

# Appendix 2

## SIGNIFICANT CASES INVOLVING ADB-FINANCED ACTIVITIES CONCLUDED IN 2007

Allegations	Investigative Findings	Case Resolution
<p><b>FRAUD</b> <b>Misrepresentation</b></p> <p>Firm A submitted a proposal in association with Firm B, which included a consultant's curriculum vitae (CV) that misrepresented his employment status.</p>	<ul style="list-style-type: none"> <li>■ Firm A was the lead firm in the bid proposal that included a consultant's CV provided by associate Firm B.</li> <li>■ Firm B confirmed that the consultant had worked for them since 2004 and explained that because the consultant did not work with any other consulting firm, it considered him to be a full-time regular employee for the purpose of CV certification.</li> <li>■ Firm B also claimed that it did not see the bidding documents that explained ADB's definition of full-time regular employee.</li> <li>■ Neither Firm A nor Firm B's action was considered fraudulent.</li> </ul>	<ul style="list-style-type: none"> <li>■ The IOC did not impose remedial action on any party in this case.               <ul style="list-style-type: none"> <li>• Firm A was notified that it failed to meet the highest standard of ethics based on its submission of CV and failed to address the issue of consultant's full-time employment certification.</li> <li>• Firm B was cautioned to ensure it follows ADB's definition of full-time regular employment when certifying any CVs for ADB-financed activity.</li> </ul> </li> </ul>
<p>An Executing Agency (EA) of an ADB project disqualified seven proposed experts of four firms as they were employed by the EA, and their CVs omitted their status as government officials.</p>	<ul style="list-style-type: none"> <li>■ Seven proposed experts engaged in fraudulent practices by omitting their status as government officials in their CVs.</li> <li>■ It was noted, however, that it is a prevalent practice in the country concerned for government officials to work as consultants because of low government wages.</li> <li>■ The consultants would have been eligible had they applied and obtained a leave of absence. However, this was not done.</li> <li>■ There was insufficient evidence for the IOC to determine that the four firms knowingly or recklessly misrepresented the CVs of the proposed experts.</li> <li>■ The CVs accurately reflected the proposed experts' positions and experience, with the exception of their status as government officials, and it would not have been possible for the firms to detect the omissions even through reasonable due diligence.</li> </ul>	<ul style="list-style-type: none"> <li>■ The seven proposed experts were reprimanded, but not sanctioned due to mitigating circumstances described.</li> <li>■ No action was taken against the four firms.</li> </ul>

Allegations	Investigative Findings	Case Resolution
<p>A firm manipulated the CVs of seven proposed local experts in a bid for consultancy services for construction supervision of civil works, which ADB is financing.</p>	<ul style="list-style-type: none"> <li>■ OAGI found evidence to conclude that the three experts were at fault.</li> <li>■ Expert A misrepresented his work experience; Expert B misrepresented the name of his employer, his work experience, and year of graduation; while Expert C misrepresented his work experience and graduation year.</li> <li>■ The firm failed to uncover the misrepresentations in the CVs of the three experts.</li> </ul>	<ul style="list-style-type: none"> <li>■ The IOC sanctioned Expert A for 2 years.</li> <li>■ The firm and Experts B and C were sanctioned for 3 years.</li> </ul>
<p>The CV of the proposed expert had some inconsistencies.</p>	<ul style="list-style-type: none"> <li>■ Firm A, the associate firm of Lead Firms S and T, proposed an expert and identified him as a regular, full-time staff.</li> <li>■ Firm B, the associate firm of Lead Firms X and Y, also proposed the same expert as its full-time staff.</li> <li>■ In response to OAGI's inquiry, the expert stated, among other things, that he was not a full-time staff of both associate Firms A and B and that his signatures on the submitted CVs were scanned.</li> <li>■ OAGI sought clarifications from both the associate firms on the expert's response. Both firms were unable to provide comments and any documents to refute the statements of the expert.</li> <li>■ An aggravating factor was that the Managing Director of Firm A did not cooperate with the investigation.</li> <li>■ There was insufficient evidence for the IOC to determine that the expert was engaged in fraudulent practice.</li> <li>■ OAGI did not find evidence to show that the four lead firms knowingly or recklessly included the false CV in their proposals to gain favorable evaluation results.</li> </ul>	<ul style="list-style-type: none"> <li>■ The IOC declared the two associate firms and the General Director of associate Firm B ineligible to participate in ADB-financed activity for 3 years.</li> <li>■ The Managing Director of associate Firm A was sanctioned indefinitely.</li> </ul>
<p>An ADB project department advised OAGI that an ADB member government had blacklisted 13 construction companies that had bid on an ADB-financed project.</p> <p>The companies had provided falsified financial information to ADB by exaggerating their annual income level in their bids.</p>	<ul style="list-style-type: none"> <li>■ OAGI conducted its own investigations and found that 11 of the 13 firms had committed fraud under, and breached, the anticorruption policy.</li> </ul>	<ul style="list-style-type: none"> <li>■ The 11 companies were sanctioned for 7 years.</li> </ul>

