

Practice Name:

Cross Check IT Mechanism

Country: **Poland**

Practice category:

- Systems and tools
- Red flags



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Fraud risk(s) countered

- **Avoidance or manipulation of public procurement procedures**
- **Double funding**
- **Manipulation of project costs**

Context and objective(s)

The “Cross-Check IT Mechanism” has been created as a reaction to the Article 13 of the Commission Regulation (EC) No 1828/2006 and Article 65 of the Regulation (EU) No 1303/2013 of the European Parliament and of the Council. The need for such a product has also been triggered by audits conducted by the European Commission (EC). After an audit conducted by the EC (by DG REGIO & DG EMPL), there was an obligation to cover additionally financial instruments with cross checks. The EC issued instructions concerning how one beneficiary should correctly benefit from two different aids, relating to both reimbursable (loans & guarantees) and non-reimbursable aids (grants) from the EC.

Cross checks of financial instruments aim at beneficiaries, who implement operational programs using grants, loans and warranties. The goal is to check if there are no irregularities regarding the financing of expenditures presented by the beneficiary, who benefited from EU Funds more than one time either program-, project- or perspective-wise (e.g. once during 2007-2013 and once in 2014-2020).

The Cross-Check IT Mechanism enables their users to detect double financing of expenditure and allows an investigation of the matter. It does not happen automatically. The delivered data is transformed by an IT tool (called OBIEE) that generates special reports, which allow to detect the double financing. If the double financing was done intentionally, then it is fraud and will be investigated and reported to OLAF.

Description of the practice

The Cross-Check IT Mechanism was implemented in 2009. It is a set of different IT tools that allows to gather and analyze data about projects’ expenditure by beneficiaries. The data is provided by different institutions that are responsible for the application, granting process and verification of the EU Funds.

At the level of the Ministry of Funds and Regional Development (the Ministry), the IT-system gathers all the data from the different institutions and users. Ministry employees can create reports through a reporting IT-tool called OBIEE that allow to identify beneficiaries who received more than one funding for a project (either under two different operational programs, the same operational program or in different financial perspectives (2007-2013; 2014-2020).

The used IT-tools allow gathering all the data concerning the beneficiaries and enable to identify cases with beneficiaries which might represent a potential irregularity regarding the double financing of the EU funded projects.

There are three types of Cross Checks performed and dependent on the type of potential irregularity and the beneficiary's activity:

1. **Program Cross Check** – there can be multiple projects within one Operational Program. Expenses submitted within the same program, but for different projects are covered by the Program Cross Check.
2. **Horizontal Cross Check** – if a beneficiary receives funding for at least two projects under different Operational Programs, this control is aimed at preventing double submissions of the same expenses.
3. **Inter-periodic Cross Check** – a beneficiary can receive funding for at least two different projects in two different financial perspectives (e.g. in 2007-2013 and 2014-2020. There is an expenses' eligibility overlap, if the same expense is submitted twice for two different financial perspectives).

The main objective of the Cross-Check Mechanism is to mitigate the potential risk of an intentional double submission for reimbursement or settlement of the same expenditure, leading to the double financing of the expenditure or to the undue overpayment of the value of the expenditure resulting from the accounting documents.

Who is responsible for signaling potential irregularities?

1. Managing Authorities were granted access only to the data of beneficiaries concerning Operational Programs that they are responsible for. They are therefore conducting **Program Cross Checks**. In addition, in some programs, part of tasks concerning Program Cross-Checks or full verification have been outsourced.
2. A special Department established within the Ministry of Funds and Regional Development is responsible for carrying out **Horizontal and Inter-periodic Cross Checks**. App. 5-6 employees work on it on full time basis.

STEP-BY-STEP: Cross Check mechanism implemented for the financial perspective 2021+

1. Relevant regional institutions receive the applications for grants or/and loans from potential beneficiaries.
2. The data of the beneficiaries, to whom the grant is allocated, is entered to the national database.
3. The Cross-Check application called SKANER that has the full access to all the data entered previously by the relevant entities, filters it and scans the data to find potential irregularities within different types of risks:
 - A) First, the Big Data analytics eliminates positions that indicate no risk,
 - B) Next, SKANER automatically identifies the invoices and other documents (groups of correlated documents) that might be the source of an irregularity,
 - C) All groups of the invoices are checked, and particular invoices are compared with each other.
4. If there is a hit, it is signaled to the relevant Managing Authorities that will follow up on the irregularity.
5. The beneficiary is then informed about the potential irregularity and asked for clarification.
6. Established irregularities are reported quarterly to OLAF via the Irregularity Management System (IMS) – according to OLAF requirements.

SKANER has been implemented in order to focus the Cross-Check Mechanism on complete sets of data entered by different entities. The application is managed by administrators who can change configurations, if necessary.

The practice requires continuous development that is aimed at improving the system and using developing technologies. Poland is currently focusing on analyzing the advantages and disadvantages of using anti-plagiarism programs in the process of selecting projects for funding. It tests on small samples the comparison of project descriptions to assess if it is possible to identify the same project application submitted for funding twice.

A new version of the Cross-Check Mechanism is planned for the first quarter of 2021.

Unique features

- Well-designed IT system that gathers and analyzes all the information relating to applications for funding;
- Team that is proficient in the IT process and requirements, able to design initial analytical and algorithmic assumptions, to take part in building the tools and which has experience in managing IT projects and its own programmers;
- Well-trained inspectors trained to investigate the identified risks;
- Cross-checks are performed on data available on the national level.

Outcomes and results

- It helps improving overall quality of the data and prevents double payments based on incorrect information;
- The Mechanism has also an educational value for potential beneficiaries who will be contacted in case an irregularity is detected;
- It also reduces time and saves resources concerning detection, analysis and investigation of potential irregularities;
- It prevents potential fraudsters from committing fraud in the area of double funding, as even very small irregularities are detected.

Key success factors

- Effective communication between institutions (Managing Authorities, Intermediary Bodies, Regional Agencies, The Ministry of Funds and Regional Development) responsible for the applications, selection and verification of the projects financed from of the EU funds;
- Connection of all the databases with data concerning the beneficiaries of EU Funds;
- Development of the mechanism that successfully connects, checks and compares the acquired data;
- Separate department responsible for the development of the practice.

Challenges encountered & lessons learned

During the development of the mechanism, also the idea of preventive cross-checking has been explored but was eventually abandoned. One of the managing authorities introduced this mechanism, but it proved to be ineffective (examination of the similarity of the projects concerned based on the descriptions in the applications for funding). Therefore, the EC indicated requirements aimed at avoiding double financing on the level of projects' expenditure. Cross check mechanisms follow that requirements.

In addition, a procedure was implemented requiring the submission of declarations by the applicant that a given project was not submitted anywhere else for funding.

Potential for the transferability

A similar practice would be beneficial for countries with a complex implementation and funding structure, where it is possible for one beneficiary to use several sources of funding.

As the system itself is not unique, it could be successfully designed and implemented in other countries. Other Member States could benefit from the Polish expertise in the development of the mechanism. However, the model of the Cross-Check Mechanism needs to be adjusted to the landscape of the specific country.