

Government of Jammu and Kashmir  
Directorate of Rural Development Kashmir

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The Assistant Commissioner Dev. \_\_\_\_\_ (All)  
The Executive Engineer (REW) \_\_\_\_\_ (All)  
The District Panchayat Officer \_\_\_\_\_ (All)  
The Assistant Commissioner Panchayat \_\_\_\_\_ (All)  
The Block Development Officer \_\_\_\_\_ (All)

NO. DRDK-Bill/99/2022-02 (CC 84632)

Dated: 24-11-2022

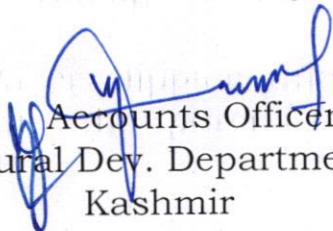
Subject: Alert note No. 85/22 (News Paper clipping titled "RTI activist demands CBI probe into the purchase made through GeM".

Sir/Madam,

I am directed enclosed the communication bearing No. RDD-Naz/32/2022-04-RDD (7059094) dated: 15-11-2022 received from Administrative Department along with its enclosures for information & immediate necessary action with the advice to take care while effecting purchases on GeM.

Encl: 10 leaves

Yours Faithfully

  
Accounts Officer  
Rural Dev. Department  
Kashmir

Copy to the:

01. Director Finance Department of Rural Dev. & PR Civil Sectt.  
Srinagar/Jammu for favour of information.



Government of Jammu & Kashmir  
Department of Rural Development & Panchayati Raj  
Civil Secretariat, Jammu/Srinagar

Email ID: secyRDD11@gmail.com website: jkpr.gov.in Tel. No. 0191-2564763 (J), 0194-2506269 (S)

The Director,  
Rural Development, Jammu.

No: - RDD-Naz/32/2022-04-RDD (7059094)

Dated: - 15-11/2022

**Subject: - Alert Note No. 85/22 (News Paper clipping titled "RTI activist demands CBI probe into the purchases made through GeM").**

Sir,

Kindly find enclosed Anti Corruption Bureau, J&K Srinagar's communication No. ACB-E-218491-16472-74 dated 19-09-2022 regarding the subject cited above for information and immediate necessary action. Besides, it is requested to direct the subordinate offices for taking extra care while effecting purchases on Government e-Marketplace (GeM).

Encl:- as above.

Yours faithfully,

Director Finance

Department of Rural Development & PR

Copy to the:

1. Director, Rural Development, Kashmir for information & necessary action.
2. Chief Operating Officer, Himayat for information & necessary action.
3. Chief Executive Officer, IWMP for information & necessary action.
4. Mission Director, JKNRLM for information & necessary action.
5. Director, Rural Sanitation, J&K for information & necessary action.
6. MD/CEO, SPSA, J&K for information & necessary action.
7. State Nutrition Officer, J&K for information & necessary action.
8. Private Secretary to Commissioner/ Secretary to Government, Department of Rural Development & PR for information.



**GOVERNMENT OF JAMMU AND KASHMIR**  
**Anti Corruption Bureau**  
**J&K - SRINAGAR**

The Administrative Secretary to Government,  
General Administration Department,  
Civil Secretariat, J&K,  
Srinagar.

No:-ACB-E-218491-16472-74

Dated:- 19/09/2022

**Subject:- Alert Note No. 85/22**  
**(News Paper clipping titled "RTI activist demands CBI probe into purchases made through GeM").**

Sir,

This enquiry owes its origin from a press report published in Daily Excelsior on 01-05-2022 carrying news regarding scam in purchasing made through Government e-Marketplace (GeM) by various Government Departments. One Balwinder Singh RTI Activist during his press conference alleged that because of the number of shortcomings in the GeM system as on date, approximately 20 to 50 percent commission is being involved in the transaction made through GeM. One of his RTI filed in the Directorate of Health Services has revealed that a person who was Incharge of GeM made procurements deceiving the state exchequer amounting to crores of rupees annually by purchasing items from 30 percent to 300 percent higher than the prevalent market rates.