Allegations	Investigative Findings	Case Resolution
<p><b>FRAUD</b>  <b>Submission of False Documents</b></p>		
<p>Submission of false documents in various tenders under an ADB loan.</p>	<ul style="list-style-type: none"> <li>■ Firm A committed fraudulent acts because it misrepresented its equity and submitted a false business license in its proposal.</li> <li>■ Firm B audited and issued an unqualified opinion on Firm A's misrepresented financial statements.</li> <li>■ Firm B did not have the required professional independence to provide external audit work for Firm A since its General Director is also working as economic consultant for Firm A. This constituted a conflict of interest as defined by ADB.</li> </ul>	<ul style="list-style-type: none"> <li>■ The IOC declared the two firms ineligible to participate in ADB-financed activities for a minimum of 7 years.</li> <li>■ The Directors were sanctioned indefinitely.</li> </ul>
<p>Misrepresentation by a bidder in a tender for procurement of equipment for a substation expansion project.</p>	<ul style="list-style-type: none"> <li>■ Firm A submitted a bid that included a certificate of satisfactory operation of a 230-kilovolt (kV) substation project issued by Firm B. It also included a certificate of recommendation from Firm C citing the completion of another 230-kV substation project in 1999.</li> <li>■ Firm B confirmed that the substation being constructed by Firm A was only 132 kV and was not yet completed; hence, a certificate of satisfactory operation could not be issued.</li> <li>■ The Executing Agency (EA) also obtained information that there is no 230-kV substation operated by Firm C.</li> <li>■ OAGI concluded that Firm A committed a fraudulent practice by submitting a forged certificate of satisfactory performance and misrepresented its work experience.</li> </ul>	<ul style="list-style-type: none"> <li>■ The IOC declared Firm A ineligible to participate in ADB-financed activity for a minimum of 1 year.</li> </ul>
<p>A rival bidder for a telecommunications project complained to ADB and to Firm B (a utility company which Firm A claimed to have done projects for) that Firm A is an unknown entity in the industry.</p>	<ul style="list-style-type: none"> <li>■ In its bid proposal, Firm A submitted a Certificate of Incorporation, which was confirmed fake by the Government.</li> <li>■ Firm A also submitted its General Experience Record listing numerous projects. Among these projects were 17 completed and three ongoing projects for Firm B, some of which were supported by contract offers and Taking Over Certificates.</li> <li>■ Firm B confirmed that it never awarded any project to Firm A; the projects listed by Firm A were awarded to different companies and did not match the descriptions provided; Firm A was not directly involved in the listed projects; and the contract offers and Taking Over Certificates submitted by Firm A were forged.</li> <li>■ Firm A's General Experience Record also listed other project works, five of which were denied by the respective alleged employers.</li> <li>■ OAGI concluded that Firm A committed a fraudulent practice by submitting forged certificates of incorporation and experience, and misrepresented its work experience in its General Experience Record.</li> </ul>	<ul style="list-style-type: none"> <li>■ The IOC declared Firm A ineligible to participate in ADB-financed activity for a minimum of 7 years.</li> </ul>

