



NEW YORK CITY COMPTROLLER
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Nothing Gained:

Report of the New York City Comptroller's
Investigation of the City's \$8.26 Million Payment to
Global Medical Supply Group



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Executive Summary - Emergency Procurement in a Crisis: How the City prepaid \$8.26 million and lost \$1.86 million for 130 ventilators it never received.

This investigation by the City Comptroller focuses on how the City, having suspended normal contracting rules in the early days of the COVID-19 pandemic, ended up prepaying \$8.26 million in City tax funds for 130 ventilators that it never received. The vendor, Global Medical Supply Group LLC (Global), a business formed less than two weeks before the City's prepayment, never delivered any ventilators and, even after protracted negotiations and recently-settled litigation, failed to return \$1.86 million—nearly a quarter of the City's payment. Global sent much of the City's money to the Chinese bank account of Global's supposed ventilator supplier, compromising the City's ability to trace the funds and to recoup the remainder of what it is owed through the U.S. legal system.¹

The City officials at the Department of Citywide Administrative Services (DCAS), the Mayor's Office of Contract Services (MOCS), and other agencies who attempted to purchase ventilators from Global were working around the clock at the time, trying to procure lifesaving equipment for the City. They did so during a pandemic that had then already taken the lives of 790 New Yorkers, according to the City's preliminary data at the time, and has now resulted in the loss of more than 32,000 lives in the City.² Based in part on texts and emails between City officials and Global's representatives, this report identifies the factors that allowed Global to exploit the City's deadly medical emergency by overselling its ability to deliver scarce medical equipment the City urgently needed. This report also identifies, in retrospect, several opportunities City decisionmakers missed to recognize the imprudence of entrusting public money to Global.

The Comptroller's Office undertook this investigation to answer one crucial question:

How did the City come to spend \$8.26 million—and ultimately lose \$1.86 million of it—to prepay 100 percent of the price it was quoted for 130 ventilators it never received?

The investigation identified three factors that combined to produce the City's prepayment and create the loss:

1. The suspension of City procurement rules exposed the City to risks of waste and abuse.

City procurement officials were able to authorize payment of \$8.26 million to Global 36 hours after receiving its unsolicited proposal—with no price competition, no goods delivered, no security, no meaningful assessment of Global's business history and reliability, and no signed contract—because the Mayor had issued an emergency executive order suspending City procurement laws and rules for COVID-19-related purchases. The order suspended, among other requirements, rules requiring competitive bidding, vendor-responsibility determinations, and the submission of the contracts for registration by the City Comptroller before those contracts are “implemented,” or in the case of emergency procurements, within 30 days of award. He did so without instituting compensating safeguards, including vetting procedures.

Notably, even without the emergency executive order, the City Charter and the City’s Procurement Policy Board (PPB) Rules already provide for expedited emergency purchases—but with safeguards and public transparency that the City’s transaction with Global lacked. With such safeguards removed, City employees—pressed to acquire scarce items quickly for emergency use—were extraordinarily vulnerable both to exploitation by unscrupulous actors and to mistakes and omissions that the rules might have prevented.

2. Global exploited the City’s emergency with a high-pressure sales pitch and false assurances of immediate delivery of lifesaving equipment.

Global’s principals—experienced salespeople—skillfully exploited the City’s COVID-19 emergency and the need City officials expressed to acquire ventilators quickly. At the time of the transaction, the City was an epicenter of the first wave of the coronavirus pandemic, and the Mayor said 15,000 ventilators were needed to help care for hospitalized patients at risk of death. Following that announcement, Global engaged in an intensive marketing campaign, including at least 28 telephone calls, 149 texts, and 60 emails exchanged with City employees in a four-day period centered around a weekend. Through that campaign, Global convinced City decisionmakers to pay \$8.26 million—in advance—on Global’s assurances that it had already “secured,” and would immediately ship, 130 ventilators from China to the City. A senior City official later cited the extreme public health emergency and Global’s quick, confident responses to the City’s questions as the two critical factors that persuaded City officials that Global’s offer was a risk worth taking.

3. City officials missed indications of Global’s untrustworthiness.

Under the terms of Global’s offer, the City would bear all the monetary risk in the transaction. To acquire the 130 ventilators Global claimed it had secured, the City would have to pay Global \$8.26 million in advance and trust Global to keep its promise. Global, in contrast, had no figurative “skin in the game.” Global posted no bond, insurance, or security of any kind to guarantee its performance or protect the City against the risk that Global could both fail to perform *and* fail to return the City’s money. If Global’s proposed deal succeeded, Global would profit. Conversely, if it failed, Global might lose the City’s money, but not its own. Furthermore, the City had no information concerning Global’s financial ability to make the City whole in the event it defaulted.

Thus, from the City’s perspective, the deal’s success or failure depended *entirely* on Global’s business acumen, integrity, good will, and trustworthiness. City officials moved forward in the belief—and hope—that Global could and would keep its promise. However, as described in more detail below, Global’s representations of ready access to critical medical supplies—in a market where surging demand was overwhelming limited supply—were suspect when made.

In retrospect, City officials missed four red flags—key opportunities to question, and make a more accurate assessment of, whether Global was worthy of the City’s trust. In these instances, either Global made implausible or poorly supported claims that would not have withstood scrutiny, or Global’s lack of a verifiable track record was evident but went unquestioned. The red flags surrounding Global, summarized below, are discussed in further detail later in this report.

- City officials noted but then disregarded Global’s “indicia of unreliability.”**

Before it offered to sell ventilators to the City, Global claimed it could also help the City buy “up to 20 million” brand-name respirator masks. At that time, the masks’ manufacturer had recently warned City officials to be “wary” of vendors claiming to have large quantities of its masks. Citing that warning, one City official immediately flagged the “indicia of unreliability” in Global’s pitch. Despite the red flag, City officials engaged with Global and ultimately relied on its unverified claim of access to ventilators.
- The City advanced \$8.26 million to a company whose existence was “tough to confirm.”**

City officials performed a “quick vet” of Global and its purported supplier in China. They found no evidence that either company had ever dealt in ventilators and no independent evidence of Global’s existence, which one official called “tough to confirm.” With normal vetting rules suspended, the City did not require Global to provide basic, verifiable background information, such as its date of incorporation or its business history. As a result, the City knew little about Global when it paid the company in advance for the promised ventilators. Had the City required more specific information, officials might have learned that Global had existed for less than two weeks and that its ability to deliver would have to be taken on blind faith, because it had no track record or even a bank account ready to accept the City’s payment.
- Global’s claimed access to ventilators was unverified.**

Global repeatedly told the City that it had secured 130 VG70 model ventilators, manufactured by Beijing Aeonmed Co., Ltd. (Aeonmed), at “the factory” in China. But City officials lacked a clear understanding—and did not require Global to specify—what factory Global was referencing and the specific basis of Global’s access to it and the ventilators it purported to have secured there. City officials who asked Global for “proof of life,” *i.e.*, evidence that Global had access to and control of the ventilators Global claimed it could deliver, accepted its unauthenticated photos and videos of Aeonmed ventilators, which “could have been anyone’s,” as a senior City official later acknowledged. Aeonmed subsequently informed the Comptroller’s Office that it had no record of an order from Global, its purported Chinese supplier, or any other entity Global identified as having a role in the deal, and no knowledge of any order identifying the City as an intended end user. Had City officials required verifiable evidence from Global as a precondition for advancing the purchase price, they might have learned that Global did not have access to the ventilators it identified in its offer to the City.
- Global’s statements about its access to tens of thousands of Aeonmed ventilators were implausible on their face and yet went unchallenged.**

In late March 2020, while promoting its initial offer to sell 130 VG70 ventilators to the City, Global also informed the City that Global could ship 20,000 of them to the City at the rate of *1,000 ventilators per day for the next 20 days*. Global also claimed it had secured capacity for 80,000 ventilators from a single Aeonmed factory. Media reporting at the time demonstrates that Global’s claims were facially incredible when they were made. As of March 2020, a Reuters article reported that Aeonmed stated that it had capacity to produce about 1,500 ventilators for overseas markets that month and “hopes to increase that to 4,000 in April.”³ Aeonmed’s total

production capacity—existing and aspirational—as reported by Reuters fell short of Global’s claimed access by at least a *factor of 5*, without even accounting for Aeonmed’s backlogged orders. Aeonmed later informed the Comptroller’s Office that its total production capacity for VG70 ventilators at the time of Global’s claims was *less than 1,000 units per month*.

Recommendations

The Comptroller recommends seven measures, detailed at the end of this report, to enable the City to purchase what it needs to address emergencies, such as the COVID-19 pandemic, while mitigating the associated risks of fraud, waste, and abuse. In summary, they are:

- Follow the City’s existing procurement rules, which already allow expedited emergency purchases, and amend them, if necessary, for additional speed and flexibility.
- Institute dollar limits and additional safeguards to mitigate the inherent risks of prepayments that might be necessary in emergencies.
- Build in advance a toolkit of resources for emergency procurements to help balance the need for speed with safeguards to prevent waste, loss, and abuse of City funds.
- Draft an adaptable short form contract with standard provisions to protect critical City interests when emergency procurements are necessary.
- Institute a short-form vendor-disclosure template to help expedite vendor responsibility determinations in emergency procurements.
- Create a centralized clearinghouse for expedited vendor responsibility determinations that all City agencies can use for emergency procurements.
- Develop guidelines for quick vendor responsibility determinations in emergency procurements.

New York City's Efforts to Procure Essential Goods from Global

The Two Weeks Leading-up to the City's Payment

[Tuesday, March 17, 2020: The Mayor suspends procurement rules for COVID-19 purchases.](#)

On Tuesday, March 17, 2020, Mayor Bill de Blasio, by emergency executive order, suspended City procurement rules for any purchase a City agency head determined in writing was necessary to respond to the COVID-19 emergency.⁴ The order suspended, among other requirements, City rules requiring competitive bidding, vendor-responsibility checks, and the submission of the contracts for registration by the City Comptroller before those contracts are “implemented,” or in the case of emergency procurements, within 30 days of award.⁵ The suspension also effectively erased longstanding lines of demarcation, based on dollar values, between City expenditures that require written contracts, on forms approved by the City's Corporation Counsel, and those for which simpler documents, such as purchase orders, suffice.⁶ In fact, the suspension made it possible for City officials to send \$8.26 million to Global, specifically, to a separate company that Global designated, without a signed contract or a purchase order, as a later section of this report describes. The only procedural requirement the Mayor's order established was the abovementioned written determination of necessity by an agency head.

The Mayor's order further stated that nothing in it “shall preclude an agency from complying with any portions of such [procurement] laws or rules to the extent that the agency head determines that compliance will not interfere with the agency's emergency response.” However, nothing in the order required adherence to any specific rules or any other compensating controls or safeguards to prevent, or protect the City against waste, fraud, and abuse of its emergency procurement spending. Although MOCS provided agencies with related written instructions on March 18, 2020, those instructions did not prevent DCAS, with MOCS' participation and approval, from causing the City to wire its \$8.26 million payment to Global's designee with no signed contract and no meaningful review of Global's business history.⁷

[Monday, March 23, 2020: The City needs 15,000 ventilators; Global files its incorporation papers in Florida.](#)

On Monday, March 23, 2020, COVID-19 infections and hospitalizations were spiking in New York City. That morning the City reported that, as of 5:00 p.m. the previous day, 12,339 New Yorkers had contracted the virus and 99 had died from it.⁸ The World Health Organization had previously declared the COVID-19 outbreak a pandemic, and New York City had become an epicenter.⁹ Mayor Bill de Blasio in a morning briefing told New Yorkers that he had spoken with the President, Vice President, and other senior federal officials, who had promised to help the City increase hospital capacity and obtain medical equipment. The Mayor stressed that ventilators were “the single, most important, most urgently needed piece of equipment” and that the City needed 15,000 more for its hospitals.¹⁰

Meanwhile, as the City was publicly seeking ventilators and other medical supplies, two residents of an apartment in Boca Raton, Florida, registered their new medical supply business, Global Medical Supply Group (Global), with the Florida Department of State.¹¹ One of the two, identified as Global's Managing Partner, had 10 years' sales experience in the health care and pharmaceutical industries. The other, identified as Global's President, operated a business that sold luxury cars.

