Purchasing Fraud: Auditing and Detection Techniques

The purchasing process is one of the riskiest areas when it comes to fraud and abuse. The many opportunities associated with the process can leave companies vulnerable to both internal as well as external fraud. In fact, some procurement fraud schemes are the hardest types of fraud to detect (e.g., kickbacks and other off-book schemes).

This interactive course, which is a joint effort between The IIA and Deloitte & Touche, will help you to assess an organization’s risks relating to purchasing fraud, identify controls that can mitigate those risks, design audit tests to detect purchasing fraud, and investigate evidence of fraud occurring. Case studies will be used to show you how to apply the recommended techniques to common purchasing fraud situations.
Course Duration:
2 Days

CPE Hours Available:
16 CPE

Knowledge Level:
Intermediate

Field of Study:
Auditing

Prerequisites:
None

Advance Preparation:
None

Delivery Format:
Seminar, On-site
Course Outline:

**Overview of the Purchasing Cycle**

- Discuss the responsibilities of a typical corporate purchasing group and the purchasing business cycle
- Understand who is involved (internal and external)
- Identify differences in the purchasing cycle depending on the industry and company size

**Purchasing Fraud Schemes**

- Classifications of purchasing fraud
  - Corruption
  - Asset Misappropriation
  - On and off-book
- Purchasing fraud schemes
- Purchasing fraud statistics and industry comparisons

**Risk-based Strategy to Fight Purchasing Fraud**

- Purchasing fraud risk assessment
- Fraud opportunity reduction through purchasing process improvement
- Internal controls to reduce purchasing fraud risk
- Proactive risk-based auditing to detect purchasing fraud
- Investigations of purchasing frauds identified

**Internal Controls Over Purchasing**

- Assess the level of purchasing fraud risk at your organization, including industry and geographic considerations
- Define relevant internal control practices (e.g. explicit policies, segregations of duties, vendor selection, independent centralized procurement group)
- Review policies, processes, and approval limits
- Exceptions to normal protocol (e.g. sole sourcing decisions and bid waivers)
- Vendor monitoring and evaluation criteria
Purchasing Fraud Detection Processes

- Risk-based purchasing fraud detection audits
- Using CAATS to detect purchasing fraud
- Tips and complaints
- Soliciting feedback from management, employees, the public and vendors (current, former and rejected)
- Vendor monitoring
- Monitoring of major contracts

Detecting Particular Purchasing Fraud Schemes

- Scheme-based purchasing fraud symptoms and detection methods
- Special considerations for off-book purchasing fraud schemes
- Special considerations for contract bidding schemes

Internal Audit's Role in Purchasing Fraud Investigations

- Purchasing fraud investigation techniques and resources
- Enterprise-wide business process and control remediation
- Interactive case studies