

Fight Against Fraud Department

European Regional Development Fund Case



Law no. 61/2011

Fight Against Fraud Department - DLAF is organized as structure with **legal personality** within the Working Apparatus of the Government and it is **financed from the state budget**

Main tasks

- Ensures, supports and coordinates the fulfillment of Romania's obligations with regard to the protection of EU's financial interests, in accordance with the provisions of art. 325 from the Treaty on the Functioning of the European Union
- Exclusive competences regarding the protection of EU's financial interests in Romania
- Contact institution of the European Antifraud Office – OLAF
- Acts on the basis of **functional and decisional autonomy**, **independently** of other public institutions and authorities.

Investigative Powers

- Takes statements from any person who may provide data and information regarding the alleged irregularities, frauds
- Draws up control reports that may constitute **means of evidence**, according to the Criminal Procedure Code
- At DLAF request, the police, gendarmerie or other public servants are obliged to assist the control team in carrying out its duties

Investigative Powers

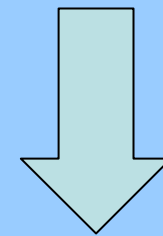
- DLAF is ascertaining body, according to art. 214 of Criminal Procedure Code, as regards the criminal activities affecting the European Union's financial interests in Romania



Source of primary information

Notification from the
National Management
Authority for the Operational
Programme “*Improvement of
the Economic
Competitiveness*”

After primary checks, the
investigation was extended



Initial information

- National Management Authority carried a on-the-spot check by sampling at the company M.E.



- It came up that the “new” equipments purchased in this project were, in fact, old and refurbished

Irregularity

- Order of Minister of Economy and Finances no. 477/2008 specifies that “*all purchased goods must be new*”
- Management Authority identified the irregularity and issued a debit note for the entire amount paid to company M.E.
- The company paid the debt
- Management Authority informed DLAF of the found facts

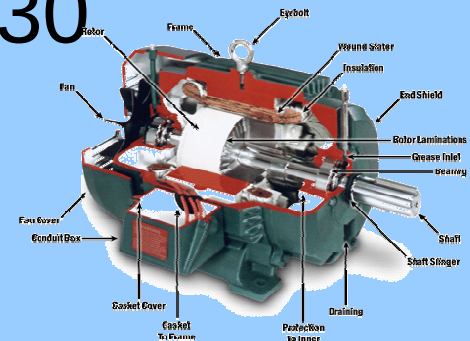
Information processing



- DLAF received the documentation of the project involving company M.E. (owned by Mr. D.C.)
- We were able to discover that another of his companies had previously bought several old equipments from a state-ran company gone bankrupt and was involved in the selling of the building the project was implemented in

The projects

- 4 projects whose beneficiaries were legal entities either owned or controlled by Mr. D. C.
- Total projects` non refundable value approx. 865.000 €
- All contracts closed in March and December 2009
- Purchases (4 industrial spaces, 30 industrial equipments)



DLAF Investigations

- Requested the accounts evidence from 4 banks for 3 years for all 4 beneficiaries
- Requested all information regarding the 4 beneficiaries from the Trade Register
- Requested information regarding the employees from the Labour Inspectorate



Contractors

- Having all the data at hand, we cross checked the contractors at their premises
- The action was announced 3-4 hours before by phone
- The beneficiaries` contact person was informed of the investigation less than 24 hours before

Discovery

- Following investigations at the contractors, we discovered:

90% of the equipments “purchased” were sold by companies controlled by the same person – Mr. D. C.



On the Spot Checks

- Checked on the spot all the equipments and industrial spaces purchased



- Some purchased equipments were old and refurbished

On the Spot Check

- Some equipments were new



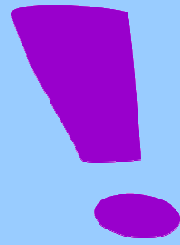
On the Spot Report

- Drawn up reports for each project stating the details of the equipments found at place
- Ascertained the existence of the equipments
- Attached detailed photos of each equipment



Financial Investigation

- All the companies controlled by Mr. D. C. had their headquarters at the same address
- All these companies had the same Financial Director
- We further investigated the operations regarding the equipments