Friday, March 27, 2020 – Global contacts the City, launching a 3-day marketing campaign that lands an \$8.26 million prepaid order.

Global first contacted the City on Friday, March 27, 2020, to promote its purported ability to obtain emergency medical supplies such as respirator masks, face shields, and hand sanitizer. (Ventilators would not enter the dialogue until the following day, March 28th.) Global's initial contact occurred on Friday afternoon, March 27, when the new company's Managing Partner called a manager in DCAS' Citywide Procurement Office. This was not a random call: Global's Managing Partner had been specifically referred to the DCAS manager by the latter's relative, a Florida resident who was a patient of the Global Managing Partner's father, a physician practicing in Boca Raton.¹²

Another, more senior, City official at MOCS was then working closely with the DCAS manager on the City's emergency procurement effort. The MOCS official later acknowledged to Comptroller's Office investigators that the family-physician connection that brought Global to the City's attention was "odd." The MOCS official added, however, that Global's prompt, specific answers to the City's questions concerning the ventilators Global was promoting, supported by video recordings and logistics planning, distinguished Global from other previously unknown brokers who approached the City with similar offers that the City found less credible.

The MOCS official said that Global's responsiveness gave City officials a level of comfort that—"although not acceptable pre-COVID"—was sufficient to convince them to accept the risk inherent in the prepaid purchase. Several MOCS and DCAS officials interviewed in the investigation emphasized that at the time they engaged with Global, they viewed each opportunity to acquire a ventilator as an opportunity to save a life or lives.

Saturday morning, March 28, 2020 – Global pitches PPE, and a red flag is raised.

In its initial written proposal to the DCAS manager, Global offered to broker an opportunity for the City to purchase large quantities of personal protective equipment (PPE), including "up to 20 million" N95 masks manufactured by a prominent U.S. manufacturer. Early Saturday morning, March 28, shortly after midnight, the DCAS manager forwarded Global's offer to both MOCS and a DCAS colleague, an experienced procurement official. That DCAS official immediately cautioned that during a call the previous day, the same U.S. manufacturer had advised City officials to be wary of "vendors claiming these kinds of numbers," characterizing Global's inclusion of those claims in its proposal as "indicia of unreliability."¹³ Nevertheless, DCAS, in consultation with other City officials, continued to engage with Global.

Saturday afternoon, March 28, 2020 - Global first pitches ventilators.

On Saturday afternoon, March 28, upon learning that DCAS was dealing with a "ventilator emergency," Global's Managing Partner immediately responded by informing Global's DCAS contact that Global would "have a call tonight at 9:30 p.m. to secure 10,000 ventilators that are on the ground now in China. We can

ship them Sunday evening which would be Monday morning.”¹⁴ Several hours later, shortly after midnight, Global sent its first written proposal to sell the City ventilators, as described below.

[Sunday morning, March 29, 2020 – Global offers 20,000 ventilators for \\$1.27 billion, including 130 to ship Tuesday, March 31, for full prepayment.](#)

At 12:09 a.m., Sunday, March 29, 2020, Global emailed a proposal, captioned “official order form,” to DCAS that offered to sell the City 20,000 VG70 ventilators at a unit price of \$62,000, plus a \$1,400 shipping charge per unit, for a total price of \$1,268,000,000. Global’s form states, “130 units Ships [sic] from China Tuesday and then deliver [sic] schedule is 1,000/ day will be shipped to JFK every day for 20 days until order is filled.” Starting at approximately 8:30 a.m., City procurement officials began discussing the proposal and asked their counterparts at the City’s Health + Hospitals Corporation (H+H) whether H+H could use the VG70 model. The next day, an H+H official informed MOCS that the U.S. Food and Drug Administration had approved the VG70 ventilator for use during the COVID-19 emergency, and accordingly, H+H could use that model.¹⁵

[Sunday, March 29, 2020 – Global offers, then withdraws, a 19 percent price reduction; City finds it “tough to confirm” Global’s existence but approves prepayment.](#)

The unit price, and by extension the total price, Global quoted to the City for 130 VG70 ventilators fluctuated from high, to low, to high again in the 23-hour period from 12:09 a.m. and 10:58 p.m. on Sunday, March 29, 2020. The City ultimately paid the highest price – Global’s final quote.

City Forms a Prepayment Review Committee

At some point between Tuesday, March 17, 2020, and Sunday, March 29, 2020, the City created a prepayment review committee, which, as described elsewhere in this report, approved the City’s \$8.26 million prepayment to Global.

According to MOCS, the DCAS Commissioner chaired the four-person committee, with the other members drawn from three other Mayoral agencies: MOCS, the City’s Law Department, and the Office of Management and Budget (OMB).

As described by MOCS, the prepayment review committee and MOCS would give City agencies immediate answers in situations where vendors required advance payment from the City for ventilators and other items the City needed for the COVID-19 emergency.

Nothing in the City’s records of the Global transaction that DCAS and MOCS provided to the Comptroller’s Office indicates that the committee established any specific requirements, such as a signed contract, as a precondition for its approval of the City’s payment to Global.

Notably, Global’s price quote started high at \$8.24 million for 130 ventilators—\$62,000 + \$1,400 shipping per unit—and then decreased by 19 percent to \$6.68 million, where it stayed for about seven hours until City officials internally approved it. Twenty-six minutes later, Global raised the price to \$8.26 million. The 23-hour price fluctuation is depicted in the table below.

Time on Sunday, March 29, 2020	Unit Price	Shipping	Total - 130 Ventilators¹⁶	Includes/Excludes Import Duty
12:09 a.m.	\$62,000	\$182,000	\$8,242,000	Not specified
3:28 p.m.	\$50,012	\$182,000	\$6,683,560	Excluded
7:45 p.m.	\$50,012	\$182,000	\$6,683,560	Excluded
10:21 p.m. (email)	\$50,012	\$182,000	\$6,683,560	Excluded
10:32 p.m.	City’s new prepayment review committee for COVID-19 emergency purchases approves advance payment to Global of \$6,683,560 for 130 ventilators to ship from China Tuesday, March 31, 2020.			
10:58 p.m.	\$62,150	\$182,000	\$8,261,500*	Included
*City paid this amount Monday, March 30, 2020.				

According to the text message Global’s Managing Partner sent to a DCAS manager on Sunday, March 29, 2020 at 1:32 p.m., Global’s reduced price of \$50,012 per ventilator was a result of a “concept” Global “came up with,” which, “may be able to save you huge cost savings on the ventilators invoice.” The message ended, “Call me.” A few minutes later, after the ensuing call, the DCAS manager emailed Global, requesting “revised payment terms *excluding customs charges,*” for the 130 ventilators Global had “on hand in Florida.” [Emphasis added.]¹⁷ The DCAS manager’s reference to Global’s having 130 ventilators “in Florida” was inconsistent with Global’s written proposal and may have reflected a miscommunication.

Global emailed its lower price quote to the City about two hours later, at 3:28 p.m., “under the condition that 20,000 incoming medical units can get a full customs wave [sic] on the duty for the emergency incoming medical supply shipments.” The proposal attached to the email stated that Global would have the first 130 ventilators shipped from China (not Florida) on Tuesday, March 31, 2020. It identified Zhejiang Jinrong Trading Co., Ltd. (ZJ), with an address in Wenzhou, Zhejiang, China, as Global’s ventilator supplier and the entity that Global, at that point, instructed the City to pay at its China-based bank.

When interviewed in this investigation, the DCAS manager did not recall what if anything had prompted Global’s temporary price reduction during the afternoon of the day on which the deal was pitched, considered, and agreed to. The DCAS manager did not recall, for example, whether the manager had expressed a concern to Global about its original \$62,000 quote. The DCAS manager also did not recall any

discussion, or know of any research, by City officials concerning the applicability or dollar value of customs charges for the ventilators Global was offering. At the time, the general subject of tariffs on products shipped between China and the United States was in the news, although the U.S. Government had already stated that it would *not* impose tariffs on ventilators imported from China.¹⁸

Global sent a third proposal to the City on Sunday evening, March 29, at 7:45 p.m., for 130 rather than 20,000 VG70 ventilators, each at \$50,012, plus shipping, for a total price of \$6,683,560. Global's Managing Partner attached the proposal to an email stating, "Attached is the revised proposal of 130 ventilators *ready to ship Tuesday* [March 31]." [Emphasis added.] Global's proposal, on another "official order form," again identified ZJ as its ventilator supplier and contained the same wire-payment instructions to ZJ's bank in China. This Global document repeats the statement in Global's two previous "official order form[s]" that 130 units would ship Tuesday and "1,000/day will ship from China until your order is filled."

The DCAS Commissioner informed the other members of the City's prepayment review committee of Global's ventilator proposal shortly after 8 p.m. on Sunday, March 29, 2020. At that time, Global's quoted price was \$50,012 per ventilator plus \$1,400 each for shipping, totaling \$6.68 million for 130 ventilators to be shipped to the City two days later, Tuesday, March 31, 2020. The Commissioner initially relayed to the committee the Commissioner's mistaken impression that New York State had prepaid the same vendor for the same model ventilators. The Commissioner corrected that error promptly during their email discussions and before the committee approved the purchase.¹⁹ The committee raised the possibility of the City's paying the full purchase price in advance to an escrow agent as an alternative to a direct payment to Global, reasoning that it would protect both parties.²⁰ Global rejected that alternative.²¹

Between approximately 8:00 p.m. and 10:00 p.m. on March 29, 2020, while the Global transaction was pending before the prepayment review committee, City procurement staff conducted what the DCAS Commissioner referred to as a "quick vet" of the two companies referenced in Global's proposals—Global and ZJ.²² DCAS and MOCS officials separately ran online searches regarding both firms and accessed public search engines and websites; various City, State, and federal government databases listing companies that had done business with government agencies; a database that compiles UCC filings; and proprietary services such as Lexis and Dun & Bradstreet (D&B). In sum, they found no negative information regarding

Zhejiang Jinrong Trading Co., Ltd. and Pazzo, Inc.

Several of Global's March 29, 2020 proposals identified Zhejiang Jinrong Trading Co., Ltd. (ZJ) as Global's source for the ventilators Global would sell to the City. Global's attorney later represented to the City that the principal of a U.S.-based company known as Pazzo, Inc. (Pazzo) had introduced Global to ZJ and vouched for its reliability. Global's attorney further reported that Global and Pazzo's principal had entered into a profit-sharing agreement related to Global's dealings with the City. He also provided a "proforma invoice" that ZJ purportedly had created for its anticipated sale of 130 ventilators to Global. That purported invoice misidentified Global as a "division of Pazzo" at a Florida address associated with Pazzo's principal. ZJ reportedly had previously supplied footwear produced in China to Destina, LLC, another U.S.-based company operated by Pazzo's principal.

either company, very limited information concerning ZJ, and, apparently, no information of any kind to confirm Global's existence beyond its own documents.

