Case No. 524: SCHMIDT

Against: The Secretary-General of the United Nations

THE ADMINISTRATIVE TRIBUNAL OF THE UNITED NATIONS,
Composed of Mr. Roger Pinto, President; Mr. Jerome Ackerman, First Vice-President; Mr. Ahmed Osman, Second Vice-President;

Whereas, on 2 November 1989, Manfred Otto Schmidt, a staff member of the United Nations Institute for Training and Research, hereinafter referred to as UNITAR, filed an application that did not fulfil the formal requirements of article 7 of the Rules of the Tribunal;

Whereas, on 28 November 1989, the Applicant, after making the necessary corrections, again filed an application, containing the following pleas:

"Section II. Pleas"

The Administrative Tribunal is respectfully requested:

1. To rule that the promotion of Applicant to the P-4 level be implemented with effect from 1 April 1985 and that the consequent level of remuneration, increment and benefits be adjusted retroactively.

2. To rule that in light of the continuing failure by the Secretary-General to honour an unequivocal contractual commitment, the Applicant be awarded damages, based on rates set out in precedents derived from judgements of the Administrative Tribunal and recommendations from the Joint Appeals Board commensurate with the failure to take needed administrative action, involving negligence and misuse of administrative authority.
3. To rule that in light of the failure by the Secretary-General to honour the obligation set out in staff rule 101.2(g) [sic], further damages be awarded at rates set out in precedents derived from judgements of the Administrative Tribunal and recommendations from the Joint Appeals Board commensurate with the unreasonable delay involving negligence and misuse of administrative authority."

Whereas the Respondent filed his answer on 16 April 1990;
Whereas the Applicant filed written observations on 24 May 1990;

Whereas, on 28 September and 9 October 1990, the Applicant submitted additional documents;

Whereas, on 9 October 1990, the Tribunal put questions to the Respondent and on 15 October 1990, he provided answers thereto;

Whereas, on 19 October 1990, the Applicant commented on the answers provided by the Respondent;

Whereas the facts in the case are as follows:
The Applicant entered the service of UNITAR on 5 October 1981. He was initially offered a two year fixed-term appointment as an Associate Administrative Officer at the P-2, step V level, on secondment from the Government of Germany.

On 16 December 1982, Mr. Davidson Nicol, the then Executive Director of UNITAR, whose term was due to expire on 31 December 1982, informed the Applicant that he would be promoted to the P-3 level, with effect from 1 December 1982. A Personnel Action form was issued to implement the promotion at the P-3, step V level on 23 December 1982. On 4 January 1983, the new Executive Director, Mr. Michel Doo Kingué, suspended the Applicant's promotion, pending "the opportunity to examine the case in the light of the views expressed on [the] matter by the UNITAR Board of Trustees as well as the UNITAR Appointment and Promotion Board (APB)".

On 21 April 1983, in accordance with a recommendation by the UNITAR APB, the Applicant's entry level was corrected retroactively to the P-3, step IV level, to 5 October 1981, the date of his entry
into service. His functional title was changed to Administrative Officer. This administrative action resulted in a lump sum payment of US$7,871.88 by the Administration to the Applicant. On the same date, in an internal UNITAR Administrative Circular, the Executive Director informed the staff of UNITAR that upon the imminent departure of the then Chief, Finance and Administration Section, he had decided that the Applicant would be "the principal responsible officer of the Finances of UNITAR" and Secretary of the Finance Committee of the UNITAR Board of Trustees.

The Applicant's appointment was extended for a further fixed-term period of two years and three months, commencing on 5 October 1983. The Personnel Action form issued to implement the appointment on 14 June 1983, provides under the Section "Remarks" that "[the Applicant] wishes to participate in the [Pension] Fund effective with this extension". A subsequent Personnel Action form dated 4 October 1983, was issued to enter the Applicant into the Fund retroactively to 5 October 1981. In view of this administrative action, the Applicant was informed that he had to pay to the Fund the amount of US$6,369.37, representing his contributions. This amount was subsequently deducted in monthly installments from his pay. The Applicant's appointment was successively extended for further fixed-term periods, the latest extension running to 31 December 1993.

