U.N. Oil Program

Bureau of International Information Programs, U.S. Department of State
March 18, 2004

New Data Indicate Saddam Took \$10.1 Billion From U.N. Oil Program (GAO revises estimates of illegal revenues from 1997-2002) (1090)

U.S. congressional investigators estimate that Saddam Hussein's regime received more than \$10.1 billion in illegal revenues related to the United Nations' oil-for-food program from 1997 to 2002.

In a March 18 preliminary report to a House of Representatives panel, Congress' General Accounting Office (GAO) said that the former Iraqi government received \$5.7 billion from oil illegally smuggled out of Iraq and \$4.4 billion in illicit surcharges on oil sales and commissions from suppliers.

An earlier GAO estimate covering oil-for-food program activities through 2001 found that Saddam Hussein's regime had taken \$6.6 billion in illegal revenues from the UN program.

The new estimate, submitted during a hearing of the House Financial Services Subcommittee on Oversight, includes 2002 data from oil revenues and contracts and newer estimates of illicit commissions from commodity suppliers, GAO said.

Under the oil-for-food program, the Iraqi government was permitted to sell oil as long as the money was used to buy humanitarian goods and pay victims of the 1991 Gulf War. Other oil sales were prohibited under the U.N. embargo imposed after Iraq's 1990 invasion of Kuwait. The oil-for-food program expired in November 2003.

The GAO report warned that the U.S.-led campaign to find and repatriate Iraqi assets faces challenges, including the scheduled June 2004 transfer of sovereignty to an interim Iraqi government.

"It is uncertain whether the new government will allow the United States to continue its hunt for the former regime's assets," the report said.

Overall, the United States has had "varying results" in its campaign to identify, freeze and repatriate Iraqi assets, GAO said. "While the amount of hidden assets accumulated by the former Iraqi regime is unknown, estimates range from \$10 [billion] to \$40 billion in illicit earnings."

In separate testimony before the House Financial Services Subcommittee on Oversight, Deputy Assistant Treasury Secretary Juan Zarate said that over the past year almost \$2

billion in Iraqi assets outside the United States and Iraq have been newly identified and frozen. Other countries have transferred about \$750 million dollars to the Development Fund for Iraq (DFI), and another \$1.3 billion in cash and valuables has been recovered inside Iraq, he added.

The Treasury Department on March 18 also moved to capture more Iraqi money hidden around the world by formally submitting to the U.N. the names of 16 members of Saddam Hussein's family and 191 quasi-governmental companies, Zarate said.

U.N. Security Council Resolution 1483 requires member states to freeze accounts and financial assets that might hold Iraqi money and transfer the funds to the DFI.

"Every day, we are learning more about the maze of Hussein's money trails, and every day, we take concerted efforts to get other countries to identify Iraqi assets and transfer the funds that they have already frozen," Zarate said.

"This is a process that, by its very nature, will take time," he added.

The full text of Zarate's testimony is available on the Web at:
<http://www.treas.gov/press/releases/js1244.htm>

The text of the GAO report is available at:
<http://financialservices.house.gov/media/pdf/031804gao.pdf>

Following is an excerpt from the GAO report summarizing its findings to

date:

(begin text)

United States General Accounting Office (GAO)

Recovering Iraq's Assets

Preliminary Observations on U.S. Efforts and Challenges

March 18, 2004

Summary

We estimate that from 1997 through 2002, the former Iraqi regime acquired \$10.1 billion in illegal revenues related to the Oil for Food Program -- \$5.7 billion in oil smuggled out of Iraq and \$4.4 billion in illicit surcharges on oil sales and commissions from suppliers. This estimate is higher than our reported May 2002 estimate of \$6.6 billion because it includes 2002 data from oil revenues and contracts under the Oil for Food Program, newer estimates of illicit commissions from commodity suppliers.

The United States has tapped the services of several U.S. agencies and used recently developed domestic and international tools in its efforts to recover Iraqi assets worldwide. Led by the Department of the Treasury, about 20 government entities have combined efforts to identify, freeze, and transfer the former regime's assets to Iraq. The United States also used the International Emergency Economic Powers Act (IEEPA), as amended by provisions in the USA Patriot Act of 2001, to confiscate the property of the former Iraqi regime under U.S. jurisdiction and vest the assets in the U.S. Treasury. Finally, U.N. Security Council Resolution 1483 required all U.N. members to freeze without delay and immediately transfer assets of the former Iraqi regime to the new Development Fund for Iraq (DFI).