Main findings



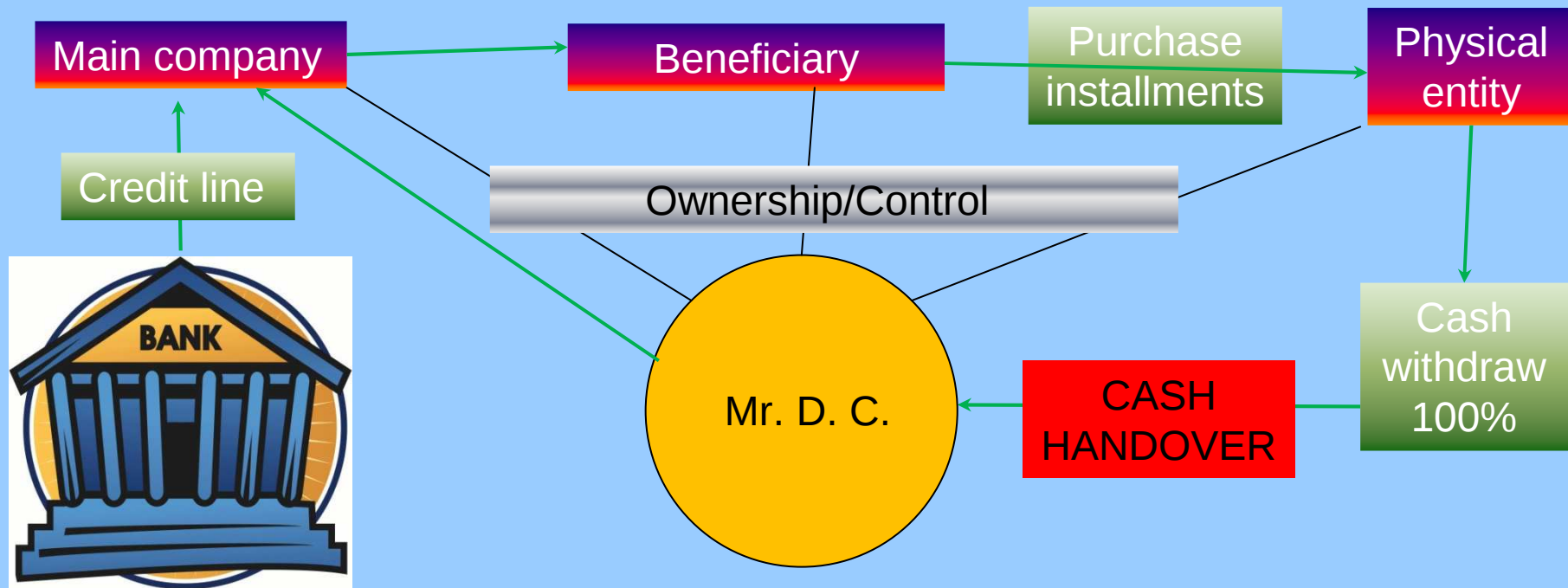
- Some equipments purchased were firstly bought at low prices by companies controlled by the same person then sold and re-purchased at much higher prices by other connected company
- Other equipments were firstly build from scraps then sold at higher prices through the same scheme
- The buildings` purchases were in fact credit cash laundry operations

