



## Fraud Prevention in Contracts and Purchasing

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Procurement

Supply Chain

Distribution

Time to Market

# Fraud Prevention in Contracts and Purchasing

## Introduction:

The old saying "An ounce of prevention is worth a pound of cure" is particularly applicable to procurement activities where fraud and corruption can cause price differentials on the order of 20 to 30 percent or as much as 2 to 5 percent of total revenues. Industry and governments alike have recognized that fraud raises not only the costs and risks of doing business but also jeopardizes the reputation of the organization and even the safety of employees and the general public.

As we enter the 21st Century, more people throughout the world are rejecting the notion that corruption is inevitable. As a result many organizational leaders have launched efforts to prevent corruption both internally and on the part of their contractors and suppliers. This seminar is intended to focus on the extremely important issues of the prevention of fraud and corruption in contracting and purchasing activities. Discussions will address issues related to both sides of the business transaction and explore many of the considerations and methods related to prevention and detection.

## Organizational Impact:

**The organization will benefit by:**

- Reduced cost of Purchased material & services
- Improved Supplier Performance
- Employees with greater knowledge on fraud prevention
- An improved reputation for ethical conduct

## **Personal Impact:**

**Attendees will gain by participation in this program as a result of:**

- Increased skill sets in fraud prevention
- A greater sense of Professionalism
- Knowledge of World-Class purchasing practices to reduce fraud
- Increased knowledge of standards of ethical and Professional Conduct
- Increased recognition by the organization due to improved performance

## **Who Should Attend?**

Managers involved in projects, contracts, purchasing, operations, maintenance, engineering, quality, finance, and other company activities that expose them or their staff's to contractors and suppliers where there is a potential for fraud to occur.

## **Seminar Objectives:**

**Upon completion of this seminar, participants will know:**

- Common Business Ethics
- Types of Internal Fraud Related to Contracts and Purchasing
- Types of External Fraud to Contracts and Purchasing
- Steps in Corruption Prevention
- Anti-Corruption Policy Statements & Contract Clauses
- Stages in the Procurement Process where Fraud can occur
- Elements of a Good Procurement System to combat Fraud
- Expectations for Continuous Improvement as anti-corruption tool
- Standards of Ethical and Professional Conduct
- Fair and reasonable price determination to prevent corruption

- Basic Methods of Fraud Detection
- Resources to increase their Knowledge and skill sets

## **Seminar Outline:**

### **Day 1**

- Business Ethics
- Defining Fraud
- Impact of Fraud and Corruption
- Corruption Perception Index
- Influences that cause Corruption
- Rewards and risks for participating in Corrupt Activities
- Duties of Employees acting as agents
- Types of Employee Fraud Related to the Procurement Process

### **Day 2**

- Types of Contractor and Supplier Fraud
- Stages of the Contracting & Purchasing Process where Fraud is most likely to Occur
- Types of Collusion
- Overcharging by suppliers
- Elements of a Good Procurement System
- Authority levels
- Determining fair and Reasonable Pricing
- Supplier and Contractor Qualification Process
- Main elements in a competitive bidding process
- Statement of Work
- Reverse Auctions

- Quality Programs
- Performance-Based Service Contracts

### **Day 3**

- Major Steps for Effective Prevention
- Corporate Compliance Procedures and Policies
- Compliance Officer
- Due diligence In Hiring & Promoting Personnel
- Education & Training
- Disciplinary Action
- Management Responsibilities in Corruption Prevention
- Contract and Purchasing Professionalism
- Standards of Ethical and Professional Conduct
- Gratuities & Gifts
- Corrupt Practices Act
- World Trade Organization's procurement rules --a universal standard for good practices
- Blow the Whistle Procedures

### **Day 4**

- Contract Clauses That Assist In Prevention
- Conflicts Of Interest
- Certificate Of Independent Price Determination
- Covenant Against Contingent Fees
- Anti-Kickback Procedures.
- Cancellation, Rescission, and Recovery of Funds For Illegal Or Improper Activity.

- Price or Fee Adjustment for Illegal Or Improper Activity.
- Certification and Disclosure Regarding Payments to Influence.
- The Integrity Pact
- Reputation Management as a Tool To Fit Corruption

## **Day 5**

- Methods of Fraud Concealment
- Potential Warning Indicators of Fraud by Personnel
- Basic Methods of Fraud Detection
- Internal Audit Teams
- Expectations for Continuous Improvement
- Continuous Improvement Programs
- Savings Reporting Process
- The use of Strategic Purchasing Plans to reduce Fraud