OECD Principles for Integrity in Public Procurement

Many governments have heavily invested in reforming public procurement systems, both to ensure a level playing field for potential suppliers and to increase overall value for money. Yet although government contracts are increasingly open to competition, about 400 billion dollars in taxpayers’ money are still lost annually to fraud and corruption in procurement. What can countries do better?

The OECD Principles for Integrity in Public Procurement are a ground-breaking instrument that promotes good governance in the entire procurement cycle, from needs assessment to contract management. Based on acknowledged good practices in OECD and non-member countries, they represent a significant step forward. They provide guidance for the implementation of international legal instruments developed within the framework of the OECD, as well as other organisations such as the United Nations, the World Trade Organisation and the European Union.

In addition to the Principles, this exhaustive publication includes a Checklist for implementing the framework throughout the entire public procurement cycle. It also gives a comprehensive map of risks that can help auditors prevent as well as detect fraud and corruption. Finally, it features a useful case study on Morocco, where a pilot application of the Principles was carried out.

“The Checklist will help governments and agencies to develop more transparent, efficient procurement systems”, Nicolas Raigorodsky, Under-secretary of Transparency Policies, Anticorruption Office, Argentina

“Public procurement is one of the most important public governance issues. Action is needed to ensure integrity by reducing bribery and corruption”, Business and Industry Advisory Committee to the OECD


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PART I

Principles for Enhancing Integrity in Public Procurement
Introduction

The Principles guide governments in developing and implementing an adequate policy framework for enhancing integrity in public procurement, while at the same time, taking into account the various national laws and organisational structures of member countries. They are primarily directed at policy-makers in governments at the national level but they also offer general guidance for sub-national government and state-owned enterprises.

Box I.1. Aim of the Principles

The overall aim of the Principles is to guide policy makers at the central government level in instilling a *culture of integrity throughout the entire public procurement cycle*, from needs assessment to contract management and payment.

Key pillars of the Principles

The Principles provide a policy framework with ten key Principles to reinforce integrity and public trust in how public funds are managed (see key pillars of the Principles in Box I.2).

Box I.2. Key pillars of the Principles for enhancing integrity in public procurement

The Principles stress the importance of procedures to enhance transparency, good management, prevention of misconduct as well as accountability and control in public procurement.

A. Transparency

1. Provide an adequate degree of transparency in the entire procurement cycle in order to promote fair and equitable treatment for potential suppliers.

2. Maximise transparency in competitive tendering and take precautionary measures to enhance integrity, in particular for exceptions to competitive tendering.
Public procurement is at the interface of the public and private sectors, which requires close co-operation between the two parties to achieve value for money. It also requires the sound stewardship of public funds to reduce the risk of corrupt practices. Public procurement is also increasingly considered a core element of accountability to the public on the way public funds are managed. In this regard, the Checklist emphasises how governments could co-operate with the private sector as well as with stakeholders, civil society and the wider public to enhance integrity and public trust in procurement.

**Defining integrity**

Integrity can be defined as the use of funds, resources, assets, and authority, according to the intended official purposes, to be used in line with public interest. A “negative” approach to define integrity is also useful to determine an effective strategy for preventing integrity violations’ in the field of public procurement. Integrity violations include:

- corruption including bribery, “kickbacks”, nepotism, cronyism and clientelism;
fraud and theft of resources, for example through product substitution in the delivery which results in lower quality materials;

- conflict of interest in the public service and in post-public employment;
- collusion;
- abuse and manipulation of information;
- discriminatory treatment in the public procurement process; and
- the waste and abuse of organisational resources.

**Legal, institutional and political conditions for the implementation of the Principles**

In order to implement the Principles, governments should ensure that the effort to enhance integrity in public procurement at the policy level is also supported by the country’s leadership and by an adequate public procurement system. The following items are commonly regarded as the essential structural elements of a public procurement system:\(^2\)

- an adequate legislative framework, supported by regulations to address procedural issues not normally the subject of primary legislation;
- an adequate institutional and administrative infrastructure;
- an effective review and accountability regime;
- an effective sanctions regime; and
- adequate human, financial and technological resources to support all elements of the system.

In the following sections the Principles are complemented by annotations that provide options for reform in the implementation of the Principles.

**Notes**


PART I

Chapter 1

Transparency
Governments should ensure access to laws and regulations, judicial and/or administrative decisions, standard contract clauses on public procurement, as well as to the actual means and processes by which specific procurements are defined, awarded and managed. Information on procurement opportunities should be disclosed as widely as possible in a consistent, timely and user-friendly manner, using the same channels and timeframe for all interested parties. Conditions for participation, such as selection and award criteria as well as the deadline for submission should be established in advance. In addition, they should be published so as to provide sufficient time for potential suppliers for the preparation of tenders and recorded in writing to ensure a level playing field. When using national preferences in public procurement, transparency on the existence of preferences or other discriminatory requirements also enables potential foreign suppliers to determine whether they have an interest in entering a specific procurement process. In projects that hold specific risks because of their value, complexity or sensitivity, a pre-posting of proposed tendering documents could provide an opportunity for potential suppliers to ask questions and provide feedback early in the process. This allows the identification and management of potential issues and concerns before the tendering.

Transparency requirements usually focus on the tendering phase. However, transparency measures such as recording information or using new technologies are equally important in the pre-tendering and post-tendering phases to prevent corruption and enhance accountability. Without recording
at decision making points in the procurement cycle, there is no trail to audit, challenge the procedure, or enable public scrutiny. Records should be relevant and complete throughout the procurement cycle, from needs assessment to contract management and payment and include electronic data in relation to the traceability of procurement. These records should be kept for a reasonable number of years after the contract award to enable the review of government decisions. New technologies can also play an important role in providing easy and real-time access to information for potential suppliers, track information and facilitate the monitoring on procurement processes (see also Recommendation 10). Electronic systems, for instance in the form of “one-stop-shop” portal, can be used in addition to traditional off-line media to enhance transparency and accountability throughout the procurement cycle.

Restrictions should apply in the disclosure of sensitive information, that is, information the release of which would compromise fair competition between potential suppliers, favour collusion or harm interests of the State. For instance, disclosing information such as the terms and conditions of each tender helps competitors detect deviations from a collusive agreement, punish those firms and better co-ordinate future tenders. The need for access to information should be balanced by clear requirements and procedures for ensuring confidentiality. This is particularly important in the phases of submission and evaluation of tenders. For instance, procedures to ensure the security and confidentiality of documents submitted could help guide officials in handling sensitive information and in clarifying what information should be disclosed. Furthermore, closer working relationships between competition and procurement authorities should be developed to raise awareness about risks of tender-rigging, as well as prevent and detect collusion.

