

# Report of the Auditor-General



*On the Liberia Petroleum Refining  
Company, Monrovia Oil Trading  
Corporation "Debt" Settlement*

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**6 February 2012**

**TRANSMITTAL LETTER**

**FLASH REPORT OF THE AUDITOR-GENERAL ON THE LIBERIA PETROLEUM  
REFINING COMPANY, MONROVIA OIL TRADING CORPORATION "DEBT"  
SETTLEMENT**

1. I am pleased to issue this flash report which is a comprehensive analysis and examination conducted on the Liberia Petroleum Refining Company and the Monrovia Trading Corporation "Debt" Settlement agreement.
2. On 24 November 2010, LPRC represented by its Managing Director, T. Nelson Williams and Monrovia Oil Trading Corporation (MOTC) represented by its CEO Kris Leemans entered into an agreement to settle a debt to MOTC in the tune of US\$1,808,000.00 for US\$1,350,000.00.
3. The agreement was based on a board resolution passed by the Board of Directors OF LPRC obligating the company to settle the debt to MOTC without exercising due diligence. Consequently, Managing Director T. Nelson Williams entered into a contract with MOTC on 24 November 2010 for the debt settlement. The debt was purportedly incurred by LPRC during the Taylor regime for products lifted by GOL to meet its operational needs. Based upon my audit recommendation, President Ellen Johnson Sirleaf in July 2011 dismissed the entire Board of Directors of LPRC for amending the by-laws of LPRC, which allow board members to obtain contracts from the corporation and not exercising due diligence in the consummation of the purported debt settlement agreement.
4. The payment of US\$1,350,000.00 would purportedly relieve LPRC of its indebtedness to MOTC and as well forgive US\$402,000.00 owed to LPRC by MOTC for storage fees. The net transaction was therefore US\$1,752,200.00 in favor of MOTC. GAC continuous audit team at the LPRC flagged the payment and queried it.
5. The Government of Liberia settled this obligation through a drawback arrangement between MOTC and LPRC in December 2003-January 14, 2004. Additionally, the purported debt was not recognized by the former Managing Director of LPRC as it was not included as a liability in the financial statements for the year ended 31 December 2006 submitted to Ernst & Young, an international accounting firm for audit as Audit Report for the year ended 31 December 2006.
6. Sufficient and appropriate evidence obtained indicated that MOTC has been paid through the infamous drawback scheme implemented during the Interim Government, a bartering

scheme that waive fees and taxes for purported debt owed by Government of Liberia to creditors.

7. The CEO of MOTC Mr. Charles Carron should be prosecuted by the Minister of Justice for submitting a claim already settled through a drawback arrangements (off-sets) by the Ministry of Finance and LPRC. He exploited the weakness in the system by benefitting from a drawback settlement scheme from the Government of Liberia.
8. On 27 January 2011 MOTC submitted a document to me as an additional response to the Draft Management Letter submitted to the entity on 22 December 2010. However, my review of the document showed that it did not contain any new information of audit significance. It was a repackage of information presented previously in response to the Draft Management Letter. The document contained an affidavit from Comptroller Findley which failed to address the core issue of the debt being repaid through a drawback arrangement between GoL and MOTC, therefore of no impact on my recommendation and conclusion.
9. Her Excellency, the President of the Republic of Liberia, the Honorable Speaker of the House of Representatives, the President Pro-Tempore of the Senate and members of the National Legislature, the above issues are symptomatic of others noted in this report. I advise that their resolution should be considered urgently.



**Winsley S. Nanka, CPA, CFE  
Acting Auditor-General R. L.**

***Her Excellency  
The President of the Republic of Liberia  
The Executive Mansion***

***The Hon. Speaker  
The House of Representatives  
Republic of Liberia***

***President Pro-Tempore of the Senate  
The House of Senate  
Republic of Liberia***

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## **ACRONYMS**

<b>Acronyms Used</b>	<b>Meaning</b>
AG	Auditor General
AGO	Automotive Gas & Oils
CEO	Chief Executive Officer
E&Y	Ernest & Young
GAC	General Auditing Commission
GOL	Government of Liberia
KPMG	Klynveld Peat Marwick Geordeler
LPRC	Liberia Petroleum Refining Company
MD	Managing Director
MOTC	Monrovia Oil Trading Corporation
PCC	Permanent Claims Commission

## FLASH AUDIT REPORT ON MOTC PURPORTED CLAIM

### LPRC AND MOTC "DEBT" SETTLEMENT

1. On 24 May 2010, Monrovia Oil Trading Corporation (MOTC) wrote Liberia Petroleum Refining Company (LPRC) Managing Director, T. Nelson Williams informing him that LPRC owes MOTC US\$1,808,551.00 (**Exhibit A**). On 24 November 2010, LPRC represented by its Managing Director, T. Nelson Williams and Monrovia Oil Trading Corporation (MOTC) represented by its CEO Kris Leemans entered into an agreement to settle a debt in the tune of US\$1,808,000.00 for US\$1,350,000.00 (**Exhibit B**). This debt was supposedly owed by LPRC. The payment of US\$1,350,000.00 would purportedly relieve LPRC of its indebtedness to MOTC and as well forgive US\$402,000.00 owed to LPRC by MOTC for storage fees. The net transaction was therefore US\$1,752,200.00 in favor of MOTC. GAC continuous audit team at the LPRC flagged the payment and queried it.
2. In response to a query of the debt allegedly owed by LPRC to MOTC, LPRC Managing Director, T. Nelson Williams, II wrote the General Auditing Commission to provide clarifications and justification for the payment of the debt (**Exhibit C**). In his letter, MD Williams made several assertions and submitted documents (**photo copies**) to the General Auditing Commission. It was on the basis of these assertions and documents submitted by MD Williams that necessitated this Flash Report. As detailed below the assertions and photo copies of documents submitted were deemed insufficient and unreliable to support the payment to MOTC by LPRC.

