

Case study name	Forgery of documentation in an ESF support measure
Description	The project's objective consisted in the integration on the labour market of inactive persons, of the unemployed and the persons seeking for a workplace, by promoting active measures in the field of regional employment. The project was supported by the National Sectoral Operational Programme Development of Human Resources in the period 2007-2013.
ESI Fund(s) concerned	European Social Fund (ESF)
Irregularity type	Forgery of documents
Reporting mechanism	The Regional Intermediate Body informed the National Anti-Fraud Office of their suspicions of fraud in the initial 3 financing requests of the two companies, who then began their investigation, analyzing the documents submitted by the beneficiaries in their applications.
IMS reporting	No
Red flag(s)	<p>The Regional Intermediate Body managing the programme had in November 2011 suspicions of fraud, within 3 project applications submitted by Company X (with Firm A as its legal representative) in partnership with Company Y (with Firm B as its legal representative) in the North-West region of the member state.</p> <p>The red flags in this case were :</p> <ul style="list-style-type: none"> • The suspicions of fraud referred to signed declarations regarding the existence of administrative resources. Firm A signed several false statements regarding the existence of administrative resources as Company X's legal representative. Firm B, the representative of the partner, supported this by signing the similar statements on behalf of Company Y regarding the number of employees mentioned in the financing application. To support their statements, the two representatives forged official certificates from national authorities. These included fiscal certificates with forged text from official certificates. According to the national database, the two companies had no employees at the time of the finance request. However, the company submitted an official declaration as part of their financial request, stating they had 50 employees. This discrepancy encouraged the Intermediate Body to report their suspicions to the National Anti-Fraud Office. The value of the grant requested for each project was approximately €500,000. • The Regional Intermediate Body suspected that Company X and Company Y shared the same sole associate as the latter

	<p>(Company Y) had transferred 99% of its share capital to a business registered in the Seychelles Republic. It is the transfer of the capital outside the EU that signaled a potential fraud. As this represented a risk of fraud indicator for the Managing Authority, the contracting process of the requested €500,000 per project was stopped following the failure of the applicant to respond to the Regional Intermediate Body's request for clarification.</p>
<p>Description of fraud pattern</p>	<p>Company X and Company Y were believed to be essentially the same entity. They applied for ESF co-financing for 3 projects, in the North-West region of the member state, using documents which had been forged by the legal representative, Firm A. The falsified documents included counterfeit Fiscal Certificates,</p> <p>Further investigation by the National Anti-Fraud office uncovered an additional 14 grant applications for EU funding, with a combined total value of €7,000,000, was submitted by Company X throughout the regional programmes of other regions of the member state. Company X had obtained the pre-financing of €850,000 for these 14 projects. These pre-financing payments were rapidly spent on costs (e.g. rents of offices, IT equipment) which were not foreseen by the initial budget.</p> <p>Firm A presented a series of false documents to the intermediate body, to justify how the pre-financing payment was spent. These documents included:</p> <ul style="list-style-type: none"> - reimbursement requests for the expenses, bearing the stamp and falsified signature of the accountant expert; - contracts concluded with various companies; - invoices for cash transactions from suppliers or service providers; - acceptance notes regarding the receipt of goods; - files from the cash registers, to justify cash payments; - payrolls which seemed signed by some employees within the project; - lists with the projects' locations, presented to the representatives of the Managing Authority in order to prevent the carrying out of on-the-spot controls; - technical-financial reports to demonstrate the fulfillment of activities. <p>Firm A had stolen the funds in small amounts and forged the above-mentioned documents with the project managers and accountant. The accountant used documents and legal stamps of companies she was associated with, to forge some of the documents. None of the</p>

	<p>companies actually signed the documents or did the work. Minimal progress was made towards the fulfillment of any tasks linked to the implementation of the projects. Firm A misused funds totaling €215,000 obtained as pre-financing, by making payments for goods and services that were not related to the project implementation.</p>
<p>How the fraud was detected</p>	<p>Data was obtained from the National Trade Register Office, to establish the legality of the companies and their capacity to carry out professional activities, and from the Territorial Labor Inspectorate, to establish the accurate number of employees held by both companies. The National Anti-Fraud Office verified the authenticity of the fiscal certificates, which claimed that the beneficiaries did not have outstanding debts. This condition was preliminary in the case of the contracting procedure. The authenticity of the statements of conformity and eligibility submitted on behalf of the beneficiary by its legal representative were also verified.</p> <p>Following the National Anti-Fraud Office's investigation, it was determined that there was not enough evidence to support the existence of a sole associate of Company X and Company Y. The investigations did find proof of the signing of false statements by the two legal representatives. This was punishable by national law.</p> <p>The National Anti-Fraud Office's request for a list of all the projects involving the two companies highlighted that Company X had submitted 14 other EU grant applications. Further analysis showed that the same modus operandi had been used in these applications as in the previous case – the use of false and forged documents to support the applications. The National Anti-Fraud Office informed the central Managing Authority, who cancelled all financing contracts with Company X, and the National Anticorruption Directorate (NAD), who conducted investigations into:</p> <ul style="list-style-type: none"> - the presentation of falsified documents with the intention of illegally obtaining EU funds - the misuse of EU funds without the observance of the legal provisions; - providing false statements; - forgery in deeds under private signature; - complicity and instigation to committing the aforementioned offences. <p>In 2013, the legal representative of Firm A was sentenced to 11 years in prison for the fraud charges in case of all 17 projects. The legal representative of Firm A was anew sentenced in 2015 by the</p>

	<p>State Central Prosecution to imprisonment of 8 years.. The defendant admitted to committing the frauds alone.</p> <p>Following the investigation, the Intermediate Body was granted access to databases, including the national Commercial Register and the Employment database, which it would have been able to benefit from during the investigation.</p> <p>The funds spend by the beneficiary were not recovered following this investigation.</p>
Difficulties encountered	<p>To avoid detection through the on-the-spot checks, the beneficiary changed the premises where the projects were to be based. In this way the on-the-spot checks could not be performed.</p>
Weakness identified	<ul style="list-style-type: none"> • the main weakness encountered was the inability of the regional Managing Authority to access directly the databases managed by national authorities (fiscal, social). This was later rectified to allow MA direct access to national databases. • The ability of the beneficiary to continuously apply for co-financing in different parts of the country using the same modus operandi