Assessing Trade Scam in Tracking down Activities in Public Sector Organization

David Ackah[1], Makafui R. Agboyi[2], & Obiri-Yeboah[3]

Golden Sunbeam University of Science & Technology, [1] Accra Polytechnic, Department of Purchasing & Supply Department[2,] Accra Polytechnic, Department of Purchasing & Supply Department[3]

Abstract

The existence of corporate fraud is an undeniable fact of business life, affecting businesses large and small. New technologies such as the internet, and the development of fully automated accounting systems have been increased this opportunities for fraud to be committed. This research is designed to give readers a broad overview of fraud prevention, investigation and detection techniques. This technique when well implemented should provide any organization with an effective means of dealing with procurement fraud. Procurement is a process of acquiring goods, works and services through legal means to an organization or individual as and when the need arise. In other words it can also be defined as determining the organizational requirements, selecting the optimal source, establishing a fair and reasonable price and establishing or maintaining mutually beneficial relationship with the most desirable supplier to provide the conceptual back bone of the purchasing and supply function of which the best quality and price are most important factors Pooler (1996). Existence of corporate fraud is an undeniable fact of business life, affecting businesses large and small. New technologies such as the Internet, and the development of fully automated accounting systems, have increased the opportunities for fraud to be committed. Once suspected or discovered, investigating fraud is a specialist task requiring experience and technical skill. There is no doubt that fraud is best prevented, rather than dealt with after the fact. Unfortunately, there is no foolproof method of preventing fraud, although there are a range of fraud prevention techniques which have been proven to be successful. Other techniques may be used to pro-actively test for fraud profiles, and to further investigate so that fraud incidents are satisfactorily resolved.

Keyword: Analyzing Corporate Fraud, Procurement Activities, Trade Fraud

I. INTRODUCTION

This research is designed to give readers a broad overview of fraud prevention, investigation and detection techniques. Naturally, some techniques will be more relevant than others depending on the industry and company involved. These techniques when well implemented should provide any organization with an effective means of dealing with procurement fraud. According to Trudeou (2009) in his book titled Deemed Fraud, defines fraud as a deliberate misrepresentation which causes another person to suffer damages, usually monetary losses. Most people consider the act of lying to be fraudulent, but in a legal sense lying is only one small element of actual fraud. A salesman may lie about his name, eye color, place of birth and family, but as long as he remains truthful about the product he sells, he will not be found guilty of fraud. There must be a deliberate misrepresentation of the product's condition and actual monetary damages must occur. Procurement is a process of acquiring goods, works and services through legal means to an organization or individual as and when the need arise. In other words it can also be defined as determining the organizational requirements, selecting the optimal source, establishing a fair and reasonable price and establishing or maintaining mutually beneficial relationship with the most desirable supplier to provide the conceptual back bone of the purchasing and supply function of which the best quality and price are most important factors Pooler (1996).

Existence of corporate fraud is an undeniable fact of business life, affecting businesses large and small. New technologies such as the Internet, and the development of fully automated accounting systems, have increased the opportunities for fraud to be committed. Once suspected or discovered, investigating fraud is a specialist task requiring experience and technical skill. There is no doubt that fraud is best prevented, rather than dealt with after the fact. Unfortunately, there is no foolproof method of preventing fraud, although there are a range of fraud prevention techniques which have been proven to be successful. Other techniques may be used to pro-actively test for fraud profiles, and to further investigate so that fraud incidents are satisfactorily resolved.

II. LITERATURE REVIEW

A. Definition of Fraud

In the broadest sense, a fraud is an intentional deception made for personal gain or to damage another individual; the related adjective is fraudulent. The specific legal definition varies. Fraud is a crime, and also a civil law violation. Defrauding people or entities of money or valuables is a common purpose of fraud, but there have also been fraudulent "discoveries", e.g. in science, to gain prestige rather than immediate monetary gain. A hoax also involves deception, but without the intention of gain, or of damaging or depriving the victim; the intention is often humorous, (Ramage and Williams, 2009). Purchasing is a function that is particularly vulnerable to fraud. Purchasing and expense-related fraud is probably the most common fraud encountered, and is likely to affect the majority of small to medium sized businesses at some stage. The opportunities for fraud in purchasing are high, as this is one of the main areas where funds "leave" a business or an organization. **Evans** Donald (2005) in his book, **Fraud** and Deceit in Science, states that 'fraud is not necessarily restricted to those with the title purchasing officer but may involve anyone in direct contact with suppliers', including engineers, works managers, sales and computer staff. Evans also points out that 'what appear to be fraud may, on occasion, be no more than incompetence. In any organisation staff can only be expected to comply with policy if it is clearly set out in a comprehensive document which details procedures to be followed. Where no such policy document exists, it is often difficult to prove that employees or external parties have knowingly acted against the interests of the organisation. Indeed the lack of clear guidelines is often the first excuse which "offenders" will use - "I didn't see anything wrong in accepting a free holiday - nobody said it was against company rules" is an example of an actual defense forwarded by a buyer who received such a bribe from a vendor. Below are some supplies-related frauds;