### Assertions Made By MD Williams

3. *"Please be informed that this debt to MOTC was acknowledged by former Comptroller and Managing Directors of LPRC. It was communicated in several documents submitted the debt was not paid in the past due to insufficient funds in LPRC 's account (see documents attached)."*

### Auditor General's Position

4. This assertion is not materially supported by the documents submitted for audit review.
5. An examination of the documents revealed the following:

### Former Managing Director Harry Greaves

6. Former MD Harry Greaves did not recognize this debt. There is no evidence submitted to that effect. Also, the Ernst & Young Audit Report for the year ended 31 December 2006 did not indicate the debt owed to MOTC by LPRC. Contrary to MD Williams claims, Mr. Greaves did not recognize the debt as it was not included in the 2006 financial statements presented to Ernst & Young for audit (**Exhibit A1**) Also (**ref. Exhibit A**)

### Former Managing Director Belle Y. Dunbar

7. No evidence was submitted to indicate that former MD Dunbar acknowledged a debt in the tune of US\$1,808,551.00 or US\$1,808,000.00. On 2 August 2002, former MD Dunbar acknowledged a debt but the amount was not indicated. Former MD Dunbar wrote:

*"Management wishes to acknowledge her indebtedness from the first shipment and would like to assure you that settlement of our indebtedness will be spread over this and subsequent ones." **Exhibit DI***

8. In response to a 7 August 2002 letter from MOTC General Manager Roosevelt Anderson, on 29 August 2002, former MD Dunbar endorsed the proposal from MOTC on how LPRC can liquidate its debt. Former MD Dunbar wrote:

*"We have carefully reviewed the points you indicated and we would like to inform you of our endorsement. We therefore request you proceed with arrangement and subsequent shipment of the consignment." **Exhibit E***

9. In both letters issued by former MD Dunbar, she did not acknowledge a specific amount. She endorsed a proposal to barter the debt owed by LPRC by forgiving storage fees from MOTC until the debt is paid off. MOTC own communications indicated that the purported debt for which it is claiming payment was owed "between January 2003 and end of February/beginning March 2003 (**ref. Exhibits R2 and R3.**). These dates are also indicated in the letter from former Justice Minister Lavela Kobo Johnson (**ref. Exhibit P**). But the communications from former MD Dunbar are dated 2 and 29 August 2002.

#### **Former Comptroller William L.G. Findley**

10. In a letter submitted for audit, former Comptroller Findley wrote MOTC Chief Executive Officer, Charles Carron on 11 June 2002. Former Comptroller Findley did not acknowledge a debt to the tune of US\$1,808,551.00. Former Comptroller Findley position on the matter is self-evident:

*"After review and analysis of the Account, it is agreed by both LPRC and MOTC that LPRC **exposure** to MOTC in **cash** and in **stock** stands at US\$1,808,551.00 (one million eight hundred eight thousand five hundred fifty-one United States dollars). Kindly affix our Signature in acknowledgement of this amount. **"Exhibit F.***

11. Exposure in cash and stock indicate a potential liability in the event that LPRC opted to use the gallons in stock. It is a potential or contingent liability. No invoice or documentary evidence was submitted to indicate that this potential liability was realized and recognized.
12. On 17 February 2003, former Comptroller Findley wrote a memorandum to former MD Dunbar suggesting alternative solutions to resolve the purported debt issue between LPRC and MOTC. Former Comptroller Findley wrote:

*"In order to maintain our cooperation and restore confidence with MOTC, I would like to advance the following:*

1. *That an urgent meeting be held to do an overall calculations as to determine our total debt to MOTC.*

2. *That based on the calculations, MOTC be allowed to bring in product to cover this amount.*
  3. *That a tank be assigned to MOTC (for use by MOBIL, designated buyer) until said quantity is fully exhausted. "Exhibit G."*
13. MOTC in a communication, indicated that the purported debt for which it is claiming payment was owed "between January 2003 and end of February/beginning March 2003 (ref. **Exhibit R2 and R3.**). These dates are also indicated in the letter from former Justice Minister Lavela Kobo Johnson (ref. **Exhibit P**). Former Comptroller Findley's purported letter is dated 11 June 2002.
14. As indicated in this Flash Audit Report, former Comptroller Findley's proposal was fully accepted by MOTC and endorsed by former MD Dunbar. Deal to barter the debt, and trade off from paying in exchange for fees waiver was sealed and consummated. It is instructive to note that MOTC again made similar request to MD T. Nelson Williams to **barter** a part of the debt, which is indicated in paragraph 5 of MOTC 24 May 2010 communication . (ref. **Exhibit A**).

#### **Former MD Edwin Melvin Snowe**

15. On 27 April 2010, former MD Snowe wrote MOTC CEO Charles Carron in response to a request allegedly made to him by MOTC. Former MD Snowe did not provide any evidence that during his administration he conducted any investigation on the purported debt. His statements in the letter is reproduced:

*"As requested in your letter of April 24, 2010, we are pleased to inform you to the best of our certain knowledge, our administration was unable to honor its indebtedness to your Corporation in the amount of US\$1,808,551.00 (one million eight hundred eight thousand five hundred fifty-one United States dollars) due to limited revenue generation during the period."*

*We however reference you to a letter of conformation of said indebtedness under the signature of Mr. William L.G. Findley, former Comptroller of LPRC as well as two separate audits undertaking by Monbo & Company and Ernest & Young in which LPRC indebtedness to MOTC is mentioned (**Exhibit H**).*

16. Former MD Snowe placed his entire reliance on the purported communication from former Comptroller Findley and an audit report from a local firm and E&Y for the alleged debt owed by LPRC. First, as already indicated, former Comptroller Findley letter indicated only an exposure not an actual debt. Former Comptroller Findley also proffered solutions to settle the purported debt which was accepted by MOTC and endorsed by former MD Dunbar. The debt was bartered.