City officials found ZJ listed in several databases as a footwear merchant registered in the People's Republic of China that had recently exported shoes to a U.S.-based company named Destina LLC.²³ Comptroller's Office investigators later identified Destina as a footwear business operated by an associate of Global's President.

A senior DCAS procurement official, informing the Commissioner of the results of the "quick vet," reported, "no direct hits" on Google, and that it was "tough to confirm [both companies'] existence" through Lexis and D&B. Based on a misunderstanding of communications between City and New York State procurement officials, the DCAS official mistakenly believed at that time that the New York State Office of General Services had purchased and prepaid for VG70 ventilators from Global. The DCAS official's email concluded, "[T]his one I think would have to be done on the faith that NYS got it right. [Emphasis added.] Do we know whether NYS received delivery of anything yet or what info turned up on their vet?" The official also advised the Commissioner that Global's price quote—its *lowest* price quote—of approximately \$50,000 per ventilator was "[expletive] nuts."²⁴

DCAS officials asked Global on March 29, 2020 whether the company had done business with any government entity and learned that it had not. They did not otherwise raise or discuss the issue of how long the company had been in business.

At 10:21 p.m., Global reiterated the unit price of \$50,012 and the total of \$6.68 million. At that time, Global changed its payment instructions to the City from wiring the money to a bank in China to wiring it to a United States bank account in the name of Nations Fast Tax & Accounting (Nations Fast), Attn: [Nations Fast's Principal], with an address in Boca Raton, Florida.²⁵ As of March 29, 2020, Global had not yet opened the bank account into which it eventually deposited the funds it received, through Nations Fast, from the City.

The senior DCAS procurement official in charge of the "quick vet" the agency conducted on March 29, 2020 later told Comptroller's Office investigators that Global's designation of its accountant as payee was not so unusual as to cause a particular concern. The DCAS official explained that vendors sometimes assign their rights to payment to a third party. The official said further that at that time the official did not link either Global's designation of Nations Fast or the lack of information about Global in the various databases DCAS had checked to the fact—subsequently reported in the press—that Global was a new company.²⁶ The DCAS official confirmed that ordinarily a vendor such as Global would have been required to disclose its business history under oath as part of the City's standard vetting procedure—which the Mayor's emergency executive order of March 17, 2020 had suspended.

The City's new prepayment committee approved the purchase, according to an email the DCAS Commissioner sent to City employees at approximately 10:32 p.m. on Sunday, March 29, 2020. Shortly thereafter, at 10:58 p.m. Sunday night, following a telephone call from Global's Managing Partner to the DCAS manager who had been Global's initial point of contact, Global submitted a new proposal, increasing the price of the ventilators by 19 percent to \$62,150 per unit, for a total of \$8,261,500. Global reiterated that the ventilators would "ship Tuesday [March 31]."²⁷ This proposal lists the "date for [the City's] payment" as Monday, March 30, 2020.

Three of the DCAS officials who had been dealing with Global's proposal that afternoon and evening, including the Commissioner, expressed immediate surprise and concern in internal City emails when they learned of Global's abrupt price increase for a deal the City had just approved at a lower price.²⁸ Nevertheless, as with earlier other signs of the vendor's unreliability, these concerns were disregarded, and City officials proceeded with the deal at the higher price.

The DCAS manager who had been Global's principal contact later explained to Comptroller's Office investigators that DCAS normally purchases equipment "delivery duty paid" (DDP), meaning the seller is responsible for any delivery and customs charges. On that basis, the first and last proposals Global submitted—with higher prices that included any customs charges—were consistent with DCAS practice. (Shipping charges, listed as a separate line item on Global's proposals, remained the same.) However, the investigation uncovered no evidence of any City effort to determine the *amount* of the applicable customs charges, if any, or to assess whether it corresponded to the 19 percent difference between Global's low and high prices. Moreover, City officials did not explain why they requested a price conditioned on the absence of customs charges—apparently contrary to DCAS' practice—while Global's proposal was under review.

[Monday morning, March 30, 2020 – DCAS updates the prepayment review committee, obtains a prepayment waiver from the Comptroller's Office, and prepares to send \\$8.26 million to Global.](#)

Early Monday morning, March 30, the DCAS Commissioner updated the City's prepayment review committee regarding Global's price increase, writing in an email, "The customs charges were added to the purchase price (the invoice I shared last night did not include customs charges). The updated amount of prepayment is: \$8,261,500. While not the direction I would have liked to see the invoice go, customs is an issue that is one that is unfortunate but a reality we have to deal with." The Commissioner also noted that the location of the wire transfer the City would make had changed and was "no longer a bank in China. It is now a tax firm in Florida. This is a positive change."²⁹

That morning and afternoon, at the request of the DCAS Commissioner, City employees took the necessary steps to wire \$8,261,500 to Nations Fast at Global's instruction. By 9:30 a.m., a DCAS official had requested and received a waiver of a Comptroller's directive that generally permits City agencies to pay vendors only after the "goods or services were received, and the receipt has been signed or approved by an authorized person."³⁰ DCAS' waiver request to the Comptroller's Office states in part that DCAS, in consultation with MOCS, the Law Department, and OMB, had determined that it would be in the City's best interest to prepay the vendor for the purchase of 130 ventilators, "critical lifesaving equipment being used in response to the COVID-19 pandemic." DCAS' request also states that "the manufacturer will not release the ventilators to the vendor without prepayment in full. Therefore, the City cannot for delivery [sic] in order to pay the vendor."³¹

[Monday afternoon, March 30, 2020 – the City wires \\$8,261,500 to Global's accounting firm with no signed contract in place; Global requests a purchase order "for their Records."](#)

On Monday, March 30, 2020, the date Global specified for payment, the New York City Department of Finance (DOF), at DCAS' request, wired Global's full quoted price for 130 VG70 ventilators—\$8,261,500—to the Bank of America account Global identified in its wire instructions. The account belongs to Nations

Fast Tax & Accounting 2 Inc. DOF received a record from the City's bank confirming that the payment was made on March 30 at 5:43p.m.³² Separately, bank records obtained during the investigation also confirm the March 30 wire transfer from DOF to Nations Fast's business checking account.

When the City wired its payment to Global's designee, Nations Fast, it had not presented Global with, or obtained Global's signature on, a written contract approved as to form by the Corporation Counsel or any other written contract created or approved by the City. For an emergency procurement of an equivalent dollar amount, \$8,261,500, the City's procurement laws and rules, had they not been suspended, would have required, among other things: (1) prior approval of the emergency procurement from the Comptroller's Office and the Corporation Counsel; and (2) the submission of an "executed contract"—one with all necessary signatures and approvals—to the Comptroller's Office for registration within 30 days of its award.³³ As will be discussed further below, DCAS did not—either before or after the March 30, 2020 payment—produce or obtain Global's signature on an "executed contract" within the meaning of the City's procurement laws and rules.

In contrast, *Global* requested a purchase order signed by a City official "for their records" shortly *after* the City made its payment to Nations Fast. It appears from the text messages and emails reviewed in this investigation that the DCAS manager who fielded Global's request took two actions in response to it: (1) the manager requested a purchase order from a DCAS colleague whose duties involved the approval of purchase orders; and (2) at 8:33 p.m., the manager signed and sent to Global a scanned copy of Global's own "official order form."³⁴

That same evening, in response to Global's request for a signed purchase order, DCAS created what the DCAS official who created it called a "dummy" purchase order—one that was created solely in response to Global's request and not for further City processing. It is a one-page, two-sided document on a City form that identifies the vendor as "Global Medical Supply Group / Nations Fast Tax & accounting" [sic]. It recites the central terms of the City's purchase, specifically, an order for 130 "VG720" [sic] ventilators at a unit price of \$62,150, a total shipping charge of \$182,000, and a "total order amount" of \$8,261,500. Its reverse side also recites certain of the City's standard "terms and conditions," but based on the documents DCAS produced in this investigation, DCAS did not send that "dummy" purchase order to Global, and it did not obtain Global's signature on that document.

Post-Payment Developments

[Tuesday, March 31, 2020 - Global opens a bank account, MOCS registers an unsigned purchase order, and the City's payment is incorrectly recorded as a contract payment to Global's accountant.](#)

On Tuesday, March 31, 2020, Global's two principals opened a business checking account for Global at Bank of America, and the bank transferred \$8,231,500—\$30,000 less than the City wired to Nations Fast—from Nations Fast's account to Global's new business checking account. That payment was the first credit to this Global account.

Separately, on March 31, 2020, at approximately 7:14 p.m., DCAS created and sent a copy of the official DCAS-issued purchase order for the acquisition of the 130 VG70 ventilators for \$8,261,500 to MOCS for

registration. MOCS confirmed its registration about 90 minutes later. Neither DCAS nor MOCS provided a record, document, or other evidence showing that the registered purchase order or any other written agreement was sent to or signed by Global or Nations Fast or that either company was asked to sign it.³⁵

The registered purchase order names Nations Fast, “Attn: [Global’s Managing Partner],” as the vendor. The 10-page document consists of a cover page captioned “The City of New York Purchase Order,” which is signed and dated March 31, 2020, by a named DCAS approver, followed by 9 pages, captioned “Small Purchase Terms & Conditions (Commodities),” and “Special Instructions to Bidders Contract Specific Terms and Conditions.” The document does not mention Global. The terms and conditions it recites include the vendor’s responsibility to cooperate in City audits and investigations, among several dozen other terms, including various obligations and acknowledgments. The purchase order states in numerous places that it is a contract and defines that term to include various other documents that might exist in many City procurements, but do not exist in the City’s records produced in this investigation.³⁶ Notably, however, the purchase order that DCAS created and MOCS registered in this case lacks a signature page and a vendor’s signature.

The transaction was recorded—incorrectly—in the City’s Financial Management System (FMS) as an \$8,261,500 contract between DCAS and Nations Fast.³⁷ Consequently, *Checkbook NYC*, the Comptroller’s publicly accessible database, also incorrectly indicates that DCAS registered a contract for that amount with Nations Fast for the purchase of 130 VG70 ventilators. As a result of the way the transaction was structured, documented, and posted in FMS, Global is not identified as a City vendor in *Checkbook NYC*. When asked, DCAS confirmed that the above-described 10-page purchase order showing Nations Fast as the City’s vendor is the document that MOCS registered for the \$8,261,500 transaction.

March 31 – April 10, 2020 – Global gives the City multiple false assurances and then reneges.

City officials were in daily contact with Global representatives from Tuesday, March 31, 2020 through Friday, April 10, 2020 with multiple communications throughout most days and nights. The DCAS manager who had been Global’s principal City contact exchanged at least 30 emails, 340 texts, and at least 26 telephone calls with Global’s Managing Partner and other Global representatives during this 11-day period. DCAS continually requested updates, and Global repeatedly and falsely assured DCAS that Global would ensure the City’s ventilators would be on a flight to the U.S., even after Global had canceled the City’s order with ZJ and, consequently, knew with certainty that the ventilators would not be delivered.

Finally, on April 10, 2020, Global informed the City that Global had canceled its order with ZJ three days earlier.

