

Procurement & Contract Fraud, Prevention and Deterrence strategies

A Presentation to Baylor College of Medicine (BCM)

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*We won't stop fraud in
offices if there are no
enforcement controls
in preventing
procurement &
Contract fraud"*



Content

01

Fraud triangle

02

Contracts in Procurement

03

Procurement fraud

04

Risk Analytics

05

Investigations

06

**Prevention and
Deterrence**



Fraud in general



Fraud consists of an;



Intentional



Illegal/unlawful Act



The concealment of that act
(misrepresentation of material facts)



Deriving a benefit from that act (Loss to
victim and gain to the perpetrator).

Fraud Triangle



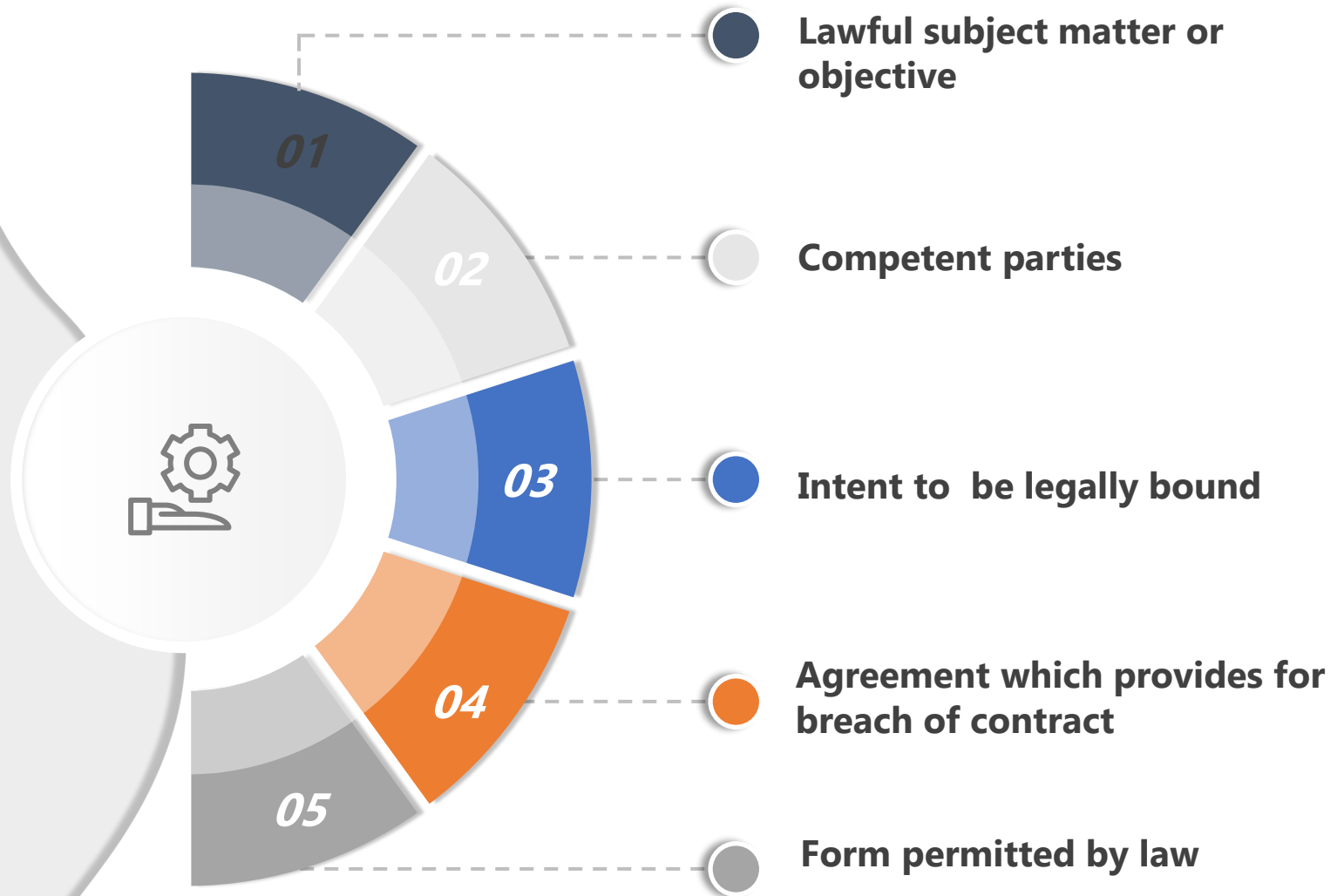
Contract

Definition:

A Contract is a mutual oral or written agreement under which two or more parties have undertaken an obligation to render performance



Contract Ingredients



Procurement in general



Procurement in the workplace



Procurement is the process of 'acquiring goods, works and services, covering both the acquisition from third parties and from in-house providers.'



The process spans the whole life cycle from identification of needs, through to the end of a services contract or the end of the useful life of an asset. It involves options appraisal and the critical "make or buy" decision.'



Procurement Fraud

Procurement fraud would be 'fraud within the procurement lifecycle of a product or service, not forgetting long-term maintenance contracts