U.S. efforts to recover Iraqi assets have had varying results.

-- In March 2003, the U.S. government quickly took control of Iraq's assets in the United States. From May to September 2003, the United States transferred \$1.7 billion to Iraq to help pay for the salaries of Iraqi civil servants, ministry operations, and pensions. The United States also transferred \$192 million to the DFI in July 2003. Most of the vested funds have been spent on reconstruction.

-- Within Iraq, U.S. military and coalition forces seized about \$926 million of the regime's assets. The CPA used these funds for Iraqi projects, ministry operations, and liquefied petroleum gas purchases.

-- Other countries froze about \$3.7 billion of Iraqi regime assets in compliance with U.N. Security Council resolutions. As of March 2004, Treasury reported that more than 10 countries and the Bank for International Settlements had transferred approximately \$751 million to the DFI. State Department and Treasury officials continue to work diplomatically with other countries to expedite the transfer of remaining Iraqi assets.

-- Little progress has been made in identifying and freezing additional Iraqi assets that remain hidden. While the amount of hidden assets accumulated by the former Iraqi regime is unknown, estimates range from \$10 billion to \$40 billion in illicit earnings.

The United States faces key challenges in recovering Iraq's assets. First, recovering the former regime's assets was not initially a high priority in the overall U.S. effort in Iraq. Second, U.S. expectations for the quick transfer of funds may have been overly optimistic given the legal capabilities of some countries. Third, the impending transfer of sovereignty to an interim Iraqi government may further complicate U.S. efforts to locate and recover assets of the former regime.

(end text)

(Distributed by the Bureau of International Information Programs, U.S. Department of State. Web site: <http://usinfo.state.gov>)

[Guilty Guilty Guilty Guilty](#)

By Claudia Rosett
The Rosett Report

Augusty 17, 2007

The UN loves to get prizes. Maybe someone should set up an annual award for the UN program that best lends itself to graft, kickbacks and catering to tyrants. In honor of that mother of all UN relief programs, it could be called the Oil-for-Food Award — a program which today yielded [four guilty pleas](#) in the New York Southern District. These were from Texas oilman David Chalmers, two companies he ran under the name of Bayoil, and a Bulgarian associate of Chalmers, who was resident in Texas, Ludmil Dionissiev.

There's plenty more to say, especially with the trial of an alleged co-conspirator, oilman Oscar Wyatt, scheduled to begin next month. But let's start by noting that the U.S. — except for the horrendous folly of hosting UN headquarters at Turtle Bay — was one of the minor players among the scores of UN member states in which the UN's Oil-for-Food program became a vehicle for Saddam's dirty deals. And in the U.S. alone, Oil-for-Food investigations by the Southern District have by now led to:

8 guilty pleas
+
2 guilty verdicts
+
2 agreements and forfeiture judgments
+
9 pending cases

Some of these cases involve private individuals and businesses, some involve UN officials. All of them emanated from a UN relief program that UN officials assured us at the time was one of its most efficient ever, and had been “audited to death.” It leaves me with visions of the sign that ought to be emblazoned over the portals at Turtle Bay: “Abandon All Integrity, Ye Who Enter Here.” Were it not for that, I'd suggest giving the Southern District a permanent seat on the UN Security Council.

http://claudiarosett.pajamasmedia.com/2007/08/17/guilty_guilty_guilty_guilty.php

U.N. Procurement Scandal: A 'Culture of Impunity'

Monday , January 23, 2006

By George Russell and Claudia Rosett

FOX NEWS

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UNITED NATIONS —

How bad is the still expanding scandal in the United Nations' multi-billion-dollar procurement division? Based on a still-secret internal investigation, the answer is: for the U.N., it is just as bad as the gigantic [Oil-for-Food](#) debacle — or maybe worse.

The focus of the current scandal is [U.N. peacekeeping](#), a function that consumes 85 percent of the U.N.'s procurement budget — a cost that could reach \$2 billion in 2005. Like many of the U.N.'s financial dealings, it is shrouded in secrecy. And like the multi-billion-dollar Oil-for-Food scandal, it is wrapped in what the U.N.'s own investigators now call "systematic abuse," "a pattern of corrupt practices," and "a culture of impunity."