Following in chronological order is a sampling of the communications concerning the ventilators. Much of the communication excerpted here was between Global’s Managing Partner and the DCAS manager who was Global’s initial point of contact with the City. In addition, the President of a U.S.-based company, Transport Team Logistics, Inc. (TTL), whom Global’s Managing Partner identified as Global’s “customs broker,” participated extensively in Global’s communications with the City, starting on March 30, 2020, shortly after the City wired its \$8,261,500 payment to Nations Fast. TTL’s President thereafter held that company out to City officials as the logistics specialist that would have the 130 ventilators flown from China and delivered within the U.S. to the City’s designated receiving point.

Tuesday, March 31, 2020: "Once China wakes up those babies are on the flight"

12:42 a.m., text: Global's Managing Partner: "Let's get your vents!!!!"

3:45 p.m., text message exchange:

DCAS manager: "Are we any closer"

Global's Managing Partner: "It's all happening"

DCAS manager: "what is"

Global's Managing Partner: "The ventilators! Once China wakes up those babies are on the flight [. . .] and we are golden baby"

Wednesday, April 1, 2020: "Cargo is in Shanghai."

12:02 a.m., telephone call – the DCAS manager/Global's Managing Partner, had a 9-minute phone call.

12:17 a.m. the DCAS manager emails City colleagues: "Cargo is in Shanghai - 24-48 hours export customs clearance."³⁸

11:12 a.m. text message exchange:

DCAS manager: texts to Global a gif of comic Jordan Peele sweating

Global's Managing Partner responds: "Lmaooo [. . .] we are almost there!!!"

DCAS manager: "i just feel like it's not real"

8:11 p.m. text message exchange:

DCAS manager: "when are these getting on the plane"

Global's Managing Partner: "As of RIGHT NOW best case scenario it is looking like Sunday [. . .] Delivery by monday night if all goes well w US customs and FDA"

Thursday, April 2, 2020: “Does this mean we are closer” “YESSS”

5:26 p.m. text message exchange:

DCAS manager: “does this mean we are closer”

Global’s Managing Partner: “YESSSS”

Friday, April 3, 2020: “You’re going to be a hero”

4:32 p.m. text message exchange:

DCAS manager: “i’m concerned that the date slipped back to tuesday potentially”

DCAS manager: “that makes me nervous”

Global’s Managing Partner: “Don’t be nervous we want to get these vents out of China as much as you! We have a whole team dedicated to getting this to NYC”

Global’s Managing Partner: “Like you’re going to be a hero [. . .]!”

Saturday, April 4, 2020: “Things are progressing towards liftoff”

12:23 a.m. email from the principal of a China-based company known as Shanghai Jaguar Logistics Company, Ltd, who ostensibly would have arranged for the trucking within China (from the factory to the airport) of the 130 ventilators that Global had promised to deliver to the City:

“I have made a call with [ZJ’s Principal] few minutes ago, he replied me that he is on the way to one of the factory in Hangzhou to inspection the cargoes, once all of the goods are pass the quality, he will call me immediately, then we will arrange trucking go to pick-up the goods. Anyway, I will keep you

Global’s Late Registration with the FDA

For six days, April 1- 6, 2020, while Global was assuring the City that shipment of the 130 VG70 ventilators for which the City had already paid was imminent, Global was attempting—unsuccessfully—to obtain a Certificate of Registration from the U.S. Food & Drug Administration (FDA) to permit Global to import those ventilators from China. Global first attempted to register with the FDA on Wednesday, April 1, one day *after* it had promised to ship the City’s ventilators. On April 6, the independent company assisting Global with the FDA registration notified Global that its application could not be successfully filed because Aeonmed, as a “contract manufacturer” of the ventilators, had not identified Global to the FDA as a customer.

Nothing in Global’s correspondence and texts to the City shows any disclosure by Global of any problem or issue involving its FDA registration.

On April 7, the same day Global’s attorney effectively canceled Global’s order for the City’s ventilators, Global, assisted by TTL and the above-mentioned independent company, submitted a new application for FDA registration. It identified a different manufacturer and a different product, unrelated to Global’s transaction with the City, as the device Global intended to import. The FDA accepted that application, and Global obtained its FDA “Certificate of Registration” on April 13, six days after its attorney had effectively canceled its order for the ventilators Global had promised to deliver to the City.

Because the FDA had separately authorized the Aeonmed VG70 ventilator for emergency use in the U.S. as of March 23, 2020, Global’s inability to obtain an FDA Certificate of Registration to import those specific devices would not necessarily have prevented Global from importing them—had Global acquired any. However, the question was rendered academic by Global’s failure to secure the ventilators it had promised to deliver to the City.

the update details continue, once he confirm the cargoes ready date, I will update to you when we will go to pick-up the goods and plan to arrange the flight!! wish all of your enjoy the weekend!!”

[Note: Aeonmed informed the Comptroller’s Office that it has no factory in Hangzhou.]

9:15 a.m. text message exchange:

DCAS manager: “liftoff?”

Global’s Managing Partner: “Things are progressing towards lift off I'm waiting for [. . .] more information on inspections from last night! Will let you know as soon as I do”

Sunday, April 5, 2020: “We are still in good shape”

9:03 a.m. text message exchange:

DCAS Manager: “how we looking?”

TTL’s President: “We are still in good shape “

11:48 email from TTL’s President to DCAS Manager: "As you can see despite our guy telling us it wasn't allowed he did it anyway. Calling you now." Attaches a photo and a video depicting stacks of cardboard boxes in what appears to be an industrial setting.

Monday, April 6, 2020: “so these things are really shipping out tomorrow”

9:31 a.m. text message exchange:

DCAS manager: “so these things are really shipping out tomorrow”

Global’s Managing Partner: “Let's go over it again on our call at 11am”

Tuesday, April 7, 2020: “we are making progress!!!!!! . . . Trust me I am working to get them to you!!!!”

8:01 a.m. text message exchange:

DCAS manager: “Its almost Wednesday in china”

Global’s Managing Partner: “Lo!! This is true! Gathering updates and will get you know what I have for you [yellow raising hands emoji]

Global’s Managing Partner: Documents are in process please see attached!!

[Two Excel files with general instructions written in Chinese for shippers using Shanghai Pudong Airport were attached. They contain no reference to the ventilators Global had promised to deliver to the City.]

I know it's in Chinese but it is a delivery order and testament that the documents are in process with Chinese customs

Global’s Managing Partner: Which means we are making progress!!!!!!”

4:02 p.m. text exchange:

DCAS manager: "This means I need vents ASAP!"

Global’s Managing Partner: “Trust me I am working to get them to you!!!!”

Wednesday, April 8, 2020: “We are having a delay at the factory . . . Just hang tight . . . We are literally working all day and all night for you”

12:07 a.m. text message exchange:

DCAS manager: “Getting really concerned our timeline is slipping fast here”

Global knew by April 7, 2020 that it would not deliver the promised ventilators to the City.

On Tuesday, April 7, 2020, the same day Global’s Managing Partner was: (1) assuring a DCAS manager that Global was “making progress”; (2) showing City officials as proof a purported “delivery order” in Chinese for the City’s 130 ventilators; and (3) entreating the DCAS manager to “trust” the managing partner who was “working to get them to you!!!!” Global’s attorney effectively declared the deal dead. On that date, Global’s attorney instructed Pazzo’s principal, who was also Global’s U.S.-based profit-sharing partner to have ZJ immediately return the money Global had obtained from the City and wired to ZJ. The attorney stated, “**As we discussed today, you and your contacts in China have been unable to secure or confirm the acquisition of the one hundred thirty ventilators, notwithstanding assurances otherwise.** It is essential that the parties who you had directed the funds to be wired to immediately return the funds to Global.” [Emphasis added.]

Global failed to inform the City that Global had canceled its purported order for the City’s ventilators and continued to provide false assurances that their delivery was imminent for three days after that cancelation.

Email, April 7, 2020, 6:49 p.m. The email further states that the recipient had agreed that morning (April 7, 2020) to tell ZJ that evening “to immediately return the funds to Global.”

Global's Managing Partner: "I understand! We are having a delay at the factory I don't have an update yet but as soon as I do I will let you know!"

DCAS: "not good"

Global's Managing Partner: "Just hang tight [. . .]!"

2:06 p.m. text message exchange:

DCAS manager: "what's going on"

Global's Managing Partner: "China is sleeping I don't have any answers yet"

DCAS manager: "Im concerned here"

Global's Managing Partner: "I understand but just hang in there I can't tell you anything yet bc it's 2:30am there!"

4:23 p.m. text message exchange:

DCAS manager: "how we doing?"

TTL's President: "I'm eagerly waiting for the folks abroad to wake up . . . I want answers as bad as you do trust me"

10:06 p.m. text message exchange:

DCAS manager: "it's been quiet..."

Global's Managing Partner: "Nooo [;] U talked to [TTL's President] today yes??"

DCAS manager: "uh huh"

Global's Managing Partner: "Anddddddd"

DCAS manager: "not reassuring"

Global's Managing Partner: "We are continually gathering updates and progress is being made !! [;] Have faith [. . .] it's crazy times and you are partnered with an incredible team here We are literally working all day and all night for you boo"

Thursday, April 9, 2020: MOCS plays “bad cop” with Global, “Applying some pressure to get these vents here.”

6:05 a.m. text message:

TTL’s President: “We are go!!!! Will finalize flights and advise!!!!”

8:34 a.m. text message exchange:

DCAS manager: “yes! flights set?”

TTL’s President: “Will be very soon.”

DCAS Manager: “can you give me an update before 1 pm today with flight details”

TTL’s President: “To be honest no. . . . Stick with me a bit longer. We are almost at the finish line.”

Unknown time: Telephone call between Global and City officials. A MOCS official later reports to colleagues that the official played “bad cop . . . applying some pressure to get these vents here.”³⁹ Two City officials on the call recalled, when interviewed by Comptroller’s Office investigators, that Global’s participants did *not* inform the City participants that Global had already—two days earlier—canceled its purported arrangement to obtain, from ZJ, 130 ventilators for the City.

The DCAS manager who had been in continuous contact with Global throughout this two-week period (March 27-April 10, 2020) recalled, when interviewed by Comptroller’s Office investigators, that Global’s participants told the City officials during the April 9 call that Global was still working on the logistics of getting the 130 ventilators for which the City had paid out of China and to the City. As noted above, however, Global, through its attorney, had effectively canceled its purported order with ZJ for those ventilators.

Friday April 10, 2020: “Bad update.”

9:29 a.m. text message exchange:

DCAS manager: “any update”

Global’s Managing Partner: “Good morning! I am waiting to hear back from [TTL’s President] on an update!”

DCAS manager: “ooook”

Parallel Discussion of 20,000 Ventilators Ends

Between Wednesday, April 1 and Sunday, April 5, Global sent several proposals to DCAS for the sale/purchase of 20,000 to 26,150 VG70 ventilators to be delivered in weekly batches by Global. All proposals would have required advance payment by the City. The correspondence shows that City officials internally discussed the possibility of engaging UPS as the City’s agent and releasing payments to Global only after UPS confirmed possession of the corresponding batch of ventilators. However, as Global continually failed to deliver the 130 ventilators for which the City had already paid, City officials ended their consideration of Global’s proposals.

Global's Managing Partner: "Lets do a call around 1-1:30!"

9:54 a.m. text message to DCAS manager:

TTL's President: "The buyer's agent is with the people from the factory right now just waiting for him to complete his efforts so I can gather details and then I will write you and [MOCS official] a formal message requested yesterday. I expect to have you some information sooner rather than later."

1:26 p.m., telephone call: DCAS manager/ Global's Managing Partner, 19 minutes.

