



FIGHT AGAINST EU FRAUDS: THE GREEK EXPERIENCE

HELLENIC POLICE HEADQUARTERS
FINANCIAL POLICE DIVISION
PUBLIC PROPERTY PROTECTION DEPARTMENT

KAKAVA KONSTANTINA, Police Captain
KOURELIS Panagiotis, Police Lieutenant
LOUPA Maria, Police Lieutenant

Athens, 13TH-14TH May 2015

Public Property Protection Department

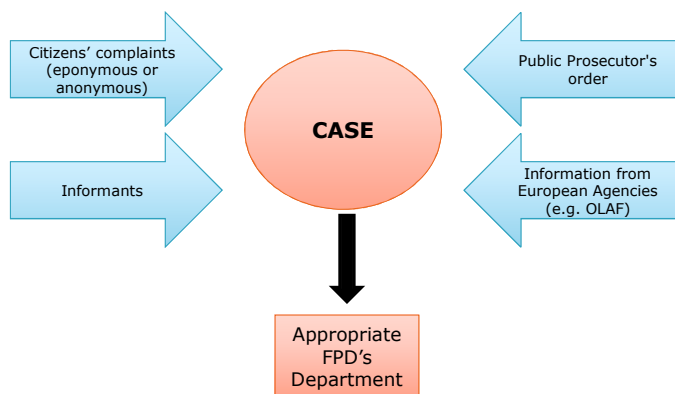
Main objectives-targets (presidential decree 178/2014):

- *the investigation and prosecution of financial crimes committed by natural or legal entities (Municipalities, Unions, NGOs etc.) which cause damage or threaten the Greek public interest or the broader public sector and the EU concerning especially:*
 - a) *The misuse of public or EU property by any means,*
 - b) *The opaque, illegal and out of the established by laws, procedures management of European Union's funds and state, financing and backing,*

Public Property Protection Department

- c) Crimes such as fraud, infidelity on the Service, corruption, which influence the public or EU economic interests and correlate directly to procurements of the public or the broader public sector, that are subsidized by the public or the European budget,
- d) Every other illegal act, of national or cross-border nature, which threatens or damages the public or EU property.

FPD's Operational Plan



FPD's Operational Plan

Cooperation with Agencies/ Institutions:

- Internal and Foreign Police Agencies,
- National Intelligence Service,
- Coast Guard,
- Judicial assistance through the public prosecutor,
- Ministries,
- Tax and Custom administration,
- Financial Institutions,
- General Secretariat of Information System,
- S.D.O.E. (Special Secretariat for Financial and Economic Crime Unit),
- Organizations of the European Union and other countries (Europol, Interpol, OLAF, FIOD etc.),
- Cooperation with Hellenic Public Real Estate Corporation,
- Social Insurance Institutes.

FPD's Operational Plan

Information/Data also searched/retrieved through :

- **"Elenxis"** information system administered by Services of Ministry of Finance, for immediate and authorized access to taxpayer's data (information for individuals and legal entities such as income, assets etc.).
- **"Bank Accounts and Payments Accounts Registers System"**, facilitates the electronic transmission of requests from competent Authorities fighting financial crime, for information held by banking institutes, in accordance with the legislation for lifting of banking and professional secrecy and confidentiality of data.
- Lifting of telephone communication privacy (for serious crimes).
- Surveillance of targets (specific cases).
- Confiscations of documents and other objects of interest from houses and companies of the individuals who are under investigation (presence of public prosecutor is obligatory).