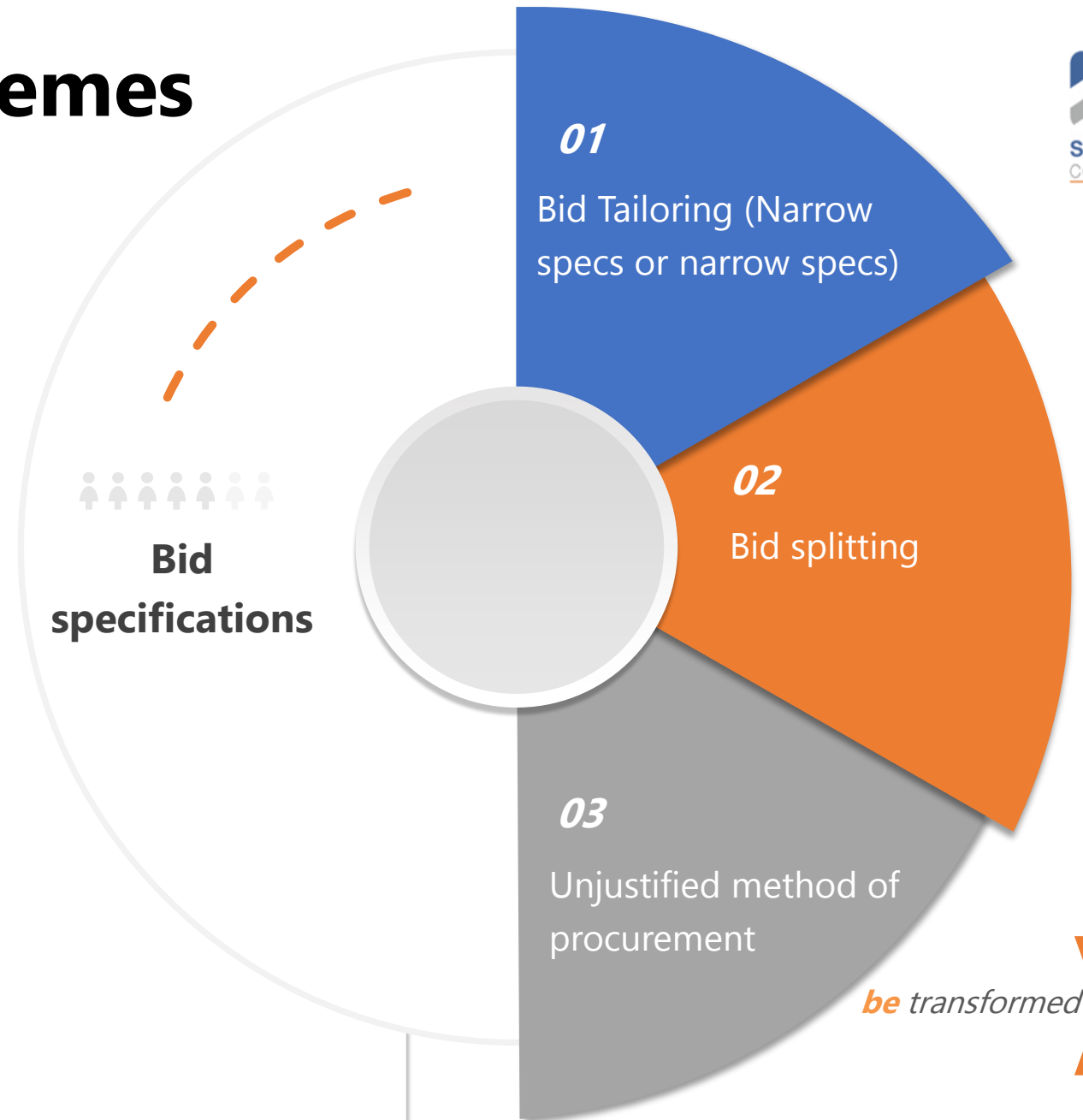


Procurement cycle



Procurement fraud schemes

@ Presolicitation phase

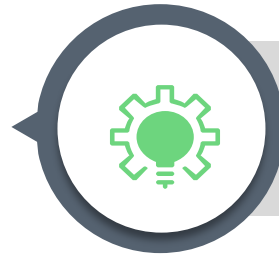


Procurement fraud schemes