1:41 p.m., the DCAS manager emails colleagues at DCAS and MOCS: "[T]hey just put me on a call with their lawyer...i'm gonna need you guys / Law to get on a call with them."⁴⁰

He followed up seven minutes later, informing the DCAS Commissioner and two senior MOCS officials, "bad update."⁴¹

5:00 p.m., Conference call scheduled for City officials and Global's representatives. Subsequent correspondence indicates that Global's attorney informed City officials that he had canceled Global's order with ZJ for the 130 ventilators three days earlier, on April 7, 2020, and, through an intermediary, had demanded that ZJ's principal return Global's payment, purportedly to enable Global to refund that money to the City.

6:33 p.m., email: Global's attorney forwards to City officials two emails dated April 7 and April 8, respectively, that the attorney had sent to the principal of Pazzo, Inc. In addition to reciting the alleged inability of Pazzo's principal and ZJ's principal to obtain the promised ventilators from their sources in China and memorializing the attorney's instructions to have ZJ return Global's payment, the attorney's forwarded emails assert that Pazzo's principal had connected Global with ZJ and vouched for ZJ's reliability in handling millions of dollars.

Global's attorney later shared with City officials a profit-sharing agreement between Global and Pazzo bearing the date March 28, 2020.

Accounting: The City lost \$1,859,068.94 in the Global transaction.

On Monday, March 30, 2020, the City wired \$8,261,500 to Nations Fast at Global's instruction. The next day, Tuesday, March 31, 2020, Global opened a bank account, and Nations Fast transferred \$8,231,500—\$30,000 less than the City's payment—to Global. Notably, Tuesday, March 31, 2020 was the date Global had specified as the date that the 130 ventilators for which the City had prepaid would be shipped from China to the City.

Global wired \$7,540,000 to ZJ in China on Thursday, April 2—two days after the date Global had told the City it would ship the 130 ventilators to the City.

The amount of money that Global and Nations Fast received from the City for the 130 ventilators exceeded the amount Global paid to ZJ, its purported source for those ventilators, by \$721,500.

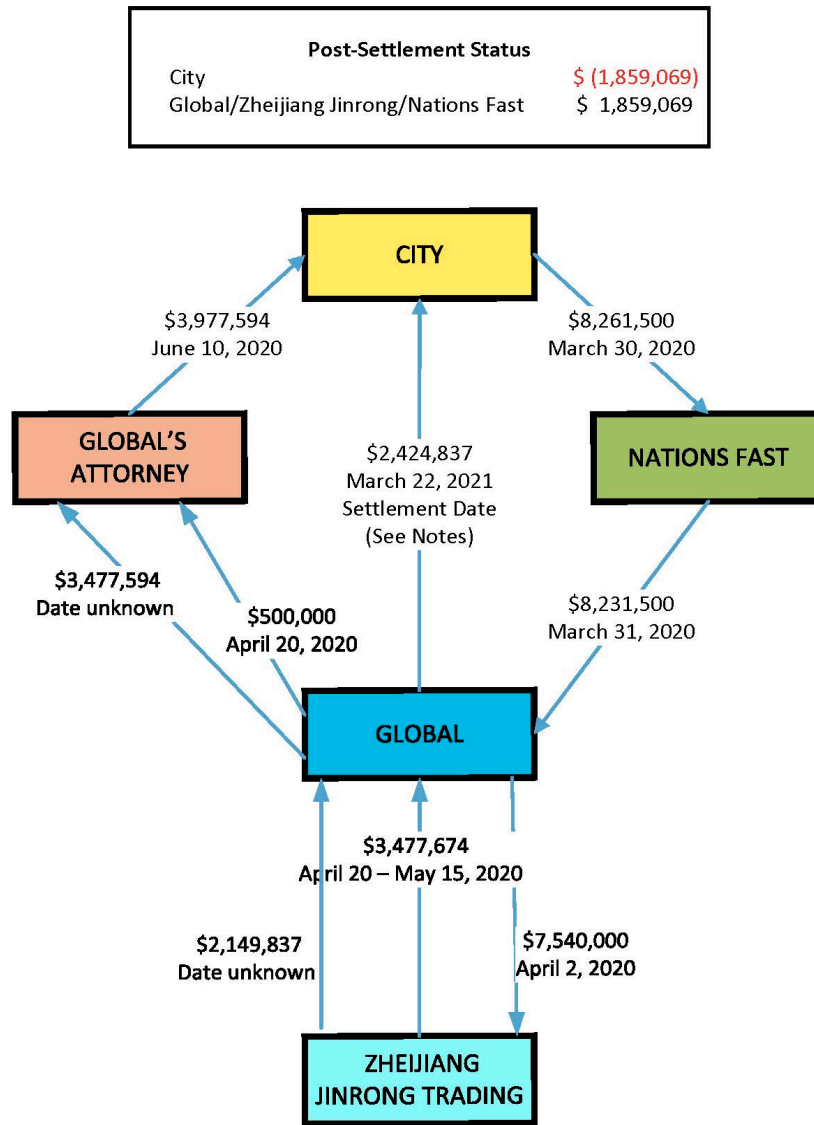
Global appears to have used its new account and approximately \$200,000 of the money it received from the City for various other expenditures and fund-transfers that appear unrelated to its transaction with the City.

Between April 27, 2020 and May 15, 2020, after Global claims to have canceled its order with ZJ and demanded return of \$7,540,000, ZJ wired a lesser amount—\$3,477,594.28—to Global's bank account in four installments. As of May 15, 2020, ZJ had received \$4,062,405.72 more from Global than it returned to Global's bank account.

On June 10, 2020, Global, through its attorney, returned \$3,977,594.28 to the City, consisting of the \$3,477,594.28 ZJ returned to Global's bank account, plus an additional \$500,000. On that date, Global and its associates still owed the City \$4,283,905.72.

On October 8, 2020, the City filed an action in the United States District Court for the Southern District of Florida; the lawsuit ultimately named Global, its two principals, the principal of Pazzo, and Nations Fast as defendants. The action was settled on March 22, 2021, with the agreement of four of the above-mentioned defendants to pay \$2,424,836.78, within approximately four weeks of that date, conditioned on the City's approval of a financial affidavit to be filed by Global and, as to \$10,000 of that amount, the City's agreement not to depose Global's two principals in connection with its efforts to enforce the judgment the City would, and subsequently did, receive, as described below.⁴² The defendants' above-mentioned settlement payment reportedly was to consist of an additional \$2,149,836.78 that ZJ returned to Global, \$104,000 to be paid by Global, \$125,000 to be paid by Pazzo's principal, \$36,000 to be paid jointly by Global's two principals, and an additional \$10,000 to be paid by Global if the City further agreed not to depose Global's two principals in its efforts to enforce its judgment. With the defendants' payment of the full \$2,424,836.78 settlement amount, the City will have recovered \$6,402,431.06 of the \$8,261,500.00 it paid for the 130 ventilators it never received. The City's net loss after all above-mentioned payments is \$1,859,068.94. Under the settlement, the City obtained a final judgment in that loss amount against Global only, which the Court entered on April 8, 2021. According to the settlement terms, Global informed the City that Global's liabilities exceed the value of its assets.⁴³

The money flow related to the City's payment, recovery, and net loss is depicted below.



Notes:

1. March 22, 2021 settlement includes monies to be paid by Global, its two principals, and Pazzo's principal, after the City's acceptance of Global's financial affidavit and waiver of its right to depose Global's principals.
2. Settlement reportedly includes \$2,149,837 that ZJ returned to Global.
3. Sums rounded to the nearest dollar.

The City's Missed Opportunities to Recognize Global's Unreliability

City officials missed four opportunities to recognize Global's unreliability and the imprudence of entrusting Global with the City's money. Those missteps are described below.

City officials ignored an early warning that Global's claims were unreliable.

An experienced DCAS procurement official warned a colleague of an implausible claim and "indicia of unreliability" in Global's very first marketing pitch to the City, in which Global offered to help the City purchase PPE. The experienced DCAS official cited Global's claim that, in exchange for a signed "non-circumvent and transparent broker's commissions agreement," Global could "lock [the City] in" at a favorable price for "up to 20 million" U.S.-made, brand-name, N95 respirator masks of which "they typically deliver 2 million a week for 10 weeks until order is 100% fulfilled." The experienced DCAS official noted that the masks' manufacturer had just—one day earlier—warned the City to be "wary" of "vendors claiming to have those types of numbers of [its] products." Despite that warning from an established and presumably well-informed manufacturer, City officials, including the official who spotted that early sign of Global's "unreliability," continued to engage with Global. Moreover, the City ultimately relied on Global's unverified—and similarly unreliable—assurances that it had secured and could immediately deliver 130 VG70 ventilators, which resulted in the City's loss of \$1.86 million.

The City advanced \$8.26 million to a vendor whose existence it found "tough to confirm."

The City officials who performed the "quick vet" the DCAS Commissioner requested searched various databases for information about two companies—Global and ZJ. The sparse results of those searches showed no previous involvement by either company in the medical supply business and no record of Global's existence beyond the documents Global created. The City's vetting effort did not extend to Aeonmed, the manufacturer of the ventilators Global identified in its sales pitch, or whether Global and/or ZJ had any current or previous business relationship with Aeonmed. In sum, the "quick vet" yielded no information to help City officials assess Global's overall reliability or its ability to deliver the ventilators for which the City would be paying in advance.

The City's PPB Rules normally require City procurement officers to determine whether the vendors they select for contracts and purchases—which are rarely, if ever, fully prepaid—are "responsible" business partners.⁴⁴ For purchases exceeding \$250,000, vendors normally must complete VENDEX questionnaires, including the names, dates of birth, and other identifiers for their principals and extensive information about themselves, such as the date and state of incorporation, addresses, employer- or tax-identification numbers, DUNS numbers, and other information concerning their businesses and ownership structure.⁴⁵ City procurement officers generally use that vendor-disclosed information to focus their online searches and follow-up inquiries in making their vendor responsibility determinations.

However, those rules were suspended for COVID-19-related procurements, with no compensating procedures instituted to require Global to disclose basic background information as a condition of its deal with the City. As a result, City officials were hampered in their "quick vet" by the absence of pedigree and other background information for Global and ZJ. Consequently, they wasted some of the limited time they had pursuing a false lead—a Medicare fraud indictment of a similarly-named principal of a similarly named but unrelated company—and learned next to nothing about Global.

In fact, City officials found little if any evidence of Global’s existence. They confirmed ZJ’s existence—as a China-based company that dealt in, trademarked, and possibly manufactured footwear. They speculated about whether ZJ, the Chinese company Global initially identified as the entity that would receive the City’s payment, was the manufacturer of the ventilators Global was offering. A senior DCAS procurement official wrote to a staff member concerning the vetting results:

This one [ZJ] indeed seems to be a footwear manufacturer, as per [a DCAS employee’s] finding. They applied for trademark for footwear brand a few months back. But quite possible that they switched to masks.⁴⁶

He then asked,

So what would say [sic] about these companies [Global and ZJ]? Tough to confirm their existence?⁴⁷

The staff member replied,

Chinese company [ZJ] exists *but not medical supply*, ask for picture of manufacturing line maybe? Although they probably buy too. Still, *can't confirm that they are a manufacturer of said goods*. [Emphasis added.]⁴⁸

After reporting the inconclusive results of the “quick vet” to the Commissioner, the senior DCAS procurement official asked Global’s Managing Partner to explain the relationship between Global and “the trading company in China [ZJ].” Global replied that the “relationship with trading company in China is that we are brokerage firm and that is our direct vendor for the ventilator product line.”⁴⁹ City officials did not ask Global for additional information, such as whether ZJ was the manufacturer of the ventilators Global was offering to the City, or if it was not, what relationship ZJ had with the ventilators’ manufacturer.