Findings

Actual economical situation

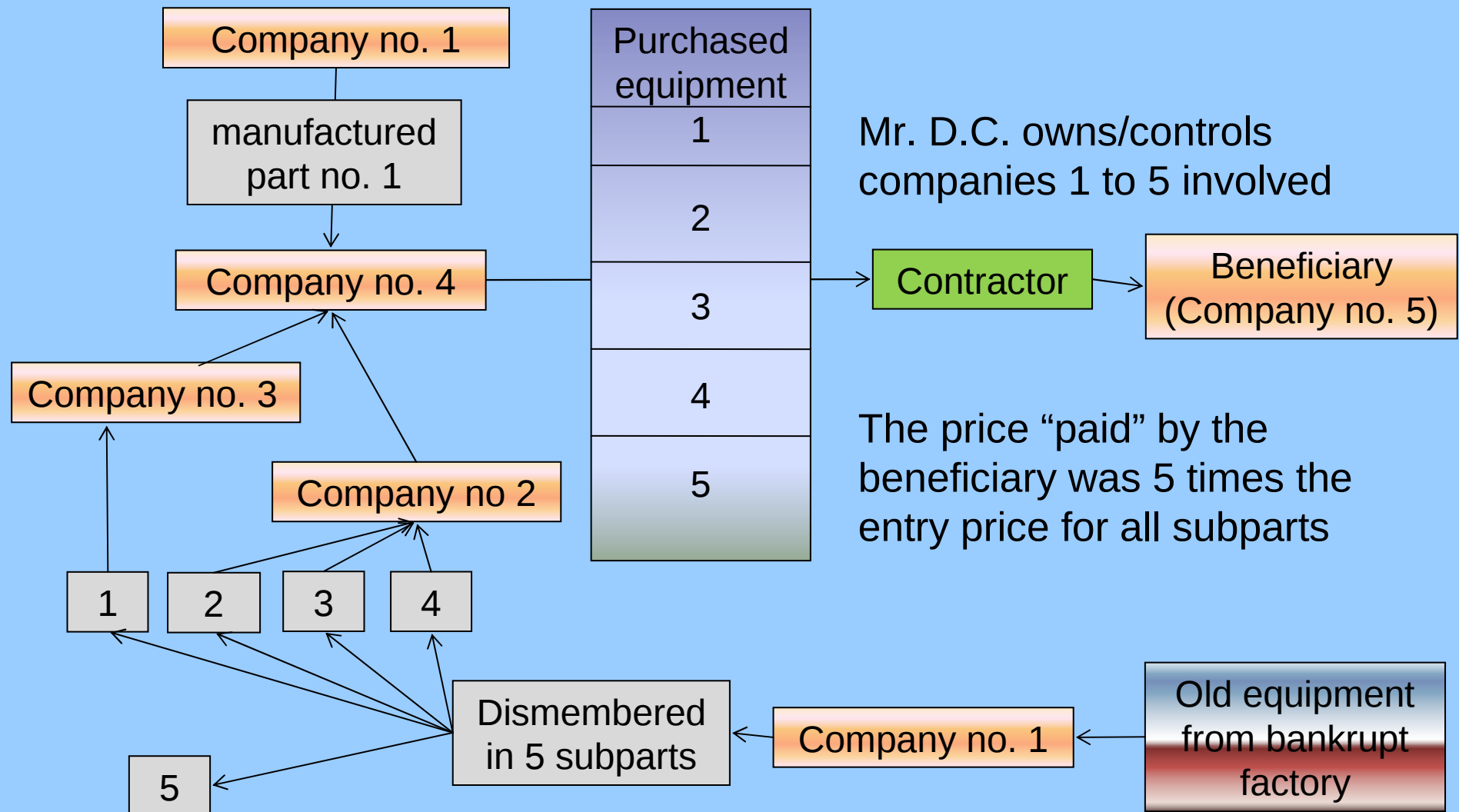
- All the companies controlled by Mr. D.C. had credit lines opened at 4 banks
- They had trouble paying the taxes to the state budget and installments to the banks

Buildings Purchases



- Through this scheme, Mr. D.C. was able both to simulate the purchase of a building that practically was his and to misappropriate money from the credit line for other purposes than the bank allowed

