
**CONTRACT
AND
PROCUREMENT**

FRAUD



INTRODUCTION

- How do you like the bling?
- It's shiny!
- Not everyone gets a set. You will be in a very select group.
- You often get a limo drive to take you to your new residence.
- Your family will keep your location a secret.
- You can make some new friends for years to come.
- It come with a built in resume which will follow you forever.

**EVEN THE RIGIDITY OF THE LAW IS
POROUS TO THOSE WHO SEEK TO
DEFY HER REACH.**



WHY DO PEOPLE COMMIT FRAUD?



- It is referred to as the

FRAUD Triad:

1) **Financial**

2) **Opportunity**

&

3) **Rationalization**

OPPORTUNITY



- a) a lack of controls to either minimize or prevent fraudulent behavior,
- b) a poor quality control judgment of performance,
- c) a failure to discipline perpetrators,
- d) a lack of access to information,
- e) ignorance, indifference, or incapacity, and
- f) no clearly defined audit trails for transactions.

RATIONALIZATION

- **The utility owes this to me.**
- **It's not really stealing—I'm going to pay it back.**
- **Nobody is going to get hurt.**
- **As hard as I work I actually deserve more than I'm paid.**
- **I know if everyone really understood they would agree it is for a good purpose.**
- **We will fix the books as soon as we get over this financial difficulty.**
- **If I'm unable to meet my obligations my friends will know I'm incapable of paying my bills.**

SO ONCE YOU'RE CAUGHT...WHAT DOES IT COST YOU AND YOUR FAMILY?

- You will lose your job. (who wants to keep a thief on the payroll???)
- You will incur some high court costs—but, do not let that worry you as since you have no job your family will have to pay.
- You will be ordered by the courts to make restitution to the company you defrauded.
- The IRS (Internal Revenue Service) will want penalty and interest on undeclared income.
- You will go away from 3 to 7 seven years.
- You will make some really close new friends!!!!!!

SO WHY DO PEOPLE DO SUCH ILLEGAL AND UNETHICAL ACTS?

I) Financial Pressures

- a) Sins and Vices
- b) Work Related Pressures
- c) Other Pressures

SINS AND VICES

- **Greed**
 - **Over extending ones means**
 - **High personal debt**
 - **Poor credit**
- **A financial or investment downturn**
 - **Unplanned financial needs**

TYPES OF FRAUD



EXPENSE REIMBURSEMENT FRAUD

Expense Fraud

False Debits

Forced Balances

Omitted Credits

Misnamed Receipts

INVENTORY FRAUD

Theft of the Inventory Item

Bad or Incorrect Inventory Counts

Generating False Receivers

Scraping Good Materials

Errors in Judgment and Materials

False Shipment and Records

INTERNET FRAUD

Phishing

Pharming

The Evil Twins

CONTRACT & PROCUREMENT FRAUD

Bid Rigging

Kickbacks and Payoffs

Product Substitutions

Defective Pricing

Misrepresentations

Labor Mischarging of Costs

Shell Companies

Pay and Return Schemes

CONCLUSION

The final reason for not committing fraud.....



*Nobody
Looks
Good
in
Orange*