@ **Solicitation phase** - Bid specifications, preparation and submission



Bid manipulation.



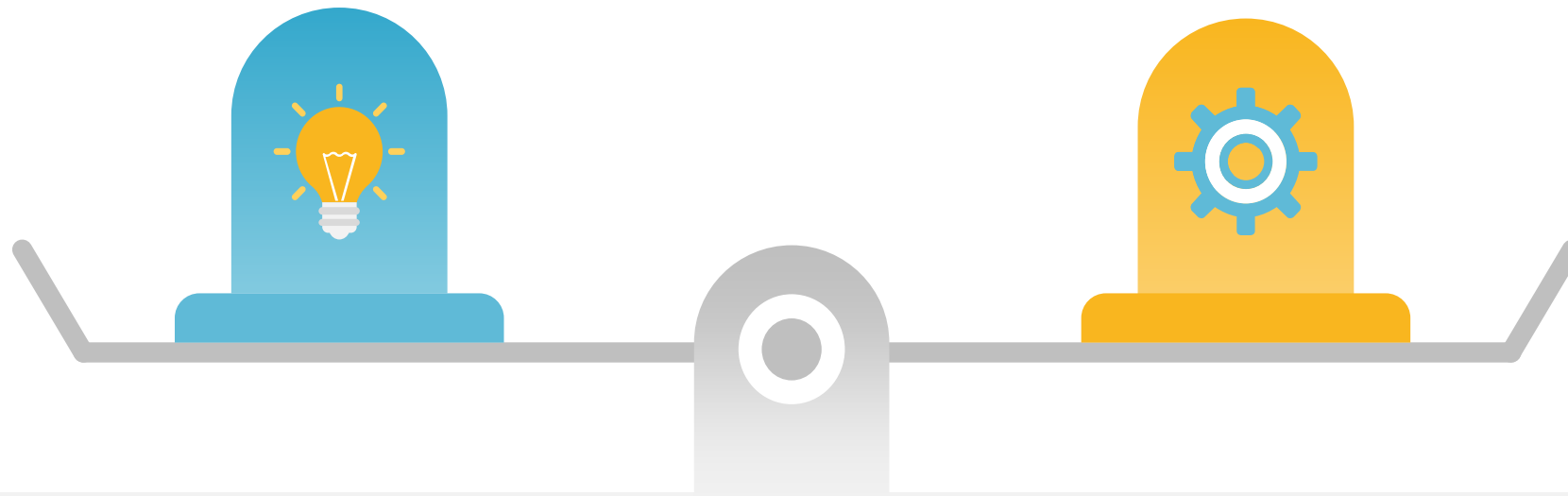
Collusion among contractors (Bid suppression or complementary)