17. Second, in MOTC letter to MD Williams dated 24 May 2010, CEO Charles Carron informed MD Williams that former MD Greaves informed CEO Carron to wait until the audits were over before any discussion on the debt issue (**Ref. Exhibit A, par. 3**). E&Y conducted audits under former MD Greaves for 2006 and GAC also conducted audits under former MD Greaves for period 2006-2008. Former MD Snowe did not indicate which E&Y report, as E&Y conducted audits during his administration. However, MOTC's debt was not included in the 2006 financial statements presented to Ernst & Young for Audit by former MD Greaves . **(Ref. Exhibit A1)**

18. A review of prior communications written by former MD Snowe during his tenure provided contradicting information. On 8 September 2008, former MD Snowe wrote MOTC Resident Manager Roosevelt F. Anderson and indicated:

*"Acknowledgement is made of your letter dated September 24, 2003 in which you presented clarification on arrangements between Liberia Petroleum Refinery Corporation (LPRC) and Monrovia Oil Trading Corporation (MOTC). We are reviewing documents attached, which may give us a clearer picture of our indebtedness to MOTC."* **Exhibit I**

19. On 17 May 2004, former MD Snowe communicated with CEO Carron and indicated:

*"After review and analysis of your accounts, we acknowledged both the Government of Liberia and the Liberia Petroleum Refinery Corporation (LPRC) indebtedness to the Monrovia Trading Corporation (MOTC) in the amounts of nine hundred twenty-two thousand nine hundred fifty-two dollars forty-five cents United States Dollars (US\$922,952.45) and one-million eight hundred thousand five hundred fifty-one United States Dollars (US\$1,808,551.00) respectively."*

*"We are pleased to inform you that the total debt in the amount of **US\$2,731,503.45** has been turned over to the Government of Liberia for settlement. We are now concluding arrangements with Government for amortization of this amount."* **Exhibit J**

20. Former MD Snowe acknowledged two amounts totaling US\$2,731,503.45, as a debt owed by the Government of Liberia and LPRC without any documentary evidence to support the US\$1,808,551.00. As indicated in subsequent parts of this report, there is only one invoice for the amount supporting the US\$922,952.45 indicated in former MD Snowe's letter. The purported quantity associated with the US\$922,952.45 is 343,105 gallons of AGO (**Ref. Exhibit R3**).

21. On 9 August 2004, former MD Snowe after committing the Government of Liberia to the tune of US\$2,731,503.45 without supporting documentation, wrote former Justice Minister Kabina Ja'neh. In his letter, he informed Minister Ja'neh that the Government of Liberia has acknowledged the debt. Former MD Snowe wrote:

*"We present our compliments and confirm that the Government of Liberia is indebted to the Monrovia Oil Trading Corporation (MOTC) in the amount of two million seven hundred*

*thirty-one thousand five hundred three dollars & forty-five cents United States Dollars (US\$2,731,503.45). Please be further informed that the aforementioned amount has been acknowledged by the Government for settlement." **Exhibit K***

22. As indicated in subsequent paragraphs, the former Justice Minister correctly informed the Minister of Finance that said claim be forwarded the Permanent Claims Commission, an institution created in Chapter 59 of the Executive Law of 1972 to audit all claims against Government. The claim that ended at Permanent Claims Commission (PCC) and MOTC should have pursued it through the PCC as it is the case with all debt owed by Government of Liberia.

#### **Former Board Chairman, Frederick D. Cherue**

23. On 20 November 2004, MOTC's lawyer Jones & Jones wrote Chairman Cherue informing him that LPRC owes US\$1,808,551.00 to MOTC and indicated the following:

*"The target of this request is to come to a practicable and workable formula for the liquidation of the claim and the settlement of the debt, as follows:*

- 1. MOTC proposes to have the obligation liquidated within a period of one (1) year, commencing as of now.*
  - 2. As far as MOTC is bringing petroleum products into the Country, our client proposes that the payment of the amount be secured against storage and handling fees due or payable to LPRC and/or against import levy and sales taxes to the Government of Liberia, with approval of the relevant and competent authority of the Government agency involved." **Exhibit L***
24. This proposal was also made by former Comptroller Findley and was accepted by MOTC and endorsed by former MD Dunbar.
25. On 12 November 2004, former Chairman Cherue acknowledged a debt of US\$1,808,551.00 without any supporting documentation. **Exhibit M.** It was also noted, while on 17 May 2004 acknowledged a debt of US\$2,731,503.45 and forwarded a communication of the same amount to former Justice Minister Ja'neh. It is therefore surprising that Jones and Jones and Chairman Cherue only discussed a debt of US\$1,808,551.00, former MD Snowe was discussing the amount of US\$2,731,503.45.