Ensuring an adequate degree of transparency that enhances corruption control, while not impeding the efficiency and the effectiveness of the procurement process, is a common challenge for governments. Procurement regulations and systems should not be unnecessarily complex, costly or time-consuming, as this could cause excessive delays to the procurement and discourage participation, in particular for small and medium enterprises. Excessive red tape may also create possible opportunities for corruption, for instance in the case of regulatory instability, or when leading to requests for exceptions to rules. Furthermore, special attention should be paid to ensuring the overall coherence of the application of procurement regulations across public organisations.
Principle 2. Maximise transparency in competitive tendering and take precautionary measures to enhance integrity, in particular for exceptions to competitive tendering.

To ensure sound competitive processes, governments should provide clear rules, and possibly guidance, on the choice of the procurement method and on exceptions to competitive tendering. Although the procurement method could be adapted to the type of procurement concerned, governments should, in all cases, maximise transparency in competitive tendering. Governments should consider setting up procedures to mitigate possible risks to integrity through enhanced transparency, guidance and control, in particular for exceptions to competitive tendering such as extreme urgency or national security.

Open tendering contributes to enhancing transparency in the process. However, a key challenge for governments is to ensure administrative efficiency, and therefore the procurement method could be adapted to the type of procurement concerned. Procurements, irrespective of whether they are competitive or not, should be managed in a clear and transparent framework and grounded in a specific need.

To ensure sound competitive processes, governments should provide clear and realistic rules on the choice of the optimum method. This choice could be governed primarily by the value and the nature of the contract, that is the type of procurement concerned (e.g. different procurement methods should apply for goods and for professional services such as the development of computer applications). They could also pro-actively establish additional guidelines for officials to facilitate the implementation of these rules, specifying criteria for using different types of procedures and describing how to use them. Competition authorities may be consulted to determine the optimum procurement method to be used to achieve an efficient and competitive outcome in cases where the number of potential suppliers is limited and where there is a high risk of collusion.

Ensuring a level playing field also requires that exceptions to competitive tendering are strictly defined in procurement regulations in relation to:

- the value and strategic importance of the procurement;
- the specific nature of the contract which results in a lack of genuine competition such as proprietary rights;
- the confidentiality of the contract to protect state interests; and
- exceptional circumstances, such as extreme urgency.
Similarly, when negotiations are allowed, the basis for negotiations should be clearly defined by regulations, so that they can only be held under exceptional circumstances and within a predefined timeframe.

Although the procurement method could be adapted to the type of procurement concerned, governments should, in all cases, maximise transparency in competitive tendering. For instance, in the case of framework agreements, guidance could be provided to ensure adequate transparency throughout the process, including in the second stage that is particularly vulnerable to corruption. Furthermore, governments should consider setting up complementary procedures for mitigating risks of corruption, in particular for exceptions to competitive tendering, such as extreme urgency or national security:

- **Transparency.** Restricted or limited tendering does not necessarily justify less transparency. On the contrary, it may require even more transparency to mitigate risks of corruption. For instance, in the case of limited tendering, the requirements of a contract may be publicised for a short period of time when there is a possibility that only one supplier can perform the work. This could provide suppliers with a chance to prove that they are able to satisfy requirements, which may lead to the opening of a competitive procedure. Similarly, amendments to the contract could be publicised through the use of new technologies. The derogation from competitive tendering should be justified and recorded in writing to provide an audit trail.

- **Specific guidance.** Guidelines and training materials, as well as advice and counselling, provide examples of concrete steps for handling limited or non-competitive procedures for both procurement and finance officials. Restrictions are also important for setting clearly defined boundaries. For instance, follow-on contracting may be allowed only under strict conditions defined in the contract, taking into account the amount of the procurement.

- **Additional or tightened controls.** The independent responsibility of at least two persons at key points of the decision making or in the control process contributes to the impartiality of public decisions. In addition, other measures could be used, such as independent review at each stage of the procurement cycle, specific reporting and public disclosure requirements, or random audits to check compliance on a systematic basis.

- **Enhanced capacity.** The best available skills and experience could be deployed depending on the assessment of the potential risk of the project. For large procurements, independent validation may be necessary through a probity auditor or the involvement of stakeholders. For emergency procurement, a risk mitigation board may be set up bringing together key actors – procurement, control officials and technical experts – to allow for clear policy direction and increased communication.
The procurement capacity available in the country and, in the case of post-conflict countries, the urgency of fulfilling needs, should be taken into account before introducing these procedures for mitigating risks of corruption.
PART I

Chapter 2

Good Management
I.2. GOOD MANAGEMENT

**Principle 3. Ensure that public funds are used in public procurement according to the purposes intended.**

Procurement planning and related expenditures are key to reflecting a long-term and strategic view of government needs. Governments should link public procurement with public financial management systems to foster transparency and accountability as well as improve value for money. Oversight institutions such as internal control and internal audit bodies, supreme audit institutions or parliamentary committees should monitor the management of public funds to verify that needs are adequately estimated and public funds are used according to the purposes intended.

Public procurement systems are at the centre of the strategic management of public funds to promote overall value for money, as well as help prevent corruption. To reflect government needs and provide a strategic outlook in relation to the attainment of government or department objectives, procurement planning is a key management instrument. Procurement plans – generally prepared on an annual basis – may include the related budget planning, formulated on an annual or multi-annual basis (often as part of a department investment plan), with a detailed and realistic description of financial and human resource requirements. Planning requires that officials are adequately trained in planning, scheduling and estimating projects costs so that projects are well co-ordinated and fully funded when works need to begin. Procurement plans could also be published to inform suppliers of forthcoming opportunities providing that the information released is carefully selected to avoid possible collusion. Project-specific plans may be prepared for purchases of goods and services that are considered high value, strategic or complex to establish project milestones and an effective structuring of payment. Performance reporting can also contribute to aligning procurement activities with expected outputs or outcomes, particularly when it is linked to associated expenditures.

Public procurement should be considered an integral part of public financial management and to the fostering of transparency and accountability from expenditure planning to final payment. Transparency and accountability begin with the budget process, with the full disclosure of all relevant fiscal information in a timely and systematic manner. Electronic systems can help connect with the overall financial management system to ensure that procurement activities are conducted according to plans and budgets, and that all necessary information on public procurement is made available and
tracked. To enhance the responsibility of high-ranking officials, fiscal reports may contain a statement of responsibility by the Minister and the senior official responsible for producing the report. The budget should be implemented in an orderly and predictable manner with arrangements for the exercise of control and stewardship of the use of public funds, taking into account the whole life of the contract.