On 26 March 1984, the Executive Director approved payment to the Applicant of a special post allowance (SPA) to the P-4, step IV level, retroactive to 1 November 1983. The U.N. Payroll Unit raised questions regarding the propriety of the SPA step level. Although these questions were apparently not resolved, the SPA step level was implemented.

On 2 May 1985, the Executive Director informed the Applicant that he had decided to promote him to the P-4 level, with effect from 1 April 1985. He noted that the appropriate step would be determined in accordance with the relevant rules. A Personnel Action form was issued to implement the promotion to the P-4, step V
level on 20 May 1985. According to the record of the case, this form was "put aside" by the U.N. Payroll Unit pending resolution of questions about it. Successive Personnel Action forms were issued implementing yearly additional step levels, in a routine fashion.

Meanwhile, in connection with an across-the-board audit, conducted in 1985, of all education grant claims submitted by staff members, the Internal Audit Division (IAD) discovered that the Applicant had, since 1982, claimed and received reimbursement from the Organization in respect of education grant claims for his two children Sonja and Torsten. Education grant payments are calculated on the basis of certificates of attendance and costs, bearing the seal of the school and signed by one of its representatives and indicating the dates of the child's attendance and the amounts actually paid to the institution. These, in turn, are certified by the staff member on a special form, as being true to the best of his or her knowledge and belief.

In a signed statement dated 24 June 1985, the Applicant admitted that neither of his two children had attended, during the 1983-84 school year, the schools he had listed on one of the forms provided by the Organization to claim the education grant. He stated that the signatures on the forms certifying he had made certain payments were from school officers, but explained that: "The schools will stamp anything submitted to them without checking ..." and that he intended to refund the amounts he had received in education grants, but had been unable to do so because of "financial problems". He further stated that the 1984-85 education grant advance already received for his son Torsten would be recovered from the 1985-86 advance for Sonja, to which he was entitled. On 25 June 1985, the Applicant paid back to the U.N. US$3,641.25. The investigation showed that successive claims and false certificates submitted by the Applicant resulted in overpayments to him for the school years 1981-82, 1982-83 and 1983-84.

On 26 June 1985, the Director, IAD, wrote to the Executive Director to report the results of the IAD investigation and to
inform him that the Applicant's personnel file had been referred to the Office of Personnel Services, since "irregularities may have been committed in an amount which may exceed [US]$10,000". On 28 June 1985, the U.N. Deputy Controller withdrew the Applicant's certifying authority with respect to the accounts of UNITAR.

In a memorandum dated 3 July 1985, the Applicant explained to the Executive Director, that in the light of his financial situation, resulting from administrative errors in his recruitment, he had accepted "with the approval of the [previous] Executive Director", education grants, "with the understanding, that these amounts would be regarded as a sort of internal loan" until his contractual status was "corrected". He stated that although not entitled to the education grant, he "never intended to keep the money unlawfully".

On 26 September 1985, the then Under-Secretary-General for Administration and Management wrote to the Executive Director, asserting that, in his view, the Applicant's action constituted, "false certification, misrepresentation and conversion" which would warrant summary dismissal for serious misconduct under staff regulation 10.2. In a reply dated 1 November 1985, the Executive Director, admitting that he was "deeply shocked" to learn that a staff member, who is a Certifying Officer, "could forge documents to obtain access to Education Grant", explained that the Applicant's conduct had been prompted by the circumstances of the Applicant's recruitment which put him "in a financial situation he was not expecting or prepared to face". In addition, he noted that the "internal loan" arrangement was "not unknown to the previous UNITAR Management". He therefore proposed to suspend the Applicant for two months, effective 31 December 1985.

On 14 February 1986, the then Under-Secretary-General for Administration and Management wrote to the Executive Director, pointing out that neither the Executive Director of UNITAR, nor the Secretary-General himself, had authority to condone or approve the use of the Organization's funds for personal loans to staff members.
Furthermore, in other cases where fraud had been detected, neither financial hardship nor a good service record had been considered exculpatory, since the intentional act of knowingly submitting fraudulent claims, certifying that they were true, was incompatible with the standards of conduct required of international civil servants. In a reply dated 2 October 1986, the Executive Director concluded that "the extenuating circumstances outweigh the violation and that the [Applicant's] dismissal is not justified". He had therefore decided to halt "[the Applicant's] eligibility for promotion to the next grade for two years beyond the regular seniority requirement, thereby also excluding accelerated promotion". This evidently was not a satisfactory resolution as far as the then Under-Secretary-General for Administration and Management was concerned and the U.N. Administration's position remained unchanged with respect to the Applicant's promotion. By letter dated 9 June 1987, the Executive Director requested the Assistant Secretary-General for Human Resources Management\(^1\) to implement the promotion. The latter did not respond and on 4 February 1988, the Executive Director reiterated his request.

