

Investigative Steps to Prove Corruption

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Types of Corruption

Corruption includes:

- **Bribes and kickbacks** paid to government officials in exchange for contract awards, etc.
- **Hidden interests** by project officials in contractors and suppliers
- **Embezzlement** from government accounts
- **Illicit** enrichment

Progression of Bribes and Influence

Giving a “thing of value”

1. “G, T & E”
2. Sexual favors
3. “Study tours”
4. Rental of properties, etc.
5. Cash payments
6. Payments thru subs, local partners, consultants, etc.
7. Hidden interests

To influence a contract award or execution:

S selection

P price

Q quantity

Q quality

D delivery...and finally

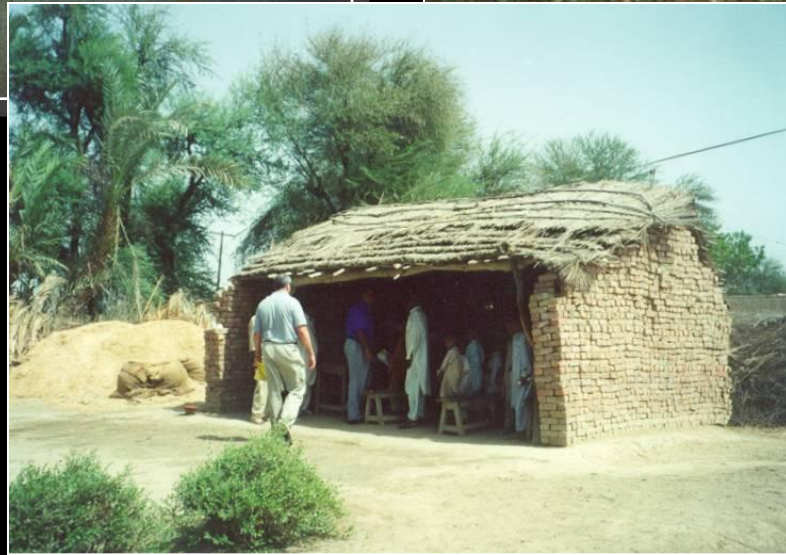
F *fraud*

The typical three-stages of corruption and fraud in major procurement cases

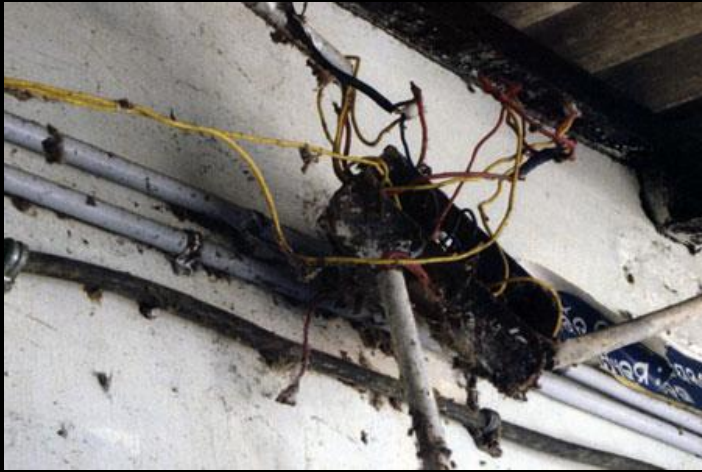
1. A BRIBE is demanded in exchange for the promise of a contract award or other favor, which leads to...
2. Some form of BID RIGGING to exclude other (often more qualified, less expensive) bidders, and finally...
3. FRAUD, to recover the cost of the bribe and exploit the corrupt relationship.

Fraud is usually the most costly and damaging stage...

New "school"



New hospital



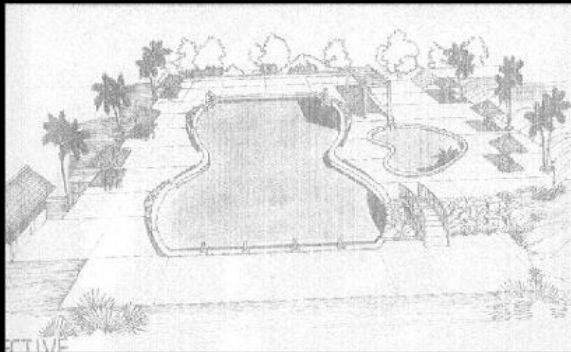


Non-existent (but fully paid for) school in Iraq



New conference center

Design of spa for
ecotourism center



Status after >50% disbursed with
30 days left to completion



Narrow road

Road 30% narrower than the specs required

No road surfacing, contrary to the specifications

The contract was paid in full



Basic steps to detect and prove corruption

STEP ONE: Start the case

Detection methods:

- Complaints, tips or reports
- “Red flags” of wrong doing
- Proactive, automated detection systems
- Voluntary Disclosure Programs

Basic steps to detect and prove corruption

STEP TWO: Review the Procurement Records

- Collect and examine the **relevant procurement documents** – the bids, the bid evaluation reports, the contracts and contract amendments, payment records, etc.;
- Confirm or rebut the information in the complaint or report; look for other evidence or red flags of wrong doing;
- Identify the questionable transactions and the suspect parties using the **SPQQD tests**
- Look for **evidence of fraud** in the bids or works (can be used as leverage to obtain cooperation to prove the bribes)

Basic steps to detect and prove corruption

STEP THREE: Do background checks on the suspect firms and individuals; request:

- **Government records:** FIU reports, customs reports , etc.
- **Business records:** incorporation records, D&B reports, etc.
- **Government official's employment records:** salary, telephone, email, computer hard drives
- **Public records:** internet searches, media reports, etc.
- Request **informal legal assistance from foreign jurisdictions** to identify accounts, beneficial ownership of companies, real property ownership, etc.

Basic steps to detect and prove corruption

STEP FOUR: Begin the financial investigation; focus on:

- The **company that paid the bribes**: identify and trace suspect payments through agents and subcontractors; includes document reviews and witness interviews
- The **official that received the bribes**; prepare a “**financial profile**” to prove the bribe payments **circumstantially** or **directly** includes document reviews and witness interviews
- Request **international legal assistance** as necessary to trace and freeze funds and assets

Basic steps to detect and prove corruption

STEP FIVE: Attempt to obtain the cooperation of an inside witness, through:

- Leverage the use of **evidence of fraud** committed by the witness to compel his or her cooperation in exchange for a lesser penalty
- Negotiate a cooperation agreement with a less culpable party
- Grant immunity from prosecution to obtain cooperation

Basic steps to detect and prove corruption

STEP SIX: Interview the suspect parties

- Interview the suspect bribe payer and intermediaries (agents, subcontractors) first; attempt to obtain their cooperation
- Then interview the suspect government official
- Have him or her account for all sources of funds identified during the investigation
- If applicable, show that the official lied about the sources of funds (rebut the official's defenses)
- Request **international legal assistance** as necessary

Basic steps to detect and prove corruption

STEP SEVEN: Prepare the final reports, referrals to foreign jurisdictions or accusation; distribute as necessary to identify and recover stolen funds and assets

Corruption Case Example: West Africa



Where the money ended up in the US...



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