Defective pricing

Procurement fraud schemes

@ Bid Evaluation and Award phase



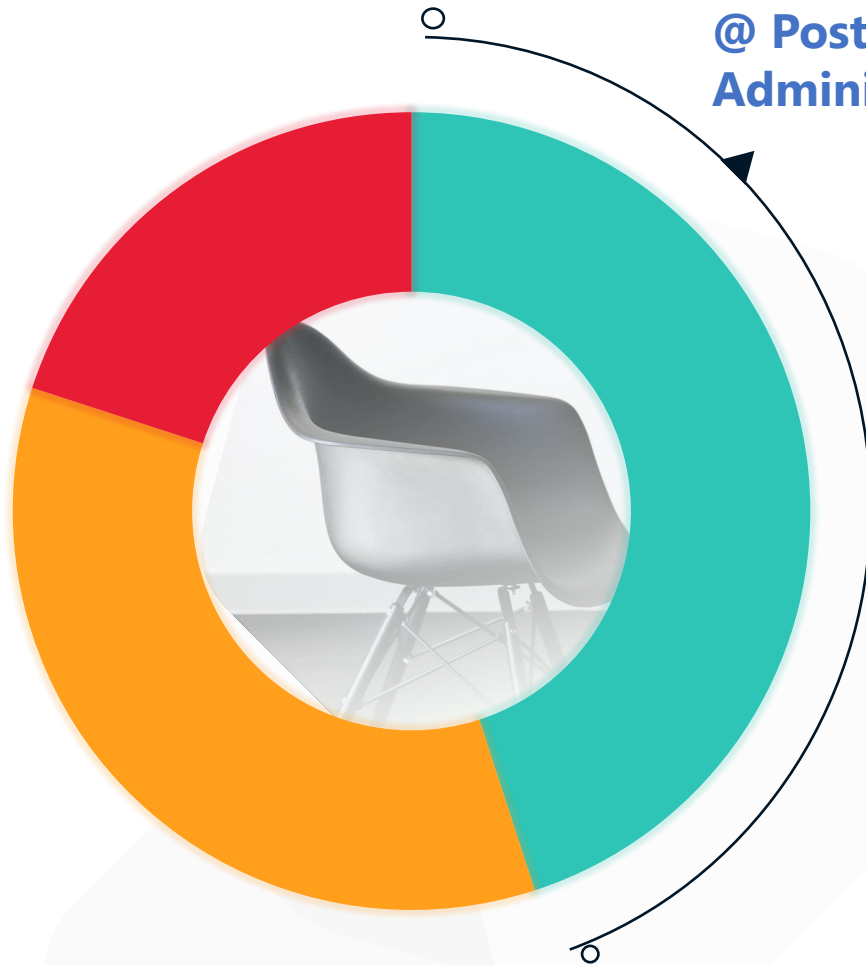
Bid manipulation

Leaking bid data

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Procurement fraud schemes



Non conforming goods and services



Change order abuse



Cost mischarging (Accounting, material or cost mischarges)

Procurement fraud schemes

01

Unjustified single source awards



02

Utterance or fabricating of false/forged invoices for products and services for suppliers who do not exist.



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Fraud risk analytics cont...

When populating a spreadsheet the following information should be recorded:



Name of supplier



Company registration number



Bank account number / address / telephone numbers



Company address



Fraud risk analytics cont...