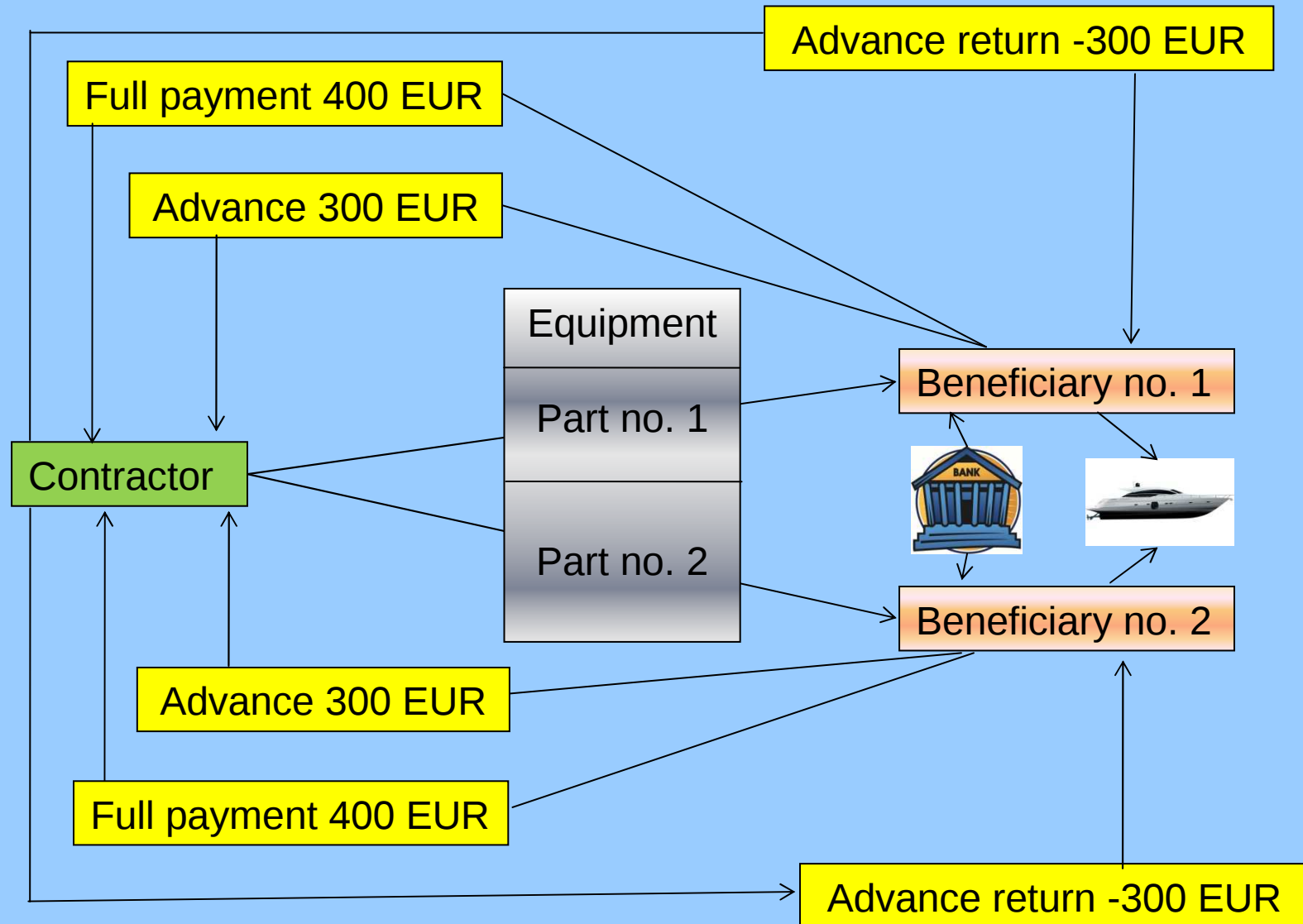
Building from scraps



Building from scraps

- Through this scheme, Mr. D.C. was able both to simulate the purchase of a equipment he previously owned 5 times cheaper and to misappropriate the money from a state-guaranteed loan to his own expense
- The money were kicked back by the contractor to his company no. 4

Splitting the purchase



Splitting the purchase

- The beneficiaries did not declare the advances paid and received back
- By splitting the purchase, Mr. D.C. was able both to get one fully functional equipment from two separate projects and to hide the real cost of this equipment

Forgeries

- All 4 beneficiaries organized contracting procedures for all purchases
- The “Contractors” had to prove they had similar experience in providing such goods
- All the reference documents presented were false



Felonies committed

- Law no. 78/2000 regarding the prevention, the discovery and punishment of the corruption deeds – Section 4¹ “*Felonies against the EU financial interests*”
- Presenting false documents
- Presenting inexact documents regarding the contracting procedures



Irregularities

- 80% of the equipments “purchased” in 4 projects were, in fact, old and refurbished
- Order of Minister of Economy and Finances no. 477/2008 specifies that “*all purchased goods must be new*”



Follow-up



- The Reports were sent to
- National Anticorruption Department (for criminal proceedings)
- Management Authority (for financial recovery)
- OLAF

Questions ?



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