

Practice Name:  
**SALER Rapid Alert System**

Practice category:

- Systems and tools
- Red flags



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Country:  
**Spain**

### **Fraud risk(s) countered**

- Conflict of interest
- Avoidance or manipulation of public procurement procedures
- Double funding
- Collusion

### **Context and objective(s)**

Malpractices and misconduct are often only detected after the fact, either through complaints, inspections or audits.

SALER is a computer system that analyses the data generated by the Administration of the Generalitat of Valencia in order to raise early alarms. This shall help to detect any possible irregularities, malpractice or risks of fraud and corruption in a preventive way and this avoid cases of corruption.

SALER has been introduced by the General Inspection of Services which is the internal control body in the Administration of the Generalitat. Its functions are defined by law (Law 22/2018, of 6 November, *of the Valencian Government, General Inspection of Services and the alert system for the prevention of bad practices in the Administration of the Valencian Government and its instrumental public sector*).

### **Description of the practice**

SALER is a computer system that applies data analysis tools to digitalised files of administrative data. Its purpose is to prevent irregularities and malpractices by raising alerts for risks of fraud which can subsequently be investigated.

#### **Information sources**

The SALER system uses data from different sources.

**The Administration stores information in different public databases and files which are fed into the SALER system. This includes:**

- information on direct payments (e.g. types of products or services acquired, and suppliers thereof),
- records of contracts (data relating to all phases of the bidding process, decision and execution of the contract), and
- information on subsidies (data relating to the body granting the subsidy, purpose of the subsidy, conflicts of interest, beneficiaries, justification, invoices issued etc.).

All the information in paper form which is provided by the bidders (individuals or companies that apply to public calls) who interact with or work for the public administration is also digitalised and added to SALER.

In addition, the SALER system takes information from public and non-public databases of notaries relating to property ownership or mortgages, information published in official journals or on declared conflicts of interest. Any other internal or external database that the Administration considers useful to perform data analysis, such as personnel data, payroll, etc., can also be added.

Furthermore, the law establishes collaboration mechanisms with the various organisations and entities, e.g. the Agency for the prevention and fight against fraud and the Prosecutor's office.

### **Definition of indicators and queries**

In order to analyse the data, the staff of the General Inspection of Services defined indicators and queries (note: a query is a combination of indicators which analyses the data using one or more algorithms). The indicators and queries shall assess the application of rules and procedures. They were based on patterns from real cases of irregularities previously detected.

In addition, any department which potentially presents risks of irregularities associated with their procedures can prepare risk maps and carry out risk self-evaluations. Corresponding indicators are added to the system, if relevant data exists.

Some of the simpler indicators are those related to contract awards and the granting of subsidies, e.g. analyzing data relating to VAT numbers, contract references, quantities, payment date, etc. In some cases, simple data analysis for cross-referencing is enough. Other indicators are more complex and combine seemingly unrelated processes taking place at the same time which jointly might represent a risk of fraud.

The definition of indicators and queries was completed by a team of approx. 12 inspectors and five employees from the internal IT department. The General Inspection of Services hired two IT providers to generate the algorithms.

Examples for queries to identify risk situations include:

- a) Split with the same provider: The same supplier appears in several contracts for the same project which represents the risk of the tenderer avoiding a larger contract with stricter procedures.
- b) Split with different suppliers: Several suppliers for one single contract represent the risk of tenderers avoiding a single major contract with one supplier or the unlawful cooperation between the contractors.
- c) Recurrent awardee: Repeated business actions in an oligopoly regime represent the risk of absent competition.
- d) Collusive biddings: Coincidences of the same (two or more) bidders in different calls represent the risk of collusion between the bidders.
- e) Conflict of interest: Noncompliance with incompatibility norms established by law represents the risk of conflicts of interests.
- f) Non-competitive procedure: Lack of justification for the use of a non-competitive procedure represents the risk of corruption.
- g) Irregular proof of contract: extensions and unjustified changes represent a risk of fraud.

Although the system initially focusses on the areas of public procurement and subsidies, there are other areas that can be analysed for the prevention of irregularities and that will be incorporated into the system, such as:

- Administration of public resources,
- Information relative to regulatory breaches, inspection and penalties,
- Authorisations,
- Public services,
- Human resources management, and

- Relations with external entities or individuals.