- Buyer/supplier collusion leading to approval for payment of fictitious charges.
- Presentation of false invoices – typically the offender will set up a fictitious company with Impressive stationery and invoice to the purchaser for goods not supplied.
- Re-presentation of genuine invoices that have not been cancelled at the   time the cheque   was signed for second payment.
- Abstraction of tenders or arranging for the lowest tender to come from a desired source
- Omission of credit notes for goods returned to the supplier.
- Premature scrapping of assets in return for a 'kickback' from a scrap dealer.
- Computer-based frauds which take advantages of inadequate controls or limited understanding of computers on the part of senior management.

B. Common Areas of Fraud

Few competent managers would doubt that fraud is a significant potential problem for their organizations. Newspapers are full of reports, editorials and surveys which suggest fraud is commonplace, easy to commit and unlikely to be detected. Identifying high fraud risk areas in an organisation is the first step in dealing with the problem of fraud. These risk areas can vary from industry to industry and company to company. Some of the more common
risk areas are outlined below:

a. **Accounts Payable**: Purchasing and expense-related fraud is probably the most common fraud encountered, and is likely to affect the majority of small to medium sized businesses at some stage. The opportunities for fraud in purchasing are high, as this is one of the main areas where funds "leave" a business. Fraudulent transactions can be easily concealed in these outwards flows, in the purchase of material and assets, and the payment of expenses.

b. **Sales and Accounts Receivable***:* The most commonly encountered frauds here involve discounting and credit. Excessive discounting in return for "kickbacks" is relatively common similarly millions are lost from organizations through bad credit obtained fraudulently, often through the corruption of a sales or credit employee.

c. **Cash and Cheques***:* Control procedures are usually in place in regard to cash, yet they are often ignored where cheques are concerned. Cheque theft and resulting fraud, though usually on a "small" scale, is surprisingly commonplace. Larger scale frauds can occur where bank reconciliations are weak and separation of duties is not performed.

d. **Physical/Access Security***:* Physical controls over access to potentially sensitive areas such as cash management, inventory storage, and accounts payable are rarely as strong as they should be in many organizations. This can lead to large scale, organised fraud resulting from the theft of treasury payment instructions, passwords, sensitive corporate information and company assets.

e. **Corporate and Personnel Policies***:* Most company policies in respect of fraud control, confidentiality, information security, personnel screening, etc. remain inadequate

C. Fraud Investigation - An Effective Response Plan

It is important to remember that when fraud is first suspected the matter is likely to be more serious than it may initially appear. This is because fraudsters rarely restrict their activities to only one area, and therefore every effort should be made to obtain as much information as possible before anyone is challenged or confronted. This is particularly important in organizations, where the temptation to simply question an employee as soon as a suspicion is raised is strong due to the close working environment. It is also important to be aware that larger scale frauds of the modern era are often international in nature. Therefore any contingency planning must include measures for taking legal and investigative action across jurisdictions. Initial actions are crucial to the eventual outcome and, if a proper strategy is put in place and adhered to, then the extent of fraudulent activity can usually be assessed and action taken to resolve the matter successfully (this usually means assimilating sufficient evidence to dismiss errant staff and to take civil and/or criminal proceedings against those concerned in the fraud if so desired). Conversely, the wrong actions at this early stage can lead to a botched investigation, destruction of evidence, financial loss and possibly, action against the individual or the company. The following should be considered as a guide to the actions which should be considered in cases where suspicion arises:

i. Stage 1

Continue as normal, giving no indication that you are suspicious; initiate a covert investigation using internal investigators or external specialists. Together with the selected investigators, devise a strategy for the investigation .list all reasons for suspicion; keep a detailed log of all actions and events from the moment of first suspicion onwards; and only advise/involve those who absolutely need to know.