On 24 May 1988, the Applicant requested the Secretary-General to review the "apparent decision" of the Office of Human Resources Management not to implement UNITAR's decision to promote him to the P-4, step V level, with effect from 1 April 1985. In a letter dated 15 July 1988, copied to the Applicant, the Under-Secretary-General for Administration and Management informed the Executive Director that, in view of the admitted fraud committed by the Applicant against the Organization, the Secretary-General had concluded that "the UNITAR decision to promote Mr. Schmidt to be Chief Administrative Officer i.e. to be the principal responsible officer for Finance and Administration in UNITAR, could be regarded as being in violation of staff regulation 4.2" and, the Secretary-General had decided that the Applicant should not be

\(^1\)Successor of the Office of Personnel Services.
promoted, that he should cease being UNITAR Chief Administrative Officer and that he should be assigned to a post without certification authority.

On 18 July 1988, the Applicant lodged an appeal with the Joint Appeals Board (JAB) against the Secretary-General's decision "not to implement an administrative decision of UNITAR to promote [him] from P-3/VII to P-4/V with effect from 1 April 1985". In his letter of appeal, he referred to the non-implementation by the Secretary-General of UNITAR's decision to grant him three additional steps when it granted him an SPA to the P-4 level in 1984. The Board adopted its report on 28 July 1989. Its conclusions and recommendation read as follows:

"Conclusions and recommendation

37. The Panel concludes that the right of the Executive Director of UNITAR to promote UNITAR staff is limited under Article V of the UNITAR Statute insofar as he is required to consult with the Secretary-General with respect to the selection of senior officials of the Institute, and that the post of Chief Administrative Officer falls within the category of posts specifically requiring consultation between the Executive Director and the Secretary-General before selecting its incumbent.

38. The Panel further concludes that the appellant does not meet the requirement of 'the highest standard of integrity' which shall, under staff regulation 4.2, be one of the paramount considerations in the promotion of the staff.

39. The Panel also concludes that the Executive Director did not follow the normal disciplinary procedures since he gave the appellant a sanction not provided for in staff rule 110.3.

40. In addition, the Panel concludes that UNITAR's decision to award the appellant three additional salary steps, with regard to the SPA and his promotion, was not in conformity with staff rules 103.9(i) and 103.11(d) nor with personnel directive PD/1/84, which apply in the absence of special arrangements agreed upon by the Executive Director and the Secretary-General (...), and that the explanations given by UNITAR for doing so were unacceptable. In the first place, since pension fund deductions are returned to staff members at the end of their service, to compensate for the same amounts to double payment[sic]. Secondly, by authorizing the
SPA at a higher step level, the appellant received an overpayment, since the amount deducted from his salary was a combined figure for retroactive and current pension payments. Thirdly, the appellant received lump sum payments for correction of entry level and for retroactive SPA, well in excess of the total amount owed. Fourthly, the documentation provided as a legal justification for such action is of a later date than the effective date of the SPA. Lastly, exclusion from UNJSPF coverage as authorized by the General Assembly in resolution 39/246 applies only to Associate Experts and JPO's [Junior Professional Officer] who, unlike the appellant, are serving under the 200 Series.

41. For the above reasons, the Panel makes no recommendation in favour of the appeal."

On 8 September 1989, the Acting Under-Secretary-General for Administration and Management informed the Applicant that after having re-examined the Applicant's case in light of the JAB's report, the Secretary-General had decided to maintain the decision not to promote him to Chief Administrative Officer, UNITAR, at the P-4, step V level.

On 28 November 1989, the Applicant filed with the Tribunal the application referred to earlier.