Allegations	Investigative Findings	Case Resolution
<p>Firm A was not performing under two contracts in an ADB-funded project.</p>	<ul style="list-style-type: none"> <li>■ The project department's in-depth review of the procurement process for the two contracts revealed that what appeared to be the prequalified contractor, and the contractor who awarded the contracts, were different.</li> <li>■ Firm A falsely portrayed it was associated with Firm B by including Firm B's financial information, personnel, and machinery lists.</li> <li>■ Firm A also included fraudulent bank guarantees among the documents it submitted to qualify for the contracts.</li> <li>■ Moreover, Firm A's representative presented false information to investigators by stating that Firm B had invested and had been a shareholder in their company.</li> </ul>	<ul style="list-style-type: none"> <li>■ The IOC declared Firm A ineligible to participate in ADB-financed activity for a minimum of 7 years.</li> <li>■ The firm's representative was sanctioned indefinitely.</li> </ul>
<p>A local Firm had billed the EA for the services of an expert who has already resigned.</p>	<ul style="list-style-type: none"> <li>■ The Firm's President Director was aware that his company had submitted false time sheets and attempted to cover up the fraudulent act by providing false information to OAGI during the investigation.</li> <li>■ The expert, office manager, and project's team leader were accessories to the fraudulent practice.</li> <li>■ The expert submitted his signed time sheets for 3 months even though he had already resigned.</li> <li>■ The Office Manager prepared false time sheets for the expert and requested him to sign these documents.</li> <li>■ The project's team leader was aware that the expert had left his position, yet he endorsed the false time sheets.</li> </ul>	<ul style="list-style-type: none"> <li>■ The IOC imposed a 3-year sanction on the Firm and its President Director.</li> <li>■ A 1-year sanction was imposed on the expert.</li> <li>■ The Office Manager and Team Leader were sanctioned for 2 years each.</li> </ul>
<p>A Country Office provided OAGI with a memo concerning the EA's evaluation of technical proposals for a design-build and turnkey contract that ADB is financing.</p> <p>The EA found that three firms submitted fraudulent documents in their proposals.</p>	<ul style="list-style-type: none"> <li>■ Firm A's proposal contained discrepancies (contact details, contract amounts, dates, and technical details) in the User's Certificates issued by two power companies. It also included in the proposal altered Letters of Authorization from two manufacturers.</li> <li>■ Firm B submitted false User's Certificate. It admitted that the company's language translator, who was eventually terminated, forged the certificate. Its officials signed the proposal without understanding its contents.</li> <li>■ Firm C also submitted false User's Certificates. It admitted that it did not check the veracity of the documents before including them in the proposal.</li> </ul>	<ul style="list-style-type: none"> <li>■ The IOC sanctioned Firms A and B for 5 years.</li> <li>■ Firm C was sanctioned for 4 years.</li> </ul>

Allegations	Investigative Findings	Case Resolution
<p>In the prequalification of civil works contract, the joint venture (JV) agreement may have been forged.</p>	<ul style="list-style-type: none"> <li>■ The Evaluation Report by the EA's tender evaluation committee recommended the disqualification of the JV of Firms A and B for failing to submit audit reports, for submitting improperly completed experience forms, and for forging the signature of Firm A's representative on the JV agreement.</li> <li>■ Firm A confirmed that it had not entered into a JV with Firm B and that the representative's signature was forged.</li> <li>■ Firm B did not respond to OAGI's inquiry findings.</li> <li>■ In the absence of any response from Firm B, OAGI concluded it is more probable than not that Firm B committed a fraudulent act.</li> <li>■ OAGI also concluded that Firm B's owner (also its Managing Director) was responsible for submitting the fraudulent JV agreement.</li> </ul>	<ul style="list-style-type: none"> <li>■ The IOC sanctioned Firm B for a minimum of 7 years.</li> <li>■ Its owner was sanctioned indefinitely.</li> </ul>
<p>The audited financial statements submitted by a bidder for a construction contract differed from those filed with the Inland Revenue Office (IRO).</p>	<ul style="list-style-type: none"> <li>■ A review of the bidding requirements showed that the consolidated average construction turnover figures of the supposed JV were substantially different to those filed with the IRO, and that without the inclusion of the financial data of the proposed JV partners, the bidder would not have qualified for the tender.</li> <li>■ The bidder explained that a group of construction firms and individuals were supposed to bid as a JV, but the group eventually failed to reach an agreement, and their staff mistakenly relied on the group financial data when preparing the bid documents.</li> <li>■ The supposed JV partners confirmed having discussed a joint bid, but one partner stated that the financial information was false while the other denied ever having withdrawn from the bid.</li> <li>■ The auditors, who allegedly prepared the incorrect financial statements, could not be contacted at the addresses and phone numbers provided by the bidder and did not reply to any e-mail inquiries.</li> <li>■ OAGI concluded that it is more probable than not that the company committed a fraudulent practice by misrepresenting its financial data.</li> </ul>	<ul style="list-style-type: none"> <li>■ The IOC debarred the company and its managing director for 3 years.</li> </ul>