Nevertheless, the City’s prepaid purchase moved forward, with DCAS’ agency head determination citing three factors: (1) Global’s “fair and reasonable pricing,” its (2) “ability to deliver expeditiously,” and (3) the absence of “adverse information.”⁵⁰ The basis for DCAS’ written assessments as to the first two factors was questionable at best. The first was contrary to sentiments DCAS staff themselves had expressed internally; the second was based solely on Global’s unverified promise and claimed ability to ship the ventilators within two days. And the third statement—the absence of adverse information—was all but meaningless in its context. One company, ZJ, had no record of business experience other than in the shoe business, and DCAS had found the existence of the other company—Global, the City’s designated vendor—“tough to confirm.” Global’s existence undoubtedly was tough to confirm because it had been formed less than two weeks earlier.

City officials lacked a clear understanding of Global’s relationship with “the factory” where it claimed to have “secured” ventilators.

On Sunday, March 29, 2020, Global told the City that it had secured 130 VG70 model ventilators at “the factory” in China and offered to ship them two days later, on Tuesday, March 31, 2020, provided the City paid the full purchase price of \$8.26 million up front. But City officials never gained a clear understanding of what specific factory Global was referencing, who owned and operated it, and whether Global in fact

had control of, or any verifiable right to obtain control of, the ventilators it purported to be selling to the City.

City officials approved prepaying Global its asking price for 130 ventilators late Sunday night, March 29, 2020. During the daylong exchange of correspondence preceding that decision, City officials repeatedly asked Global for “proof of life” - evidence that Global had access to and control of the ventilators Global claimed it could deliver in exchange for the City’s full prepayment. What Global sent in response consisted of a few photographs and video recordings of unknown origin, along with publicly available product specifications and a quality certification for VG70 ventilators. A MOCS official later acknowledged that in retrospect the ventilators shown in a video Global sent to the City “could have been anyone’s vents.” And as was discovered through this investigation, they were not what Global represented them to be.

City officials had sufficient information from Global’s written proposals to understand that the VG70 model ventilators they were attempting to purchase from Global were manufactured by a particular Chinese company—Aeonmed—not by ZJ, the company that Global identified as Global’s “direct vendor.” Based on the correspondence reviewed and the interviews conducted in this investigation, Global never explained or documented to the City the basis of Global’s or ZJ’s ostensible access to Aeonmed’s factories or its ventilators.

In its texts and emails with City officials concerning the ventilators, Global referred variously to “our factory,” “the factory,” and “the manufacturing facility.” For example, on Sunday afternoon, March 29, 2020, soon after submitting Global’s first “official order form” offering to sell VG70 ventilators to the City, Global’s Managing Partner wrote to a DCAS manager, “As soon as *our factory* in China wakes up, we will get you the videos and photos specs of the models.” [Emphasis added.]⁵¹

That evening, when that DCAS manager asked whether a certain video image Global’s Managing Partner had sent showed “the factory,” the Global Managing Partner responded, “Yes the top video is inside of factory.” When the DCAS manager then asked, “your factory?” Global’s Managing Partner answered, “*The factory we just secured up to 80,000 units of vent capacity.*” [Emphasis added.]

Later that night, shortly after being informed that City officials had approved Global’s \$8.26 million proposal, Global’s Managing Partner sent an email to two City officials suggesting that Global’s “guys” had been “inside *the manufacturing facility*” and stating that Global had obtained a video recording “*directly from the factory*” [Emphasis added.]:

Attached is the factory video showing the specific ventilator equipment that they offer. Because of the strict proprietary technology inside of the manufacturing facility they will not let our guys record video. However we got this video directly from the factory showing their technologies and proven to be the number one ventilator manufacturer in all of China. Enjoy!⁵²

Six minutes later, Global sent two additional videos “about the factory and a peak [sic] inside!”⁵³

Comptroller’s Office investigators provided copies of Global’s video and photo images to Aeonmed. Aeonmed informed investigators in substance that although the materials appeared to depict VG70 ventilators and one of the company’s facilities, Aeonmed had not authorized the materials or their use in

a commercial transaction involving the City. Aeonmed further informed the Comptroller's investigators that that the company had learned since April 2020 that unauthorized photos "taken secretly" had been "abused in foreign trade contracts."

Aeonmed further informed the Comptroller's Office that it had no record of any purchase of or contract for its ventilators with any of the entities Global included its communications with the City, specifically, Global, ZJ, Nations Fast, and several other entities that Global introduced to the City after it had obtained the City's payment.⁵⁴ Aeonmed also had no record or knowledge of any order, by anyone, for ventilators intended for the City as an end user.

Despite the absence of verifiable information concerning Global's relationship, if any, with the manufacturer of the ventilators Global purported to be selling, DCAS referenced the "manufacturer" at several points in its intra-City communications.

For example, DCAS' March 30, 2020 written request to the City Comptroller's Office for a waiver of a City rule that prohibits prepayment for goods states, "In this circumstance the *manufacturer* will not release the ventilators to the vendor [Global] without prepayment in full." [Emphasis added.]⁵⁵ That statement in DCAS' waiver request conflates *Global's* demand to the City for full prepayment of *its* total selling price, including delivery expenses and, presumably, Global's profit, with the alleged demand of the unnamed *manufacturer* of the product Global purportedly had already "secured" for resale to the City.

Two weeks later, after it became clear that Global would not deliver the 130 ventilators for which the City had prepaid, the DCAS Commissioner informed the prepayment review committee that Global "reached out yesterday to inform us that the *manufacturer* they were working with sold the ventilators out from under them."⁵⁶ As noted, Aeonmed subsequently informed the Comptroller's Office that it had no record of any purchase of or contract for its ventilators with any of the entities Global included in its communications with the City.

City officials missed a red flag in Global's proposal.

In its multiple proposals submitted to the City on Sunday, March 29, Global repeatedly represented that it could arrange for the shipment of 20,000 Aeonmed VG70 ventilators to the City at the rate of 1,000 ventilators *per day* until the order was filled. The company also claimed it had secured capacity for 80,000 ventilators from a single Aeonmed factory, as previously noted. Global's representations and claims to the City were facially incredible based on public reporting available at the time Global made them. Information the Comptroller's Office later obtained from Aeonmed also confirmed that Global's claims were incredible and false. But City officials did not recognize them as such at the time.

Aeonmed informed the Comptroller's Office that its total production capacity for VG70 ventilators as of March and April 2020 was *less than 1,000 units per month*. That information contrasts with Global's claimed ability to deliver 20,000 units in 20 days. Moreover, several articles published both before and after the City reached its agreement with Global reported similar production-capacity numbers for Aeonmed and other Chinese manufacturers. For example:

- As of March 21, 2020, about a week before Global offered 20,000 Aeonmed ventilators to the City, a Reuters article reported that Aeonmed stated that it had capacity to produce about 1,500

ventilators for overseas markets that month and “hopes to increase that to 4,000 in April.”⁵⁷ Aeonmed’s total production capacity—existing and aspirational—as reported by Reuters fell short of Global’s claimed access by a *factor of 5*, without even accounting for Aeonmed’s backlogged orders. As an Aeonmed director told another outlet’s reporter, “There’s literally no country in the world that doesn’t want to buy a ventilator from China right now . . . *We have tens of thousands of orders waiting. The issue is how fast we can make them.*”⁵⁸ That statement was publicly reported in the Bloomberg Business News edition of March 23, 2020, six days before Global claimed it could quickly provide the City with tens of thousands of the company’s ventilators.

- Bloomberg later reported, in April 2020, “While China has been ramping up production of [ventilators], the Ministry of Industry and Information Technology has called for ‘sober understanding’ of production capacity, estimating China can make only about 2,200 invasive ventilators a week if key components are available.”⁵⁹ In other words, China’s total “ramped-up” production capacity under optimal conditions—6,600 ventilators in 3 weeks according to its government—was about *one-third* of the 20,000 Global claimed it could ship to the City in 20 days from a single Chinese factory.⁶⁰

Had City officials questioned or sought to confirm Global’s claims of access to 20,000 and 80,000 VG70 ventilators, they might well have discovered their implausibility, similar to Global’s earlier implausible claim of access to millions of brand-name respirator masks. At that point, with two warnings of implausible claims by Global, City officials might have recalculated the risk of advancing and entrusting millions of dollars to Global based only on its assurances.

Actions the City has Taken

In meetings with the Comptroller’s investigators in the summer of 2020, City officials at MOCS identified three actions the City had taken based on lessons learned in the Global transaction. They are summarized below.

The City pursued recovery of its payment to Global through litigation.

City procurement officials alerted the City Law Department of the failed purchase soon after Global’s default. The City later filed an action in federal court in Florida in which it sought to recover what it was owed and treble damages—\$12.85 million—for Global’s alleged fraudulent and negligent misrepresentations. Through that litigation and negotiations with Global and its codefendants, the City reached a settlement that, in combination with Global’s pre-litigation payments, has resulted or will result in the City’s recovery of \$6,402,431.06, as described earlier in this report. The City also obtained a judgment against Global in the amount of \$1,859,068.94, which corresponds to the City’s post-settlement loss. Global reportedly has informed the City that its liabilities exceed its assets.

The City has retained a consulting firm to assist with vetting COVID-19 vendors.

MOCS officials reported that the City has retained a global sourcing firm, FTI Consulting, Inc., to assist with vetting overseas vendors and manufacturers. MOCS officials attributed the City’s asserted success in building a 90-day stockpile of COVID-19-related supplies to this new vetting contract, and a new logistics

contract referenced below. This investigation has not reviewed the FTI contract so does not comment or opine on it or on the success of the City's effort to build a stockpile of supplies to address the ongoing COVID-19 pandemic.

[The City has contracted with a freight forwarder to assist with the export/import process.](#)

In May 2020, the City engaged a freight forwarding company to assist the City with shipping and logistics, which MOCS officials said would enable the City to take control of the shipping process and eliminate reliance on vendors who in turn depend on volatile supply chains. According to MOCS, for overseas purchases, the contract will permit the City to take control of the goods it purchases at the "point of origin," and to be named as the importer of record. As of April 12, 2021, five City contracts totaling \$32.6 million were active with the vendor, Schenker, Inc. This investigation has not reviewed the City's contract with Schenker, and no opinion regarding it is expressed here.

Recommendations

To mitigate the risks associated with the City's need to procure goods quickly during emergencies, and prevent avoidable monetary losses, the Comptroller's Office recommends that the City adopt seven measures for future emergency procurements of goods.

1. [Follow the emergency procurement procedures prescribed by the City Charter and the Procurement Policy Board \(PPB\) Rules, amending them if necessary.](#)

Follow PPB Rules procedures for determining vendor responsibility, dollar-value thresholds and limits for, respectively, written contracts and purchase orders, and registration of all contracts with the City Comptroller. If the emergency procedures currently available in the PPB Rules are insufficient or are unduly rigid, amend them as necessary.

2. [Establish rules and protocols to mitigate risks when advance payments might be necessary.](#)

Determine whether current procurement rules require amendment to permit advance payments necessary to procure goods, services, and construction during emergencies. If such amendments are needed, develop them, bearing the following guidelines in mind:

- a. [Establish monetary limits for advance payments.](#)
- b. [Prefer escrow payments.](#)

Develop and establish escrow procedures and agents in advance as the preferred method for making advance payments; alternatively, require surety bonds or guaranteed letters of credit naming the City as sole beneficiary.