CASE STUDY 1

FRAUD CONCERNING THE FUNDING OF THE NGO "INTERNATIONAL MINE INITIATIVE" BY THE GREEK MINISTRY OF FOREIGN AFFAIRS DURING THE PERIOD 2000-2004

Non Governmental Organizations (NGOs)

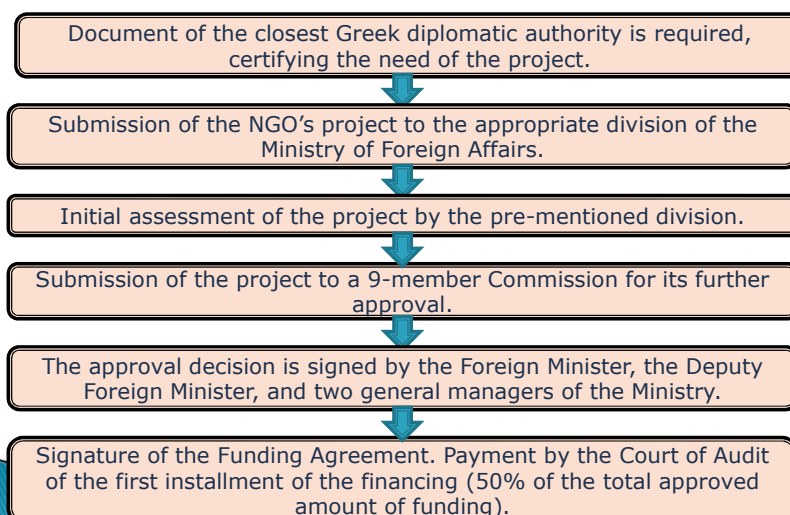
- ▶ Exact number of NGOs in Greece: unknown
 - officially: under 1.000
 - unofficially: over 3.000
- ▶ A lot of them "disappear" after they receive the requested funds.
- ▶ Excessive financing of the NGOs during the period 2000-2006
- ▶ Not clear or completed legal context.
- ▶ A lot of NGOs are active abroad and their actions are not completely clear or measurable (e.g. rendering of services).

Case study – "International Mine Initiative"

- The NGO was active from **2000** to **2013**.
- The investigation started at **2011** after the order of the Public Prosecutor.
- Researched crime: investigation and determination of any criminal offenses prosecuted ex officio, at the expense of the Greek government and the European Union concerning the financing of non-governmental organizations (NGOs), by state and EU funds and the allocation of funding from the NGO.
- Founder and president of the NGO was a political correspondent, with ties to one specific political party.
- The board of the NGO consisted of relatives or individuals very close to the founder, including his wife.
- NGO's activity : demining of large areas in countries like Bosnia - Herzegovina, Lebanon and Iraq (7 demining projects, during the period 2000-2004).
- The specific NGO received **8.985.598,12€** from the Hellenic Ministry of Foreign Affairs.

Case study – "International Mine Initiative"

NGO's financing process:



Case study – "International Mine Initiative"

The disbursement takes place after:

- (a) a statement of the expenditures of the project,
 - (b) a cash receipt issued by the NGO that received the requested amount,
 - (c) a copy of the signed contract between the appropriate division of the Ministry and the NGO,
- all signed and certified in accordance with the Law, are submitted to the General Accounting Office / Audit Office:

Systematic submission of monthly progress reports of the project to the appropriate division of the Ministry.

Submission by the NGO of the:

- (a) "Departmental Program Progress Report" and
- (b) "Departmental Expenditure" (regarding the absorption of the funds of the first installment), for the recovery of the second dose of the amount of funding.

The above must be approved by the appropriate division of the Ministry.

Case study – "International Mine Initiative"

Submission by the NGO at the end of the project:

- (a) "Final Implementation Report of the program" and
- (b) "Final Financial Report of the program"

The above must be also approved by the appropriate division of the Ministry in order to collect the third installment of the financing.

Disbursement of the third and last installment of the program.

Case study – "International Mine Initiative"

Difficulties we experienced:

- "Hazy" legal context,
- 8-9 years had passed since the demining had taken place,
- Absence of the NGO's accounting documents due to destruction,
- Long delays in replies received from Ministries, financial institutions and tax authorities (some financial institutions' replies were sent to our Agency, long after the case was submitted to the Prosecutor),
- Incomplete replies received from various organizations and agencies,
- Bank data received were either incomplete or not in a digital form or any other form that could be easily analyzed,
- Difficulties faced in collecting information regarding the situated-in-other-countries assets of domestic individuals and legal entities.