#### **Assertions Made By MD Williams**

26. *"Per your letter, this debt was not included in the final KPMG report as a valid claim for liquidation by the Government of Liberia. Contrary, this acknowledged and attested to by the Ministry of Justice, REO International (Independent Inspector), and the Ministry of Finance. Documents were also notarized confirming this long term debt. (See documents attached."*

### **Auditor General's Position**

27. MD T. Nelson Williams assertions are not supported materially by his own documents he submitted, as indicated below:

### **Former Minister of Justice, Kabina Ja'neh**

28. There is no proof whatsoever that former Minister of Justice Ja'neh ever acknowledged this debt. On 11 August 2004, Minister of Justice Ja'neh wrote the Minister of Finance:

*We have the honor to present our compliments and inform you that the Ministry of Justice has received a communication from the Management of the Monrovia Oil Trading Corporation (MOTC), claiming that the Government of Liberia owes them the sum of US\$2,731,503.45.*

*Considering the magnitude of the claim, we are of the opinion that the Permanent Claims Commission should review the claim of the MOTC and **advise Government appropriately** as to the settlement of said claim. **Exhibit N.***

29. Former Justice Minister's Ja'neh's position was unequivocal. He did not acknowledge that the debt was genuine.

### **Acting Minister of Finance, Tugbeh N. Doe**

30. Acting Finance Minister Tugbeh Doe wrote LPRC Board Chairman Cherue regarding the information forwarded to the Minister of Finance by Justice Minister Ja'neh. A copy of the letter was sent to the Minister of Justice. Acting Minister Doe clearly indicated that the Government of Liberia did not owe a debt to MOTC in the tune of US\$2,731,503.45:

*"We have reviewed the claim and wish to point out that we have found no evidence to establish that the transaction was channeled through the Ministry of Finance, nor was any related arrangements or contract endorsed/signed by the Ministry of Finance for and on behalf of GOL in this connection. Given that we have found no agreements concluded between GOL and MOTC/LPRC, the letter Ref: MD-LPRC/098/04 dated 17 May 2004 from the LPRC Managing Director, Hon. Edwin M. Snowe II to MOTC's Chief Executive Officer, Mr. Charles Carron, attributing the total liability of US\$2,731,503.45 to GOL (copy of letter herewith attached) is rather **unilateral and unsubstantiated.**"*

*"In view of the forgoing, we wish to inform the LPRC, through the Board of Directors, that the Ministry of Finance has **no legal obligation** to settle such claim. It is thus our conclusion that the Board should instruct the management to settle this obligation since it has been confirmed by previous and current management of LPRC." **Exhibit O.***

31. Acting Finance Minister Doe basically told LPRC to pay if they can support the payment. But the Government of Liberia was not obligated and the information contained in former MD Snowe letter that the Government has acknowledged the debt was misleading and untrue. As already indicated, former MD Snowe's main reliance that the debt was genuine is on the basis of communication from LPRC Comptroller, a Comptroller whose own letter was not

certain as to the amount owed. Furthermore, there was no communication submitted to indicate that former Comptroller Findley acknowledged a debt of US\$2,731,503.45, thus casting doubt on the information provided by former MD Snowe.

#### **Former Justice Minister, Levala Koboi Johnson**

32. On 14 February 2003, former Justice Minister Johnson acknowledged a debt on the basis of appropriation of petroleum products for "National Emergency" in a communication to Jones & Jones. He did not indicate the amount:

*"The Ministry of Justice, Republic of Liberia, counsel for and on behalf of the Republic of Liberia, hereby acknowledges receipt of query, addressed to the Managing Director of the Liberia Petroleum Refining Corporation (LPRC), in a communication dated 13<sup>th</sup> February, A.D. 2003.*

*We wish to inform the Monrovia Oil Trading Corporation (M.O.T.C.), your client, that the appropriation of its petroleum products sometime in January, A.D. 2003, was necessitated by a National Emergency which, at the time, posed a clear and direct threat to the Security of the Republic of Liberia; and, therefore, was done consistent with the applicable laws thereto appertaining.*

*Notwithstanding, however, we also wish to assure M.O.T.C. that in accordance with Government's legal obligation under the circumstances, the Government will pay the fair market value of the said petroleum products as soon as is possible to do so; bearing in mind the priority of National Security.*

*Meanwhile, please be informed that any further enquiries in respect of the above should therefore be addressed to the Attorney General of the Republic of Liberia, who mans the Institution of Government that will cause the settlement of said indebtedness through the appropriate Agency, in this case, through the Ministry of Finance. **Exhibit P***

33. Former Justice Minister Johnson clearly assumed responsibility for the fair value of any petroleum products appropriated by Government. As indicated, he did not acknowledge any specific quantity or dollar value.

#### **Former Deputy Minister of Justice, Edward K. Goba**

34. On 2 July 2004, Deputy Minister Edward Goba requested verification of the claims in a letter to MOTC CEO Charles Carron. He wrote:

*"Because of the involvement of the former Minister of Justice by his assurance that you will be paid, and his request that all inquiries regarding your claims be directed to his office, we requested the Management of LPRC to verify your claim to enable **us advise Government appropriately.***

*However, pending a response from LPRC, I received a copy of a communication addressed to you from LPRC acknowledging GOL's indebtedness to MOTC. Notwithstanding, expect the*

*information required from LPRC to satisfy the question of verification, and to ensure that Government interest is fully protected." **Exhibit Q.***

35. As indicated, former MD Snowe wrote Justice Minister Ja'neh indicating that Government has acknowledged the debt. This was rejected by Acting Finance Minister Doe. Minister of Justice suggested a review by the Permanent Claims Commission. There is therefore no evidence that this debt was acknowledged in full by the Government of Liberia. But even if the Government acknowledged the debt as indicated in former Minister Johnson's letter, this was a Government of Liberia matter, not LPRC as clearly indicated in the letter from former Justice Minister Johnson.