Sound reporting is fundamental throughout key management processes to support investment decisions, asset management, acquisition management, contract management and payment. A dynamic system of internal financial controls, including internal audit, helps ensure the validity of information provided. Budget, procurement, project and payment verification activities should be segregated. These activities should be conducted by individuals or entities from separate functions and distinct reporting relationships. Electronic systems can provide a way to integrate procurement with financial management functions while providing a “firewall” between individuals, as direct contact is not required.

The management of public funds in procurement should be monitored not only by internal auditors but also by independent oversight institutions, such as Supreme Audit Institutions and Parliamentary Committees depending on the country context. Oversight institutions should have the opportunity and the resources to effectively examine fiscal reports. In particular, they may verify not only the legality of a spending decision but also whether it has been carried out in line with government needs. Reports may be audited on a random basis by the Supreme Audit Institution, in accordance with generally accepted auditing practices. Parliament can also play a role in scrutinising the management of public funds in procurement, particularly by reviewing the reports of the supreme audit institution and calling upon the government for action, where necessary. Fiscal reports should be made publicly available to enable stakeholders, civil society and the wider public to monitor the way public funds are spent (see also Recommendation 10).
I.2. GOOD MANAGEMENT

In light of new regulatory developments, technological changes and increased interaction with the private sector, it is essential that a systematic approach to learning and development for procurement officials be used to build and update their knowledge and skills. Governments should support officials with adequate information and advice, through guidelines, training, counselling, as well as information sharing systems, databases, benchmarks and networks that help them to make informed decisions and contribute to a better understanding of markets. To prevent risks to integrity, guidance is all the more important in countries that put emphasis on managerial approaches and that provide more discretion and flexibility to officials in their daily practice.

Training plays an important role in helping officials recognise possible mistakes in performing administrative tasks and improving their practices accordingly. Formal and on-the-job training programmes should be available for entry-level as well as more experienced procurement officials, to ensure

**Principle 4. Ensure that procurement officials meet high professional standards of knowledge, skills and integrity.**

Recognising officials who work in the area of public procurement as a profession is critical to enhancing resistance to mismanagement, waste and corruption. Governments should invest in public procurement accordingly and provide adequate incentives to attract highly qualified officials. They should also update officials’ knowledge and skills on a regular basis to reflect regulatory, management and technological evolutions. Public officials should be aware of integrity standards and able to identify potential conflict between their private interests and public duties that could influence public decision making.
that officials involved in public procurement have the necessary skills and knowledge to carry out their responsibilities and keep abreast of evolutions. In addition, certification programmes, established in co-operation with relevant stakeholders such as institutes or universities, help ensure that both programme managers and contractors have acquired an appropriate level of training and experience. Officials, as well as suppliers’ organisations, may also be consulted in the revision of procurement standards to ensure that the policy’s rationale is understood and accepted and that the standards can be realistically implemented.

Integrity standards are a core element of professionalism, as they influence the daily behaviour of procurement officials and contribute to creating a culture of integrity. To prevent the influence of individual private interests on public decision making, officials should be aware of the circumstances and relationships that lead to conflict-of-interest situations. These situations may be the reception of gifts, benefits and hospitality, the existence of other financial and economic interests, personal and family relationships, affiliations with organisations, or the promise of future employment. The communication of integrity standards is essential to raise awareness and build officials’ capacity to handle ethical dilemmas and promote integrity. This is equally important for managers, high-level officials, as well as external employees and contractors involved in procurement. Furthermore, detailed guidelines could be provided for officials involved in public procurement, for instance in the form of a code of conduct. These guidelines help ensure impartiality in their interactions with suppliers, manage conflict of interest and avoid the leak of sensitive information.

Note

PART I

Chapter 3

Prevention of Misconduct, Compliance and Monitoring
To protect procurement officials from undue influence, in particular political interference and internal pressure from high-level officials, public organisations should have adequate institutional or procedural frameworks, sufficient resources to effectively carry out responsibilities and supportive human resource policies. For instance, providing guarantees to ensure that a public procurement official can appeal against a decision of dismissal contributes to the impartiality of the official in making decisions by protecting him or her from undue influence. In addition, merit-based selection procedures and integrity screening processes for senior officials involved in procurement enhance resistance to corruption. This is particularly important as senior officials serve as a role model in terms of integrity in their professional relationship with political leaders, other public officials and citizens. More generally, there should be a clear commitment from senior officials in the administration to set the example and provide visible support to the fight against corruption.

A “risk map” of the organisation(s) could be developed to identify the positions of officials which are vulnerable, those activities in the procurement where risks arise, and the particular projects at risk due to the value and complexity of the procurement. This risk map could be developed in close co-operation with procurement officials. On that basis, training sessions could be developed to inform officials about risks to integrity and possible preventative measures. Suppliers could also follow integrity training to raise awareness of the importance of integrity considerations in the procurement process. In addition, specific procedures may be introduced for officials in positions that are especially vulnerable to corruption, such as regular performance appraisals, mandatory disclosure of interests, assets, hospitality
and gifts. If the information disclosed is not properly assessed, risks to integrity, including potential conflicts of interests, will not be properly identified, resolved and managed. This information should be recorded and kept up-to-date. Integrity procedures should be clearly defined and communicated to procurement officials and to other stakeholders when relevant.

Avoiding the concentration of key areas in the hands of a single individual is fundamental in the prevention of corruption. The independent responsibility of at least two persons in the decision making and control process may take the form of double signatures, cross-checking, dual control of assets and separation of duties and authorisation (see also Recommendation 3 in relation to the budget). To the extent possible, separating the responsibilities for authorising transactions, processing and recording them, reviewing the transactions, and handling related assets also helps prevent corruption. A key challenge with the separation of duties and authorisation is to ensure the flow of information between management, budget and procurement officials and to avoid the fragmentation of responsibilities and a lack of overall co-ordination. The separation of duties and authorisation should be organised in a realistic manner in order to avoid creating overly burdensome procedures that may create opportunities for corruption.

Depending on the level of risk, a system of multiple-level review and approval for certain matters, rather than having a single individual with sole authority over decision making, may introduce an independent element to the decision making process. These reviews may focus for example on the choice of competitive and non-competitive strategies prior to the tendering or on significant contract amendments. They may be carried out by senior officials independent of the procurement and project officials or by a specific contract review committee process. However, multiple-level reviews often involve officials with less detailed knowledge of individual procurements and hold the risk of fragmenting accountability.

