

Hypothetical Investigation

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A confidential informant reported to the World Bank that an unqualified contractor was selected to build a road in Narnia three years ago. Internal Bank records show that the contractor was the only bidder for the project because the qualifications imposed by the project manager were so narrow. Shortly after winning the \$500,000 contract the contractor substantially increased the cost of the project. The price paid to the contractor was ultimately four times the normal per kilometer price for road construction in Narnia. After receiving the report from the confidential informant, Bank investigators examine the road and discover that it was not built to specifications, sub-standard material was used and the road is already in disrepair. It appears that the contractor spent far less than claimed to complete the project. However, the project manager approved payments to the contractor for all the amounts requested and indicated on the approval forms that he had personally inspected the road project. Bank investigators then examine other contracts under the supervision of this project manager and find that at least five others involve sole sourced contracts with substantial cost overruns and major construction flaws. The value of the contracts at issue total over \$25 million. Investigators conclude that the task manager was, in all likelihood, receiving kickbacks of between 10% and 20% from the contractors.

Bank investigators determine that the project manager lives in the United States but travels frequently both to Narnia and to Grand Fenwick. His salary is \$125,000 and his wife does not work. He has a residence in Washington, D.C. Public records show that the assessed value of his home in Washington is \$1,000,000 and he put \$400,000 down, half in cash three years ago. Additional research shows that his previous residence was sold for \$200,000 and had a \$125,000 mortgage at the time of the sale. Further investigation shows building permits were obtained for improvements to the newer home. Conversations with the builder reveal that he put \$100,000 in improvements into the house and paid the contractor half in cash and half with American Express traveler's checks. The contractor kept copies of the traveler's checks and the invoices. Investigation determined that the \$50,000 in traveler's checks was purchased with cash in Narnia in June three years ago, the week after the road contract was awarded. The contractor also noted significant art in the home and recounted a conversation with the project manager where he implied his wealth came from business transactions associated with his Bank business.

Witness' interviews in Narnia indicate that the project manager has a "relationship" with a woman name Penelope Oswald. Witnesses indicate that Oswald and the project manager are believed to live in a mansion outside of Narnia's capital. Examination of Bank travel records show lengthy stays in Narnia and a second country, Odeon, but often with either no hotel bills submitted or hotel bills but no request for reimbursement of meal expenses. Public records investigation in Narnia shows a mansion owned in the name of Penelope Oswald, although she appears to have no source of income. Public records investigation in Odeon reveals a house in the name of Penelope Oswald. Further investigation leads to a bank account in Odeon in the name of Penelope Oswald.

Bank exercises audit rights on the contract and finds many miscellaneous payments that contractor can't explain. Contractor ultimately admits to paying bribes to the project manager. Says he either paid cash or sent money to account of Penelope Oswald in Odeon. Project manager claims his wealth came from an inheritance two years ago.