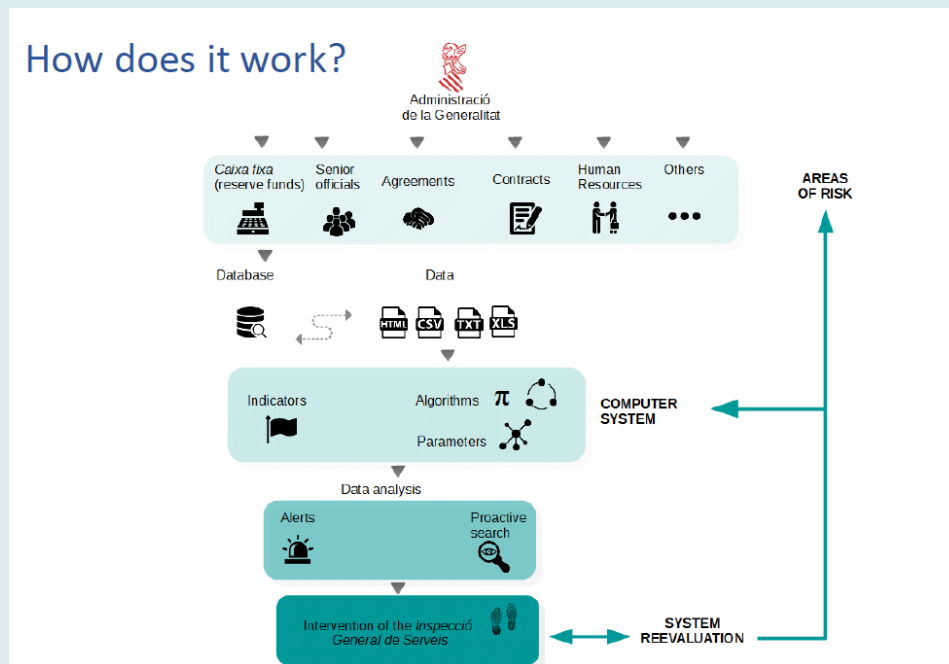
### Alerts and investigations

An alert is triggered when a risk is detected by the system. Each alert is investigated by the General Intervention of Services. The investigation leads either to further monitoring/inspection of the case or to the closing of the case, depending on the outcome of the investigation:

- A mistake or negligence – which will be corrected by the investigator in coordination with the provider and/or institution involved; the case will be closed;
- A bad practice – which does not represent intentional misconduct or fraud but an irregularity that can be explained and corrected in coordination with the provider and/or institution involved; continuous monitoring might be applied; or
- A potential case of misconduct or fraud – which will be forwarded to the police and prosecutor.

The system and the alerts are not open to the public in order to prevent misinterpretation and reputational damage for the first two cases described above. The General Inspection of Services publishes regular reports about its work and detected cases.

In addition to alerts, the system also enables proactive data and relationship searches and cross-referencing of the data.



### Continuous improvement

As part of the continuous improvement of the system, weaknesses are identified and resolved, new situations translated into new queries, and existing indicators modified or new ones added.

To enhance the effectiveness of the system, an interdepartmental Commission with representatives of all the administration's departments has been created. The Commission discusses potential changes in the system and real cases to prevent further irregularities and malpractices.

## Unique features

- Electronic public procurement process in Valencia which makes the system possible;
- Preventive approach of an early-warning system,
- Use of numerous data sources,
- Queries defined according to identified risks or previously detected fraud patterns,
- Automated alerts.

## Outcomes and results

At this stage, the Administration designed the SALER system to incorporate a series of databases.

SALER has an initial version in production which offers first results: reports related to contracting and subsidies. SALER also offers basic functionalities which allow the storing of information regarding alerts, controlling user access across departments, as well as transforming and extracting data from different information systems.

Other sources of information will be added moving forward.

Once all the public procurement processes and involved institutions in Valencia have moved to electronic data management, the SALER system can become fully functional.

In the future, the system might have a great impact on the transparency and reduction of public spending and allow investigating relationships between natural and/or legal persons.

## Key success factors

In order to ensure the viability of the SALER system, the Administration defined seven main requirements:

- Fully electronic administrative processes (digitisation of the administration),
- Staff training,
- Involvement of management and staff,
- Interoperability of internal and external platforms,
- Use of innovative technologies,
- Incorporation of public companies (owned by the Generalitat),
- General use of risk maps (self-evaluation plans).

## Challenges encountered & lessons learned

- Initial resistance from entities and the private sector who feared SALER to be a control system,
- Availability of all the data/information in digital form to run the system,
- Lack of willingness to contribute in order to provide all the necessary data, even within the same administration,
- Coordination of all the actors, as not all the information is publicly available or can be published,
- Compliance with national and international laws on GDPR and data security,
- Need for a future law to give legal coverage to the inspection staff when they request data.

## **Potential for the transferability**

Using a similar system in a different administration will require a thorough analysis of the existing data structures. Specific scenarios, i.e. queries, applicable to the administration will have to be defined. Although the idea behind specific queries may be reused by others, the logic of the analyses carried out is depends on the specific underlying data structures.

In Spain, attempts are being made to use common databases throughout the country, such as the databases of the Public Sector Procurement Platform and the National Subsidies Database. This will facilitate the replication of the system in Spain, and even the reuse of defined algorithms.