

MICHAEL T. MCCAUL, TEXAS
CHAIRMAN

BRENDAN P. SHIELDS
STAFF DIRECTOR



GREGORY W. MEEKS, NEW YORK
RANKING MEMBER

SOPHIA A. LAFARGUE
DEMOCRATIC STAFF DIRECTOR

One Hundred Eighteenth Congress
U.S. House of Representatives
Committee on Foreign Affairs
2170 Rayburn House Office Building
Washington, DC 20515

February 16, 2023

The Honorable António Guterres
Secretary-General
United Nations
760 United Nations Plaza
New York, NY 10017

Dear Secretary-General Guterres:

I write concerning the United Nations' (UN) response to gross financial mismanagement at the United Nations Office for Project Services (UNOPS). As I stated when I first wrote to you regarding this issue on May 16, 2022, the UN's response will be watched closely as a key indicator of its commitment to accountability.¹ I appreciated your commitment in your June 22, 2022 response that you would ensure the allegations are thoroughly investigated and that those responsible are held accountable, as well as mandate the implementation of leadership changes, management restructuring, and an independent review of internal controls and governance at UNOPS.² In order to ensure that the failures at UNOPS are not repeated in the future, it is imperative that the United States have access to the results of the UN's internal investigation into this matter.

As you know, the reports of financial mismanagement by UNOPS leadership have shattered the agency's reputation and led to a pause and comprehensive review of U.S. funding.³ Under the leadership of Executive Director Grete Faremo and Chief Executive of the Sustainable Infrastructure Investments and Innovation Initiative (S3i) Vitaly Vanshelboim, UNOPS directed over \$60 million dollars to questionable business dealings, resulting in massive financial and reputational losses.⁴ It remains unclear whether and to what extent these funds can be recovered. As a result of these improprieties, Ms. Faremo resigned at your request in May 2022, and Mr.

¹ Letter from Chairman McCaul to Secretary-General Guterres (May 16, 2022).

² Letter from Secretary-General Guterres to Chairman McCaul (June 22, 2022).

³ Farnaz Fassihi and David A. Fahrenthold, *U.N. Official Fired in Investment Scandal*, THE NEW YORK TIMES (Jan. 26, 2023), <https://www.nytimes.com/2023/01/26/world/un-investment-scandal.html>.

⁴ Farnaz Fassihi and David A. Fahrenthold, *Head of U.N. Agency Resigns After Questions Arise About Loans*, THE NEW YORK TIMES (May 8, 2022), <https://www.nytimes.com/2022/05/08/us/politics/un-agency-loans-resignation.html>.

Vanshelboim was fired as a result of the UN’s internal investigation – unfortunately the results of which have to date been withheld from the United States Mission to the United Nations.⁵

The results of independent reviews of UNOPS internal controls and governance conducted by KPMG make clear that the agency requires extensive reform at all levels if it is to continue operating at all.⁶ The reviews revealed systemic dysfunction at UNOPS, including abuse of power by management, failure to adhere to whistleblower procedures, risky investment practices, brazen deviation from the agency’s mandate, and weak audit and ethics functions.⁷ All of these failures contributed to a culture of fear and impunity at UNOPS.⁸ KPMG’s report states that, “...considering the significant organisational turmoil resulting from actions taken under S3i, there is need for a broad review of management priorities as well as the overall strategic direction and mandate of UNOPS.”⁹ Given these troubling findings, it is critical that the UN provide full transparency regarding the results of its own internal investigation of UNOPS to ensure that the underlying causes of such failures are fully understood and addressed.