Prolonged contact over an extended period of time between government officials and suppliers should also be avoided. The rotation of officials – involving when possible new responsibilities – could be a safeguard for positions that are sensitive or involve long-term commercial connections. However, sufficient capacity and institutional knowledge should be ensured at the government level over time. Electronic systems also provide a promising instrument for avoiding direct contact between officials and potential suppliers and for standardising processes. The use of new technologies may require security control measures for the handling of information, such as: the use of unique user identity codes to verify the authenticity of each authorised user; well-defined levels of computer access rights and procurement authority; and the encryption of confidential data. A cost-benefit analysis of technical solutions should be carried out early in the process, especially for low-value procurement.
Governments should set clear standards for integrity throughout the entire procurement cycle starting with the selection process. The selection of tenderers should be based on criteria, which are defined in a clear and objective manner, are not discriminatory and cannot be altered afterwards. Requirements could be placed on potential suppliers and contractors to show evidence of anti-corruption policies and procedures and to contractually commit them to comply with anti-corruption standards. This could be accompanied by a contractual right to terminate the contract in the event of non-compliance. Several options could be considered for taking into account integrity considerations in the selection process. For instance, potential suppliers may make declarations of integrity in which they testify that they have not been involved in corrupt activities in the past. Alternatively, governments may also lead by example by using “Integrity Pacts” that require a mutual commitment by the government and all tenderers to refrain from and prevent all corrupt acts and submit to sanctions in case of violations.

The information provided by potential suppliers needs to be verified and compared with other internal and external sources of information, such as government databases. Databases may include information such as past performance, prices, and possibly a list of suppliers that have been excluded from procurement with the government. Furthermore, suppliers should be closely monitored in contract management to maintain high standards of integrity and ensure that they are kept accountable for their actions. For instance, there could be a rigorous verification of identity of contractors and sub-contractors early in the process, based on reputable sources of information, to avoid that subcontracting is used as a means to conceal fraud or corruption. More generally, feedback on the experience with individual suppliers should be kept to help public officials in making decisions in the future.

Principle 6. Encourage close co-operation between government and the private sector to maintain high standards of integrity, particularly in contract management.

Governments should set clear integrity standards and ensure compliance in the entire procurement cycle, particularly in contract management. Governments should record feedback on experience with individual suppliers to help public officials in making decisions in the future. Potential suppliers should also be encouraged to take voluntary steps to reinforce integrity in their relationship with the government. Governments should maintain a dialogue with suppliers’ organisations to keep up-to-date with market evolutions, reduce information asymmetry and improve value for money, in particular for high-value procurements.
It is also the responsibility of the private sector to reinforce integrity and trust in its relationship with government through robust contractor integrity and compliance programmes. These programmes include codes of conduct, integrity training programmes for employees, corporate procedures to report fraud and corruption, internal controls, certification and audits by a third independent party. They should apply equally to contractors and sub-contractors. Voluntary self-regulation can be undertaken by individual suppliers or members of an industry or a sector, which pro-actively engage in the adoption of integrity measures, in particular by committing to anti-corruption agreements. It is essential that the information is accurate and maintained up-to-date to ensure the effectiveness of voluntary self-regulation by the private sector.

Fostering an open dialogue with suppliers' organisations contributes to improving value for money by setting clear expectations and reducing information asymmetry. For instance, engaging representatives of the private sector in the review or the development of procurement regulations and policies helps ensure that the proposed standards reflect the expectations of both parties and are clearly understood. To foster a more strategic approach to public procurement, governments could provide the opportunity for the industry to discuss innovative solutions so that governments know how marketplaces operate and align with those markets and the opportunities they create. Similarly, governments should regularly conduct market surveys and dialogue with the private sector to keep abreast of suppliers, products and prevailing prices for goods and services.

This dialogue is critical throughout the procurement cycle, from needs assessment to contract management in order to foster a trustful relationship between government and the private sector. Potential suppliers may have the possibility to seek clarification before the tendering, especially for high-value procurements, for instance in the form of public hearings to clarify what is needed. This disclosure of information should be carefully considered, taking into account possible risks of collusion between private sector actors. In order to clarify expectations and anticipate possible misunderstanding with potential suppliers, elements of good practice include prompt responses to questions for clarification and the availability of dispute boards to prevent or resolve disputes on major projects. In the case of responses to questions for clarification, the information should then be transmitted to potential suppliers in a consistent manner to provide a level playing field. The grounds for selecting the winner could be made public, including the weighting given to qualitative tender elements. At a minimum, debriefing should be provided to unsuccessful tenderers on request so that they understand why their proposal fell short in relative terms of other tenders, without disclosing commercially-sensitive information about other tenders. In the contract management, dialogue between both parties is also needed to enable problems to be quickly identified and resolved.
I.3. PREVENTION OF MISCONDUCT, COMPLIANCE AND MONITORING

### Principle 7. Provide specific mechanisms to monitor public procurement as well as to detect misconduct and apply sanctions accordingly.

Governments should set up mechanisms to track decisions and enable the identification of irregularities and potential corruption in public procurement. Officials in charge of control should be aware of the techniques and actors involved in corruption to facilitate the detection of misconduct in public procurement. In order to facilitate this, governments should also consider establishing procedures for reporting misconduct and for protecting officials from reprisal. Governments should not only define sanctions by law but also provide the means for them to be applied in case of breach in an effective, proportional and timely manner.

The public procurement process should be closely monitored to detect irregularities and corruption. Governments should set up mechanisms that help track decisions and enable the identification of potential risks. Management controls, approval and reporting are key to monitoring public procurement. In addition, the use of electronic systems increases transparency and accountability while allowing officials to use their discretion and judgement for achieving value for money. For instance, a set of “blinking” indicators could be developed in relation to existing computer data-mining to draw attention to transactions that appear to depart from established norms for a project. These indicators, developed on the basis of risks identified, would preferably not be communicated to procurement practitioners to avoid influencing their behaviour. When a number of indicators start “blinking”, follow-up should be initiated by auditors to facilitate the detection of irregularities or corrupt practices (see also Recommendation 8). Where justified, this information could be brought to the attention of law enforcement authorities to enable possible investigations.

Officials in charge of control should be aware of the techniques and actors involved in corruption in public procurement to facilitate the detection of misconduct. These officials could follow specialised training on a regular basis to inform them about corrupt techniques used in procurement. Knowledge of the actors involved in corruption and the understanding of their underlying motivations, as well as the techniques used to carry out corrupt agreements also assists in detecting potential corruption. Given the capacity of criminals to devise new techniques, these training sessions could be updated and carried out at regular intervals. Experts’ assistance could also be
required to examine a particular technical, financial or legal aspect of the procurement process and gather evidence that could be presented in court.

Public authorities may also develop clear procedures to report misconduct, such as an internal complaint desk, or a hotline, an external ombudsman or an electronic reporting system that protects the anonymity of the individual who reports misconduct yet allows clarification questions. A key challenge is to ensure the protection of public officials who report misconduct against retaliation, in particular through legal protection, protection of privacy information, anonymity or the setting up of a protection board. At the same time, particular attention should be paid to ensuring that the management of complaints is well documented and impartial to avoid harming unnecessarily the reputation of individuals affected by allegations.