ii. Stage 2

The investigation strategy may include: out of hours search of suspect's desk/office/work area; full background searches of suspect companies and individuals using public databases and so on, detailed analysis of transactions, documents and files - "forensic accounting"; analysis of calls made from office telephone and fax lines of suspect to identify non business related calls and document forensics. Leads obtained from the above actions will then be further investigated to develop all available evidence. In most cases, until the above actions are completed, YOU SHOULD NOT: suspend or dismiss any suspect question any suspect or witness make any unsubstantiated accusations or take any other action which is likely to compromise the covert investigation.

D. Fraud Prevention Process

In any organization, procurement staff can only be expected to comply with policy if it is clearly set out in a comprehensive document which details procedures to be followed. Where no such policy document exists, it is often difficult to prove that employees or external parties have knowingly acted against the interests of the organization. Indeed the lack of clear guidelines is often the first excuse which "offenders" will use "I didn't see anything wrong in accepting a free holiday - nobody said it was against company rules" is an example of an actual defense forwarded by a buyer who received such a bribe from a vendor.

A comprehensive policy document should be prepared and made available to all employees, who should be asked to sign a declaration that they have read and understood the policy requirements. The document should spell out general policy in regard to: acceptance of gifts and entertaining conflicts of interest criminal and/or civil redress against personnel breaching the policy guidelines. The policy document should also set out the consequences of fraudulent action and/or withholding information concerning any such action. It is also desirable that regulations relating to specific areas of the organization's work should be set out for the benefit of staff working in these areas. Another significant non-identification factor to consider for any proposed solution is the intricacy of integration. For any solution to be successful, it must be cost effective. Ideally, the solution should be compatible with existing systems and it must be capable of being applied by existing staff. However, if the solution is not readily compatible with existing resources, the cost of application must be balanced against the particular need for positive identification.

E. Invoice and Payment

The normal terms on which organizations trade are that the supplier posts an invoice for the goods dated the same day as they are dispatched, and allows the customer a month or more to pay. Large quantities of invoices may arrive every day. They have to be sorted, checked and approved for payment quickly so that payment can make within the allowed

time. The account department usually does this clerical work. Some firms prefers it to be done in the purchase department since the records required are available there and since it is the purchase department which take sup any queries with sellers.

F. Payment Controls

Fraud in purchasing and procurement has seen an unprecedented increase in the last few years. Whatever the reasons behind this trend it is vital that organizations are adequately protected against this type of fraud which can result in substantial additional costs to the organisation. Purchasing fraud frequently involves the payment of "kickbacks" or bribes, which are paid to decision makers within the purchasing organisation in exchange for the award of supply contracts. Fraudulent purchasing schemes can be sophisticated and difficult to detect. Such schemes can operate for years before they are discovered. An important point to remember is that the payment of a kickback represents a cost to a supplier. In most cases, the supplier will seek to recover that cost, usually through undersupply, inferior product, or over invoicing. In nearly every case, the benefit to the supplier (and the cost to the purchaser) far outweighs the value of the kickback.

There are a number of ways in which an organization can protect itself against procurement fraud. Practices recommended are as follows: pre-qualification of prospective vendors ("due diligence"); ensure suppliers and staff is fully aware of company policies in regard to gifts and entertaining, and conflicts of interest;ensure proper levels of demand control to avoid unnecessary over ordering of stocks, consumables and so on; establish clear purchasing authorization levels; all invitations to tender on contracts should carry a declaration that the company is committed to the prevention of fraud, together with a Hotline number through which any prospective supplier or individual can report suspicions of fraud; copies of invitations to tender should be filed for future inspection to ensure that specifications are identical and that no company is given a more difficult specification to cause them not to bid or to submit a higher bid than it otherwise would; all contract documents should carry a right to audit clause which will facilitate an in-depth audit of the supplier's records should evidence of corruption come to light; and strict controls should be applied to supplier master file data including procedures to monitor dormant suppliers and to prevent illicit alterations to master file data. It is also good practice to carry out periodic checks to ensure that invoices are from genuine companies, and not from shelf companies operating from "serviced office" addresses or invoices printed simply to facilitate payment against non-existent supplies of goods or services.