**REO INTERNATIONAL Ltd.**

36. In submission of documents, MD Williams included a letter from REO International, a company he claimed is an "International Inspector." **On 26 May 2003**, REO Acting Managing Director Calvin N. Doe wrote Belgissche Oliemaatschappij and indicated the following:

*"In receipt of your letter of **May 26, 2003** requesting us to submit a report covering the second shipment of 1,262,000 gallons of AGO brought into the Liberia by BOM, please find attached a summary report including the actual movement of the consignment."*

*Additionally, as requested in your letter statement above, and as per your original instructions (copy attached), please be informed that Liberia Petroleum Refinery Company (LPRC) lifted in excess of 622,357 authorization we received; 343,105 gallons AGO, at the agreed price of US\$2.69, this amount to US\$922,952.45 (Nine hundred twenty two nine hundred fifty-two forty five cents." **Exhibit R1***

37. There is no evidence, documentary or otherwise, submitted by REO to indicate that LPRC owed US\$1,808,551.00 to MOTC. Hence it was therefore misleading for MD Williams to assert that REO also documented the purported debt.
38. **On 27 May 2003**, MOTC CEO Charles Carron sent a letter to MD Dunbar with a subject line, "RB: G.O.L./LPRC appropriation of products from MOTC stocks. CEO Carron wrote:

*Further to our previous correspondence and conversations regarding above subject matter. And further to the report issued by REO International Ltd quantifying the total quantities appropriated and lifted by G.O.L./LPRC necessitated by the National Emergency, consistent with the applicable laws thereto appertaining. Please find attached the REO International Report of May 26, 2003 and our invoice (**Exhibit R3**) for the total appropriated quantities by G.O.L./LPRC between January 2003 and end February/beginning March 2003 for your review and acceptance. **Exhibit R2***

39. The invoice was duly signed by CEO Carron and accepted by MD Dunbar on **27 May 2003**. Exhibits **R1, R2 and R3** are all consistent with former Minister of Justice Levala Kobo Johnson's letter (**Exhibit P**) in which the Ministry of Justice acknowledged appropriating

petroleum products. The quantity and amount in **Ref. Exhibit 3** also listed on the 27 May 2003 invoiced of 343,105 gallons, representing US\$922,952.45 is also consistent with REO International letter in Ref. **Exhibit P**. Again, no evidence that REO International confirmed a debt owed MOTC by LPRC to the tune of US\$1,808,551.00.

#### **Notarization of Debt**

40. LPRC MD T. Nelson Williams also attempted to justify the payment of this purported debt on the basis of it being notarized. MD Williams submitted three separate documents, which after careful examination do not support his contention. Herein lies the facts:

- Notary Certificate (**Exhibit S1**). On 11 June 2002, Notary Mary Mamie Howe notarized a document indicating the following language: *"Letter of Acknowledgement of Debt From Liberia Petroleum Refinery Company (LPRC) to Monrovia Oil Trading Corporation (MOTC)."* No further information is provided to indicate debt amount or the signatories to this Acknowledgement. It could therefore be a debt to the tune US\$1.00 to US\$1 billion.
- **On 27 May 2003**, "To Whom It May Concern" was issued by former Minister of Justice, Levala Koboi Johnson. Only testify to indicate that the signature of Notary Mary Mamie Howe on the Notary Certificate (**ref. Exhibit S1**) was genuine and acknowledged that she has been commissioned as a Notary Republic. The "Whom It May Concern" also indicated that she is "competent to issue the aforementioned Instrument. Former Minister Justice distanced himself and indicated a disclaimer on the content of the Instrument when he wrote:

*"However, the Ministry of Justice accepts no responsibility whatsoever for the content of said Certificate. Exhibit S2.*

- On 27 May 2003, Apostitle was issued by Deputy Minister of Foreign Affairs, Tambakai A. Jangaba. **Exhibit S3**. It indicated that former Comptroller Findley signed a document attested by former Justice Minister Levala Koboi Johnson for a debt owed by LPRC to MOTC. The amount was not stated and the document to which Minister of Justice affixed his purported attestation was not submitted. It is instructive to note that in confirming the signature of Notary Public Mary Mamie Howe on the same date, 27 May 2003, former Minister Johnson disclaimed the authenticity of the content. The purported debt was also probated by Jones & Jones on 17 June 2002. **Exhibit S4**.

41. Again there is no evidence from all the documents submitted that LPRC owed US\$1,808,551.00 to MOTC. REO International and all the documents including the purported notary did not indicate such amounts. The only amount was with invoice was the 343,105 appropriated with price tag of US\$922,952.45.

#### **Monrovia Oil Trading Corporation, Barter Agreement**

42. On 7 August 2002, MOTC General Manager, Roosevelt F. Anderson, Sr. wrote former Managing Director Dunbar and indicated the following:



*I have the honor to present my compliment and to communicate to you herewith, pursuant to the directive of the Chief Executive Officer of the Monrovia Oil Trading Corporation (MOTC), the following points which we anticipate would meet your approval for the mutual benefit of our two respective companies.*

*The points are follows:*

- 1. That the payment resulting from the daily sales of the forthcoming consignment of 4,000 metric tons of AGO, should be made directly into MOTC account at TRADEVCO Bank in Monrovia.*
  - 2. It is our understanding that no advance Tax payment would be obliged to be made by MOTC on this and subsequent consignments.*
  - 3. We are in agreement with the second paragraph of your Memorandum addressed to Messrs. Leemans and Carron which states that: LPRC Management wishes to acknowledge her indebtedness from the first shipment and would like to assure you the settlement of **our indebtedness will be spread over this shipment and subsequent ones.**"*
  - 4. In connection with the above, MOTC hereby proposes, without prejudice, that 25 U.S. cents be retained on each gallon sold in order to reduce LPRC indebtedness to MOTC in the amount of approximately US\$1,800,000.00.*
  - 5. Finally, in order therefore to strengthen our cooperation arrangement and to ensure timely shipment of successive consignments, MOTC hereby proposes that the forthcoming consignment be sold between 60 to 90 days at the agreed price per gallon. **Exhibit T***
43. The evidence has indicated that this purported debt was bartered and settled during the war years. Below is the reproduction of former MD Dunbar endorsement:

*"Management wishes to acknowledge her indebtedness from the first shipment and would like to assure you that settlement of our indebtedness will be spread over this and subsequent ones." **Ref. Exhibit D***

#### **Monrovia Oil Trading Corporation, Math Does Not Tie**

44. On 20 November 2002, A letter sent to former MD Dunbar on MOTC letterhead indicated the following:

*I am please to present to you my compliments; and to inform you our concern about the rapid sales of the consignment of AGO recently brought in by MOTC.*

On the basis of our written arrangements, the value to MOTC of this shipment amounts to US\$1,855,140 with settlement December 15, 2002.