Course of action

- Our goal was to identify:
 - Any tax crimes, on behalf of the individuals or the NGO.
 - Possible money laundering.
 - Whether the funding was allocated for the right purpose.
- What we did:
 - Full identification (occupation, whereabouts, past activities etc.) of all individuals involved with the NGO,
 - Acquisition of any kind of necessary information (financial profile) regarding the individuals and the NGO, through cooperation and exchange of information with other agencies:
 - i. The appropriate division of the Ministry of Foreign Affairs in order to obtain the receipts of the expenditures of the projects and all other necessary information (signed contracts, progress reports etc.),
 - ii. Other Ministries, (to be determined whether the NGO had been financed by them),
 - iii. Tax administration, SDOE (Asset Recovery Department), General Secretariat of Information System and other agencies of the Ministry of Finance (decryption of the financial profile of the NGO and the individuals involved),
 - iv. Hellenic Public Real Estate Corporation (to find out their assets),
 - v. Other Hellenic Police agencies,

Course of action

- vi. Financial Institutions (possible existence of loans, movements of bank accounts and the occurrence of money transfers to bank accounts abroad etc.),
- vii. Use of "Elenxis" information system (immediate and authorized access to tax-payer's data),
- viii. Official testimonies from employees of the Ministry of Foreign Affairs, employees of the NGO, ambassadors etc,
- ix. 3 house searches (Athens, Rhodes and Nicosia - for the latter, a request for judicial assistance was necessary),
- x. Lifting of confidentiality of telephone communications (a Judicial Council approval is required).

Modus operandi

NGO Project

Humanitarian aid:

The program can be financed fully (100%) by the Foreign Ministry
- no NGO's own contribution is required

Development cooperation:

The program can be financed at the rate of 75% by the Foreign Ministry
- 25% of the funding must be NGO's own contribution (cash, assets or donations)

The activity of demining, according to the signed contract, was NOT CONSIDERED A HUMANITARIAN AID PROGRAM, YET THE NGO WAS FINANCED ILLEGALLY WITH THE 100% OF THE BUDGET OF THE PROGRAM BY THE MINISTRY OF FOREIGN AFFAIRS.

Modus operandi

- ✓ During the realization of (4) demining programs, that were able to be audited by our agency, the NGO was financed with the amount of 6.345.217€, so at least in these programs the NGO was to participate with 25% or 2.115.072,33 €. Finally, it was found that it participated only in the amount of 176.610,26€.
- ✓ To conceal the low participation, employees of the NGO (Serbians, Bosnians, Africans as minesweepers, armed guards etc.) after the completion of the projects, seemed to return to the NGO, in the form of donations, 20-30% of their alleged earnings amounting altogether to 1.968.345 €. These precise donations, which were fictitious, as they were part of the original funding, were presented by the NGO as own contribution and by this way further funding was secured.

FINDINGS

- a. The receipts of the expenditures had to:
 - i) be translated in the Greek language by the official translation service of the Foreign Ministry,
 - ii) be certified by a lawyer, in order to be accepted.
- b. None of the above conditions was met, yet they were accepted by the Ministry of Foreign Affairs and the Court of Audit. The disbursements were made on the basis of these receipts.
- c. The approval of the relevant Greek Embassies, on the necessity of the implementation of the demining projects was not requested, in any of the projects.
- d. Financing payments were made, although progress reports of the projects were not submitted.

FINDINGS

- e. There was not certified implementation of the programs by the relevant Greek Embassies, sometimes even realization of them, was in ignorance of diplomats.
- f. The audit of the receipts submitted by the NGO, on behalf of the employees of the Ministry, was practically non-existent.
- g. The payments of the employees, during the realization of 5 demining projects, which amounted to **8.348.820,35 €**, according to the president's statement, were made only by him personally, on the demining site and in cash. In the vast majority of the payments, it was found out that the payment could not have taken place, because the president of the NGO was not even present in the country or on the demining areas, where the projects were taking place (check of airplane tickets).