Key areas for Investigations



Conflicts of interest



Bid rigging/bid splitting



Examine the tender process



Contract review

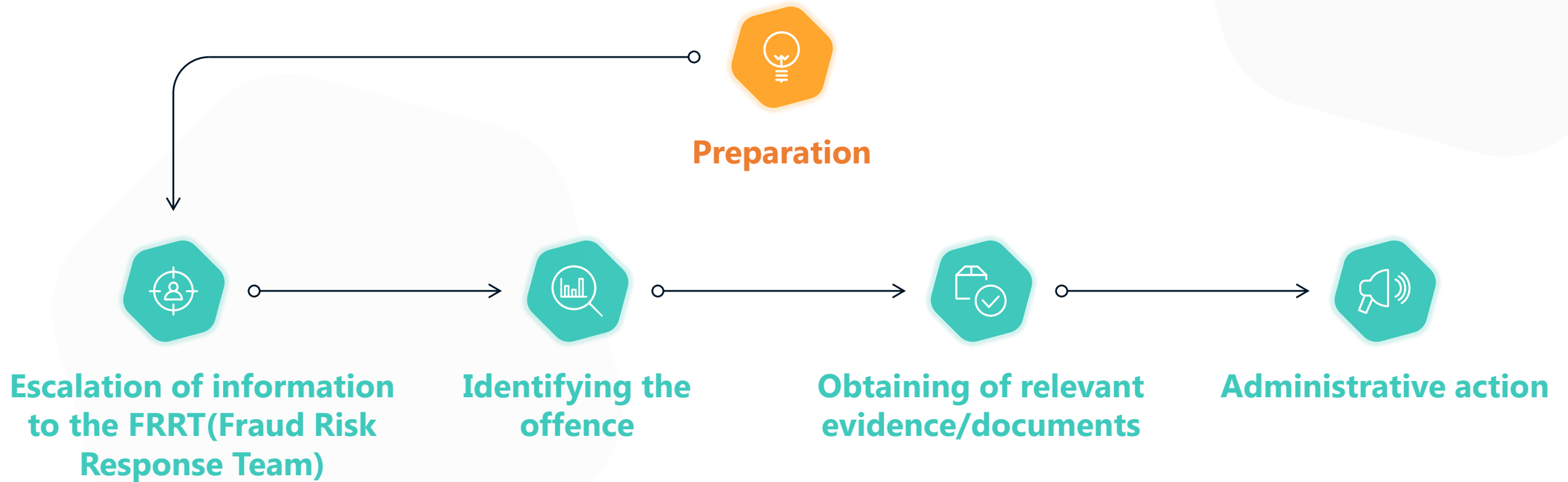


Single sourcing



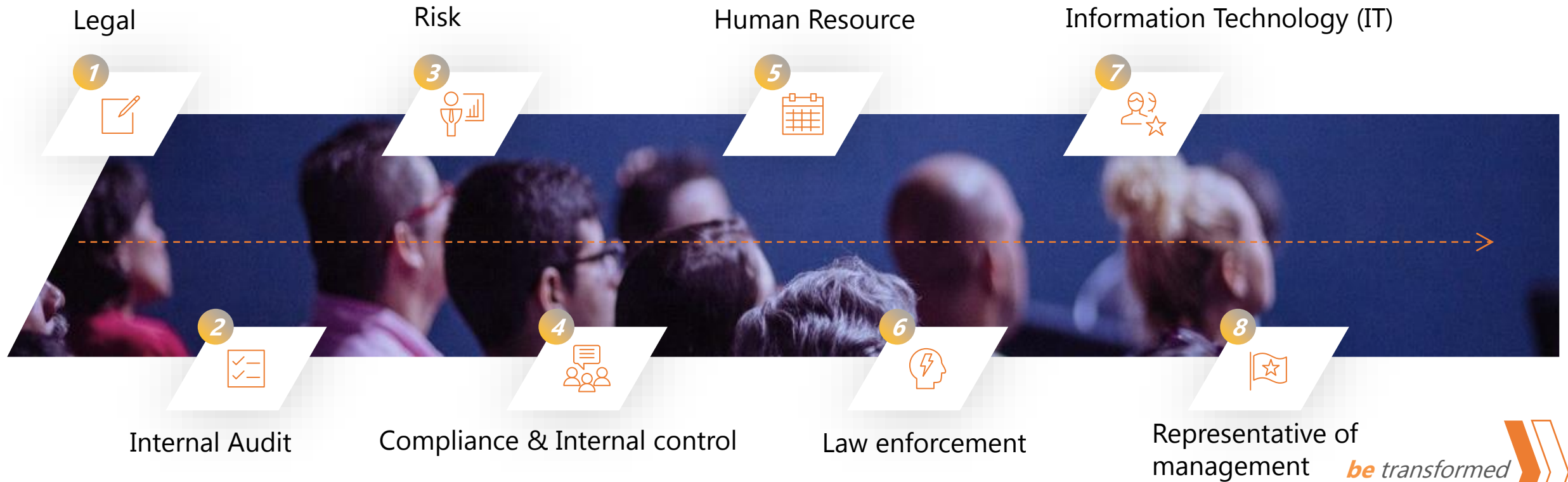
False invoices for products and services