Your June letter stressed that the United Nations Office of Internal Oversight Services (OIOS) conducted a thorough investigation at your request and submitted its investigative report to you, which would serve as the basis for accountability measures and assured that “the United States government, through the United States Mission to the United Nations, will be informed of other actions taken as a result of this matter, once the United Nations is in a position to share information without prejudicing accountability processes or recovery measures.”¹⁰ However, despite repeated requests by the United States to review the report, OIOS has declined to provide such access, including in a November 15 letter from Under-Secretary-General for Internal Oversight Services Fatoumata Ndiaye to U.S. Representative to the United Nations for UN Management and Reform Christopher Lu.¹¹

While OIOS reports are made available to Member States upon request as a standard practice, Under-Secretary-General Ndiaye’s letter cited a provision allowing that “when access to a report would be inappropriate for reasons of confidentiality or the risk of violating the due process rights of individuals...the report may be modified, or withheld in extraordinary circumstances” in which case the Under-Secretary-General “will provide reasons for this to the requesting party.”¹² The letter provided only a generic explanation of these reasons, claiming the report’s

⁵ Fassihi and Fahrenthold, *supra* note 3.

⁶ See KPMG, Third-party review of the internal control systems, risk management and overall governance structures of the UN Office for Project Services 6-11 (Nov. 28, 2022), https://content.unops.org/documents/libraries/executive-board/documents-for-sessions/2023/first-regular-session/en/Third-party-review-of-UNOPS-internal-control-systems-risk-management-and-overall-governance-structures_FINAL.pdf.

⁷ KPMG, Third-party review of effectiveness of the UNOPS oversight mechanisms for Sustainable Investments in Infrastructure and Innovation (S3i) 8-10 (Nov. 28, 2022), https://content.unops.org/documents/libraries/executive-board/documents-for-sessions/2023/first-regular-session/item-11-unops-segment/en/Third-party-review-of-effectiveness-of-the-UNOPS-oversight-mechanisms-for-Sustainable-Investments-in-Infrastructure-and-Innovation-S3i_FINAL.pdf.

⁸ *Id.* at 16.

⁹ KPMG, *supra* note 6, at 14.

¹⁰ Letter from Secretary-General Guterres to Chairman McCaul (June 22, 2022).

¹¹ Letter from Under-Secretary-General Ndiaye to Ambassador Lu (Nov. 15, 2022).

¹² *Id.*

release could negatively impact ongoing disciplinary and criminal processes.¹³ It is unclear how providing access to the report to the United States Government would have been detrimental to such proceedings. In any event, now that the disciplinary proceedings against Mr. Vanshelboim have concluded in his termination, the report should be provided to the United States without further delay. Continued refusal by the UN to provide the report more than half a year after its completion would raise significant concerns about the UN's commitment to transparency and accountability, and it would inhibit U.S. efforts to ensure sufficient reforms are implemented.

I therefore request that the OIOS report immediately be made available to the United States Mission to the United Nations. As requested in my previous letter, please also share the OIOS report, as well as the results of any additional related investigations, audits, or reviews, with the House Committee on Foreign Affairs. Access to the OIOS report is necessary for the United States to determine whether all necessary reforms at UNOPS are being pursued. Considering the persistent problems with transparency and mismanagement at UNOPS, continued use of the agency as an implementing partner is viewed as very problematic. The U.S. is the largest single financial contributor to the UN system. According to the State Department, U.S. contributions to international organizations, including the UN system, totaled over \$16 billion in FY21 - with more than \$104 million going specifically to UNOPS.¹⁴ Given that Congress is responsible for determining how and whether to invest taxpayer dollars in the UN system, it is essential that it have full insight into UN operations, including deficiencies and misconduct.

Thank you for your attention to this matter, and I look forward to your response.

Sincerely,



Michael T. McCaul
Chairman
House Foreign Affairs Committee

CC:
Rep. Gregory Meeks, Ranking Member
House Foreign Affairs Committee

Hon. Linda Thomas-Greenfield, U.S. Permanent Representative to the United Nations

Hon. Christopher P. Lu, U.S. Representative to the United Nations for UN Management and Reform

¹³ Id.

¹⁴ U.S. State Department, *Report to Congress on U.S. Contributions to International Organizations, Fiscal Year 2021 Section 4(b) of the United Nations Participation Act, 22 USC 287b(b)*, (September 20, 2022), <https://www.state.gov/wp-content/uploads/2022/09/2021-Report-on-Contributions-to-IOs.pdf>.

Hon. Michele J. Sison, Assistant Secretary, Bureau of International Organization Affairs