FINDINGS

- h. The board members of the NGO were linked with family ties and none of them had any previous experience in demining.
- i. According to a testimony made by an employee of the Ministry of Foreign Affairs: "...there was a special instruction concerning the financing of demining programs in general, which came from the leadership of the Ministry of Foreign Affairs...".
- j. The president of the NGO owned 6 companies in Cyprus and established a company in New York which was called IMI - INTERNATIONAL MINE INITIATIVE & EXPLOSIVES INC (whose purpose is unknown).
- k. After the analysis of the bank accounts of the NGO and the individuals involved, it was found summarily that:

FINDINGS

DESCRIPTION OF AUDITED BANK WITHDRAWALS	SUM	PERCENTAGE
Cash Withdrawals	6.303.348,35 €	71,65 %
Deposit in the president's and his wife personal accounts	325.111,76 €	3,70 %
Invoice Payments	516.481,30 €	5,87 %
Money Transfers in NGO's bank accounts abroad	89.851,96 €	1,02 %
Money Transfers to bank accounts of NGO's employees and associates	71.974,12 €	0,82 %
Transfer between NGO's accounts	400.000,00 €	4,55 %
Under clarification if it was cash withdrawals	1.090.483,52 €	12,40 %
Total	8.797.251,01 €	100,00 %

FINDINGS

- l. Through the cross-examination of the income-tax statements and bank account movements, it was found out that the origin of an amount of **717.000 €**, remains unclear.
- m. Through the lifting of confidentiality of telephone communications, it was found out that:
 - The president's family had relocated in the territory of the Republic of Cyprus,
 - The possibility of a new, subsequent movement in Switzerland or USA was also very high,
 - The President along with his wife were beneficiaries of bank accounts in Switzerland and Cyprus.
- n. During the house searches they were found and confiscated:

FINDINGS

- banking documents concerning financial transactions of the NGO,
- bank cards,
- external storage units,
- handwritten notes,
- currency exchange receipts,
- correspondence,
- business cards,
- keys of bank counters,
- three seals of the Ministry of Development,
- 2 guns.

RESULTS

- After a proposal of the Court Prosecutor, an Ordinance of the Judicial Council was issued, which banned the sale of assets, that are in possession of the President of the NGO and his wife, namely:
 - A 2 floor apartment of 212 sq.m. in Athens,
 - An apartment of 105 sq.m. in Athens,
 - Plot of 7.387 sq.m. in Rhodes,
 - A Villa of 200 sq.m. on a plot of 2,000 sq.m. in Rhodes.
- A luxury passenger vehicle, asset of the NGO, was confiscated.
- The president of the NGO and his wife were accused of:
 - Repeated and by complicity fraud against the Greek government,
 - Money laundering,
 - Repeated and at length immediate synergy for false certificate and infidelity on the Service against the Greek State.

RESULTS

- An international arrest warrant was issued against the president of the NGO and INTERPOL issued a Red Listing international search.
- The Juridical Assistance Prosecutor requested for a judicial assistance in Bosnia-Herzegovina and USA.
- Six other persons were accused, between them 3 ambassadors and 3 former employees of the Court of Audit for: repeated and at length false certificate and infidelity against the Greek State (arts. 45, 98, 242, 256 Penal Code, law.1608 / 50) and within the framework of the law. 4022 / 11 "Corruption of public officials, politicians, etc.", each of them according to their role and while exercising their duties, intentionally caused financial reduction of **8.985.590€** to the Greek government assets.



