

Data for transparency

www.redflags.eu

Superpowers of procurement data

30-31 May 2018, Brussels

Tünde Tátrai

Corvinus University of Budapest

www.redflags.eu

- Transparency International - New warning system for the identification of Red Flags in public procurement
- Aim – to identify corruption risks in public procurement

Notices / 136453-2016

redflags.eu/notice/136453-2016

red flags HOME NOTICES ORGANIZATIONS HU Log out Tátrai Tünde

Document family

136453-2016	Contract award	★★★★★
377108-2015	Additional information	
302763-2015	Contract notice	

The contracting authority could modify the original notice in the additional information documents which can significantly affect the result of the procedure, therefore looking into them is highly recommended.

Flags (5)

- Long timegap between the opening of bids and the decision (135 > 120 days).
- Final contract value exceeds the estimated value.
- Only two bids have been submitted.
- Unsuccessful procedure (there is no winner) reasoned with a dubious ground (defined by law).
- Winner (Mortak Fruit Kft.) is listed in the database of K-Monitor (Mortak Fruit Kft.).

HUN 23:40 2016.06.05

Red flags

- The procurement process is examined in relation to three stages of procedure:
 - preparation of specifications,
 - selection of tenderers, and
 - execution of contracts,
- within each of which some specific risks (red flags) are identified.
 - Dorn N. et al. (2008) "Do European procurement rules generate or prevent crime?", *Journal of Financial Crime*, pp.243 - 260

Contract notices, contract award notices

The screenshot shows a web browser window displaying the Red Flags website. The URL is <https://www.redflags.eu/notice/210863-2018>. The page features a red header with the 'red flags' logo and navigation links for 'HOME', 'NOTICES', and 'ORGANIZATIONS'. A 'Login' button is visible in the top right corner. The main content area is titled 'Notices / 210863-2018 (Contract award notice)'. Below the title, there is a description in Hungarian: 'Adásvételi keretmegállapodás öntött és hengerelt aszfalt beszerzésére a Budapest Közút Zrt. részére'. A green button labeled 'CHECK IT ON TED' is positioned to the right of the description. A table titled 'Document family' lists two entries: '210863-2018' with the description 'Contract award notice' and '48068-2018' with the description 'Contract notice'. Below the table, a section titled 'Flags (2)' contains two red flag icons with associated text: 'Only two bids have been submitted.' and 'Winner (STRABAG Építő Kft.) is listed in the database of K-Monitor (Strabag Építő Kft.)'. A sub-section titled 'Flags of the contract notice:' contains two more red flag icons with text: 'Framework agreement with a single bidder.' and 'Geographical requirements are listed within the scope of technical-professional capacity.' The browser's taskbar at the bottom shows various application icons and the system clock indicating 22:27 on 2018.05.17.

red flags HOME NOTICES ORGANIZATIONS HU Login

Notices / 210863-2018 (Contract award notice)

Adásvételi keretmegállapodás öntött és hengerelt aszfalt beszerzésére a Budapest Közút Zrt. részére [CHECK IT ON TED](#)

Document family	
210863-2018	Contract award notice
48068-2018	Contract notice

Flags (2)

- Only two bids have been submitted.
- Winner (STRABAG Építő Kft.) is listed in the database of K-Monitor (Strabag Építő Kft.).

Flags of the contract notice:

- Framework agreement with a single bidder.
- Geographical requirements are listed within the scope of technical-professional capacity.

Red flag definition

- „warning signs which alert the organisation's employees to potentially corrupt activities”.
 - http://www.giaccentre.org/due_diligence.php
- WORLD BANK – red flag types
 - unobservable red flags (identification of pressures on Bid Evaluation Committee members)
 - uncollectible red flags (failure to provide secure storage of bids received)
 - potentially irrelevant red flags or red herrings observable, collectible and relevant red flags.
 - „Red flags of the type we could monitor do not, by any means, necessarily signal corruption.”
 - <https://openknowledge.worldbank.org/bitstream/handle/10986/3731/WPS5243.pdf?sequence=1>

WB

The definition of warning signs	
Advertising/Bid opening	
Time between advertising of the contract and bid opening (weeks)	Greater than 6 weeks for ICB, greater than 4 weeks for NCB
Time between bid opening and bid evaluation	Less than 3 months
Number of submitted bids	At least 4 bids
Ratio of submitted bids to the number of companies that bought bidding documents (%)	Soft threshold: greater than 50% Rigid threshold: greater than 30%
Bid evaluations/Contract award	
Time between bid award and actual contract signing date	Less than 3 months (-92 days)
Ratio of non-responsive bidders to all bidders	Soft Threshold: Greater than 50% Rigid Threshold: Greater than 30%
Was the lowest bidder considered non-responsive?	Yes
For ICB contracts: did international companies bid in the auction?	Yes
If the winner is the lowest bidder, what is the percent gap between 1st and 2nd bid quotes?	Soft Threshold: Greater than 20% Rigid Threshold: Greater than 30%
Were any two bids submitted within 15 (Rigid Threshold) or 2,5% (Soft Threshold) of each other?	No
Difference between contract estimate and winning bid	Less than 30%
Difference between contract award and final contract amount	Less than 30%
Thresholds for procurement methods and prior review	Threshold exceeded by less than 30%