In order to make possible the payment of this amount and the speedy delivery of a new shipment before the end of the year, we propose the following procedure:

1. The volume corresponding to the above amount is equal to approximately 689,643 gallons.
  2. As you are already aware, a volume of 200,000 gallons have been sold to MOBIL Oil (Lib.), Inc.
  3. We intend to sell to them an additional quantity. The balance of this volume remains at the disposal of MOTC.
  4. The 1,262,000 gallons, minus 689,643 gallons, it means 572,357 gallons are **immediately at the disposal of LPRC**. However, LPRC will take care to not lift quantities that could endanger the fluent delivery of the MOTC quantities. **Exhibit U**
45. There are two fundamental issues that are contained in this letter from MOTC. First, it is instructive to note the language, **immediately at the disposal** of LPRC. This means LPRC could choose to use it or not use it. This language is also consistent with former Comptroller Findley's, when he maintained that LPRC **exposure** in cash and in stock, meaning gallons in stock.
46. Second, the mathematics does not tie, as indicated below:

Available	MOTC	Sold to MOBIL	At LPRC Disposal
1,262,000	689,643	200,000	372,357

47. But MOTC indicated that the amount at LPRC disposal was 572,357, without taking into consideration the number it claimed it sold to MOBIL Oil. But even if LPRC had used what was at its disposal, the total values are:

Quantity	Rate	Value
372,357	\$ 2.69	\$ 1,001,640.33
572,357	\$ 2.69	\$ 1,539,640.33

48. On the basis of the documents submitted for audit, there are five numbers that have been noted in all the communications, although no supporting documents to indicate quantity such as an invoice. They are:

Amount 1	Amount 2	Amount 3	Amount 4	Amount 5
\$ 1,808,551	\$ 1,800,000	\$ 1,855,140	\$ 1,001,640	\$ 1,539,640



49. There is quite a lot of uncertainty on not only the numbers but other information provided to the GAC.

#### **DRAWBACK SCHEME, MOTC Purported Claim Settled**

50. Evidence obtained indicated that MOTC has been paid through the infamous drawback scheme implemented during the Interim Government, a bartering scheme that waive fees and taxes for purported debt owed by Government of Liberia. This scheme was abused and eventually stopped by the President of Liberia, Madam Ellen Johnson Sirleaf when she assumed office in 2006. There continued to be a high risk the companies that benefitted from this drawback are now resubmitting the claims to various agencies of Government and through the domestic debt payment process at the Ministry of Finance. As indicated below, MOTC tried to defraud Government by submitting same claims to LPRC, again.

#### **MOTC CEO Letter to Chairman Gyude Bryant**

51. On 19 August 2005, MOTC CEO Charles Carron wrote Chairman Gyude Bryant on debt he claimed were owed by Government to MOTC. The full copy of his letter is reproduced below:

*"Please accept our compliments and be informed of development involving Government of Liberia indebtedness to the Monrovia Oil Trading Corporation.*

*On March 25, 2005, following with the Ministries of Finance and Justice and ourselves, we reached an arrangement with GOL on how a settlement of US\$2,731,503.13 was to be repaid to us for fuel supplied GOL. (Please see attached letter MS/2-2/TND-DMA054/2005).*

*Though the execution of this letter, MOTC has been repaid US\$400,000.00 (Four Hundred Thousand). However, we have made additional credit to Government for US\$200,000.00 (Two Hundred Thousand) on August 15 2005, reflecting a net balance of US\$2,531,505.45.*

*Your Excellency, we write to appeal to you to kindly allow Monrovia Oil Trading Corporation to apply Petroleum taxes due to GOL at the rate of US\$400,000.00 (Four Hundred Thousand) monthly until the full amount is paid." (Exhibit V)*

52. Acting Minister Tugbeh Doe, who had earlier declared the MOTC claimed was unsubstantiated, succumbed to a purported directives from Chairman Bryant. On 23 August 2005, Acting Minister Doe indicated to MOTC CEO Carron the following:

*The Chairman, His Excellency Charles Gyude Bryant has forwarded us a letter from you dated August 19, 2005 in which you appraised him of GOL's indebtedness to your corporation for the amount of US\$2,531,505.45 (US Two Million Five Hundred Thirty-One Thousand Five Hundred and Five Dollars and Forty-Five Cents), you have accordingly requested that Government pays you a monthly amount of US\$400,000.00 (US Four Hundred Thousand Dollars) until the entire debt is liquidated.*

*The Chairman has concurred, following discussions with us and considering GOL's present situation that we pay YOU Monthly US\$300,000.00 (Three Hundred Thousand Dollars as of October 2005.*

*By so doing, accept this letter as government's authority to you to commence the settlement of the just obligation due MOTC. **(Exhibit X1 and X2)***

53. It is instructive to note MOTC claimed in its letter to Chairman Bryant that Government owed US\$2,531,505.45. But it is also claiming that LPRC owes it. LPRC provided drawbacks and GoL also provided drawback in settlement of LPRC's purported obligation to MOTC. Its most recent proposal to LPRC MD Williams, MOTC is again proposing another drawback, when it had already proposed and benefitted from drawback during the tenure of MD Dunbar and the transitional government under Chairman Bryant.
54. The deal was sealed and MOTC received the benefits for its purported debt. No documentation was provided to support Chairman Bryant's instruction to pay MOTC, through a drawback scheme. Further, no material justification was also provided to indicate why Acting Minister Doe changed from his earlier position that this debt was not substantiated and therefore GOL owes no money to MOTC. Acting Minister Doe only changed his stance due to presidential directives. MOTC benefitted to the tune of US\$2,213,665.00 from the drawback scheme as indicated below in former Minister Sayeh's letter and **Ref. Exhibit X2**.