- c. [Eliminate or mitigate risks of full prepayment for goods.](#)

Eliminate and preclude 100 percent prepayments for goods or develop compensating measures to mitigate the risk of loss. Those measures might include, but not be limited to, requiring surety bonds or guaranteed letters of credit naming the City as sole

beneficiary, to protect the City's right to a refund in the event the vendor fails to deliver prepaid goods that conform to the specifications established for the purchase.

d. [Verify participation of necessary third parties.](#)

Where a vendor's ability to fulfill its obligations to the City is dependent on the availability and participation of third parties, require verifiable evidence from the vendor that it has documented and enforceable commitments from those parties for their necessary participation.

3. [Establish emergency procurement procedures and tools in advance.](#)

Develop, establish, and use emergency procurement procedures that balance the speed necessary to preserve life or protect public health and safety, property, or a necessary service with safeguards to manage risk, including but not limited to the risk of loss, waste, or abuse of City funds.

4. [Draft a short-form contract.](#)

Develop a short-form contract document that can be readily adapted to include the terms and conditions applicable to different types of emergency procurements within the applicable dollar value ranges, including procurements where timely performance and/or payment are of the essence. Ensure that it includes audit and investigation provisions and other safeguards necessary to protect critical City interests.

5. [Craft a short-form disclosure template for emergency vendor responsibility determinations.](#)

Develop a short-form alternative to the VENDEX questionnaires for vendors conditionally selected for emergency procurements. The questionnaires should be shortened and simplified to make the City's expedited vendor responsibility reviews and determinations practicable while retaining their fundamental role—self-disclosure by vendors—in those reviews. Require emergency vendors to disclose relevant information, providing City officials with a baseline set of facts and written representations to verify and otherwise use in checking external sources within tight timeframes. When vendors will rely on third parties to fulfill their contractual obligations to the City, the City should require that those third parties to complete the same or similar disclosure forms.

6. [Create a centralized clearinghouse for quick vendor responsibility determinations.](#)

Develop a centralized clearinghouse for expedited vendor responsibility determinations that all City agencies can access for purposes of emergency procurements. A centralized clearinghouse could save time, increase the likelihood that issues discovered by an agency are quickly accessible to all agencies and MOCS, and encourage consistent practice among City agencies when emergencies require quick, informed decisions regarding prospective vendors' responsibility.

7. Develop guidelines for quick vendor responsibility determinations.

For expedited vendor responsibility reviews and determinations, develop guidelines and standard procedures for procurement officials and City investigators that calibrate and adjust procedures to the degree of risk and the need for speed.

Endnotes

¹The City initiated litigation to recover what it was owed under several causes of action, including breach of contract, and sought treble damages—\$12.85 million at the time—for Global’s alleged fraudulent and negligent misrepresentations. *City of New York v. Global Medical Supply Group LLC, et. al*, Case 9:20-cv-81880, U.S. District Court, Southern District of Florida, filed October 8, 2020. That action has been settled, with the agreement of Global and three codefendants to pay to the City \$2,424,836.78. When that sum is added to the \$3,977,594.28 Global returned to the City on June 10, 2020, the City has or will have recovered a total of \$6,402,431.06 of its total payment of \$8,261,500 to Global but will have lost \$1,859,068.94. In accordance with the settlement, the Court on April 8, 2021 entered a judgment on the City’s breach of contract claim in favor of the City and against Global in the amount of \$1,859,068.94, corresponding to the City’s loss, with post-judgment interest to accrue at the statutory rate. However, Global has informed the City that its liabilities exceed its assets in value.

² NYC Department of Health and Mental Hygiene (DOHMH), COVID-19 Data, *Coronavirus Disease 2019, Daily Data Summary*, March 30, 2020, 10:30 a.m., <https://www1.nyc.gov/assets/doh/downloads/pdf/imm/covid-19-daily-data-summary-03302020-1>, last accessed April 2, 2021. The daily summary noted its data was preliminary and subject to change as cases continued to be investigated. Current, updated DOHMH data shows a significantly higher number of deaths due to COVID-19 as of March 30, 2020, specifically, 1,738 through March 29, 2020 and 2,148 through March 30, 2020, <https://github.com/nychealth/coronavirus-data/tree/master/trends>, last accessed April 1, 2021. Current DOHMH data, including total deaths attributed to COVID-19, is found at <https://www1.nyc.gov/site/doh/covid/covid-19-data-totals.page>, last accessed April 16, 2021.

³ *Army Joins the Production Line as Ventilator Makers Scramble to Meet Demand*, Reuters, March 21, 2020. <https://www.reuters.com/article/us-health-coronavirus-ventilators-insigh/army-joins-the-production-line-as-ventilator-makers-scramble-to-meet-demand-idUSKBN2180JU>, last accessed April 20, 2021.

⁴ Mayor’s Emergency Executive Order No. 101, March 17, 2020, <https://www1.nyc.gov/assets/home/downloads/pdf/executive-orders/2020/eeo-101.pdf>, last accessed April 20, 2020.

⁵ NYC Charter §328; Procurement Policy Board (PPB) Rules §§2-12(d) and 2-12(e)(4).

⁶ NYC Charter §394(b) provides, in relevant part, “[T]he corporation counsel shall have charge and conduct of . . . the preparation of all leases, deeds, contracts, bonds, and other legal papers of the city, or of or connected with any agency or officer thereof, and the corporation counsel shall approve as to form . . . all contracts, leases and other legal papers.” Other provisions of the Charter and of the PPB Rules delineate small purchases—generally those of not more than \$100,000—from larger procurements, such as the

City's attempt to purchase ventilators for more than \$8.26 million from Global. *See, e.g.,* PPB Rules §1-01(e) (definitions of “contract” and “purchase order”) and §3-08 (a) (defining “small purchases”).

⁷By email dated March 18, 2020, MOCS issued written guidance to Mayoral agency procurement officials concerning the processing of COVID-19-related procurements subject to the Mayor's emergency executive order. It states, in part, “The contract file for covered actions should be submitted in APT [automated procurement tracking system], as usual, and sent to the Comptroller at the time of registration for filing purposes. MOCS will be making the necessary authorizations in FMS [the City's Financial Management System] to indicate that the contract actions are ‘registered’ in order for payments to proceed.”

The email does not establish a deadline or other timeframe for agencies to send their contract files to the Comptroller for contract registration, and it makes clear that MOCS would state in FMS that “contract actions” were registered so that the vendors could be paid through FMS, without regard to whether the Comptroller had in fact registered the contracts.

Furthermore, although MOCS' instructions appear to presume that some form of a signed contract would exist between a City agency and its vendor, they do not expressly require the agency to obtain a signature on a City-approved contract before MOCS could authorize payment to the vendor.

MOCS' March 18, 2020 email is internally inconsistent with respect to agencies' responsibility to review vendors' performance records and other background information: It directs agencies to send an email to themselves certifying among other things that the author of the email “checked the Contractor's record pursuant to Section 6-116.1 and 6-116.2 of the Administrative Code of the City of New York,” two provisions that the Mayor's emergency executive order suspended, as the MOCS email notes. Those sections, had they been in effect, would have required City agencies, in addition to checking contractors' records, (1) to monitor contractors' performance, and (2) to maintain computerized records of various items of information relating to the contractors' performance and their business histories—including extensive information that *prospective* contractors would have been required to disclose to the City in VENDEX forms under procurement rules that the Mayor's order suspended for COVID-19-related purchases. In that regard, MOCS' email expressly states that “PASSPort filings”—which is how vendors submit their completed VENDEX forms—were among the requirements “waived for emergency contracts.” MOCS issued several follow-up emails in the three weeks following its March 18, 2020 email but none materially changed the terms outlined above.

⁸ NYC Department of Health and Mental Hygiene, *Coronavirus Disease 2019, Daily Data Summary*, March 23, 2020, 9:35 a.m., <https://www1.nyc.gov/assets/doh/downloads/pdf/imm/covid-19-daily-data-summary-03232020-1.pdf>, last accessed April 2, 2021. The daily summary noted that its data was preliminary and subject to change as cases continued to be investigated. Current DOHMH reports reflect

higher totals, specifically, 23,481 COVID-19 cases and 231 deaths through March 22, 2020.

<https://github.com/nychealth/coronavirus-data/tree/master/trends>, last accessed April 1, 2021.

⁹ *WHO Declares COVID-19 a Pandemic*, the National Center for Biotechnology Information, March 19, 2020, <https://pubmed.ncbi.nlm.nih.gov/32191675/>, last accessed April 2, 2021; *New York City Region Is Now an Epicenter of the Coronavirus Pandemic*, New York Times, March 22, 2020, <https://www.nytimes.com/2020/03/22/nyregion/Coronavirus-new-York-epicenter.html>, last accessed April 2, 2021.

¹⁰ NYC Mayor De Blasio holds news conference on novel coronavirus, <https://www.youtube.com/watch?v=rrd6QaeXxZk>, (at 17:00 – 19:30), March 23, 2020, last accessed April 2, 2021; Letter from Mayor de Blasio to the Secretaries of the U.S. Department of Health and Human Services and the U.S. Department of Veterans Affairs, March 19, 2020, <https://www1.nyc.gov/assets/home/downloads/pdf/office-of-the-mayor/2020/Mayor-de-Blasio-Letter-to-VA-and-HHS.pdf>, last accessed April 2, 2021.

¹¹ The registration was filed on March 23, 2020, with an “effective date” of March 17, 2020.

¹² Following the Mayor’s emergency order suspending City procurement rules for purchases agency heads deemed necessary for the COVID-19 emergency, DCAS was accepting, reviewing, and responding to unsolicited proposals. DCAS officials said that the City had also established a portal on its website where vendors could submit such proposals.

¹³ Emails, Saturday, March 28, 2020, 11:15 – 11:21 a.m.

¹⁴ Texts, Saturday, March 28, 2020, 2:03 p.m.

¹⁵ Email, Monday, March 30, 2020, 12:30 p.m.

¹⁶ Global’s initial offer to sell the City 130 ventilators was a component of a larger proposal to sell the City 20,000 ventilators: 130 would be shipped within two days; “and 1,000/day will be shipped from China until your order is filled.” Global’s 7:45 p.m. offer lists the number of ventilators at 130 and does not refer to 20,000 but retains the same language on shipping. Global conditioned its lower price on “Customs granting emergency equipment access at 0% customs import duty.”

¹⁷ Email, Sunday March 29, 2020, 1:48 p.m. The DCAS manager later said that the erroneous reference to 130 ventilators in Florida may have resulted from Global’s representing that the ventilators were “on-hand,” which the DCAS manager interpreted as meaning they were in Florida, where Global and its representatives were located.

¹⁸ On Friday, March 20, 2020, the Office of the United States Trade Representative stated that in imposing tariffs on goods from China, “the United States determined to not impose tariffs on certain critical products such as ventilators, oxygen masks, and nebulizers.” *USTR: Response to Coronavirus Crisis*,

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2020/march/ustr-response-coronavirus-crisis>, last accessed April 2, 2021. See also *U.S. Shows Willingness to Remove Tariffs on Medical Supplies*, Bloomberg, March 21, 2020, <https://www.bloomberg.com/news/articles/2020-03-21/u-s-signals-willingness-to-remove-tariffs-on-medical-supplies>, last accessed April 2, 2021.