2. In order to ascertain the veracity of allegations leveled in the press note, the instant matter was referred to P/S Central J&K of ACB, Jammu to develop the allegations in consultation with the DVOs of Directorate of Health Services, Jammu and Directorate of Rural Development Department.

3. The report submitted by the officer after scrutiny of record obtained from the department reveals that as part of Union Budget 2016-2017 announcement, Government-e-Marketplace (GeM) was launched on 9<sup>th</sup> August, 2016 as an online, end to end solution for procurement of commonly used goods and services for all Central /State Government Ministries/ Departments/Public Sector Undertakings and affiliated bodies. Subsequently, in order to bring efficiency and transparency in matters relating to procurement of goods and services in the government business, Rule 149

for e-procurement policy by all the Ministries/departments. The Government of Jammu and Kashmir was advised by Department of Jammu and Kashmir Affairs, Ministry of Home Affairs, Government of India vide notification no. 11014/05/2014/K-III dated 21<sup>st</sup> August, 2019 to implement e-procurement policy in the State for Government purchases and works.

4. Further, during the scrutiny of the available documents it has found that some amendments were made in Rule 149 along with other rules of GFR (General Financial Rules) 2017 vide No.F.1.26/2018-PFD dated 2<sup>nd</sup> April, 2019 by Ministry of Finance, Department of Expenditure, Procurement Policy Division, Government of India, the operative part of Rule 149 with amendment is reproduced as under:-

S. No.	Existing Provisions of GFRs, 2017	Amended Rule
1.	<p>Rule 149 Government e-market place (GeM).</p> <p>DGS&amp;D or any other agency authorized by the Government will host an online Government e-market place (GeM) for common market for common use as Goods and Services. DGS&amp;D will ensure adequate publicity including periodic advertisement of the items to be procured through GeM for the prospective suppliers. The procurement of Goods and Service by Ministries or Department will be mandatory for Goods or Services available on GeM. The credentials of suppliers on GeM shall be certified by DGS&amp;D. The procuring authorities will certify the reasonability of rates. The GeM portal shall be utilized by the Government buyers for direct online purchases as under:-</p> <p>i. Upto Rs. 50,000/- through any of the available suppliers on the GeM, meeting the requisite quality, specification and delivery period.</p> <p>ii. Above Rs. 50,000/- and upto</p>	<p>Rule 149 Government e-market Place (GeM)</p> <p>Government of India has established the Government e-market place (GeM) for common use Goods and Services. GeM SPV will ensure adequate publicity including periodic advertisement of the items to be procured through GeM for the prospective suppliers. The Procurement of Goods and Services by Ministries or Departments will be mandatory for Goods or Services available on GeM. The credentials of suppliers on GeM shall be certified by GeM SPV. <b>The procuring authorities will certify the reasonability of rates.</b> The GeM portal shall be utilized by the Government buyers for direct online purchases as under:-</p> <p>1. Upto Rs. 25,000 through any of the available suppliers on the GeM, meeting the requisite quality, specification and delivery period.</p> <p>2. Above Rs.25,000 and unto</p>

	<p>Rs.30,00,000/- through the GeM seller having lowest price amongst the available seller, of at least three different manufacturers, on GeM meeting the requisite quality, specification and delivery period. The tools for online bidding and online reverse auction available on GeM can be used by the Buyer if decided by the competent authority.</p> <p>iii. Above Rs.30,00,000 through the supplier having lowest price meeting the requisite quality, specification and delivery period after mandatorily obtaining bids using online bidding or reverse auction tool provided on GeM.</p>	<p>Rs.5,00,000 through the GeM Seller having lowest price amongst the available sellers (excluding Automobiles where current limit of 30 lakh will continue) of at least three different manufacturers on GeM meeting the requisite quality, specification and delivery period. The tools for online bidding and online reverse auction available on GeM can be used by the Buyer even for procurements less than Rs.5,00,000.</p> <p>3. Above Rs. 5,00,000 through the supplier having lowest price meeting the requisite quality, specification and delivery period after <b>mandatorily</b> obtaining bids using online bidding or reverse auction tool provided on GeM (excluding Automobile where current limit of 30 lakh will continue).</p> <p>Note: There is no change in clauses (iv) to (viii) of rule 149.</p>
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5. During further scrutiny of record obtained during fact finding some discrepancies have been noticed in the purchases made by the Directorate of Health Services, Jammu in the past which has apparently resulted into loss of lakhs of rupees to State exchequer, the details are discussed as under:

- i. **Purchased 06 (Six) USG Machines:** Purchased 06(Six) USG Machines BPL Model E-Cube 5 @ **Rs.13,18,000/-** per machine for which Rs. 79,08,000 (Seventy Nine Lakhs eight thousand) were paid vide contract number 511687710463117 dated September 07.2020. But when the rate quotation for the same machine with same specifications was obtained from the dealer for the year 2020 through telephone, it was surprised to know that the machines purchased by the Directorate in the year 2020 were 30% higher than the prevailing market rates and the value of one machine with same specification was found to be **Rs. 9,91,200/-**. Loss in this purchase is  $(13,18,000 - 9,91,000) = \text{Rs } 326800 \times 6 = 1960800/-$
- ii. **Radicon-Binocular Polarizing Microscope:** Radicon-Binocular Polarizing Microscope purchased in the year 2020 vide contract No.

511687769910866 dated 23.11.2020 @ Rs. **58,300/-** per machine.  
But the present value of the same equipment is **Rs. 28,500/-** only

Further, it has revealed that Director Health Services Jammu started procurement through GeM from November 2018. As per rules Head of the Department provides the sanction and financial approval for purchase from the GeM as per GFR 2017 and General procurement Rules governing the subject matter. The **role of DDO** is to make the payments after ensuring the fulfillment of all codal provisions such as necessary sanction and approval by the competent authority to be in place, GeM order being placed with respect to standing instructions of Financial Department, CRAC generation (Cost Recovery Adjustment Clause) and verification of the bills/GeM invoices by the officer concerned.

6. Further it has surfaced that the Director Health Services Jammu has made 161 contracts and 05 Bids as per clause (ii) and clause (iii) respectively of Rule 149 of GFR 2017 (amended in 2019) to different firms. Out of 161 contracts they have given contract to some vendors in parts in a single day for the same items which is clear violation of General Financial Rules 2017 No. 149(viii) which speaks that:

**"A demand for goods shall not be divided into small quantities to make piecemeal purchases to avoid procurement through L-1 buying/bidding/reverse auction on GeM or the necessity of obtaining the sanction of higher authorities required with reference to the estimated value of the total demand". Following cases have been observed in the following matters.**

a). **45 orders given to the Single Vendor:** It is observed that by misuse of official position concerned authorities gave undue benefit to selected/blue eyed firms. All 45 orders (Contract) of Stationery items have been given to **M/S AADHYA ENTERPRISES** in parts in a single day for the same item. Their modus operandi was to divide the contract in parts to wrongfully avoid the legal implementation of sub clause iii of Rule 149 and hence wrongfully provide benefit to some selected / blue eyed vendors. It has further observed that the Director Health Services, Jammu have provided the administrative approval and financial approval for the purchase of the various items and thereafter Chief Accounts Officer and Senior Assistant Shri Sandesh Kumar Bhat have purchased the items of same nature from a single seller and placed 11 orders in a single day to M/s Aadhya Enterprises which is clear violation of General Financial Rules 2017 No. Rule 149(viii).

b). **Compatible Vs Original Cartridge** (i) All the purchases were made through selected vendor. It is further observed that in the contract No. GEMC-511687711601932 dated 22-Sep-2021 compatible cartridge with model 88-A toner cartridge HSN code 8443 has been purchased at an amount of Rs. 24,750/- for quantity of 06 number. It means one cartridge was purchased at rate of Rs. 4,125/-