#### **Former Finance Minister Antoinette M. Sayeh Letter to MOTC**

55. On 3 April 2006 former Finance Minister Antoinette M. Sayeh wrote the management of the Monrovia Oil Trading Corporation in reference to GOL's purported obligation to MOTC as follows:

*"We extend our compliments and wish to inform you that the Ministry of Finance has embarked upon an investigative audit to ascertain that all revenue charged to Customs drawback is properly accounted for.*

*Our records reveal that your business entity benefited from the drawback privilege in the amount of **US\$2,213,665** for the period December 2003-January 14, 2004.*

*You are advised to provide the Ministry of Finance through its personnel in charge, Messrs William R. Hagba and R. McDonald Garnett Sr., documentation regarding the Custom drawback transactions. This includes but not limited to the letters of authorization, claims and copied all offset process vouchers."**(Exhibit w)***

56. The former Finance Minister letter clearly established that GOL settled its obligation to MOTC through a drawback arrangement. I was not provided with evidence indicating that MOTC responded to former Minister Sayeh.

## **Conclusion**

57. No evidence was submitted to indicate that the LPRC owes the amount of US\$1,808,551.00.
58. There was an agreement between LPRC and MOTC for MOTC to bring in AGO with fees waived in exchange for the purported debt. This was a common practice during the war years and Interim Government.
59. Only former Minister of Justice Koboi Johnson acknowledged that some gallons were appropriated in January 2003, which postdated the purported US\$1,808,551.00. This is confirmed by former Minister Johnson's communication and communication from MOTC.
60. The reference point for former Minister Johnson's acceptance of his Ministry's obligation was on the 343,105 (equivalent US\$922,952.45), not US\$1,808,000.00. No invoice or any communication from LPRC, Ministry of Finance or Ministry of Justice indicated with sufficient evidence of acknowledgement of a debt to the tune of US\$1,808,000.00. Former MD Snowe relied on a communication from former Comptroller Findley to indicate that LPRC owed such an amount, without taking into consideration the various bartering arrangement between LPRC and MOTC to liquidate debts. Former Acting Minister of Finance Tugbeh Doe rebuffed former MD Snowe, when Minister Doe characterized former MD Snowe contention to the former Minister of Justice Ja'neh that the Government of Liberia has acknowledged the debt as unilateral and unsubstantiated. Former Minister Doe stated that the Government was not liable but since LPRC has claimed that it owed MOTC, they should go ahead and liquidate it.
61. Former MD Snowe informed MOTC that it has passed on the debt to the Government of Liberia to liquidate it. Former Minister of Justice Ja'neh requested the Minister of Finance to send the debt to the Permanent Claims Commission. This was the best decision in the entire process of vetting this purported debt.
62. As former Minister Doe indicated, there is no evidence of a contractual arrangement between GOL and MOTC. In the same manner, there is no invoice, much less a contractual arrangement between LPRC and MOTC for the debt purported incurred to the tune of US\$1,808,551.00 in 2002. The Government of Liberia through the former Minister of Justice Johnson only acknowledged appropriating petroleum products in 2003, not 2002. The invoice signed by MOTC CEO Carron and LPRC MD Dunbar only showed appropriation for 2003 as indicated in REO International letter, signed agreement and MOTC invoice (**Ref. Exhibits R1, R2 and R3**) and also **Ref. Exhibit P** for former Minister Johnson's letter.
63. MOTC did not submit for audit any evidence that the bartering agreements between it and LPRC were not consummated.
64. The Ministry of Finance settled Government's purported obligation to MOTC through drawback, as contained in the former Minister of Finance letter to MOTC management. Former Minister Sayeh wrote MOTC, "*Our records revealed that your business entity benefited from the drawback privilege in the amount of **US\$2,213,665** for the period December 2003-January 14, 2010.*"

65. There is no proof whatsoever that E&Y included MOTC debt in its 2006 Audit. The balance sheet and itemized vendor is included E&Y Audit Report on LPRC are in **Ref. A1 –A3**. MD Snowe reference to E&Y was a material misinformation. Former MD Greaves was correct in not recognizing this purported debt from MOTC.

### **Recommendation**

66. LPRC and other public corporations should coordinate with the Minister of Finance in payments of debts purportedly incurred during the interim Government. The minister of Finance should submit such debts to the General Auditing Commission for audit. This will prevent purported lenders/creditors from getting paid by public corporations when such payments were cleared through a bartering system (**Drawback Scheme**) during the war years and interim government era.
67. LPRC should not pay MOTC, as all evidence submitted indicated that this purported debt was bartered and settled. Furthermore, on the basis of evidence submitted, former Minister of Justice, Levala Kobi Johnson only acknowledged a potential liability for appropriation in 2003, not 2002. Former Finance Minister Sayeh letter is clear, the Ministry of Finance settled MOTC obligation through a drawback scheme.
68. The CEO of MOTC Mr. Charles Carron should be prosecuted by the Minister of Justice for submitting a claim already settled through a drawback arrangements (off-sets) by the Ministry of Finance and LPRC. He exploited the weakness in the system by benefitting from a drawback settlement scheme from the Government of Liberia and the LPRC.