Investigation work plan



Investigations Team

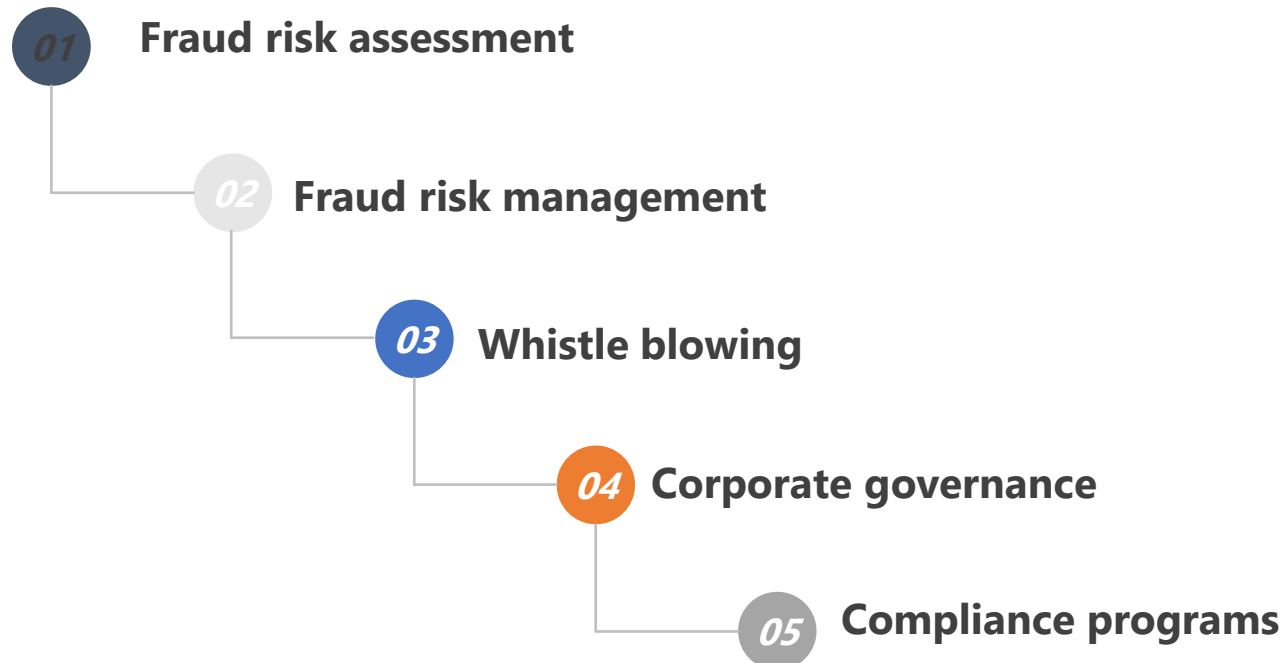
The team may comprise of;



