PICS

PROCUREMENT INTEGRITY CONSULTING SERVICES, LLC

"Specializing in assessment and mitigation strategies for procurement integrity to reduce the risk of financial and reputation losses"

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THE PROCUREMENT FRAUD EQUATION

By,
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Experience in Oversight, Building Effective Contracting Integrity and Compliance Programs, Risk Assessments, and Anti-Fraud Strategies.
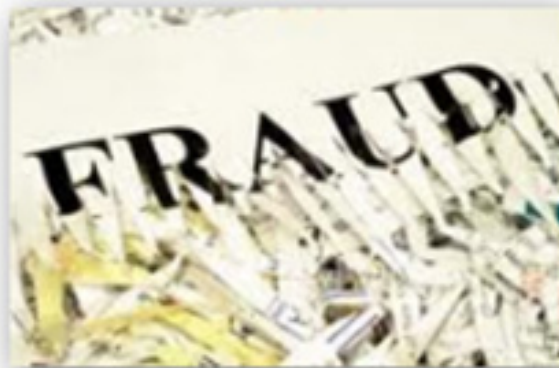
THE PROCUREMENT FRAUD EQUATION

$$(P_5m \times S_{44}) + (Pgs \times PM) = PF$$

PROCUREMENT FRAUD

- An intentional perversion of truth somewhere in the acquisition process for the purpose of inducing another to part with something of value, or to surrender legal right.

- The misrepresentation is fashioned by a fraudster(s) who has a deep operational knowledge of the procurement process and therefore many times is connected to the contract.

THE EQUATION

$$(P_5m \times S_{44}) + (Pgs \times PM) = PF$$

5 Personality Risk Profiles

PERSONALITIES

1. Situational Fraudster
2. Deviant Fraudster
3. Multi-Interest Abuser
4. Well Intentioned Non-Compliance Employee
5. Disengaged Non-Compliance Employee

PERSONALITIES

1. <u>Situational Fraudster</u>
2. <u>Deviant Fraudster</u>
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PERSONALITIES

1. Situational Fraudster
2. Deviant Fraudster
3. <u>Multi-Interest Abuser</u> (define)
4. Well Intentioned Non-Compliance Employee
5. Disengaged Non-Compliance Employee

PROCUREMENT ABUSE

Procurement Abuse includes actions like:

- Misuse of authority or position;
- Misuse of access to sensitive procurement information.

*All with the intent to advance one's own interest or those of a family member, friend, or particular contractor.

PERSONALITIES

1. Situational Fraudster
2. Deviant Fraudster
3. <u>Multi-Interest Abuser</u> (example)
4. Well Intentioned Non-Compliance Employee
5. Disengaged Non-Compliance Employee

NON-COMPLIANCE EMPLOYEE

There are two types of Non-Compliance Employees:
Well-Intentioned and Disengaged

- Never talked about during courses

- Fraudster and Abuser creates a direct financial loss

- Non-Compliance Employees create an indirect and unnecessary exposure

PERSONALITIES

1. Situational Fraudster
2. Deviant Fraudster
3. Multi-Interest Abuser
4. <u>Well Intentioned Non-Compliance Employee</u>
5. <u>Disengaged Non-Compliance Employee</u>

WELL INTENTIONED NON-COMPLIANCE EMPLOYEE

- Believes their deviation will cause no harm

- Believes their actions add efficiency

- Strong knowledge of your procurement Processes/Requirements

- Does not identify the true scope of the requirements

- Knows key words to say or not say

DISENGAGED NON-COMPLIANCE EMPLOYEE

- Will not perform any of the Schemes

- Opens the organization for the Fraudster

- Little or minimal effort into procurement steps

- Will not check a contractor's bond

- Will not check past performance

- Will not confirm delivery of the product prior to approval for payment

- Disgruntled or dissatisfied employee

- Gallup Poll – 24% - "Actively Disengaged"

THE EQUATION

$$(P_{5m} \times S_{44}) + (P_{gs} \times PM) = PF$$

44 Traditional Schemes

Bribes	Counterfeit Parts
Gratuities	Phantom Vendor
Kickbacks	Product Substitution
Extortion	Bid Rotation
Inflated Claims	Market Sharing
Multiple Claims	Conflict of Interest
False Claims	Bid Suppression

INTENDED MANIPULATION

- Selection of the vendor

- Cost of what the buyer will pay

- Quality being provided

THE EQUATION

$$(P_5m \times S_{44}) + (Pgs \times PM) = PF$$

Type of Products
(Goods or Services)