G. Sales and Inventory Controls

Sales and inventory frauds are often closely related. Such frauds will usually involve the following: Excessive discounting for the supply of goods and services; Theft of warehoused stock or diversion of stock in transit; unvoiced sales; unauthorized award of credit notes; and Fraudulently obtained credit. Strengthening controls in sales and inventory to prevent the frauds described above will usually involve a greater degree of enforcement of security standards, Warehouses should always be maintained under strict security and surveillance; no stock should be permitted to leave a warehouse without appropriate checks that the stock ordered matches the stock being removed. Credit notes should be awarded only after sign off by senior management unconnected with the sales process. Discounts should be monitored regularly using auditing programs, and discount levels should be set and maintained by non-sales management. Sales and inventory controls would appear to be common sense, yet many frauds occur in this area because controls are ignored or not enforced. This is particularly the case in organizations with a strong "sales at any cost" culture.

H. Pre-Employment Screening

If an organization is not ready to outsource it procurement activities due it operational level, then a proper pre-employment screening must be done. It is a well-known fact that the majority of fraud is committed by employees. Pre-employment screening is therefore the first defense against fraud and yet it is only in the last few years that many organizations have come to appreciate its importance. This has culminated in the recent release of a draft Australian Standard on Pre-Employment Screening, "DR 99025 – Human resources management – Part 1: Pre-employment checking". This change of thinking is a result of a combination of circumstances, such as publicity concerning organizations that have unwittingly employed criminals in high security or sensitive positions, and in many cases from personal experience involving candidates with false qualifications.

In recent years many cases have been publicized which adequately demonstrate that proper screening is not a luxury option. In these and other cases disaster could have been averted if proper pre-employment screening had been carried

out. It is a fact that the cost of proper screening is far outweighed by the cost of one bad recruit. To reduce the risk of bad recruitment the organization should have clearly defined standards which have to be satisfied. The first source of information is the candidate; therefore a comprehensive application form should be required to be completed by all applicants. Candidates should be told that it is the company's policy to carry out in-depth screening prior to their appointment, and should be asked to sign a release form or similar document which may be required during the screening process.

The application form provides the basis for detailed checks to be carried out i.e. referees, educational qualifications, previous employers, public records and so on. The following should be undertaken as a matter of course: referees and past employers should be spoken to after their identities are independently confirmed. Bear in mind that referees provided by the candidate are hardly likely to provide unfavorable information on the candidate, even if they are aware of such information. All educational certificates should be inspected and independently verified. Contact the institutions for verification of qualifications and professional memberships, rather than relying exclusively on candidate supplied certificates. Carry out relevant background searches through on-line database systems. Taken together, all of the above checks should assist you to build up an accurate picture of the candidate's experience, background and qualifications. Pre-employment screening is a specialialist task requiring investigative skills and access to a wide array of public information databases.

I. Pro-Active Fraud Detection

Most frauds are detected either by accident or by "tip-off". Organized, pro-active fraud detection is rare in most organizations. Smaller organizations do not have an internal audit function, and the role of the external auditor does not include proactive searching for fraud. It is possible to discover evidence of fraud, even where there is no prior suspicion, although it is usually obscured within the millions of items of valid data held on computer files. Manual testing is rarely an effective or efficient solution, and hardly the job of time pressed management or external auditors. An automated fraud detection system is required which can search through millions of transactions and other data to identify those which might be worth a "closer look". This is particularly true of purchasing transactions.

A fraud detection program can be automated, and can provide management or the auditor with a detailed list of questionable transactions, suppliers and so on which can be further investigated. Automated fraud detection will also complement a company's existing schedule of audit visits, making the best use of valuable and often scarce resources. It is a tool which will quickly identify problem areas and can also be used, where applicable, to audit the records of suppliers where a "right to audit" exists.

Automated fraud detection involves running an audit based software program on a company's invoicing and payment history, supplier and employee databases to quickly identify, for example: Collusion between Suppliers and top organizational/procurement officers. Tests include: comparison between supplier and employee address and telephone/fax details analysis and comparison of supplier and employee banking details. Duplicate employee or supplier addresses Positive results from these tests might indicate that employees are also operating as suppliers, or that your suppliers are related to your employees. Such a result might indicate fraud and would probably indicate a conflict of interest.