Allegations	Investigative Findings	Case Resolution
<p>CORRUPTION Collusion</p>		
<p>A Country Office reported a concern of possible collusion by two firms in the procurement of nonmedical equipment for an ADB project.</p>	<ul style="list-style-type: none"> <li>■ The identical technical proposals of the two firms and lack of credible explanations provided a preponderance of evidence that the firms engaged in a collusive practice.</li> <li>■ While this investigation was in progress, a separate investigation involving Firm A was finalized in September 2006, resulting in Firm A being debarred for 3 years.</li> </ul>	<ul style="list-style-type: none"> <li>■ The IOC debarred Firm A for a minimum of 7 years, to run concurrently with the sanction imposed on it in September 2006.</li> <li>■ As this offense incurred prior to the imposition of sanctions in September 2006, Firm A did not breach any existing sanction. Therefore, no details were published on ADB's website.</li> <li>■ Firm B was sanctioned for a minimum of 7 years.</li> <li>■ The person who signed the proposal was sanctioned indefinitely.</li> </ul>
<p>The Country Office observed strong similarities in the signatures on the bid bonds of three firms that submitted a bid for the supply of laboratory equipment.</p>	<ul style="list-style-type: none"> <li>■ The Country Office requested the issuing bank to confirm the validity of the bonds.</li> <li>■ The bank wrote that the bid bond in the name of Firm A was genuine, while the two others were forgeries.</li> <li>■ OAGI found out through forensic document examination that the forgeries were reproduced from the authentic bid bond of Firm A.</li> <li>■ Firms B and C were twice given the opportunity to explain the fake bonds they submitted, but neither of them responded.</li> <li>■ OAGI subsequently requested the three firms to comment on the inquiry findings of collusion and fraud. They did not respond.</li> <li>■ Firms B and C committed fraud when they submitted forged bid bonds.</li> <li>■ Firm A, in providing the template for the forgeries, was party to the fraudulent act.</li> <li>■ The actions of the three firms indicated collusion because Firm A was the intended winner from the start.</li> </ul>	<ul style="list-style-type: none"> <li>■ The IOC imposed a minimum of 7 years ineligibility to the three firms and its owners.</li> </ul>

Allegations	Investigative Findings	Case Resolution
Possible collusion among bidders in the procurement of dental equipment	<ul style="list-style-type: none"> <li>■ Five bids were received.</li> <li>■ OAGI found that the proposals of the four losing bidders included false bank guarantees and three of these proposals also contained false manufacturer authorizations.</li> <li>■ One supposed bidder denied any knowledge of the bid. None of the other bidders replied to OAGI's inquiries and findings. Two firms did not exist.</li> <li>■ OAGI concluded that Firms A and B colluded to fabricate the losing bids.</li> <li>■ Later, OAGI found that Firm C prepared and submitted its bid, falsified its bank guarantee and manufacturer authorizations, and colluded with Firms A and B.</li> </ul>	<ul style="list-style-type: none"> <li>■ Firms A and B, and two individuals were debarred for a minimum of 7 years.</li> <li>■ Two other individuals were debarred indefinitely for violating their sanction.</li> <li>■ Firm C was debarred for a minimum of 7 years.</li> </ul>
<p>Four firms participated in the bidding for the supply of civil works for a subproject to be financed by an ADB loan.</p> <p>The Country Office informed OAGI that irregularities were observed during their review of the bid evaluation report.</p>	<ul style="list-style-type: none"> <li>■ The Procurement Review Report indicated that <ul style="list-style-type: none"> <li>• Firm A, the proposed winner, had the same ownership as Firm B, while Firms B and C had the same office address.</li> <li>• The bid bonds of the four participating firms were issued by the same bank and were in sequential order.</li> <li>• Except for Firm A, which submitted a rather long description of its proposed construction method, the other three had identical technical proposals, including typographical errors.</li> </ul> <p>In this case, the Country Office decided to re-bid the package before the matter was referred to OAGI.</p> </li> <li>■ OAGI confirmed the Country Office's observations and found other evidence to support the view that collusion occurred.</li> <li>■ The cost estimate had been compromised from the start, judging by the slim differences in price offers. This assured Firm A of maximum profits and, at the same time, allowed all four bidders to participate, thus making the bidding appear valid.</li> </ul>	<ul style="list-style-type: none"> <li>■ The IOC sanctioned the four firms for a minimum of 7 years.</li> <li>■ Four individuals were sanctioned indefinitely.</li> </ul>

