

For nearly every company, making purchases and contracting for services are necessary parts of conducting business. Consequently, contract and procurement fraud represents a risk — and potentially a significant one — in most entities. Do you know how the contract and procurement processes can be manipulated by fraudsters? How prepared are you to protect against these risks? Take this Fraud IQ quiz and find out.

Question 1 of 5

Joshua, a government auditor, is auditing his agency's contracts, and he notices some unexpected patterns in the procurement process. The lowest bidders on a series of contracts keep withdrawing their bids at the last minute. Often, these same bidders become subcontractors for the winning contractor. Additionally, the winning bid is consistently higher than cost expectations. Based on these findings, which of the following is most likely occurring?



a. A government employee is leaking confidential information to the bidding contractors.



b. One of the bidding contractors is extorting a government employee to tailor the bid specifications so that it wins each contract.



c. The contractors are colluding with each other to manipulate the procurement process.



d. The winning contractor is abusing the change-order process to overbill the government agency.

Question 2 of 5

Which of the following best indicates that a vendor invoicing scheme might be occurring?



a. The same type of item is regularly purchased from more than one vendor.



b. The item descriptions on an invoice do not match the items on the related purchase order.



c. A certain employee approves substantially more change orders than other similar employees do.



d. Multiple payments are made to the same vendor on various dates.

Question 3 of 5

The hotline for Red Sunbeam Inc. receives a call claiming that an employee in the procurement department received kickbacks from a contractor in exchange for sharing confidential information about the bidding process. Which of the following would best support these allegations?



a. The first party to bid won the contract.



b. The winning bid did not align with the contract specifications.



c. The bidding process was closed without selecting a contractor.



d. The winning bid was just below the next lowest bid.

Question 4 of 5

Amanda, a purchasing agent for CCM Inc., has the authority to independently approve purchases of up to \$5,000. She knows the company is about to undertake a project with a projected value of \$18,000, and she wants to direct the business to a specific vendor. Therefore, she divides the contract into four separate contracts worth \$4,500 each and awards them to her preferred vendor. What type of scheme did Amanda undertake?



a. A shell company scheme.



b. Bid splitting.



c. Duplicate invoicing.



d. Cost mischarging.

Question 5 of 5

Which of the following controls would be most helpful in mitigating the risk of contract and procurement fraud involving shell companies?



a. Refrain from doing business with vendors without a physical presence.



b. Assign the duties of authorizing purchases and confirming purchases to the same employee.



c. Only allow the employee approving payments to add or delete a party from the approved vendor list.



d. Do not use purchase orders.