In all, U.N. investigators have charged that nearly one-third of the \$1 billion in major U.N. [procurement contracts](#) that they examined involved waste, corruption or other irregularities — \$298 million in all. And that total covered slightly less than one-third of the \$3.2 billion in major supply contracts that the U.N. has signed in the past five years.

These conclusions are contained in a confidential 34-page report by the U.N.'s internal watchdog, the Office of Internal Oversight Services (OIOS), which landed on the desks of top U.N. managers just before Christmas. The document, blandly entitled "Comprehensive Management Review of the Department of Peacekeeping Operations — Procurement" was circulated to various U.N. departments for comments and corrections, as part of the world body's labyrinthine and often ineffectual process of self-criticism.

A "finalized" version of the report, adjusted to take account of internal comments and rebuttals, has now been completed, and could be released to U.N. member states as early as Monday.

In advance of publication, the U.N. last week announced that eight officials from procurement and peacekeeping had been effectively suspended with pay while additional investigation takes place.

Based on the auditors' sampling, this scandal now appears clearly to be heading for the multi-billion dollar ozone layer of kickbacks collected by [Saddam Hussein](#) via U.N.-monitored contracts during the seven years of Oil-for-Food.

The big difference is that the Saddam Hussein is now out of business. The U.N. auditors, on the other hand, predict that unless radical changes are made in almost every aspect of U.N. business and internal management, recurrence of the kind of questionable activities discovered so far in UN procurement is "almost certain."

Audit: U.N. Hasn't Tried to Clean Up Procurement Mess

The U.N. has refused to name any individuals involved in the scandal so far, including any of the eight people suspended last week. They are known, however, to include Andrew Toh, the U.N. assistant secretary general for central supply services, who has been in overall charge of procurement. Toh has confirmed that he was relieved of duties and told FOX News that he did nothing wrong. Another of the suspended officials is reportedly [Sanjaya Bahel](#), a Toh subordinate who was named head of the procurement division last July, until the appointment was suddenly rescinded. Bahel has also denied any wrongdoing.

The suspension of eight mostly mid-level officials, however, hardly seems adequate to the problem, based on the OIOS report. OIOS auditors charge that mismanagement and corruption were the order of the day in the U.N.'s procurement process, just as they were in the Oil-for-Food scandal, and that virtually every area of the U.N. that touched on peacekeeping procurement was affected.

The OIOS investigators also declare flatly that there has been little or no attempt by the United Nations to look into internal accusations of mismanagement and fraud, nor any attempt to hold individuals accountable for their actions. "The control environment needs immediate attention," the report says.

Beyond the alarm over procurement, the investigators' questioned the effectiveness of the U.N.'s legal affairs department, and looked skeptically at a top-level U.N. committee known as the Headquarters Committee on Contracts (HCC), which supposedly examined and gave final approval to all contracts worth \$200,000 or more. The HCC performed its functions inadequately and was often misinformed and manipulated by peacekeeping and procurement staffers who appeared before it, the report says.

As one result of the oversight weaknesses, the report states, "the U.N. peacekeeping operations were depending on a few main vendors of questionable integrity, which made the missions vulnerable to over-charge."

But the problem extended beyond a few vendors. The report notes that in 2003, the OIOS sampled a list of 211 companies registered to sell goods and services to the United Nations, and which had done nearly \$1 billion in business with the organization up to that time. In cases with a total price tag of about \$562 million, the auditors discovered that the vending firms were involved in "exceptions to the normal registration procedures."

The OIOS report further notes that despite the U.N.'s vast purchasing power, only a handful of U.N. personnel in the field procurement section — 10 in all — were

responsible for the bulk of the buying done at UN headquarters. As the report notes, in 2005, one official alone "handled \$2 billion procurement in fuel and food contracts."

That appears to be an intriguing reference to [Alexander Yakovlev](#), the longtime procurement officer who was arrested last August and pled guilty to corruption and wire fraud charges after a FOX News investigation revealed his secret Caribbean bank account. The United Nations has refused to disclose the full extent of Yakovlev's activities in procurement. The reference could also mean that the U.N. audit's sampling methods still underestimate the extent of fraud in the department, since Yakovlev is known to have sought bribes from U.N. contractors as early as 1996.

Among other things, Yakovlev had ties to a mysterious firm named [IHC Services](#), which brokered U.N. procurement contracts for a wide variety of other companies. For a time, from at least 1998 until early 2000, IHC's board chairman was a longtime U.N. diplomat named Giandomenico Picco, who also served for an overlapping period as a part-time special envoy for Secretary General [Kofi Annan](#). (Picco's U.N. contract finally expires this month.)