Information it has been found that the same vendor i.e M/s AADHYA Enterprises has purchased the same 88-A laser toner compatible cartridge with HSN code 8443 at a price of Rs. 450/- (including GST) from Balaji Traders Opp. Post Office Apsra Road Gandhi Nagar Jammu. This detail is reflected in the invoice No. 10366 dated 24.02.2021 issued by the Balaji Traders. Hence the compatible Cartridge was supplied @ original cartridge. This shows that the same cartridge has been purchased by the DHS at an exorbitant rates about 900 % of the original cost which is a clear cut loss to the State Exchequer and consequent wrongful gain to the vendor and the buyer. Also, there is no certification of reasonability of rate made by the DDO concerned as per the requirement of Rule 149. Same modus operandi has been found in other 45 contract orders.

(ii) During further course of collection of information it has further revealed that Director Health Services Jammu has purchased vide GeM order No. GEMC-511687729949805 dated 22.11.2020 printer cartridge of HP 88-A @ Rs. 4800 through GeM whereas Market rate of the said Cartridge has been found Rs. 630. In another order No. GEMC-511687711004083 dated 06-Jan-2022 DHS Jammu has purchased Compatible Cartridge of Cacon 925 @ Rs. 4450 through GeM whereas market rate of the said item is Rs. 600. Therefore, apparently a loss of Rs. 90105/- has been caused to the Govt. exchequer in this case.

c). **Furniture purchases:** Further, Orders (Contract) for purchase of Furniture items i.e, chairs, tables, revolving chairs etc which are as per the requisitions submitted by the Medical Superintendent, SDH, Jagti, Nagrota, Jammu and Director Health Services Jammu have been given 11 contract orders to only one vendor namely **DR Sales Corporation** in parts in a single date. All the contracts were given to the seller by making purchases in peacemeal for below Rs. 5 lakhs to follow Rule 149 clause (ii) and to avoid the provisions of Rule 149 clause (iii) which provides for mandatory bidding. By exploiting the said clause (Rule 149 clause ii) the buyer in conspiracy with the seller i.e **DR Sales Corporation** and reportedly by providing him GeM buyer ID, approved the L1 available on the screen which was in-fact a manipulated price much higher than the original market rate of the said items at that time for making a wrongful gain to the buyer and to the vendor by avoiding the competition. In this modus operandi clause (viii) of Rule 149 was deliberately violated to avoid the jurisdiction of clause iii of Rule 149, as per this clause there is provision of mandatory obtaining bids if the cost of purchase exceeds to Rs. 5 lakhs. In the instant case of purchase of the furniture items from the DR Sales Corporation Ltd. the total amount stands to Rs. 8,97,200/-. As per this amount the buyer is bound to go for the GeM purchase as per Rule 149 clause (iii) in which there is mandatory provision of purchase through bids / reverse auction but in the instant case the buyer reportedly split the furniture items to 11 parts and made individual purchases from one company i.e DR Sales Corporation Ltd. and that too as

per the Rule 149 clause ii by taking the criteria of L1 from GeM screen which has been manipulated in conspiracy with the vendor as mentioned above. These purchases are found to be made at exorbitant rates by avoiding the competition and as per the provisions of GFR 2017 and circulars governing the subject the concerned department has not bothered to inform the GeM Authorities and Finance Department, Govt. of J&K.

d). **Other purchases:-** Further, it is found that the same modus operandi was adopted as mentioned above in other purchases by the Director Health Services Jammu in connivance with Chief Accounts Officer and Senior Assistant Shri Sandesh Kumar Bhat and have purchased following items of same nature from a single vendor namely **M/S Copier Corporation Plus** in parts by giving 35 contract order, which is clear violation of General Financial Rules 2017 No. 149(viii).