CASE STUDY 2

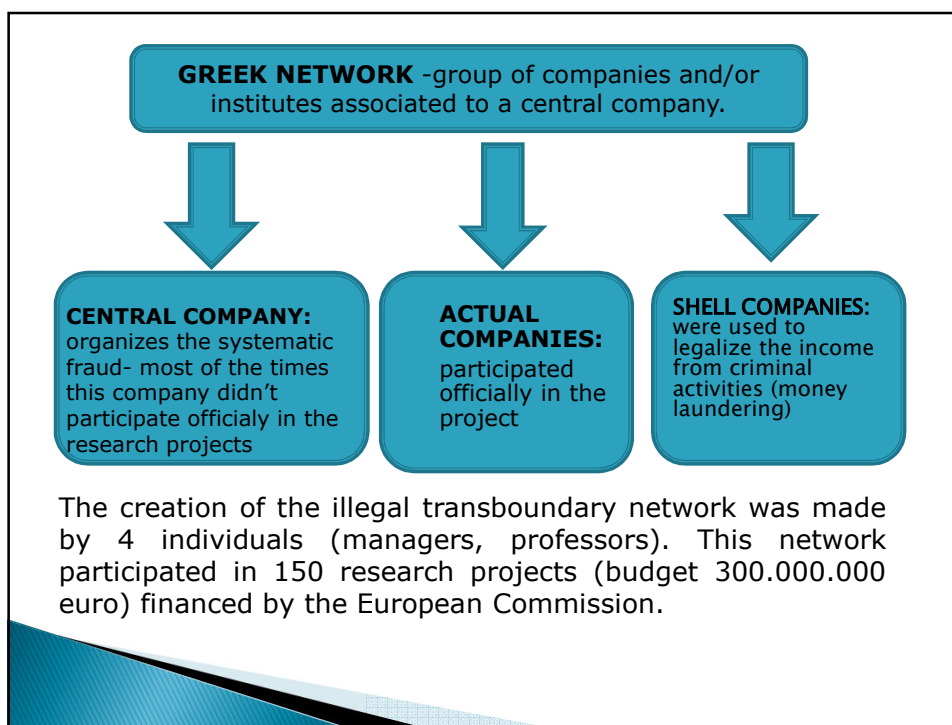
FRAUD CONCERNING RESEARCH PROGRAMS FUNDED BY THE EUROPEAN UNION CONDUCTED BY NETWORKS OF GREEK AND FOREIGN COMPANIES DURING THE PERIOD 2003-2012

OPENING THE CASE

- ▶ External Audit of DG INFSO (Directorate General of the European Commission)-indications of systematic fraud committed against European Union' s financial interests (and money laundering offences).
- ▶ OLAF opened an investigation – gathered evidence on the existence of the systematic fraud in the field of financing research projects involving Greek companies.
- ▶ The Prosecutor assigned to SDOE (Financial and Economic Crime Unit –Ministry of Finance) a Preliminary Examination, in order to investigate fraud committed against EU's financial interests. During the house and companies searches, that were conducted by SDOE, material like documents and digital files (hard disks etc.) was confiscated.
- ▶ On 12-04-2012, the Prosecutor reassigned the conducted Preliminary Investigation (continuation) to our Service with all the abovementioned material.

CASE REVIEW

- ▶ Our investigation concerned the possible commission of systematic fraud against EU's financial interests and more specifically against DG INFSO
[DG stands for Information, Society and Media and is a Directorate General of the European Commission which is responsible for managing the Digital Agenda- in order to generate economic growth, DG funds high - quality ICT (Information and Communication Technology) research and innovation]
- ▶ Several connected networks of companies submitted proposals for research projects financed from DG INFSO
- ▶ The absorption of European funds was accomplished by submitting falsified documentation.