¹⁹ Emails, Sunday March 29, 2020, 8:09 p.m., 8:13 p.m., 8:15 p.m., 8:23 p.m., 8:24 p.m., 8:27 p.m., 8:32 p.m., 8:35 p.m., 8:37 p.m., 8:57 p.m., 9:07 p.m., 9:35 p.m., 9:39 p.m., 9:43 p.m., 9:44 p.m., 9:47 p.m., 9:53 p.m., 9:55 p.m., 9:58 p.m., 9:59 p.m., 10:00 p.m., and 10:01 p.m.

²⁰ Emails, Sunday, March 29, 2020, 8:57 p.m., 9:12 p.m.

²¹ Emails, Sunday, March 29, 2020, 9:51 p.m., 10:23 p.m.

²² Emails, Sunday, March 29, 2020, 8:05 p.m., 8:26 p.m., 8:30 p.m., 8:35 p.m., 8:42 p.m., 8:47 p.m., 8:48 p.m., 8:49 p.m.,

²³ Emails, Sunday, March 29, 2020, 8:26 - 9:44 p.m.

²⁴ Email, Sunday March 29, 2020, 9:01 p.m.

²⁵ Email and attached wire instructions, Sunday, March 29, 2020, 10:21 p.m. Although the instructions named Nations Fast, the account number belongs to Nations Fast Tax & Accounting 2 Inc., a related entity.

²⁶ *Overwhelmed by Coronavirus, New York City Awards Contracts to Unproven Vendors*, Wall Street Journal, May 6, 2020, <https://www.wsj.com/articles/overwhelmed-by-coronavirus-new-york-city-awards-contracts-to-unproven-vendors-11588762803>, last accessed April 20, 2021.

²⁷ Emails, Sunday March 29, 2020, 10:32 p.m., 10:58 p.m.

²⁸ Emails, Sunday, March 29, 2020, 11:00 p.m., 11:04 p.m.; Monday, March 30, 7:19 a.m. One DCAS official forwarded the Global email and attachment containing the higher price to colleagues with the exclamation, “WTF!?!?” It is not clear whether the three City officials who expressed surprise knew that Global had originally quoted a price of \$62,000 per ventilator – only a few dollars under its 10:58 p.m. quote.

²⁹ Email, Monday, March 30, 2020, 7:39 a.m.

³⁰ Comptroller’s Directive 24 §6.0, https://comptroller.nyc.gov/wp-content/uploads/documents/Directive-24_PurchasingProcedures.pdf, last accessed April 2, 2021.

³¹ Application for Waiver from Requirements of the Comptroller’s Internal Control and Accountability Directives, March 30, 2020.

³² Email, Monday, May 18, 2020, 2:59 p.m.

³³ City contracts must be approved as to form by the Corporation Counsel under NYC Charter § 394(b), cited earlier. The additional statutory sections and rules that would have required prior approval of the Comptroller and a signed, written contract, registered within 30 days of award are: NYC Charter §315, “Emergency Procurement” and §328, “Registration of Contracts by the Comptroller,” and PPB Rules §2-12(e)(4), concerning registration of contracts awarded on an emergency basis. PPB Rules §1-01(e), defines “contract” as a “written agreement between the City and a vendor in an amount *generally in excess of the small purchase limits* [emphasis added] that gives rise to obligations that are enforced and recognized by law.” The same rule defines “purchase order” as an “official document of the City directing the vendor to perform. A purchase order formalizes a purchase transaction with a vendor for *purchases generally at or below the small purchase limits unless the purchase order is placed against an existing contract* [emphasis added].” Under PPB Rules §3-08 (a), “Small purchases are those procurements in value of not more than \$100,000 or those procurements made . . . [from certified Minority and Women Owned Business Enterprises] in value of not more than \$500,000. This collectively shall be known as the small purchase limit. Procurements over \$100,000 in value that are not made . . . [from certified Minority and Women Owned Business Enterprises] shall not be within the small purchase limit.” PPB Rules §1-01 defines “executed,” when referring to a contract, as “the point at which all requirements for effectiveness of the contract have been fulfilled, including all required signatures and approvals, prior to registration by the Comptroller.”

³⁴ Emails, Monday, March 30, 2020, 6:53 p.m., 6:59 p.m.; text message, Monday, March 30, 7:00 p.m.; emails Monday, March 30, 7:04 p.m., 7:08 p.m., 7:09 p.m., 7:12 p.m., 7:25 p.m., 7:26 p.m., 7:32 p.m., 8:00 p.m., 8:10 p.m., 8:33 p.m.

³⁵ The guidance that MOCS issued by email on March 18, 2020 states, regarding signatures for contracts, “To the extent practicable, vendors should continue to sign and notarize their contracts. In the interim, they can pdf and email a copy of the signature page. The original can be subsequently mailed to the agency. If the agency or the vendor is not able to notarize the contract, the agency should receive email confirmation from the vendor that they agree to waive the City’s notarization requirement and include the confirmation as part of the contract file. With the exception of bids solicited under PPB Rules [§]3-02, contracts may be signed electronically through DocuSign.” A subsequent MOCS email, issued March 20, 2020 at 1:37 p.m., states, “We prefer that contracts be signed and a PDF copy of the signature page created. If that is not possible, DocuSign or its electronic signature equivalent is acceptable[.]”

³⁶ “‘Contract’” includes the invitation for bids, instructions to bidders, the Bid and schedule of quantities and prices, drawings and specifications, together with the purchase order or other contract documents, this Special Instructions to Bidders Contract Specific Terms and Conditions, and any change orders or modifications.” *The City of New York, Purchase Order 20205402180*, March 31, 2020, *Small Purchase*

Terms & Conditions (Commodities), Special Instructions to Bidders Contract Specific Terms and Conditions, Definitions, page 1.

³⁷ A DCAS official interviewed in the investigation said that the “contract” referenced in FMS consisted of the “purchase order with terms and conditions.” Setting aside the question of whether DCAS would normally be authorized under the City Charter and PPB Rules to use such a purchase order as the written contract for a purchase that exceeds the \$100,000 “small purchase limit,” the PPB Rules establish, the purchase order that the City registered in this instance did not accurately reflect the agreement between Global and the City. The inaccuracies include but are not limited to the purchase order’s identifying the “bidder” or vendor as an accounting company, i.e., Nations Fast—not Global, the company that held itself out as the seller of the product the City was attempting to purchase. In addition, the “purchase order with terms and conditions” lacks the signature of either Global or Nations Fast. It is also not clear whether the “purchase order with terms and conditions” had been approved by the City’s Corporation Counsel as City Charter §349 requires for a City contract. Accordingly, the “purchase order with terms and conditions” registered by MOCS would not have met the PPB Rules’ requirements for an emergency procurement, i.e., registration of an “executed contract” with the Comptroller within 30 days of award. PPB Rules §§2-12, 3-06.

³⁸ Email, Wednesday, April 1, 12:17 a.m.

³⁹ Email, Friday, April 10, 2020 1:43 p.m.

⁴⁰ Email, Friday, April 10, 2020, 1:41 p.m.

⁴¹ Email, Friday, April 10, 2020 1:48 p.m.

⁴² The four defendants who were party to the settlement were Global, its two principals, and Pazzo’s principal.

⁴³ ZJ is not a party to the settlement, and the City has not waived its claims against ZJ or its principal.

⁴⁴ PPB Rules §2-08.

⁴⁵ According to MOCS, “PASSPort [MOCS’ current online procurement system] moved the former 20-page ‘VENDEX’ paper form online, enabling vendors to now complete the submission process in a matter of hours.” NYC Mayor’s Office of Contract Services, <https://www1.nyc.gov/site/mocs/reporting/reporting.page>, last accessed April 2, 2021.

⁴⁶ Email, Sunday, March 29, 8:52 p.m.

⁴⁷ Email, Sunday, March 29, 8:55 p.m.

⁴⁸ Email, Sunday, March 29, 9:00 p.m.

⁴⁹ Email, Sunday, March 29, 9:48 p.m.

⁵⁰ DCAS Agency Head Determination for COVID-19 Contract Pursuant to Emergency Executive Order 101, Global Medical Supply Group/Nations Fast Tax & Accounting, March 30, 2020. The document is in the form of a memo to MOCS from a DCAS Deputy Commissioner.

⁵¹ Email, Sunday, March 29, 1:53 p.m.

⁵² Email, Monday, March 30, 2020, 12:15 a.m.

⁵³ Email, Monday, March 30, 2020, 12:21 a.m.

⁵⁴ The entities and individuals that Aeonmed reported having no dealings with included three companies and three individuals associated with Global that its representatives introduced through their email correspondence and texts with the City. The three companies are:

- Transport Team Logistics, Inc. (TTL), a U.S.-based company whose President participated extensively in Global's correspondence with the City starting shortly after the City wired its \$8,261,500 payment to Nations Fast. At that time, Global's Managing Partner, in a text message to a DCAS manager, identified TTL's President as Global's customs broker. TTL's President thereafter held the company out to City officials as the logistics specialists that would have the 130 ventilators that Global had promised to deliver to the City flown from China and delivered within the U.S. to the City's designated receiving point.
- Shanghai Jaguar Logistics Company, Ltd (JaguarSha), a China-based company, added to the correspondence among Global, the City and TTL by TTL's President. JaguarSha ostensibly would have transported the 130 ventilators that Global had promised to deliver to the City from the factory in China to the Shanghai-area airport from which they purportedly would have been flown to the U.S.
- Pazzo, Inc. (Pazzo), a U.S.-based footwear business, owned and operated by an individual who, according to Global's attorney, had connected Global with ZJ on March 28, 2020, the same day that individual had reportedly entered into a profit-sharing agreement with Global related to its ostensible prospective sales of ventilators to the City. Pazzo was not mentioned in Global's correspondence with the City until after Global and its attorney told the City on April 10, 2020 that Global had instructed Pazzo's principal to cancel Global's order and obtain the return of its money from ZJ.

⁵⁵ Application for Waiver from Requirements of The Comptroller's Internal Control and Accountability Directives, March 30, 2020, page 2.

⁵⁶ Email, Saturday, April 11, 2020, 12:57 p.m.

⁵⁷ *Army Joins the Production Line as Ventilator Makers Scramble to Meet Demand*, Reuters, March 21, 2020, <https://www.reuters.com/article/us-health-coronavirus-ventilators-insigh/army-joins-the-production-line-as-ventilator-makers-scramble-to-meet-demand-idUSKBN2180JU>, last accessed April 20, 2021.

⁵⁸ *China's Factories Work 24/7 to Build Ventilators for Milan, New York*, Bloomberg Business News, March 23, 2020 <https://www.bloomberg.com/news/articles/2020-03-23/china-s-factories-work-24-7-to-build-ventilators-for-milan-ny>, last accessed April 20, 2021.

⁵⁹ *Ventilators in High Demand Are Spawning Scams Across China*, Bloomberg Business Week, April 29, 2020, <https://www.bloomberg.com/news/articles/2020-04-29/ventilator-fraud-is-booming-online-in-china?srnd=premium-middle-east>, last accessed April 20, 2021.

⁶⁰ An article in China Daily, citing a report by market research consultancy Wismar, identified the top five Chinese ventilator brands as Mindray, Aeonmed, Comen, Amoul and Superstar. *Ventilators 'Created in China' to Help the World Breathe Easy*, China Daily, March 27, 2020, <https://global.chinadaily.com.cn/a/202003/27/WS5e7d50cea3101282172825f2.html>, last accessed April 20, 2021.





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