e). **Computer purchases:-** Further, Orders (Contract) for purchase of Computers, laptops, all in one PC's and other items have been given to **VP sales and Servicing** in parts from single seller on the same date which is clear violation of General Financial Rules 2017 No. 149(viii).

f). **Telephone equipments:-** Orders (Contract) for purchase of Telephone instruments and other allied items have been given to Network Communication in parts in a single date which are also in clear violation of General Financial Rules 2017 No. 149 (viii).

g) **Deep Freezer:-** Deep Freezer and Air Conditioners from Ghulam Nabi Lone & Sons Network Communication in parts by way to divide the contract in parts from single seller which is clear violation of General Financial Rules 2017 No. 149 (viii).

h). **Purchase of Microscope:-** Orders (Contract) of Microscope, Air conditioners etc have been given to vendor namely SODHI MIR JV and SODHI ENTERPRISES who are sister concern firms in parts in a single day. The modus operandi was adopted just to divide the contract in parts and purchased the items in conspiracy from a single seller on same date which is clear violation of General Financial Rules 2017 No. 149(viii)

i). **Fan purchases:-** It has also revealed that the Director Health Services Jammu has placed order vide GeM order No. GEMC-511687764048429 dated 20. Aug. 2021 for the purchase of 05 number of Khaitan Fans 1200 mm service value at rated voltage 04. After making order on GeM the Dy. Director Health Services Jammu issued supply order vide No. DHS-J/77-78 dated 28.07.2021 for the supply of 05 Hindware Fans instead of Khaitan Fans thereby violating the terms and conditions of GeM.

**BDO Mandal Phallian:-** As per record received from Block Development Officer Mandal Phallian vide no. BDO/MP/2022-23/175-66 dated 19.05.2022 it is revealed that BDO Mandal Phallian has made 11 contracts through GeM. BDO Mandal Phallian also made purchases of same nature from selected sellers in a single day which is clear violation of General Financial Rules 2017



No. 149(viii). and purchased lime Powder @ 15.99 per Kg from **M/S Verindera Medical Agency**. In order to cross check the rates, matter was taken up with Jammu Municipal Corporation vide letter No. SP/ACB/Central/2022/1776 dated 19.05.2022. In this connection, JMC Jammu vide letter No. JMC/Estt/1435-36 dated 21.05.2022 has informed that they have purchased Lime Powder @ Rs 6.94 per Kg during that period. Thus there is difference of Rs. 15.99 - 06.94 = **Rs. 09.05** per Kg. Which comes to Rs. 14000x06.94 = Rs. 97,160/-. Thus the loss to the Govt. exchequer is Rs. 223860-97160= **Rs. 136700/-**

**BDO Akhnoor:-**As per record received from Block Development Officer Akhnoor vide no. BDO/AKH/2022-23/207 dated 24.05.2022 it is that BDO Akhnoor has also made few contracts through GeM and has purchase of Lime Powder is concerned it has revealed that BDO Akhnoor have purchased the Lime Powder from M/S Sharma Hardware Store without GeM after constituting a Market Survey Committee. The BDO Akhnoor purchased 4960 Kg Lime Powder @ Rs.12 per Kg. As compared to JMC rates of that period there is a difference of Rs. 12.00-06.94 = **Rs. 05.06** per Kg which comes to Rs. 4960 x 05.04 = **Rs. 25,097.**

**Observations:**

- a) **Nexus between supplier and buyers:-** It has observed during fact findings that the present system with regard to purchases made on GeM is full of flaws and there seems to be a deep nexus between the buyers and vendors. Favouring the selected vendors by the buyers in this process cannot be ruled out. *In most cases, it has been reported that the buyers provides his ID and password in advance to prefixed vendors, so that the vendor may operate and manage all the things smoothly.* This results into avoiding of the competition and purchase of the goods and the services at exorbitant rates and further results into the exchange of huge amount of bribe in the process.
- b) **Rate of items are higher on GeM than market price:-** It has also revealed that the rates of some items on GeM are on higher side than the market rates but the concerned departments instead of intimating GeM authorities or the Finance Department as per Circular instructions issued by the Finance Department Govt. of J&K vide No. A/21(03)-1-part file-II-136 dated 24.01.2020 on the subject deliberately made purchases on higher rates thus causing huge loss to the Govt. Exchequer.
- c) **Order on GeM to keep it below Rs. Five lacs to avoid bidding:-** All the contracts were given to the seller by