Effective, proportional and timely redress, as well as sanctions should not only be defined by law but also promptly applied in case of irregularities, fraud, as well as active and passive corruption in public procurement. Governments should enforce administrative, civil and criminal sanctions. Traditional redress and sanctions include the denial or loss of the contract, liability for damages and the forfeiture of tender or performance bonds. In addition, these could include confiscation of ill-gotten gains and debarment from future contracts to deter private sector actors from engaging in corrupt practices. With regard to officials, redress, consequences and sanctions could encompass administrative, civil and criminal sanctions, including confiscation of ill-gotten gains. Administrative consequences may also exist at the organisational level to punish the contracting authority, for instance in the form of a pecuniary fine in proportion to the value of the contract.

**Notes**


2. For further information about country practices in relation to sanctions in Asia and the Pacific, see *Curbing Corruption in Public Procurement in Asia and the Pacific: Progress and Challenges in 25 Countries*, ADB/OECD, 2007.

3. For further information on the challenges of introducing debarment, see *Fighting Corruption and Promoting Integrity in Public Procurement*, OECD, 2005.
PART I

Chapter 4

Accountability and Control
Principle 8. Establish a clear chain of responsibility together with effective control mechanisms.

Governments should establish a clear chain of responsibility by defining the authority for approval, based on an appropriate segregation of duties, as well as the obligations for internal reporting. In addition, the regularity and thoroughness of controls should be proportionate to the risks involved. Internal and external controls should complement each other and be carefully co-ordinated to avoid gaps or loopholes and ensure that the information produced by controls is as complete and useful as possible.

Defining the level of authority for approval of spending, sign off and approval of key stages, based on an appropriate segregation of duties, is essential to establish a clear chain of responsibility. Internal guidelines should clarify the level of responsibility, the required knowledge and experience, the corresponding financial limits and the obligation of recording in writing of key stages in the public procurement cycle. In the case of delegated authority, it is important to explicitly define the delegation of power of signature, the acknowledgement of responsibility and the obligations for internal reporting. These processes should be embedded in daily management and supported by adequate communication and training. Managers play an important role in leading by example and enhancing integrity in the culture of the organisation. They are in charge of setting expectations for officials in performing to appropriate standards and are ultimately responsible for irregularities and corruption.

Regular internal controls by officials independent of those undertaking the procurement may be tailored to the type of risk; these controls include financial control, internal audit or management control. External audits of procurement activities are important to ensure that practices align with processes; they are carried out to verify that controls are being performed as expected. Financial audits help detect and investigate fraud and corruption while performance audits provide information on the actual benefits of procurements and suggest systemic improvements. Performance audits review not only compliance with expenditure rules but also the attainment of the physical and economic objectives of the investment. It is important to ensure that external audit recommendations are implemented within a reasonable delay.

The frequency of audits could be determined by factors such as the nature and the extent of the risks, that is the volume and associated value, the various types of procurement, the complexity, sensitivity and specificity of the
procurement (for instance for exceptions to competitive tendering). There should be no minimum threshold for conducting random audits. For instance, for procurements that are particularly at risk, the use of a probity advisor or a probity auditor may be considered. On the one hand, probity advisors give advice during the procurement to provide a level of independent assurance about the openness and fairness of the process. On the other hand, probity auditors are an external party that is engaged to verify afterwards that a procurement activity was conducted in line with good practice.

Given that public procurement is subject to various controls, attention should be paid to ensuring that controls complement each other and are carefully co-ordinated to avoid gaps and overlaps in controls. A systematic exchange of information between internal and external controls could be encouraged to maximise the use of information produced by different controls. Auditors should promptly report to criminal investigators for follow-up investigation when there are suspicions of fraud or corruption. Information from external audits on procurement should be publicised to reinforce public scrutiny. Furthermore, public disclosure of internal controls may also be considered.
Principle 9. Handle complaints from potential suppliers in a fair and timely manner.

Governments should ensure that potential suppliers have effective and timely access to review systems of procurement decisions and that these complaints are promptly resolved. To ensure an impartial review, a body with enforcement capacity that is independent of the respective procuring entities should rule on procurement decisions and provide adequate remedies. Governments should also consider establishing alternative dispute settlement mechanisms to reduce the time for solving complaints. Governments should analyse the use of review systems to identify patterns where individual firms could be using reviews to unduly interrupt or influence tenders. This analysis of review systems should also help identify opportunities for management improvement in key areas of public procurement.

Providing timely access to review mechanisms contributes to ensuring the overall fairness of the procurement process. A key challenge for governments is to resolve complaints in a fair manner while ensuring administrative efficiency, that is the delivery of goods and services to citizens in a timely manner. Decisions that could be challenged should include not only the award decision but also key decisions in the pre- and post-award phases, such as the choice of the procurement method or the interpretation of contract clauses in the management of the contract. To enable the timely resolution of complaints, a range of measures may be used, for example:

- Using e-procurement, when possible, to ensure that the information on the award is communicated in a prompt manner to all tenderers and that they have a reasonable delay to challenge the decision.

- Providing remedies to challenge the decision early in the process, such as the setting aside of the award decision, the use of a standstill period for challenging the decision between the award and the beginning of the contract, or the decision to suspend temporarily the award decision when relevant. In all cases, a sufficient period of time to prepare and submit a challenge should be provided to unsuccessful tenderers.

- Reviews could also be allowed during contract management and after the end of the contract for a reasonable time in order to claim damages.

To ensure the impartiality of review mechanisms, review decisions should be ruled upon by a body with enforcement capacity that is independent of procuring entities. As a first stage, potential suppliers should have an opportunity to submit their complaints to the procuring authority in
order to prevent confrontation and the costs of a quasi-judicial or judicial review. Officials participating in the review should be secure from external influence. Their decisions may also be published, possibly on-line. In all cases, potential suppliers should be able to refer to an appeal body – administrative and/or judicial – to review the final decision of the procuring authority.

Efficient and timely resolution for complaints is essential for the fairness of public procurement. Different approaches may be used to ensure the enforcement of procurement regulations within a reasonable delay. For example, using a review body with specific professional knowledge in dealing with complaints may reinforce the legitimacy of decisions and reduce the time for solving complaints. Similarly, alternative resolution mechanisms may be established to encourage informal problem solving and prevent a formal review.

Finally, the use of review systems could be analysed to identify opportunities for management improvement in key areas of public procurement as well as patterns where individual firms may be using them to unduly interrupt or influence tenders. In addition, cases of undue pressure on officials from individual firms, such as intimidation and threats of physical harm, should be closely reviewed and handled.

