UKRAINE RESPONSE – FRAUD ADVISORY

USAID's Office of Inspector General (USAID OIG) investigates allegations of fraud and corruption in U.S. funded foreign assistance programs. This document highlights a fraud scheme that was recently detected and identifies mitigation steps to help prevent future attempts to compromise USAID's Ukraine response, and programming worldwide.

Potential Collusion Scheme - Details and Mitigation Measures

Background: A USAID-funded contractor in Ukraine, reported a potential collusive bidding scheme to the USAID OIG Hotline. In a collusive bidding scheme (also known as "bid rigging") a group of individuals or business entities work together to compromise the competitive bidding process required in many USAID subawards. Collusive bidding schemes risk inflated costs being submitted to USAID, enhance the likelihood of substandard products, further in-country corruption, and undermine the confidence of both the American people and in-country recipients of U.S. foreign assistance.

Detection: Three Ukrainian based non-governmental organizations applied for a USAID funded subaward submitting similar proposals with similar costs to a USAID contractor. During the USAID contractor's review of the subaward applications, it identified connections between the three organizations through their application documents and review of open-source records. The USAID contractor determined all three organizations were owned by or associated with the same two Ukrainian nationals. The USAID contractor disqualified all three applications due to violations of the award rules, which required competitive bidding.

Mitigation: The USAID contractor's requirements for subawardees, and use of Ukrainian open-source corporate records enabled the detection of this scheme. In addition to enforcing rules designed to detect and prevent collusive bidding schemes in USAID's Ukraine response, USAID or prime contractor/grantee officials should consider:

1. Requesting supporting documents and records in connection with any award application or bid, including, but not limited to:

- Ukraine entity registration (EDRPOU Code);
- Names of entity owners, founders, significant shareholders, and key officials;
- Copies of identification documents for owners and key officials;
- Resumes of key officials; and
- Copies of the entity's tax fillings.

2. Utilizing Ukrainian open-source databases when conducting due diligence reviews of award applications and bids. Some examples of these databases are:

UA.region- https://www.ua-region.com.ua/   You Control- https://youcontrol.com.ua/
Clarity Project- https://clarity-project.info/edrs   Open Data UA- https://opendatabot.ua/
Ukraine Hosting and Domain Registration- https://www.ukraine.com.ua/uk/egrpou/

> **HIGHLIGHT: Obtaining Ukrainian Open-Source Information**
> Many Ukrainian open-source websites are in Ukrainian. However, the translation function built into web browsers, such as Google Chrome, makes these sources useable for English users. In addition, the use of the EDRPOU code for entities within open-source databases alleviates some concerns with different spellings of names connected to translation issues.