Whereas the Applicant's principal contentions are:

1. The Applicant was promised by the Executive Director that he would be recruited at a higher level than the level of the post which he was offered. The breach of this promise caused the Applicant serious financial hardship.

2. The Executive Director agreed that the Applicant be allowed to secure an advance against submission of false education grant claims.

3. UNITAR is an autonomous institution within the framework of the U.N. and therefore the U.N. Administration does not have the right to bar his promotion.

Whereas the Respondent's principal contentions are:
1. The Respondent was not obliged to accept the proposed promotion of the Applicant to be a senior UNITAR official as the statutorily required consultations between the Executive Director and the Secretary-General had not taken place.

2. The decision not to promote the Applicant was within the scope of the Secretary-General's authority as the Organization's Chief Administrative Officer, and was justified by the Applicant's actions.

3. The decision not to grant the Applicant three extra salary steps in connection with the Applicant's SPA to the P-4 level was in accordance with the applicable staff rules and was a proper exercise of discretion.

The Tribunal, having deliberated from 9 to 26 October 1990, now pronounces the following judgement:

I. On 2 May 1985, the Executive Director of UNITAR, informed the Applicant, that upon the recommendation of the UNITAR Appointment and Promotion Board (APB), he had decided to promote the Applicant to the P-4 level from the P-3, step VII level, with effect from 1 April 1985. On 20 May 1985, he issued a Personnel Action form to implement the promotion at the P-4, step V level and to discontinue the special post allowance (SPA) granted on 26 March 1984. The latter is discussed further below. The U.N. Payroll Unit raised questions about the propriety of this Personnel Action form. The questions were related to the level at which the Executive Director had decided to implement the promotion (P-3, step VII to P-4, step V) as well as to the SPA step level previously granted. The U.N. Payroll Unit "put the Personnel Action form aside" pending resolution of these questions. Nevertheless, the Applicant was remunerated by UNITAR as though that Personnel Action form was effective. The Applicant received under it a step increase to the P-4, step VI level as of 1 November 1985, and received annually thereafter automatic step increases. There was a continuing
II. As a result of an audit in 1985 by the U.N. Internal Audit Division (IAD), it was discovered that the Applicant had, with the knowledge and approval of a former Executive Director and with the knowledge of other UNITAR officials, engaged in serious irregularities concerning education grants in prior years. However, in the belief that there were circumstances justifying the Applicant's conduct, UNITAR did not wish to take any significant disciplinary action with respect to the Applicant, despite the contrary views of senior U.N. officials. Eventually, UNITAR decided, on 2 October 1986, that the Applicant's eligibility for subsequent promotion would be suspended for two years beyond the regular seniority requirement, and that it would consider the issue closed on that basis, although, as shown in a letter to the Executive Director dated 14 February 1986, the then Under-Secretary-General for Administration and Management believed strongly that more severe disciplinary action was required. Since the U.N. had not concurred in UNITAR's disciplinary decision dated 2 October 1986, the Executive Director, by a letter dated 9 June 1987, to the Assistant Secretary-General for Human Resources Management, requested completion of the implementation of the 1985 Personnel Action form. There was no answer to this letter, and on 4 February
1988, the Executive Director reiterated the request in order to resolve a remaining audit objection which was still pending with respect to the promotion of the Applicant. By a letter dated 24 May 1988, the Applicant requested the Secretary-General to review the "apparent decision" or "inactivity" with respect to the non-implementation of his promotion.

III. When this issue was brought to the attention of the then Under-Secretary-General for Administration and Management, he concluded, on 15 July 1988, on behalf of the Secretary-General, that UNITAR's suspension for two years of the Applicant's eligibility for promotion was insufficient, that the Applicant's conduct had impugned his integrity, and that, under staff regulation 4.2, this disqualified the Applicant for the promotion to the P-4, step V level, effective 1 April 1985, which had been provided for in the UNITAR Personnel Action form referred to above. Moreover, he concluded that the Applicant should cease functioning as UNITAR's Chief Administrative Officer and be reassigned to a post without certification authority. Thus, the then Under-Secretary-General agreed with the action of the Payroll Unit in 1985, in "putting aside" that Personnel Action form. From this administrative decision, dated 15 July 1988, the Applicant, on 18 July 1988, appealed to the JAB. The latter, in its report to the Secretary-General made no recommendation in favour of the Applicant.