MODUS OPERANDI

- ▶ **Actual companies** produced real work but didn't reveal to EU their real terms of participation set at signed contracts with the central company, stipulating the return back to the central company of a portion of the EU Fund (20-90%) depending on the work hours each company had spent on each project.
- ▶ **Shell companies** without any significant contribution to the projects, controlled by the central company - kept a double role:
 - a. To ensure the necessary projected representation (number of participating companies from different countries in each program),
 - b. To raise the budget of each project

MODUS OPERANDI

- ▶ **Pre- arrangement with the European Union's officials** who kept an important role, at decision-making positions and had a very good knowledge of the requirements of each program, the procedures and the eligibility criteria - they gave information to the network before the submission of the research proposals.
- ▶ Furthermore, **the network could influence the evaluators** of the programs. This way, the proposals of the network had a very good chance to receive an augmented rating and be approved as they were in line with the EU research policy- the network set up consortia that were remarkably succesful.
- ▶ The companies of the network drew the European funds by **forging documents** (false cost claims, financial statements), which were submitted to the EU.

Operational plan

- Our actions:
 1. **Full identification** (occupation, past activities etc.) **of all Greek individuals and companies** involved in the network.
 2. **Continuation of lifting of bank secrecy-** contact with financial Institutions (analysis of bank accounts of individuals and entities: possible existence of loans, movements of bank accounts and the occurrence of money transfers to bank accounts abroad etc.- financial profile).
 3. **Use of "Elenxis" information system** (immediate and authorized access to tax-payer's data- tax profile).

Operational plan

4. **Cooperation and exchange of information with OLAF** during the whole investigation, meetings were held in order to determine the investigation tactic.
 - The hard discs confiscated by SDOE, containing evidences of the fraud, were copied in order to be sent to OLAF (a lift of telecommunication secrecy was necessary).
 - OLAF analyzed the data included in the discs and made reports that were sent to our agency.
5. **Examination of individuals that seemed to have worked in the surveyed programs (over 150 testimonies)**, in order to clarify whether they had actual participation in the research programs

Research Project A

- **START DATE: 01/01/2004 (PARTICIPATION OF 2 GREEK COMPANIES AND 4 FOREIGN ONES)**

GREEK ENTITIES	GRANT 17/03/2004	GRANT 02/04/2009	TOTAL GRANT
1	-	71.700,00€	71.700,00€
2	103.500,00€	-	103.500,00€
			175.200,00€

Research Project B

START DATE: 01/01/2008 (PARTICIPATION OF 4 GREEK COMPANIES AND 2 FOREIGN ONES)

GREEK ENTITIES	GRANT 03/03/2008	GRANT 15/09/2010	TOTAL GRANT
1	289.997,66€	97.342,00€	387.339,66€
2	314.163,93€	-	314.163,93€
3	229.581,38€	61.329,00€	290.910,38€
4	398.746,88€	200.183,00€	598.929,88€
			1.591.343,85€

FINDINGS

- ▶ **BANK ANALYSIS:** 200 bank accounts containing approximately 55.000 transactions- were traced unusual/ suspicious transactions related to EU funding – nearly all the amount of money received as EU grant in some cases had been transferred to suspect foreign companies (indications of suspicious flows of money between Greek companies and companies based abroad)
- ▶ **TESTIMONIES:** The companies of the network forged time- sheets There were signatures of people that either didn't participate at all in the programs but received fees just to raise the number of participants or people that didn't even know that their names were used in the time-sheets) (indications that the costs of labor claimed by the network were related to fictitious or inflated work hours).
- ▶ **ANALYSIS OF HARD DISCS (through OLAF reports):** E-mails revealed the contact with EU officials (inside information)
- ▶ [illegal monetary advantage by the network: 5.000.000€ (2003-2012)]

RESULTS

- ▶ Currently a main investigation is conducted by the Corruption Crimes Interrogator.
- ▶ The investigation of the criminal liability of the EU officials is conducted by a Belgian interrogator.



Address: 173, Alexandras Avenue, Athens, Greece

Tel.: (+30) 210-6441171

Fax. (+30) 210-6440886

E-mail: doa@hellenicpolice.gr

Thank you for your attention !