follow Rule 149 clause( ii )and to avoid the provisions of Rule 149 clause (iii ) which provides for mandatory bidding. By exploiting the said clause (Rule 149 clause ii) the buyer in conspiracy with the seller, reportedly by providing them GeM buyer ID, approved the L1 available on the screen which was in-fact a manipulated price much higher than the original market rate of the said items at that time for making a wrongful gain to the buyer and to the vendor by avoiding the competition. In this modus operandi to avoid the jurisdiction of clause iii of Rule 149, as per this clause there is provision of mandatory obtaining bids if the cost of purchase exceeds to Rs. 5 lakhs.

- d) **Substandard purchases**:- As pointed out, compatible cartridge are at price one third of the original cartridge for the printers . Here the purchase made for cartridge and compatible cartridge are originally supplied causing huge loss to the state exchequer.

In order to prevent loss to state exchequer, it is requested that an **Alert Note** may be issued to all **Departments/HoDs** concerned in light of the following:

**Recommendations:**

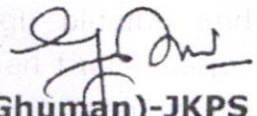
- a) **Single vendor purchased to be avoided**:- Buying from single vendor shall generally be avoided, and the departments shall not split the requirements which are against the principles of financial propriety.
- b) **Market verification** :- For all purchases through GeM the reasonability of the rates should be verified through a market survey committee with a certificate issued by the said committee.
- c) **Demand aggregator in department**:- In view of rule 149 of GFR-2017 and its subsequent amendment while Ministry of Finance office memorandum(OM) dated 02-04-2019 department of expenditure all the intending departments in J&K individual purchase are made from GeM portal. Majority of departments shall have to go for Direct Purchase Mode (DPM) are direct purchase with L-1 mode of GeM as per clause (ii) of rule 149 since hardly any department would be able to cross the ceiling of Rs. 5,00000/- for mandatory bidding, using online bidding or reverse auction tool provided on GeM. It is suggested that Departments may aggregate demand **for stationary items** which would act as a one stop solution for purchase of all stationery and other allied items from GeM Portal through a bidding process.

Mode (RAM) after aggregating demands of all the indenting subordinate units of a particular department. This will avoid spilt of orders to get it below 5 lakh to avoid bidding as per GFR.

- d) **Market survey of rate on Gem:-** Generally the items are available at GeM at the rates lesser than the market rates. However, if the rates at GeM are higher, the same shall be brought into the notice of the GeM authorities and Finance department.
- e) **Reasonability of rates:-** The procuring authorities shall certify the reasonability of rates.
- f) **Finance Department may make bidding/Reverse auction mandatory for purchase to be made mandatory:-** Further, all purchases should be made irrespective of the Rs 5 lakh ceiling through bidding and Reverse Auction Mode only. It is recommended that Finance Department may make mandatory for all DDOs to procure for the amount of Rs 25000/- and above with bidding and reverse auction only.
- g) **Loss to state exchequer:-**The loss to the state exchequer in the instant case mentioned above may be recovered by the department from the vendors.

The note may be widely circulated upto Head of departments level so that they may be alerted for the practices in Departments and stem loss being caused to exchequer.

Yours faithfully,

  
(G.S. Ghuman)-JKPS  
AIG (Policy)

For Director Anti Corruption Bureau  
J&K Srinagar

**Copy to the:-**

1. Principal Secretary to Government, Health & Medical Education Department, J&K for kind information.
2. Commissioner/Secretary to Government, Department of Rural Development Panchayat Raj, J&K for kind information.