Adequate remedies should be available for tenderers, such as setting aside of procurement decisions, interim measures, annulment of concluded contracts, damages and pecuniary penalties. The review body could have the authority to define and enforce interim measures, such as the decision to discontinue the procedure, taking into account the public interest. The review body should have the authority to enforce final remedies to correct inappropriate procuring agency actions and apply sanctions accordingly, in particular the annulment of a concluded contract. Potential suppliers may be compensated for the loss or damages caused, not only through the reimbursement of tendering costs but also through damages for lost profits. Pecuniary penalties could be applied to force contracting authorities to adhere strictly to their legal obligations.
Principle 10. Empower civil society organisations, media and the wider public to scrutinise public procurement.

Governments should disclose public information on the key terms of major contracts to civil society organisations, media and the wider public. The reports of oversight institutions should also be made widely available to enhance public scrutiny. To complement these traditional accountability mechanisms, governments should consider involving representatives from civil society organisations and the wider public in monitoring high-value or complex procurements that entail significant risks of mismanagement and corruption.

Scrutiny practices enhance assessment and review of government actions focusing on the power of information to enhance accountability. Governments should enable civil society organisations, media and the general public to scrutinise public procurement through the disclosure of public information. Freedom of information laws represent a key instrument for enhancing transparency and accountability in the public procurement process. For instance, records could be made available for civil society organisations, media and the wider public, to uncover cases of mismanagement, fraud, collusive behaviour and corruption. In addition, electronic systems are a useful tool for governments to disseminate information on major contracts and therefore enable public scrutiny.

The effective implementation of freedom of association laws and the existence of strong civil society organisations, including trade unions in the public and private sectors, contribute to a broader institutional environment that is conducive to enhanced transparency and accountability in public procurement. This also facilitates civil society initiatives that track the management of public funds in procurement by disseminating information relative to budgetary and financial execution. A promising mechanism is the “open agenda”, which obliges procurement officials to disclose every meeting they have with the private sector, in order to ensure a level field for competition. Education of civil society organisations, media and the wider public, for instance through awareness-raising programmes and communication campaigns, is crucial in supporting the integrity of the procurement process.

Oversight institutions such as Parliament, Ombudsman/Mediator and Supreme Audit Institution play an important role in enhancing public scrutiny through their reports on public procurement (see also Recommendation 3). Oversight bodies may undertake reviews of procurement activities, through an ad hoc parliamentary committee or a review by the Supreme Audit Institution.
Institution, for investigating a specific issue. In addition, an Ombudsman/Mediator should examine the legality of public administration actions, in particular with respect to laws on access to information, and undertake investigations.

Scrutiny practices may also require the involvement of other stakeholders in the public procurement process. For development assistance programmes, bilateral and multilateral donors could play a role in strengthening and assessing the quality and functioning of public procurement systems. For procurements that involve important risks of mismanagement and possibly corruption, governments should consider the possibility of involving representatives from civil society, academics or end-users in scrutinising the integrity of the process. “Direct social control” mechanisms encourage their involvement as external observers of the entire procurement process or of key decision making points.

This practice of “direct social control” could complement more traditional accountability mechanisms under specific circumstances. Strict criteria should be defined to determine when direct social control mechanisms may be used, in relation to the high value, complexity and sensitivity of the procurement, and for selecting the external observer. In particular, there should be a systematic verification that the external observer is exempt from conflict of interest to participate in the process and is also aware of restrictions and prohibitions with regard to potential conflict-of-interest situations, such as the handling of confidential information. Governments should support these initiatives by ensuring timely access to information, for instance through the use of new technologies, and providing clear channels to allow the external observer to inform control authorities in the case of potential irregularities or corruption.

**Notes**

2. For instance, the OECD-DAC Joint Venture for Procurement has developed with donor members and partner countries a common country-led approach to strengthening the quality and performance of public procurement systems.
3. This practice is used in particular by Transparency International as part of Integrity Pacts to involve an independent monitor in the process. The independent expert, who may be provided by civil society or commercially contracted, has access to all documents, meetings and parties and could raise concerns first with the principal, and of no correction is made, with the prosecution authorities.
A private consultant assigned to CityTime - the high-tech computerized payroll system that tracks the hours of city employees - billed taxpayers $47,250 for his services last June.

And that was for just one month's work.

For the entire year, consultant Mitchell Goldstein of Spherion Corp. is on track to charge $490,000, payroll records show.

Three of Goldstein's fellow project managers on the CityTime contract, Srinivas Talasila, Mark Mazer, and Jacques Lucian, will each get more than $400,000 from the city.

The top 11 consultants Spherion has supplied to the city are billing an average of $307,000 for this year, and are expected to do so until 2012, the records show.

Welcome to one of the truly astounding consultant boondoggles in New York history.

When officials launched it 1998, CityTime was supposed to cost only $63 million. Back then, they promised it would end the age-old practice of some city workers forging time sheets for their friends.

Since then, the system's price has soared tenfold to more than $700 million. Yet, only about 45,000 of a proposed 140,000 workers are using it.

"It's unconscionable that they are continuing to throw money at this thing while municipal workers are being laid off and services are being cut," said Brooklyn City Councilwoman Letitia James, who has held several hearings on the project's runaway costs.

This September alone, in the midst of massive budget cutbacks, Mayor Bloomberg quietly added another $140 million to the CityTime contract.

"They keep amending its limit every six months, so no one will know the actual final cost," said a senior city official familiar with CityTime's history.

City Hall officials claim the new system eventually will save $60 million annually in costs.

But two years ago, when the City Council asked Joel Bondy, chief of the payroll office, to give specifics, he provided only vague answers.

Do the math for a moment: $700 million to track 140,000 city workers is costing $5,000 per worker - all for a new-age time clock!

The most contentious part of the program has been biometric palm scanners. City labor leaders consider it a huge violation of privacy rights. About 19,000 of
the 45,000 workers on the system are being required to use the scanners to
dock in and out each day and during lunch hours.

"It's absolutely outrageous, like Big Brother," said Jon Forster, vice president of
the Local 375 of AFSCME, which represents the city's architects and
technicians.

Now, in the age of swine flu, Forster notes, hundreds of people in various
agencies must put their hands into these machines that often get sweaty and
unsanitary.

Those who do not use hand scanners must punch in using a time clock each
time they log on and off of their computers, or by filling out electronic time
sheets. The city has left it up to individual agencies to decide which workers will
use which system.

Some of the biggest agencies have still not even gone on the system.

"Pilots are underway in all four uniformed agencies," Valerie Hemlewski, a
spokeswoman for the Office of Payroll Administration said yesterday. "We
anticipate peak implementation by the end of 2010."

The longer it takes for everyone to convert to CityTime, the more money
consultants make.

Spherion is not even the main contractor. It is being paid $51 million for quality
control over the main contractor, defense industry giant SAIC.

SAIC's contract has grown to $630 million.