J. Suppliers Fitting Known Fraud Profiles

Tests include: identification of suppliers with offshore bank accounts, suppliers operating from accommodation addresses, or serviced offices. Many purchasing related frauds involve false invoicing and the creation of fictitious corporate identities. It is common in more sophisticated frauds that this identity will include a "legitimate" postal address and telephone/ fax details. A database of these office details can be compared against supplier details to identify suppliers for further enquiry.

K. Questionable Transactions and Payments

Tests include: invoices for amounts just below authorization levels ("Break Point Clustering"); round value payments; early payments; high value, one off payments; duplicate invoice numbers and payments and other dedicated programs can be run depending on the specific need. Automated fraud detection testing is an efficient means of identifying potential fraud using commercially available audit software, and should be included as part of their organization's overall response to fraud.

L. Computer Based Evidence Recovery

Traditionally the collection of evidence in a fraud investigation has relied upon the presence of a physical paper trail. In today's corporate environment, the paper trail largely originates from, and in many cases has been replaced by, personal computer records. In response to this trend, a field known as Computer Forensics has developed. Put simply, Computer Forensics is the seizure and analysis of electronic data using a methodology which ensures its future admissibility as evidence in a court of law. Computer Forensics is an integral part of modern fraud investigation.

M. The Forensic Image Process

The fundamental principle of Computer Forensics is that original data is never altered. For this reason, purpose written 'forensic image' software is used to take an exact copy of a 'target' computer system. From this image the original system can be recreated at any time. It is essential that trained and experienced specialists are assigned to this task. This ensures both the integrity of the target system (it is difficult to put a monetary value on the accidental loss of commercial information), and the integrity of seized evidence. A Computer Forensic technician must be able to justify their actions in future court proceedings.

Forensic computer images have been accepted by Australian Courts to be 'original' evidence. It is no longer necessary (in most cases) to seize physical computer hardware. Indeed, in situations where target computer systems contain critical data, such as in a doctor's surgery, physical seizure is never a viable option. Once an image has been taken, hardware that may otherwise have been required to be secured for evidence continuity may be put back into use.

Forensic imaging is also well suited to covert investigations. Much information can be drawn from a suspect's personal computer without alerting him/her to an investigation.

N. Data Analysis

In the analysis phase, Computer Forensics is concerned with more than existing files. A Computer Forensic technician will examine the entire structure of a hard disk, looking to collect all possible evidence. During normal PC operation, data additional to that which the user intends to save is 'written' to the surface of the hard disk. On examination such information can be located as:

a. **File Slack:** Part of a space reserved for use by a file that has not been completely filled by that file. This information consists of data pulled from the computer's memory, and used to 'pad' the file to the required length. Slack often consists of garbage text, but on many occasions has been found to contain text relevant to the investigation.

b. **Data Fragments:** Units of disk space that is in use yet are not accounted for by files on the disk. These fragments usually represent material left on the surface of the disk by old files or applications.

c. **System Slack:** Data written to areas of the hard drive reserved for use by the computer's operating system. Some programs use this area as temporary storage. On many occasions valuable evidence from these areas has been collected from computer systems which were previously believed to be 'clean'. In investigations where the suspect is computer literate, these areas are sometimes used to hide information.

It is common that the actions of a suspect in removing or hiding evidence from a computer system can have the opposite effect, and strengthen the evidence. This is often the case with deleted files, or the non-destructive 'format' of the computer hard drive. In more recent PC-based operating systems, such as Windows 95 and Windows NT, there are a variety of 'cache files', 'swap space', 'audit logs', and 'registry entries' which all contain information about the actions of the user. An experienced computer forensic technician can quickly put together a profile of computer use, and identify potential evidence.

O. Definition of Procurement

Procurement is a process of acquiring goods, works and services through legal means to an organization or individual as and when the need arise. In other words it can also be define as determining the organizational requirements, selecting the optimal source, establishing a fair and reasonable price and establishing or maintaining mutually beneficial relationship with the most desirable supplier to provide the conceptual back bone of the purchasing and supply function of which the best quality and price are most important factors.

Procurement to the lay man's understanding is to buy, while the English dictionary also defines it as a process of obtaining supplies of something, especially for a government or an organization. Number of authors have their various

definition as follows; Harold fearon (1996) define Procurement as the constitute body of integrated activities that focuses on the procurement of materials, supply and services needed to reach organizational goal.

Baku (2002) has also defined procurement in his book Introduction to purchasing and supply as the acquisition of goods and services for a definite price or barter. In broader sense procurement include negotiation which precedes and follows the act of procurement whether it is government, commerce or industry.