By letter dated 8 September 1989, the Secretary-General upheld the decision and the 1985 action of the Payroll Unit. The Applicant appeals from this decision.

IV. The Applicant relies on the Tribunal's jurisprudence in Judgement No. 390, Walter (1987). In Walter, the Tribunal found that a successor Executive Director was bound to honour a valid promotion decision of his predecessor in the absence of evidence of impropriety which would vitiate the predecessor's decision. But this case is quite different from Walter.
V. In the present case, the Respondent takes the position that there was impropriety in the Executive Director's promotion decision since it was in direct conflict with staff regulation 4.2, which provides that "the paramount consideration in the ... promotion of the staff shall be the necessity for securing the highest standards of ... integrity ...". The Respondent bases this position on the fact that the Applicant, with respect to 1981 and a number of successive years, knowingly submitted false certifications with respect to education grants he received on behalf of his children. The Tribunal notes that the Applicant admitted having submitted such false certifications during an audit conducted by IAD in 1985. He explained that he had intended to refund the amounts he had received improperly but had been unable to do so because of alleged financial problems. Subsequently, the amounts were repaid.

VI. The evidence before the Tribunal reveals that the false certifications were made with the knowledge and approval of the Executive Director who encumbered the post until 31 December 1982, and that the false certifications also seem to have been made with the knowledge and apparent approval of other officials of UNITAR. It was apparently understood by these UNITAR officials that the Applicant was to repay the education grant funds he had improperly received when he was financially able to do so. There is evidence that the Applicant's false certifications and the plainly improper procedures being countenanced by UNITAR officials in order to provide extra funds to the Applicant were not brought to the attention of, or considered by the UNITAR APB in connection with the Applicant's proposed promotion. The Tribunal may not assume that the recommendation of the APB would have been unaffected by such knowledge.

VII. The Tribunal has previously intimated, (see e.g. Judgement No. 479, Caine (1990), para. XV) that misconduct might perhaps be
excusable if a staff member charged with it established that what he did was at the direction of, or with the knowledge and approval of a responsible senior official. But this, of course, contemplated some rational or colourable basis for a belief by the staff member that the senior official could reasonably authorize the conduct in question. That is plainly not the case here. The Applicant could not reasonably have thought for one moment that any staff member could be authorized to sign a false certification with respect to an education grant. Quite the contrary, it should have been patently obvious that purporting to authorize a knowingly false certification might, in itself, be serious misconduct. Nor, for this reason, could the Applicant have reasonably believed that any senior official had such authority. Indeed, the evidence shows repeated recognition by the 1982 Executive Director and other UNITAR officials that the procedure was improper.

VIII. Whether the behaviour of the 1982 Executive Director and the other officials, however bizarre, might constitute a sufficiently extenuating circumstance to argue against dismissal of the Applicant or whether the Secretary-General would have independent authority to take such disciplinary action against the Applicant is not before the Tribunal. However, neither the extraordinary behaviour of the Executive Director and other officials, nor the UNITAR Statute, prevent the Respondent from concluding that the integrity of the Applicant has been impugned enough to warrant the rescission or suspension of his promotion to the P-4, step V level. Such a conclusion is well within the discretionary authority of the Secretary-General. It is not the function of this Tribunal to interfere with such an exercise of discretion by the Respondent when he justifiably determines that the proposed UNITAR promotion of the Applicant would be in direct conflict with staff regulation 4.2 and therefore in violation of UNITAR'S obligation under its Statute to conform generally to United Nations Staff Regulations and Rules with respect to personnel matters. Indeed, it is absurd to suggest that
UNITAR'S discretionary authority is broad enough to permit it to reward false certifications and improper receipt of education grants by a promotion, as against the Secretary-General's authority to insist on compliance with article V.2 of UNITAR's Statute, which provides that:

"2. The terms and conditions of service of the staff shall generally conform to the United Nations Staff Regulations and Rules, subject to such arrangements for special rules or terms of appointment as may be agreed by the Executive Director and the Secretary-General. The expenses of the staff shall be borne by the funds of the Institute."

