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MEDIA RELEASE

OCG Commences Enquiry into Procurement by the NWA of J\$62 Million Worth of Office Furniture Utilizing Palisadoes Shoreline Protection Project Contract Funds

Kingston; November 29, 2011 – The Office of the Contractor General (OCG) has commenced a formal Enquiry into what appears to be serious irregularities in the procurement by the National Works Agency (NWA) of Office Furniture, valued at approximately J\$62 Million, utilizing funds which were allocated for the Palisadoes Shoreline Protection and Rehabilitation Works Project.

The Palisadoes Shoreline Project is being executed by the China Harbour Engineering Company Ltd. (CHEC), under a US\$65.37 million contract that was awarded by the NWA. The Project was commenced in September 2010.

The OCG's Enquiry follows an unannounced five (5) to six (6) hour visit that was made to the Corporate Head Office of the NWA yesterday by a team of five (5) senior OCG officials.

The team, which was acting on intelligence, sequestered documents, interviewed senior NWA and Ministry of Transport and Works (MTW) officials, and conducted a cursory search of the five (5) forty-foot containers in which the furniture was being stored on the premises of the NWA.

The OCG team, which was accompanied by a police officer, was led by Mr. Craig Beresford, Senior Director of Monitoring Operations, Corporate Communications and Special Projects, and Mr. Maurice Barrett, Chief Investigator.

The OCG's decision to commence the Enquiry was taken this morning after an internal review was undertaken of the sequestered documents and the preliminary statements that were made to members of the OCG team by Mr. Earl Patterson, Acting Chief Executive Officer (CEO) of the NWA and by Dr. Alwin Hales, Permanent Secretary in the MTW, among others.

Among the many observations that were made, and the disclosures which were elicited from the referenced interviews and the sequestered NWA documents, were the following:

1. The fact that the initial representations which were made to the OCG representatives by Dr. Alwin Hales and Mr. Earl Patterson were such that it appeared that both gentlemen were uncertain of the source of funds which were used to facilitate the purchase of the referenced Office Furniture.



2. The fact that the MTW/NWA did not undertake a procurement process for the provision of the Office Furniture at the NWA, in accordance with the applicable GOJ Public Sector Procurement Procedures. In point of fact, the OCG was advised by the Acting CEO of the NWA that the purchase of the Office Furniture would have been done by way of a 'Work Order', as the funding for the goods was taken from the 'Institutional Strengthening' component of the contract for the Palisadoes Shoreline Protection and Rehabilitation Project.
3. Representations which were made by the Acting CEO of the NWA, Mr. Earl Patterson, that there was a Clause in the contract for the Palisadoes Shoreline Protection and Rehabilitation Project which would have governed the NWA's utilization of the 'Institutional Strengthening' component of the Contract to purchase the goods.

However, upon a review of the referenced Contract Document, the OCG representatives found that the 'Institutional Strengthening' component was only a mere line item in the Bills of Quantities in the amount of USD\$1,100,000.00. The OCG noted that the Contract Document did not contain any further Clauses and/or information with respect to the Institutional Strengthening component of the contract and/or the detailed particulars of how same was to be implemented.

4. The fact that in seeking clarification regarding the 'Institutional Strengthening' component of the Palisadoes Shoreline Protection and Rehabilitation Project, the OCG was further advised that such a provision may have been a part of the Preferential Buyer Credit Loan Agreement which was consummated between the Ministry of Finance and the Public Service and the Export-Import Bank of China. However, and despite being provided with a copy of the referenced Agreement, the OCG has been unable to find any such Clause. It must also be noted that the NWA Officers were similarly unable to identify any such Clause in the referenced contract agreement.
5. The fact that the OCG's on-site meeting revealed that the NWA did not conduct any form of verification and/or due diligence whilst the Office Furniture was being transferred from the four (4) containers, in which they were allegedly shipped, to the five (5) containers which are located at the NWA. Further, and despite the fact that the containers were 'unpacked' on the NWA's compound approximately six (6) weeks prior to the OCG's visit, such a verification exercise had not yet been undertaken by the NWA.

The representations which were made to the OCG, by the NWA, is that the 'unpacking' of the referenced containers was undertaken on a weekend, and was allegedly witnessed by certain representatives from the NWA and the supplier, Stationery and Office Supplies Ltd. (SOS).

Given the obvious lack of checks and balances, which have attended the NWA's management of the receipt, un-packing, re-packing, custody and security of the subject Office Furniture, the OCG has requested that the current Acting CEO of the NWA, Mr. Earl Patterson, surrender the keys to the five (5) containers to the Principal Financial Officer of the MTW, in the presence of three (3) members of the Ministry's Internal Audit Department and representatives of the OCG, for safeguarding. The OCG's request was complied with by the relevant Public Officers during the course of the OCG's visit to the Agency.



6. The OCG has been advised by the NWA that the referenced Office Furniture was procured by CHEC. However, the OCG was also advised by representatives of the NWA that communications with respect to the supply of the said goods were in fact undertaken between the NWA and the named supplier, SOS.
7. The OCG has also found and confirmed that the amount of J\$61,849,388.87 was approved and signed for by the then CEO of the NWA, Mr. Patrick Wong, by way of a letter to CHEC which was dated July 15, 2011, for the procurement of Office Furniture which was to be charged to the “Institutional Strengthening item of the contract.”
8. The OCG is also seized with correspondence from CHEC which was addressed to the then CEO of the NWA, Mr. Patrick Wong, dated July 12, 2011, which stated, *inter alia*, that “CHEC is requesting for your approval of 25% overheads and profit.” However, the typed amount of “25%” was crossed out and replaced, in hand writing, by the amount of “15%”. The referenced CHEC letter was signed by one “Qiwu Yang, Project Manager, Palisadoes Shoreline Protection and Rehabilitation Works”.
9. Despite the foregoing, however, the documents which have been provided to the OCG, by the NWA, have revealed that the official Quotation which was generated by SOS, in regard to the purchase of the said Furniture for the NWA, was billed to a Customer named “J. Robertson” on July 5, 2011, in the amount of J\$60,639,613.62. Curiously, the referenced Quotation was neither addressed to the NWA nor to CHEC.

The OCG’s covert attempts to ascertain whether the named “Customer”, “J. Roberston”, was indeed employed to any of the Public Bodies and/or private entities, which have so far been named as being involved in the supply of the Office Furniture, have proved futile.

10. The representations which have been made to the OCG, and the documents which have been provided to it, have revealed, at a minimum, certain unexplained matters, glaring irregularities, as well as evidence of a lack of due diligence, poor implementation, improper internal controls and adherence to the principles of good corporate governance, in the circumstances which have surrounded the procurement of the referenced goods.

The said deficiencies are similar in nature and gravity to that of the recent Findings of the Office of the Auditor General as they relate to the Institutional Strengthening component of the Jamaica Development Infrastructure Programme (JDIP), pursuant to which the NWA’s Corporate Office was reportedly refurbished at a cost of J\$102 million without the required prior approval of the National Contracts Commission.

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