Last October, FOX News revealed that IHC President Ezio Testa had leaked confidential U.N. procurement bid information to another firm, Eurest Support Services (ESS), five days before the United Nations gave ESS a \$62 million contract to feed peacekeepers in Liberia. At the time, U.N. officials estimated the total value of ESS food contracts with the United Nations at \$237 million, with renewals and add-ons that could reach \$351 million. Since the FOX News report, three ESS executives have been fired, and both ESS and its parent, British-based Compass Group, are under investigation by U.N. and U.S. federal authorities.

The current OIOS report makes specific note of at least one other transaction between Yakovlev and ESS, in connection with performance bonds that the U.N. requires to be posted by suppliers until contracts are fulfilled. Yakovlev allegedly returned a \$3.7 million performance bond from ESS eight months in advance of the required date, in contravention of U.N. regulations.

The report noted that the bonds represented cash, and "lack of controls over performance bonds created risks that [procurement] staff may...return them before contract expiration periods in exchange for cash or favours." In a limited sample, the auditors found "fraud indicators" in connection with payments and performance bonds totaling \$41 million.

Until late last year, U.N. rules and regulations did not require staff members "to disclose conflicts of interest that could affect procurement," the OIOS report notes. There is still no requirement for companies doing business with the United Nations to disclose when they have recruited former U.N. staffers as employees.

As a case in point, the report cites the staffing of one aviation supply company, Skylink Aviation, a global air transport firm based in Toronto. The OIOS auditors note that former senior U.N. contract negotiators from the management and peacekeeping

operations departments are currently listed as a Skylink vice president and a corporate managing director. The report makes no allegations that the hirings led to wrongdoing.

In fact, only one of the former U.N. officials now appears to be working for Skylink, according to the company Web site. That official, Skylink told FOX News, "is not involved in U.N. procurement issues."

Peacekeeping Contracts Under Scrutiny

In another section of the report, however, OIOS auditors recommend that the U.N. investigate possible collusion among U.N. officials to award Skylink an \$85.9 million fuel contract for peacekeeping in [Sudan](#). According to the report, one of the officials who was directly responsible for overseeing implementation of the Skylink contract abruptly resigned in December, 2005-about the time the OIOS investigation entered its final stages. No reason was given for the departure.

Another area of suspicion for the auditors is direct transactions between the peacekeeping department and national governments, known as "letters of assist." The investigators mention Toh specifically in a procurement case dating back to 2000, at a time when he was chief of the procurement division. The case involved rental by the U.N. of a Russian-made, heavy-duty MI-26 helicopter from the government of Peru for use by U.N. peacekeepers in East Timor. The cost: nearly \$10.5 million, with the money to be paid into a Swiss bank account.

There was no request from East Timor peacekeepers for such a helicopter, the OIOS investigators conclude, and they say there is evidence the United Nations was overcharged as much as \$8.8 million on the deal. There is also evidence of bid-rigging in the case, the auditors conclude.

OIOS auditors declare that a Peruvian government investigation found that the country's former president, [Alberto Fujimori](#), who suddenly resigned in November, 2000, amid a corruption scandal, illegally made the helicopter deal with the United Nations with the involvement of Peru's then-ambassador to the U.N. and a Peruvian general. (Fujimori, who is also charged with an array of human rights abuses, was arrested earlier this month in Chile.)

A note in U.N. files from a U.N. peacekeeping official, the OIOS investigators say, indicates that Toh was the person who first informed the peacekeeping department of Peru's interest in providing the helicopter.

Contacted by FOX News, Toh said he was aware of the citation, did not recall being involved, and had not been interviewed by OIOS in connection with the secret report.

"In my job, I get a lot of calls," he commented, adding that "all I do is refer them to the Department of Peacekeeping Operations. My office was not involved in any negotiations in respect of the government of Peru issue."

The OIOS report offers up a welter of recommendations for U.N. actions to drain the swamp of incompetence, bad procedure and wrongdoing. They range from the obvious (reviewing staff appointments "to ensure that these staff members meet the requisite qualifications and experience to carry out the functions assigned to them") to repeated requests to determine personal accountability for the irregularities that investigators have uncovered.

But the report is by no means a comprehensive look at the procurement department, or at peacekeeping, and leaves many questions unanswered.