That UNITAR decided to suspend the Applicant's eligibility for promotion to the next grade for two years did not lessen the Secretary-General's responsibilities under the U.N. Charter.

IX. The Tribunal has considered the alleged extenuating circumstances on the basis of which the 1982 Executive Director and other UNITAR officials attempted to justify the Applicant's false certifications and improper receipt of education grants. In this regard, the Tribunal is in accord with the view expressed by the JAB in its report that those circumstances did not constitute any justification. If the Applicant's financial needs were such that he required additional funds, he should have arranged, perhaps with the assistance of the 1982 Executive Director or other UNITAR officials, for bank or credit union loans or salary advances.

X. In view of the foregoing, there is no need for the Tribunal in this case to determine whether a P-4 UNITAR Chief Administrative Officer is a "senior official" as to whom consultation with the Secretary-General is required before selection by the Executive Director.

XI. The Tribunal holds that the provision of article V.2 of the UNITAR Statute that "the terms and conditions of service of the
staff shall generally conform to the United Nations Staff Regulations and Rules," empowers the Secretary-General to rescind or to decline to implement any UNITAR decision that is in violation of the quoted language of article V.2 of the UNITAR Statute, as he did here.

XII. As mentioned in para. I above, questions were raised with UNITAR by the U.N. Payroll Unit in 1984, regarding the propriety of three salary steps in a Personnel Action form dated 26 March 1984, granting the Applicant an SPA to the P-4, step IV level and correspondence between them on this subject was exchanged. Although there has been a continuing controversy between UNITAR and the U.N. about this SPA, the SPA was implemented. The file in this case does not disclose any written administrative decision informing the Applicant that these steps of the SPA were being revoked or modified; nor does it disclose any unilateral action by the U.N. having this effect, from which the Applicant might have invoked the appeals process.

XIII. Despite the assertion by the Respondent in his answer that this appeal involves both the decision not to implement the promotion of the Applicant by UNITAR from the P-3, step VII level, to the P-4, step V level, with effect from 1 April 1985 and non-implementation of UNITAR's decision to grant the Applicant three additional steps when it gave him the SPA to the P-4, step IV level in 1984, the Applicant's letter dated 18 July 1988, appeals to the JAB only from the 15 July 1988 decision not to implement the Applicant's promotion, and requiring that he cease functioning as UNITAR Chief Administrative Officer, and be reassigned to a post without certification authority. It appears that, in fact, the Applicant has continued to function as UNITAR Chief Administrative Officer up to the present. As noted above, it also appears that he has received annual step increases at the P-4 level since 1 November 1985.
XIV. The propriety of the three SPA steps was not properly before the JAB, and is not for consideration by the Tribunal in this proceeding. (See Judgement No. 471, Byfield, (1990), paras. XX to XXII). Moreover, the decision of the Secretary-General dated 8 September 1989, from which the Applicant appeals to the Tribunal refers to the non-recognition of the promotion to Chief Administrative Officer. The JAB's findings in paragraph 40 of its report, in which the JAB expressed its conclusion that the three additional salary steps with regard to the SPA were not in conformity with applicable Staff Rules or personnel directive PD/1/84, are merely noted in the Secretary-General's communication of 8 September 1989.

XV. Of course, the judgement of the Tribunal in this case is without prejudice to any future decision by the Respondent with respect to the SPA payments, or any appeal therefrom by the Applicant. If the Respondent should decide to act retroactively with respect to any of the remuneration that was received by the Applicant since 1985, the Tribunal assumes that, inter alia, substantial justification will be shown - and none presently appears in the record - for the extraordinary unexplained administrative procedure followed in this case of (1) simply "putting aside" for a lengthy period of over three years a Personnel Action form promoting the Applicant, without a written administrative decision by the Secretary-General rescinding the promotion and informing the staff member of this and the reasons for it, and (2) since 1985, allowing the Applicant to continue to serve as UNITAR's Chief Administrative Officer, and be remunerated as if the promotion had been effective.

XVI. For the foregoing reasons, the application is rejected in its entirety.

(Signatures)
Roger PINTO
President

Jerome ACKERMAN
First Vice-President

Ahmed OSMAN
Second Vice-President

New York, 26 October 1990

R. Maria VICIEN-MILBURN
Executive Secretary