Allegations	Investigative Findings	Case Resolution
<p>An anonymous complainant informed OAGI that the project's implementing agency (IA)—a nongovernment organization (NGO)—had</p> <ul style="list-style-type: none"> <li>▪ made payments from its ADB project imprest bank account to relatives of the NGO's Executive Director;</li> <li>▪ awarded contracts to companies controlled by the Executive Director's relatives;</li> <li>▪ submitted contract prices in excess of market values; and</li> <li>▪ made fraudulent claims for vehicle rental.</li> </ul>	<ul style="list-style-type: none"> <li>▪ OAGI retained an investigative firm to assist in the investigation, which conducted background searches of the IA and other involved parties, interviewed sources, and reviewed the IA's records.</li> <li>▪ The IA engaged in fraudulent and collusive practices in this project.</li> <li>▪ Its Executive Director was involved in fraudulent and corrupt practices and was in a conflict of interest situation by arranging purchases from entities controlled by relatives.</li> <li>▪ Several other entities were involved in collusive practices.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The IOC imposed a 7-year sanction on the IA and three other entities.</li> <li>▪ The Executive Director and three other individuals were sanctioned indefinitely.</li> </ul>
<p>An anonymous complainant alleged that bid-rigging and bribery had taken place to favor a preselected supplier and supervision consultants.</p>	<ul style="list-style-type: none"> <li>▪ The EA's Assistant Engineer, with the managing director of Firm A—also country representative of Firm B—favored Firm B by tailoring the specifications for turbines in the tender documents for an ADB-financed contract.</li> <li>▪ OAGI found that the Assistant Engineer solicited a laptop computer and money from the Managing Director of Firm A.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Firm A was sanctioned for 7 years.</li> <li>▪ Firm B and all its affiliates were sanctioned for 2 years.</li> <li>▪ Firm A's Managing Director was sanctioned indefinitely.</li> <li>▪ OAGI advised the Ministry of Finance and Anticorruption Agency of the country regarding the actions of the Assistant Engineer.</li> </ul>
<p>A project procurement-related audit identified concerns of fraud and corruption involving 46 purchases of printing materials from one supplier.</p>	<ul style="list-style-type: none"> <li>▪ All but one of the 46 purchases was large enough to require a competitive tender process, which requires a minimum of three bids.</li> <li>▪ A review of one such tender revealed that the three bidders were related entities.</li> <li>▪ The proprietor of Firm A acknowledged that all three bidders discussed bid prices and reached an agreement on each bidder's price.</li> <li>▪ The handwriting on the three tender notice forms was similar.</li> <li>▪ The three bidders submitted the forms on the same date.</li> <li>▪ There was sufficient evidence to determine that two of the three proprietors were involved in collusive practices.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The IOC sanctioned the three bidders for 7 years.</li> <li>▪ The two proprietors were sanctioned indefinitely.</li> </ul>