THE EQUATION

$$(P_5m \times S_{44}) + (Pgs \times PM) = PF$$

Procurement Method

THE INDIVIDUAL

$$(P_5m \times S_{44}) + (Pgs \times PM) = PF$$

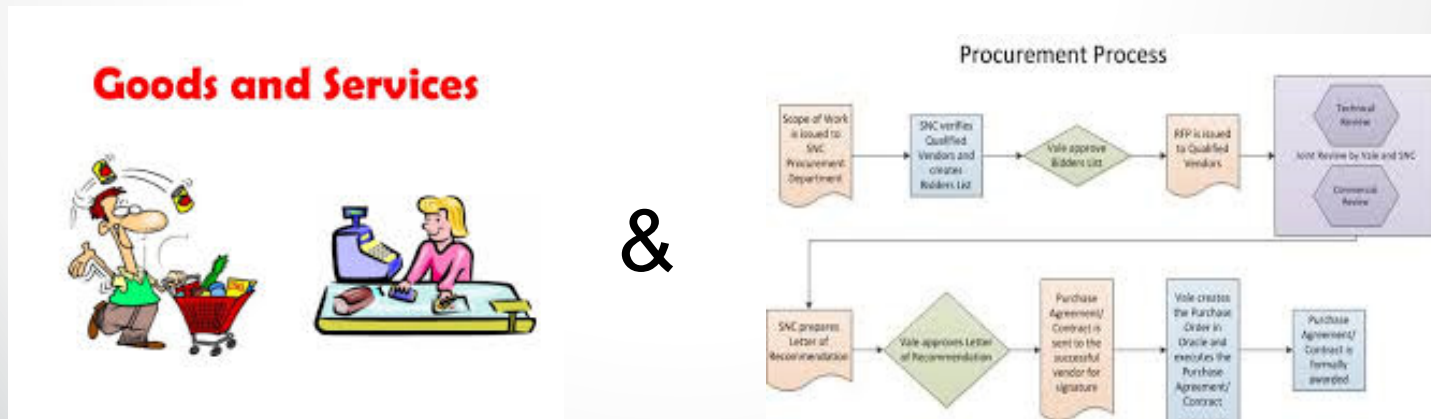## "Person and Motivation"

THE PRODUCT AND PROCESS

$$(P_5m \ X \ S_{44}) + (Pgs \ x \ PM) = PF$$

"The Product and Method"

Goods and Services

&

Procurement Process

THE EQUATION

1. The imagination and motivation of the perpetrator
2. The type of scheme they were deploying
3. The product being procured
4. Their access & type of procurement method being used

THE EQUATION

$$(P_5m \times S_{44}) + (Pgs \times PM) = PF$$

Procurement Fraud

THE EQUATION

$$(P_5m \times S_{44}) + (Pgs \times PM) = PI$$

Procurement Integrity

PROCUREMENT INTEGRITY

An environment committed to fair, honest, impartial, legal, and appropriately transparent procurements.

THE *PROCUREMENT INTEGRITY* EQUATION

$(P_5m \times S_{44}) + (Pgs \times PM) = PI$

PIC

Procurement Integrity Controls

Procurement Integrity Controls are the people, processes, procedures, and/or management systems that are designed to provide reasonable assurance regarding the prevention, detection, prompt reporting, and ability to respond to procurement fraud and abuse.

THE *PROCUREMENT INTEGRITY* EQUATION

$$\frac{(P_5m \times S_{44}) + (Pgs \times PM)}{PIC} = PI$$

Procurement Integrity Controls
(Prevention and Detection)

PREVENTION CONTROLS

Prevention: *"The action of stopping something from happening or arising."* (Webster's)

- Segregation of Duties
- Proper Authorizations
- Adequate Documentation
- Background Checks
- Requirements Defined

DETECTION CONTRACTING CONTROLS

Detection: *"The action or process of identifying the presents of something concealed."* *(Webster's)*

- Reporting Mechanism

- Fraud Awareness Training

- Reconciliation Controls

- Surprise Audits

PUT TOGETHER

$$(P_5m \times S_{44}) + (Pgs \times PM) = PI$$

PICS

Procurement Integrity

Control System

PROPRIETARY MODEL

$$\underline{(P_5m \ X \ S_{44}) + (Pgs \ x \ PM)} = PI$$

PICS

PICS Procurement Integrity Control System®
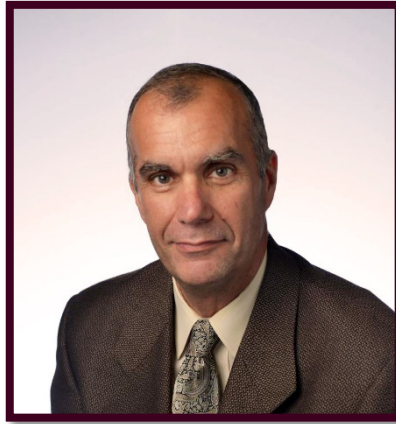
PICS PROCUREMENT INTEGRITY CONTROL SYSTEM®

▶ Commitment to Procurement Integrity

▶ Tailored Vulnerability Assessment

▶ Protections within Policy

▶ Targeted Information Sharing

▶ Identification of Deficiencies

QUESTIONS

CONTACT INFORMATION

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THANK YOU!

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PROCUREMENT INTEGRITY CONSULTING SERVICES, LLC

www.Procurement-Integrity.net

A Woman-Owned Small Business with a Service Veteran as its Chief Operating Officer

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