So Spherion's people get $300,000 each to monitor the firm building the
system to monitor city workers.

Just another amazing tale in this age when a computer salesman is running the
government.

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Kourtney Kardashian
Turns 35: How She
Fraud Charges in New York’s Payroll Overhaul

By JOHN ELIGON

Of all the city programs that have ever gone wrong in New York, few could compare to CityTime, an automated system meant to streamline employee timekeeping.

Mayor Michael R. Bloomberg has called the project a “disaster,” and perhaps with good reason: the project’s cost has exceeded $600 million, nearly 10 times over budget, and is six months past its due date. Meanwhile, consultants who were hired to oversee putting the project into effect have been paid nearly $50 million — $46 million more than they were initially supposed to receive.

And on Wednesday, federal prosecutors in Manhattan charged several of the consultants with an $80 million fraud scheme that began in 2005, accusing them of manipulating the city into paying out expensive contracts to businesses that they controlled, and then redirecting some of that money to enrich themselves. They even submitted false time sheets, the authorities said.

“The issue is that here we had somebody that we trusted, or one of our contractors trusted, and that trust was misplaced,” Mr. Bloomberg told reporters. “And we just have no tolerance for this whatsoever.”

Prosecutors said the scheme originated with Mark Mazer, a consultant who was hired by the city to oversee quality assurance on the project. Instead, he awarded contracts to people he had ties to and took nearly $25 million in kickbacks, prosecutors charged.

Mr. Mazer, his colleague Scott Berger, and the men whose companies he steered business toward, Dmitry Aronshtein and Victor Natanzon, also submitted false time sheets for consulting work, the authorities said.

Mr. Mazer’s wife, Svetlana, and his mother, Larisa Medzon, were also arrested with money laundering for funneling the kickbacks through a series of shell companies, prosecutors said.
The indictment raises questions of the city’s oversight of the CityTime project, and how the Office of Payroll Administration, a hybrid agency of the mayor’s and comptroller’s offices, lost control of the project under the office’s executive director, Joel Bondy.

Before taking over the payroll administration office in 2004, Mr. Bondy worked as a subcontractor on the CityTime project for Spherion, the quality assurance consultant that hired Mr. Mazer and Mr. Berger.

Although he was a subcontractor, Mr. Mazer held an informal position of authority in the city’s payroll administration office, with direct access to Mr. Bondy and the power to shape and approve contracts and work orders, the authorities said.

At a City Council hearing last December that was dedicated to CityTime, Mr. Bondy testified that Mr. Mazer and Mr. Berger “have proven themselves in the past and currently to be highly capable and competent at their jobs.”

“The reasons why they are working in these positions,” he added, “is because of that competency.”

Mr. Bloomberg declined to speak about Mr. Bondy or any other individuals until the investigation was complete, saying only, “We have zero tolerance for any corruption.”

Mr. Bondy did not respond to a telephone message seeking comment.

Rose Gill Hearn, the commissioner of the city’s Department of Investigation, said in a statement, “The supposed experts hired and paid well to protect the city’s interests were exposed as the fox guarding the hen house, secretly pocketing millions and purchasing expensive homes and cars.”

The department, which teamed with the United States attorney’s office in Manhattan, began the inquiry in June after learning that a CityTime consultant was being paid by an unauthorized company, DA Solutions, instead of the primary contractor, Science Applications International Corporation, according to a criminal complaint filed in court.

Investigators learned that Mr. Aronshtein owned DA Solutions. Prime View, another company that many CityTime consultants said had paid them, was owned by Mr. Natanzon, the complaint said.

Mr. Mazer hired both of those companies. DA Solutions and Prime View were paid more than $76 million, the authorities said, but it was unclear whether the money was for legitimate services. The companies kicked back more than $24.5 million to Mr. Mazer, who routed it
through a series of shell companies owned by his mother and wife, the authorities said.

In addition to the kickbacks, Mr. Mazer received more than $4.4 million as part of his contract with Spherion, the authorities said.

Spherion first came onto the project in 2001, signing a three-year, $3.4 million contract to supervise the quality assurance. Spherion’s deal has been amended 11 times, and the company has been paid more than $49 million, the authorities said.

The repeated investments into the CityTime project and renewal of contracts drew the ire of the city’s comptroller, John C. Liu, who wrote a letter to the mayor in March asking that he freeze all business with the “endless money pit.”

After a contentious debate over the renewal of Science Applications’ contract, a deal was reached in September in which the software developer agreed to have all 165,000 city employees on CityTime by June 30. Only then will the city pay Science Applications another $32 million. For every month that the company is overdue, $3 million will be docked from the final payment.

After the indictment was announced, Mr. Liu called for an emergency session of the payroll administration office’s board of directors. “These charges will be another stain on the checkered history of the CityTime project,” he said. All six defendants appeared before Magistrate Judge Henry B. Pitman on Wednesday evening and were scheduled to be released later on bail. Mr. Mazer’s bond was set at $2 million, Mr. Aronshtein’s bond was set at $1 million, and both Mr. Natanzon and Ms. Medzon were required to sign $500,000 bonds. Mr. Berger’s bond was set at $400,000, and Ms. Mazer’s was $250,000.

After the proceeding, Mr. Natanzon’s lawyer declined to comment, but lawyers representing the other defendants asserted their innocence.

Gerald Shargel, who represented the Mazers and Ms. Medzon said, “My clients steadfastly deny the charges.”

David W. Chen and Colin Moynihan contributed reporting.
3 Found Guilty in CityTime Corruption Trial

By BENJAMIN WEISER

Three men who a prosecutor said had gotten “unbelievably rich” at the expense of New York City through a scandal-marred payroll modernization project were convicted on Friday in a federal corruption trial in Manhattan.

The lead defendant, Mark Mazer, a former consultant to the city’s Office of Payroll Administration, had been accused of taking about $30 million in kickbacks for steering work to favored contractors on the project, called CityTime.

Originally budgeted at $63 million, the cost of the project exploded to about $700 million by 2011, with almost all of the more than $600 million that the city paid to the prime contractor, Science Applications International Corporation, or S.A.I.C., “tainted, directly or indirectly, by fraud,” an indictment charged.

“Each one of these three men made a fortune from their crimes,” Andrew D. Goldstein, a federal prosecutor, told the jury in his closing argument this week. “They treated the city like it was their own giant A.T.M. machine.”

“We’ve had zero tolerance for corruption,” Mayor Michael R. Bloomberg said after the verdicts were announced, “and it’s why we have run the cleanest administration in New York City’s history.”

Mr. Bloomberg praised the city’s commissioner of investigation, Rose Gill Hearn, whose office uncovered the fraud and investigated the case with the office of Preet Bharara, the United States attorney in Manhattan.