Allegations	Investigative Findings	Case Resolution
<p>Potential collusion in tenders financed by an ADB loan</p>	<ul style="list-style-type: none"> <li>■ In an interview of a sampling of bidders conducted as a follow-up to a PPRA, the Director of Firm A admitted that he signed and stamped Firm A's bidding documents, which were prepared for Firm A by someone from Firm B. No commission changed hands—both firms usually helped each other build business relationships.</li> <li>■ OAGI could not find sufficient evidence to conclude that neither the Director of Firm B nor any other individual associated with Firm B was responsible for preparing Firm A's bid documents.</li> <li>■ OAGI subsequently sent formal inquiry findings letters to both firms. Neither responded.</li> <li>■ It was, thus, concluded that both bidders colluded to manipulate the bidding process, which eventually led to the award of the contract to Firm B.</li> </ul>	<ul style="list-style-type: none"> <li>■ The IOC declared the two firms ineligible to participate in ADB-financed activity for 7 years.</li> <li>■ The Director of Firm A was sanctioned indefinitely.</li> </ul>
<p>Irregularities in the purchase of gunny pots amounting to \$408,596</p>	<ul style="list-style-type: none"> <li>■ Firm A was awarded 14 contracts totaling \$267,545 to supply gunny pots for the project.</li> <li>■ It monopolized the supply of gunny pots to the project from 2002 to 2004, and engaged in collusive practices by submitting bids in the name of related Firms B and C.</li> <li>■ Three evaluations of tenders in 2003 confirmed that Firms A, B, and C participated in the same tenders.</li> <li>■ An evaluation of tenders, dated February 2004, showed that proposals were received from four firms, including Firms A, B, and C.</li> <li>■ Firms A, B, and C were related entities and were found to be engaged in collusive practices.</li> <li>■ Firm A also engaged in corrupt practices when it paid bribes to EA officials to accept delivery of supplies and to facilitate payment of invoices.</li> <li>■ The Chief Executive Officer and Chairperson/owner of Firm A were found to be involved in both acts of collusion and bribery.</li> <li>■ The Managing Director of Firm B and Proprietor of Firm C colluded.</li> <li>■ Also related to this case was the admission of the Director of Firm D that it participated in different bids along with a related company, Firm E, in order to increase their chances of being awarded a contract.</li> <li>■ The Directors of Firms D and E colluded.</li> <li>■ OAGI also found evidence of serious irregularities in the procurement activities of the project, including strong indications of fraudulent and corrupt practices by EA officials, such as <ul style="list-style-type: none"> <li>• creating fake companies and awarding contracts to them;</li> <li>• receiving benefits by paying for more expensive gunny pots, when polythene pots were delivered;</li> <li>• receiving benefits by paying for supplies that were never delivered; and</li> <li>• seeking kickbacks before accepting delivery, or returning security deposits.</li> </ul> </li> </ul>	<p>The IOC decided that</p> <ul style="list-style-type: none"> <li>■ The ADB Vice-President be informed of the findings and that his agreement be obtained on requesting the Government to reimburse ADB for a portion of the loan.</li> <li>■ OAGI, in consultation with the project department and the Vice-President, would arrange to advise the country's Ministry of Finance and the Anti-Corruption Commission of these findings.</li> <li>■ The IOC declared the five firms ineligible to participate in ADB-financed activity for 7 years, and the five directors/owners were sanctioned indefinitely.</li> </ul>

Allegations	Investigative Findings	Case Resolution
<p><b>CORRUPTION</b> <b>Bribery/Theft</b></p> <p>The tender evaluation for five contracts under an ADB loan was “influenced” and that confidential information was disclosed to “raise illegal funds” for a group that included an ADB staff, a high-ranking official of the executing agency (EA), and the Team Leader of the project consultants.</p> <p>Complainant also alleged that bidders were disqualified to favor another bidder.</p>	<ul style="list-style-type: none"> <li>■ The investigating firm found no evidence to support the allegations of the complainant.</li> <li>■ The integrity of the Country Office and the project consultant’s office was maintained throughout the tender process.</li> <li>■ In the course of the investigation, an agent of a joint venture (JV) produced a confidential letter from the Country Director to the Project Director, which included a recommendation that the bids be reevaluated.</li> <li>■ When asked about the source of the letter, he said that he obtained it from an individual at the Project Director’s office.</li> <li>■ He also admitted making small payments to this informant in return for a copy of said letter and other documents and information, including bid evaluation reports.</li> <li>■ He thought that getting access to information and raising concerns with authorities was the only way to compete since he believed that the tender process was corrupt.</li> <li>■ The JV claimed that it obtained information about the tender process because of its numerous dealings with the EA. It was told that this information may or may not be confidential and denied that it neither had any “paper of recommendation” nor committed any corrupt practices.</li> <li>■ OAGI concluded that the agent’s actions were corrupt as defined by ADB. The JV was also held liable as firms are considered responsible for the actions of their agents.</li> </ul>	<ul style="list-style-type: none"> <li>■ The IOC sanctioned the agent indefinitely.</li> <li>■ The member firms of the JV became ineligible to participate in ADB-financed activities for 3 years.</li> </ul>
<p>Unauthorized payments made by former Project Accountant from the Imprest Account of an ADB-financed project</p>	<ul style="list-style-type: none"> <li>■ In May 2006, the Government of an ADB member country uncovered and shared with ADB its findings that a former project accountant had embezzled from the Imprest Account of an ADB-financed project. An Operations Department reported the case to OAGI.</li> <li>■ The project accountant had issued checks to himself for additional remuneration to which he was not entitled and had falsely represented in the account records that checks were payable to other parties.</li> <li>■ OAGI concluded that the issuance of these checks was fraudulent.</li> </ul>	<ul style="list-style-type: none"> <li>■ The IOC debarred the project accountant indefinitely.</li> <li>■ The country’s fraud and anticorruption unit concluded its independent investigation and has initiated the process to file charges.</li> <li>■ The Government has advised ADB that the embezzled funds will be returned to the Imprest Account.</li> </ul>