### **Monrovia Oil Trading Corporation Management's Response**

#### **ON 16 JANUARY 2011, MOTC SUBMITTED THE FOLLOWING LETTER IN RESPONSE TO THE DRAFT MANAGEMENT LETTER WITH DOCUMENTS IT CLAIMED SUBSTANTIATED ITS CLAIMS:**

69. *We wish to inform you that there were three separate transactions during the period under review. Two of the transactions involved the direct transaction between LPRC and MOTC. The third transaction involved an advanced of US\$200,000.00 (two hundred thousand United States Dollars) each to the government of Liberia (GOL) and deliveries of petroleum products to the GOL (Executive Mansion) during the interim government of his Excellency C. Gyude Bryant through the Ministry of Finance and MOTC .*
70. *We attached herewith three separate dossiers, distinguishing the three transactions. The first two labeled number 1&2 are the transactions between MOTC and LPRC directly. The last one labeled number 3 contains the transactions between the interim government and MOTC.*

### **Auditor General's Position**

71. I carefully examined the dossiers attached by Management in response to the Draft Flash Report. However, it is instructive to note that Management failed to provide evidence necessary to cure the noted deficiency, as those dossiers attached by Management to convince me of LPRC's Liability to MOTC were already examined by me.
72. I maintain that LPRC should not pay MOTC, as all evidence submitted indicated that this purported debt was bartered and settled. Former MD Harry Greaves did not recognize the debt as it was not included in the 31 December 2006 financial statements presented to Ernst & Young for audit.
73. MOTC's Management failed to provide evidence to indicate that former MD Dunbar acknowledged a debt in the tune of US\$1,808,551.00 or US\$1,808,000.00. Though she acknowledged a debt to MOTC, but the amount was not indicated in her communication of 2 August 2002. It is also instructive to note that former MD Dunbar on 29 August 2002 endorsed a proposal from MOTC on how LPRC intended to liquidate the debt to MOTC. This proposal was outlined in a communication from MOTC dated 7 August 2002. Again, in Belle Dunbar's 29 August 2002 letter, she did not indicate LPRC's liability to MOTC. Former MD Dunbar endorsed a proposal to barter the debt owed by LPRC by forgiving storage fees from MOTC until the debt was paid off.
74. In MOTC's summary of Business Activities, MOTC indicated that 1,619,366 gallons of AGO was supplied to LPRC in the tune of US\$3,465,443.00. MOTC failed to provide documents to support how the debt was liquidated down to US\$1,808,551.00 as at 10 June 2002. On the invoice submitted by MOTC it is indicated that the US\$1,808,551.00 was accumulated on the basis of cash and product. However, MOTC failed to provide evidence to show how much of this US\$1,808,551.00 was in cash and how much was in product. There was no document provided to indicate this US\$1,808,551.00 as outstanding balance from the first shipment worth US\$3,465,443.00.
75. By submitting a letter from former MD Belle Dunbar, a letter from former Comptroller William L.G. Findley, an invoice and a report from REO are not sufficient to support that LPRC is still indebted to MOTC in the tune of US\$1,808,551.00. The REO quality report is only an inspection report that justified the condition of the product on arrival of the ship at the port of destination and cannot be used as a medium to justify that indeed LPRC owed MOTC an amount of US\$1,808,551.00.
76. Documents as contained in the MOTC's dossiers were provided to me by LPRC's Management to support the MOTC's purported claim. MOTC is now contended that these documents were in support of the second shipment, as such is contended arrears that accrued to LPRC in the tune of US\$1,808,551.00 from the first shipment. It is instructive to note that it was predicated on these same documents that the Management of LPRC was about to make the payment for which a due diligence was purportedly performed by Board member, David A.B. Jallah.

### **Statement of Accountability**

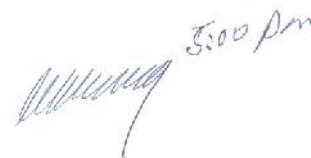
77. In this report, it is required that I hold people accountable for public monies entrusted to them for the purposes of providing services to the taxpayers. Section 53.7 of the Executive Law of 1972 defined the minimum reporting requirements in my audits. Section 53.7 requires me to report the following:

- Any officer or employee who has willfully or negligently failed to collect or receive monies belonging to the Government.
- Any public monies not duly accounted for and paid into an authorized depository.
- Any appropriation that was exceeded or applied to a purpose or in manner not authorized by law.
- Any deficiency or loss through the fraud, default or mistake of any person.
- Inadequate or ineffective internal control of public monies and assets. When appropriate, the report shall also include recommendations for executive action or legislation deemed necessary to improve the receipt, custody, accounting and disbursement of public monies and other assets.

78. MOTC failed to provide the necessary and relevant supporting documents to show that the US\$1,808,551.00 was outstanding as of date. Thus LPRC should not pay MOTC and The CEO of MOTC Mr. Charles Carron should be prosecuted by the Minister of Justice for submitting a claim already settled through a drawback arrangements (off-sets) by the Ministry of Finance and LPRC. He exploited the weakness in the system by benefitting from a drawback settlement scheme from the Government of Liberia and the LPRC.

### **Acknowledgement**

79. I wish to express my thanks and appreciation to former and current officials and staff of the Liberia Petroleum Refining Company (LPRC) and the Monrovia Oil Trading Corporation (MOTC). I further wish to thank the auditors of the General Auditing Commission for assisting me to carry out this audit. The professionalism and commitment throughout the audit are commendable.



**Winsley S. Nanka, CPA, CFE  
Acting Auditor General, R.L.**

**February 2012**

# EXHIBIT