Lawyers for each of the three defendants had argued during the trial, which lasted just over a month, that their clients had not committed crimes and that the city had approved the project and its increasing costs over the years. They said they would appeal the convictions.

Mr. Bharara said late Friday: “These three defendants and their partners in crime had made off with nearly $100 million in taxpayer money, far more than they...
by burglarizing banks, with a fraction of the effort. What they now stand to reap is lengthy prison terms.”

Mr. Mazer, 50, was convicted of bribery and conspiracies to commit wire fraud, bribery and money laundering.

A second defendant, Gerard Denault, 52, S.A.I.C.’s project manager for CityTime, had been accused of taking $9 million in kickbacks; he was convicted of conspiracies to commit wire fraud, honest services fraud and money laundering and was acquitted of one count of bribery conspiracy.

A third man, Dmitry Aronshtein, 53, whose name has also been spelled Dimitry, was convicted of conspiracies to commit bribery and money laundering. Despite their close age, he is an uncle of Mr. Mazer.

Judge George B. Daniels of Federal District Court ordered the three men, who had been free on bond, held in home detention with electronic monitoring pending sentencing on March 12. Each man faces a prison sentence of up to 20 years on at least one of the counts for which he was convicted, prosecutors said.

Prosecutors asked that they be jailed immediately after the verdict, which was announced by the jury at the end of the first full day of deliberations.

The fraud scheme, prosecutors contended, relied on an elaborate web of sham companies and shell bank accounts, the wiring of money overseas and the storing of more than a million dollars in cash in safe deposit boxes on Long Island.

It also involved bribery “the old-fashioned way,” Mr. Goldstein, the prosecutor, told the jury, in envelopes containing thousands of dollars in cash “handed off in quiet street corners, in massage parlor stairwells and in parked cars just outside New York City official offices.”

In 2012, the contractor, S.A.I.C., agreed to forfeit over $500 million as part of a settlement with the government. Mr. Bloomberg acknowledged at the time that “there will always be one or two bad apples.”

“Should we have known? Could we have known?” he asked. “We keep strengthening all our surveillance, and, hopefully, we’ll catch anything that happens again.”

In arguing that there had been no fraud, Mr. Mazer’s lawyer, Gerald L. Shargel, said: “There was an incredible amount of checks and balances. There was an incredible amount of supervision and independent examination.”
Mr. Denault’s lawyer, Barry A. Bohrer, said, “The City of New York had its eyes wide open.”
The city, he added, “signed off on this because it was what it wanted and it was what it needed.”

Jeffrey C. Hoffman, who represented Mr. Aronshtein, accused prosecutors of “a constant,
unfair, untruthful manipulation of facts.” His client, the only defendant to testify at the trial,
denied that Mr. Mazer had ever asked him for money in return for work on the CityTime project.

In all, eight people have been convicted in the CityTime investigation, which Mr. Bharara has
called “one of the largest and most brazen frauds ever committed” against the city.

Two defendants, including Carl Bell, who worked for S.A.I.C., pleaded guilty in 2011 and
testified under cooperation agreements with the government. Three other defendants, who had
been accused of working with Mr. Mazer to conceal kickbacks, entered guilty pleas in June.

One of those defendants, Mr. Mazer’s mother, Larisa Medzon, pleaded guilty to one count of
structuring transactions to evade currency reporting requirements. A second, Mr. Mazer’s wife,
Svetlana Mazer, pleaded guilty to one count of obstruction of justice. The third, Anna
Makovetskaya, a cousin of Mr. Mazer’s wife, pleaded guilty to a charge of conspiracy to make
false statements.
Gonzalez: Tough sentences for CityTime thieves will teach crooked contractors a lesson

The main players in the CityTime fraud have been hit with 20-year sentences, showing that IT consultants found scamming taxpayers for millions won’t be treated lightly — and also underscoring the need for city officials to revamp how they hold contractors responsible.

By slapping stiff 20-year sentences on the main CityTime project thieves, Manhattan Federal Judge George Daniels sent some clear messages Monday to the burgeoning world of government computer contracts.

First: Crooked IT consultants can’t simply rip off taxpayers for millions of dollars and then expect to get treated lightly.

Second: City officials failed miserably in doing oversight and need to revamp how they hold their consultants accountable.

More than four years ago, the Daily News first exposed massive cost overruns in the CityTime payroll project. Then in December 2010, the U.S. Attorney’s Office and the Department of Investigation started arresting the first of 11 consultants eventually indicted for bilking taxpayers.

This was a “fraud scheme of epic proportions,” one that “was unparalleled in its amount, duration and sophistication,” said Daniels.

Before a packed courtroom filled with family and friends of the defendants, he declared “the day of reckoning” for Mark Mazer, Gerard Denault and Dmitry Aronshtein, the three key figures convicted of stealing some $100 million between them in a complex scheme of kickbacks and inflated billings.
Several other co-defendants in the case have already pleaded guilty, while two of the accused, Reddy and Padma Allen, fled to their native India to escape prosecution.

Before Daniels pronounced his sentence, defense lawyers for Mazer, Denault and Aronshtein each sought to portray their clients as “good men” who had made bad decisions.

But as evidence during the month-long CityTime trial revealed, the fraud scheme they concocted persisted over many years.

It was not just one bad decision.

The web of shell companies and hidden bank accounts the co-conspirators created to hide the money they stole stretched around the globe.

Meanwhile, the payroll and timekeeping project they were in charge of creating ballooned in cost from $63 million to more than $700 million and fell years behind schedule.

After the arrests began, prosecutors eventually recovered $500 million in a deferred prosecution agreement with the main CityTime contractor, SAIC, the company that employed Denault, and another $40 million from the seizures of bank accounts and cash held by the defendants.

“There is a lack of remorse, a lack of real acceptance of responsibility,” Daniels said of the trio he sentenced, noting there was “overwhelming evidence” against them.

But the judge didn’t stop there. In his sentencing opinion, he also blasted city officials who “created and sustained an atmosphere” that allowed corruption to flourish.

Throughout much of 2009, for example, this column repeatedly questioned the city official in charge of CityTime, former payroll director Joel Bondy, about why costs kept skyrocketing — why, for example, more than 200 consultants were each billing the city an average of $400,000 a year — but completion was
years behind schedule?

Bondy repeatedly defended the supervisory work of Mazer and Denault and kept insisting CityTime was a very complicated undertaking.

As soon as the CityTime consultants were arrested, Bondy resigned. But no city official was ever held responsible for the CityTime debacle. No one has answered why the city didn’t catch so much stealing for so long.

“Until significant reforms are instituted ... criminal prosecutions of fraud against the city will continue,” Judge Daniels warned.

Gonzalez: Tough sentences for CityTime thieves will teach crooked contractors a lesson - NY Daily News