Allegations	Investigative Findings	Case Resolution
CORRUPTION		
Defrauding Associates and Subcontractors		
<p>Consulting Firm A was not paying its associated firm and subcontractors under an ADB-financed technical assistance (TA) project.</p>	<ul style="list-style-type: none"> <li>■ COSO and the project department advised OAGI that a similar case of nonpayment to subcontractors by Firm B under three ADB-financed projects had occurred in 2004, and Firm B could be related to Firm A.</li> <li>■ Upon further investigation, and with the assistance of COSO and concerned project staff, OAGI confirmed that the identities of the individuals behind Firms A and B, and both nonpayment incidents, were the same.</li> <li>■ In the 2007 case, the company used falsified technical and financial capacities in their bid submission, and used fictitious names for the consulting contract with ADB. The subcontractors were then intentionally defrauded.</li> <li>■ OAGI discovered that the two individuals had been debarred from holding directorships by the securities commission of the country where the two companies were registered.</li> </ul>	<ul style="list-style-type: none"> <li>■ The IOC sanctioned the two individuals indefinitely.</li> <li>■ All the firms connected with these individuals were sanctioned for 7 years.</li> <li>■ While ADB has no legal obligation to settle the claims from the subcontractors, ADB's project department is in the process of closing the existing contract and engaging the subcontractors using the remaining TA funds.</li> <li>■ As a result of this case, COSO has taken immediate action and has strengthened ADB's requirements. COSO now requires the winning consulting firm to provide <ul style="list-style-type: none"> <li>• a copy of the photo/signature passport page(s) of their authorized representative during negotiation; and</li> <li>• relevant written authorization for the representative to negotiate and sign the contract with ADB on behalf of the firm.</li> </ul> </li> <li>■ In addition, COSO is considering other appropriate due diligence measures to implement to ensure the integrity of ADB's recruitment processes.</li> </ul>

Allegations	Investigative Findings	Case Resolution
<p>OTHERS</p> <p>Repeat Violations of the Anticorruption Policy</p>		
<p>A project department informed OAGI that a sanctioned firm submitted a tender to a local government unit for the expansion and rehabilitation of municipal water systems, which is to be financed by an ADB loan.</p>	<ul style="list-style-type: none"> <li>■ The firm and its owner were previously sanctioned for 7 years for collusion.</li> <li>■ The firm violated its sanction period when it submitted a bid for the procurement of civil works in this case.</li> </ul>	<ul style="list-style-type: none"> <li>■ The IOC sanctioned the firm for a minimum of 10 years, which ran concurrently with the firm's previous debarment.</li> <li>■ The owner was sanctioned indefinitely.</li> <li>■ The firm and its owner have been posted on ADB's website for violating its sanction.</li> </ul>
<p>Potential sanction violation</p>	<ul style="list-style-type: none"> <li>■ The IOC sanctioned Firm A and its owners in September 2004 for collusion.</li> <li>■ In 2006, a Country Office informed OAGI that Firm B, one of the participating bidders in the procurement of laboratory equipment for a study program at one university, proposed a specific brand of laboratory equipment that was believed to be exclusively distributed in that country by Firm A.</li> <li>■ The Country Office also noted that Firms A and B had the same set of owners, who are both debarred individuals.</li> <li>■ Firm B's participation was in violation of the ADB sanction against its owners, which prohibits the firm from participating in an ADB-financed activity indefinitely, effective September 2004.</li> </ul>	<ul style="list-style-type: none"> <li>■ The IOC sanctioned Firm B for a minimum of 10 years.</li> <li>■ Its four owners were sanctioned indefinitely and their names posted on ADB's website.</li> </ul>