OECD – Integrity risks

<http://www.oecd.org/gov/ethics/Corruption-in-Public-Procurement-Brochure.pdf>

- Pre-tendering phase
 - Needs assessment and market analysis
 - Informal agreement of contract
 - Planning and budgeting
 - Poor procurement planning
 - Development of specifications/requirements
 - Requesting unnecessary samples of goods and services
 - Choice of procurement procedure
 - Lack of proper justification for the use of non-comp. procedures
- Tendering phase
 - Request for proposal
 - Absence of public notice for the invitation to bid
 - Bid submission
 - Lack of competition
 - Bid evaluation
 - Conflict of interest
 - Contract award
 - Lack of access to records on the procedures
- Post-award phase
 - Contract management
 - Abuses of the supplier in performing the contract
 - Order and payment
 - False or duplicate invoicing

OLAF – Study

Ecorys – PWC
2014

Combination of red flags – higher probability
of corruption

- Strong inertia in composition of evaluation team;
- Multiple contact points;
- Contact office not subordinated to tender provider;
- Contact person not employed by tender provider;
- Shortened time span for bidding process;
- Accelerated tender;
- Tender exceptionally large;
- Complaints from non-winning bidders;
- Award contract has new bid specifications;
- Substantial changes in project scope/price after award;
- Connections between bidders;
- All bids higher than projected overall costs;
- Award contract and selection documents not public;
- Awarding authority not filled in all fields
- TED/CAN and other missing information.

CRI

Corruption Risk Index

Fazekas et al., 2016. p. 378

Single bidder contract

Call for tender not published in official journal

Procedure type

Relative length of eligibility criteria

Length of submission period

Relative price of tender documentation is high

Modification of call for tenders

Exclusion of all but one bid

Weighting of non-price evaluation criteria

Annulled procedure subsequently re-launched

Length of decision period

Contract modification

Arachne

Arachne Report, 2017. p. 8.

Lead time between publication and contract signature

Percentage disqualified tender offers vs. received

Number of valid tenderers

Contracted amounts via negotiated, restricted procedures or via direct award/Total project cost

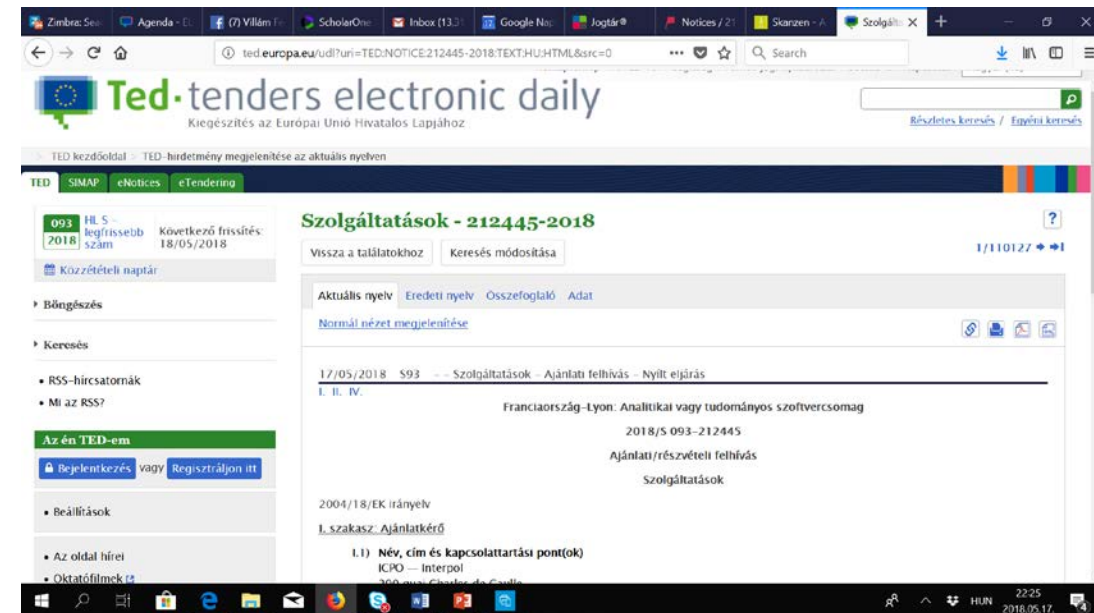
Number of contract addenda compared to sector average

Financial correction

	1. Public procurement specific	2. Focuses on the entire procurement process	3. Based on existing data (qualitative)	4. Based on interviews and additional queries (quantitative)	5. Dynamic	6. Aggregated result - index
World Bank tool			x	X		
OECD tool	Partly	x	x	X		
OLAF	x		x	X		
CRI	x		x			x
Arachne			x		x	x
TI Red Flag tool	x		x		x	x

How to use www.redflags.eu

- Red flag identification,
- Red flag testing
- Drawing up and training in the use of the tool,
- Tool use
- Collection of feedback, tool maintenance



Thank you for your attention!

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Tátrai, T. & Németh, A.: **Improving red flag instruments for public procurement**

ERA Forum (2018). <https://doi.org/10.1007/s12027-018-0513-8>