The Moscow Times
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INDEPENDENT NEWS FROM RUSSIA

City Hall Department in Fraud Case

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July 19, 2010



City Hall's education department is suspected of fraud by paying more to lease a fleet of cars than it would have cost to buy them outright and engaging in other dubious activities, the Interior Ministry said Monday.

The department took out 12-month leases on seven Toyota Camry cars last December, paying 9.35 million rubles ($306,800) for cars that the Interior Ministry said could have been purchased for 8.75 million rubles ($287,100).

The department is also accused of illegally holding a series of equipment purchase tenders worth up to 100,000 rubles ($3,280) each in December. The department is allowed to conduct only one such tender every three months, and the firms that received the money might be fake, the ministry said.

Ministry investigators have opened a criminal case on fraud charges punishable by up to 10 years in prison and a fine of up to 1 million rubles ($32,800). No one has been accused in the case.

The education department did not answer repeated phone calls Monday.

The investigation could put new pressure on Mayor Yury Luzhkov, whose administration has been embroiled in several corruption scandals in recent months.

Luzhkov's deputy Alexander Ryabinin is at the center of a bribery investigation involving his work overseeing the city's lucrative construction market, while the head of City Hall's Advertising Committee, Vladimir Makarov, has been charged with abuse of office.

Analysts say the investigations into Luzhkov's once-seemingly untouchable administration might be part of an attempt by the Kremlin to replace the mayor, the country's longest-serving regional leader. Luzhkov's fourth term expires next year.

Meanwhile, the Interior Ministry itself is facing allegations that it overpaid for cars, with Moscow's branch of the Investigative Committee opening a case accusing it of paying too much for bulletproof Volkswagen Caddy cars, RBC Daily reported.

An unspecified number of cars were bought by the ministry's logistics department for double their price, even though they did not meet security standards, the report said, citing State Duma Deputy Alexander Khinshtein.

Car fraud accusations have become more frequent since April, when German carmaker Daimler admitted to paying more than 5 million euros ($6.4 million) in kickbacks to state-connected firms and officials, including City Hall representatives.

No one has been charged in the Daimler affair. The Investigative Committee has promised to complete a preliminary inquiry into the case by August, RBC Daily said.

Original url: https://www.themoscowtimes.com/2010/07/19/city-hall-department-in-fraud-case-a1375