

# In Holocaust restitution, Claims Conference faces credibility challenges

***After \$57 million fraud, former board member lends voice to lawsuit blocking settlement distributions from organization.***

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01/08/2014 02:01

FRONT PAGE

A former board member of the Conference on Jewish Material Claims Against Germany wrote to a US judge that the organization was ill equipped to prevent fraud, joining a group of American Holocaust survivors aiming to block it from distributing settlement funds.

The declaration, filed in late December as part of a case involving Swiss banks, comes six months after the Claims Conference faced stinging criticism for its inability to identify or stop a fraud scheme in which \$57 million was stolen from the organization.

The petition by the board member, Haim Roet, does not introduce new evidence of wrongdoing; however, the case is distinctive because it represents one of the first times the fraud incident has been used against the Claims Conference in separate legal proceedings.

Holocaust Survivors Foundation- USA is challenging the distribution of \$1.25 billion from a 1998 settlement with Swiss banks, which had been used by the Nazis. The judge, Edward Korman, allocated a portion of the settlement money to the Claims Conference and the Jewish Joint Distribution Committee to provide services to Holocaust survivors.

The survivors foundation has argued for more than a decade that the formula used to distribute the funds is unfair to American survivors.

It has also asked Korman to prevent both the Claims Conference and the JDC from distributing those funds because of alleged accounting and management problems.

Korman did not respond to a request for comment about a timeline for his ruling.

Roet, a Claims Conference board member between 2009 and 2010, provided more than 60 pages of documents detailing his complaints about the lack of resources devoted to internal audits during his yearlong tenure.

In an interview on Monday, Roet acknowledged that he hasn't followed any subsequent Claims Conference reform closely. But he said he does not believe that basic management issues have been resolved.

"It's unbelievable. I saw it immediately when I was there," he said, adding that he expressed his "opinion about the need for better internal control, but they didn't listen."

The Claims Conference did not publicly respond to the recent filing.

However, Greg Schneider, the Claims Conference executive vice president, wrote in a November filing that "there has never been any independent fraud related to the allocations and distribution of the Looted Assets Class funds that the Claims Conference has received."

He added that "a record exists for every dollar transferred by the court" to the Claims Conference.

As of July, the Claims Conference distributed \$46.5m. to 80 social welfare agencies.

Separately, the conference has distributed more than \$262 million from the settlement to Jewish Nazi victims.

With Roet's filing, the survivors foundation aimed to show that the previous fraud case tainted the reputation of the Claims Conference and should call into question its present role.

"Given the management and accounting catastrophes that have occurred under the Claims Conference regime during the time period for which the US survivors seek an independent investigation, why should any of the reports, audits or invoices that the organization [submitted] during the 1994-2009 period be taken at face value?" Samuel Dubbin, the attorney representing the foundation, wrote to the court.

Menachem Rosensaft, general counsel for the World Jewish Congress and a law professor, said on Monday that the previous fraud case is "utterly, totally and completely irrelevant to whether or not the distribution of [the Swiss bank] funds is being handled appropriately."

"Over the years, the Claims Conference and the [JDC] have helped and are helping tens of thousands [of] survivors around the world. And that simple fact

needs to be taken into any consideration when looking at the organization,” he said.

“To take the criticisms in a vacuum and to focus only on them and to ignore all of the humanitarian work that has been done, and is being done, by these two organizations is disingenuous at best and outrageous at worst,” he added.

The current debate centers around relatively small amounts of money that the court did not anticipate having to dole out. The US Congress’s decision not to subject the fund to income tax and accumulated interest caused the fund to be larger than originally anticipated.

In recent months, the court divided up \$50m., with 75 percent of the money going to survivors in the former Soviet Union, and the rest going to other countries, the same formula previously used. About 4% would end up in the hands of US survivors.

Of the total, the Claims Conference was asked to distribute \$12.5m.

The survivors foundation said the court’s determination is unfair to American survivors.

“Do you have any empathy at all for the Holocaust survivors in the class who live in the US and who have been suffering every day while millions of dollars recovered from their losses was available to be distributed for their assistance in this court, in the Claims Conference, in the hands of other institutions?” David Schaecter, the foundation’s president, wrote to the judge in May.

But Korman’s position has been consistent for more than a decade.

In 2004, he wrote a 32-page rebuttal to a survivors foundation proposal, reiterating that the survivors in the former Soviet Union represent the “neediest” people.

Korman wrote that the survivors foundation’s “proposed distribution scheme is wholly inconsistent with law, morality and most importantly, the settlement of this lawsuit. In sum, these objections are frivolous.”

Dubbin unsuccessfully appealed Korman’s ruling to an appeals court and the US Supreme Court.

While the recent filing focused on the Claims Conference, the survivors foundation also alleged that the JDC provided false information in declarations to the court.

The foundation argued that the JDC was unable to quantify the survivors aided by the specific settlement funds.

In a response filed on January 2, JDC lawyers said “there is no truth to [the] HSF Survivors’ accusations.”

They said that since the settlement funds are included in a larger pool of money, which aids survivors, the specific role of the settlement funds cannot be separated.

The JDC has been transparent about this fact, it said.

Herbert Block, JDC assistant executive vice president, said on Tuesday that “nothing has stopped because of this litigation.”

“Our primary concern is for the needs and care of the elderly Jewish Nazi victims, the survivors in the former Soviet Union who are in great need of care,” he said.

“That has not ceased.”

Link: <http://www.jpost.com/Jewish-World/Jewish-Features/In-Holocaust-restitution-Claims-Conference-faces-credibility-challenges-337433>