The first is the true size of the problem.

U.N. peacekeeping costs, the auditors say, have averaged about \$750 million annually over the past five years, but the average is misleading. Peacekeeping costs have been rising dramatically of late. From 2002-2004, peacekeeping purchases totaled \$2.5 billion (another \$500 million was spent for regular U.N. use.) The \$2 billion bill for 2005 means that the amounts have now almost doubled. This means the potential losses and irregularities could prove to be far higher than even the U.N. report indicates.

Another question is why the top managers of the [Department of Peacekeeping Operations](#) appear to have emerged unscathed from the critique, though four middle-level officers are among those relieved of duties.

But the biggest question of all is how much determination the United Nations will muster to clean house when the "finalized" OIOS report finally sees daylight — and whether it will discover how far the "culture of impunity" might extend beyond procurement and peacekeeping operations.

George Russell is executive editor of FOX News. Claudia Rosett is journalist-in-resident with the Foundation For Defense of Democracies.

U.S.: N. Korea misused UN cash; Money could have aided arms program

BYLINE: By Bay Fang, Washington Bureau

SECTION: NEWS ; ZONE C; Pg. 1

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A senior State Department official told members of Congress in a recent classified briefing that funds transferred to the North Korean government by the United Nations Development Program were used by the Kim Jong Il regime to pay enterprises involved in weapons sales, as well as to purchase buildings in Europe and technology that could be used in a nuclear weapons program.

A memo obtained by the Tribune details the May 23 briefing, given to about a dozen members of Congress and staff.

According to the memo, the UNDP paid almost \$2.7 million for "goods and equipment" to a vendor with ties to a North Korean entity known to be the main financial agent in that country for sales of conventional arms and ballistic missiles. That entity has been singled out under the U.S. Treasury Department-administered Executive Order 13382, which freezes the assets of entities contributing to the proliferation of weapons of mass destruction.

The memo, which the State Department says is based on eyewitness accounts from program officials and internal UNDP business records, also alleges that the program's local employees withdrew from the UNDP's account at Pyongyang's Foreign Trade Bank tens of thousands of dollars worth of what UNDP officials identified as counterfeit U.S. currency.

Earlier this week, U.S. Ambassadors Mark Wallace and Zalmay Khalilzad met with program Administrator Kemal Dervis to present him their evidence. "The information we provided indicated an apparent misuse and diversion of UNDP funds, business dealings with certain suspect entities affiliated with [North Korea], UNDP's procurement of potential dual-use equipment and information related to further use of counterfeit U.S. currency in the [North Korean] country program," said Richard Grenell, a spokesman for the U.S. mission to the United Nations.

According to Grenell, Dervis agreed to investigate and to "cease doing business with the suspect entities."

The State Department memo detailing the May briefing did not provide specific evidence to support the contentions, though other sources indicated that officials had documentation.

The UNDP is supposed to provide money only for humanitarian or development purposes.

UNDP spokesman David Morrison said in a statement: "I am surprised that the U.S. authorities did not come to us first to verify the allegations. At first glance, the allegations do not correspond at all with our own records, which we have scrutinized extremely closely in the past six months. However, we take the allegations seriously and are looking into them. In this connection, we have asked if the U.S. authorities would provide documentation that would substantiate and help us to investigate them."

Other allegations in the briefing included the North Korean government transferring \$2.8\ million of program money to North Korean missions in Europe and New York to buy buildings in France, England and Canada, and to fund the purchase of equipment that could be used for either civilian or military purposes, such as Global Positioning System equipment, computers and a mass spectrometer, an instrument used to measure the masses and relative concentrations of atoms and molecules.

The memo also mentions electronic transfers made by the program to the North Korean government, specifying that "during 2001 and 2005, UNDP ... transferred over \$7 million of its funds" to a North Korean government entity and in 2001-02 transferred more than \$8 million of other UN agencies' funds to the North Korean government.

The UNDP has said its Pyongyang office was responsible only for the transfer of \$1 million a year on behalf of other agencies.

"It is disturbing but it should not be surprising," said Mike Green, a scholar at the Center for Strategic and International Studies and senior director for Asian affairs at the National Security Council until the end of 2005. "Cash transfers to the North Korean regime are tightly controlled at the top to ensure Kim can procure dual-use materials for his weapons programs, finance his operations abroad and provide luxury goods for the elite. This is all fungible money."

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