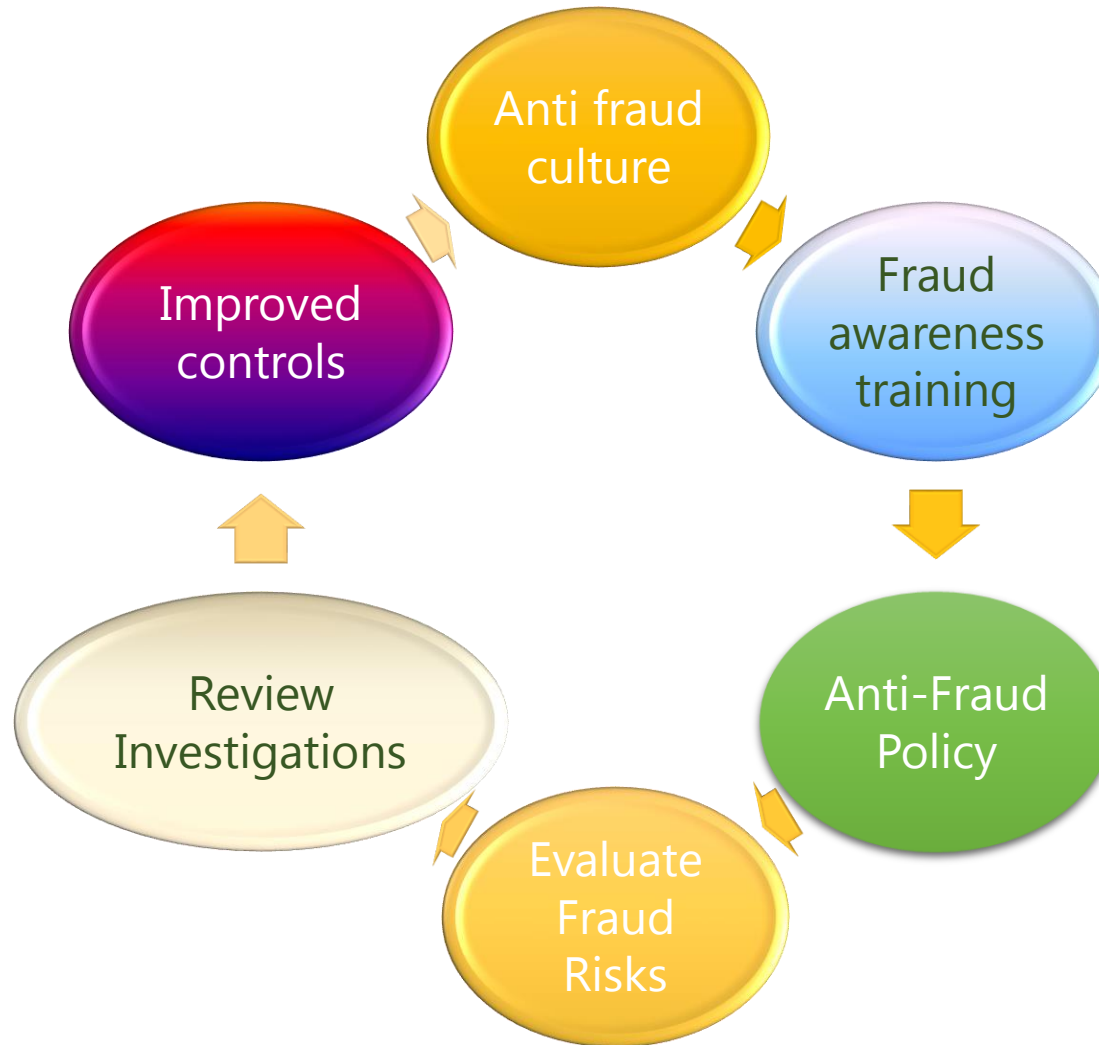


Fraud Prevention strategy

Procurement fraud can be addressed through the use of proactive policies such as;



Prevention & Deterrence



Q & A

Training Presentations

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