According to Bailey (2006) Procurement Is a process by which organizations defined their needs for goods and services; identify and compared the supplies and suppliers available to them, negotiate with sources of supply or in some other way arrive at agreed terms of trading, making contracts and place order and finally receive, accept and pay for the goods and services required.

Lyson (1984) in his book purchasing defined procurement as the function responsible for obtaining by purchase, lease, or other legal means, equipment, materials, supplies and services required by an undertaking for use in production. In this definition, the tern production is used in the economic sense of creating utilities. i.e goods and services that satisfy wants. It is not, therefore confirmed to manufacturing output but also applied to servicing, distribution and so on in an organization.

Even though, there are different definition from the individual authors, all the definitions embraces the objectives of procurement because it is require that in an attempt to obtain the 'best buy' one needs to keep a balance between these variables so as to cut down cost. Also since about 40% to 60% of total expenditure in every organization constitutes cost of materials which need to be procured, much care needs to be taken when going by the procurement activities.

P. Objectives of Procurement
The main objective of procurement is to provide the interface between customers (users) and suppliers in order to plan, obtain, store and distribute as necessary, suppliers of materials, goods and services to enable the organization satisfy its external and internal customers. Below are some suggested broad statements of objectives:

i. To supply the organization with a steady flow of materials and services to meet its needs.
ii. To ensure continuity of supply by maintaining effective relationships with existing sources and by developing other sources of supply either as alternatives or to meet emerging or planned needs.
iii. To buy efficiently and wisely obtaining by ethical means the best value for every money spent.
iv. To manage inventory so as to give the best possible service to users at lowest cost.
v. To obtain sound co-operative relationships within other departments, providing information and advice as necessary to ensure the effective operation of the organization as a whole.
vi. To select the best supplier in the market.
vii. To help generate the effective development of new products.
viii. To protect the company's cost structure.
ix. To maintain the correct quality/value balance.
x. To monitor supply market trends.
xi. To negotiate effectively in order to work with suppliers who will seek mutual benefit through economically superior performance.

Q. The Role of Procurement in a Public Sector Organization
The role of procurement in an organization can be define as the function responsible for obtaining by purchase, lease, or other legal means, equipments, materials supplies and services required by an undertaking for use in production. Among the numerous objectives of the purchasing function today is to select or provide the best suppliers in the market, protecting the organization cost structure, maintaining correct quality, quantity of inventories or value balance, monitory supply market trend and negotiating effectively with suppliers who will seek mutual benefit through economically superior performance.

Purchasing transport and associated complexity has meant that most business now specialize in a narrower range of activities and are compelled to buy a greater proportion of their requirements from those who have the specialist's expertise, patents and design rights associated with complex advanced transport. Until comparatively recently, procurement has been perhaps a majority of organizations as a relatively unimportant function, but as a result of its increased functions and performance, attention given to it is growing steadily.

It is expected that procurement will increase in the near future to keep contributing to profitability, efficiency and success of the organization; it needs to be given extra attention and provided with the various resources and logistics to function effectively in the organization. In the light of new development in procurement, it beheld on every competitive organization to ensure that its procurement functions as all what it needs both technically and financially to meet the complex challenges of the future. It is equally important that management ensures that trained and skilled procurement officers are employed to carry out the organizations procurement with distinction and professionalism.

R. The Procurement Circle

The procurement department in the organization is in charge of procurement of all kinds of items to the organization, been it goods, services or works.

Typically, procurement processes goes through at least four (4) stages of which are discuss below;

- Originating
- Selection
- Ordering
- Completing

i. Originating

Requisition, Buy-list, Scheduling requisition and specification. Requisition – By means of purchase requisitions, the internal user within the organization express their requirements regarding to goods services and or works to be procure. The purchasing requisition list provides a general description of the items, the quantities required, and the desired delivery date. Buy-list (blanket or schedule requirements) is used when a larger numbers of items need to be ordered at one time. This normally happens to stock control systems and also to some production planning system.

Specification is defined in two stage process. The first stage is to decide what is required and the second stage is the describe it. Orders and contracts need to state clearly what is required. Materials and services need have to be described so that suppliers will know what to deliver. Standard description such as type, class, style, grade and other commercial description are often used. The purpose of purchasing requisition is to;

- Notify the procurement department your needs
- Specify what is require to meet the need
- To authorize procurement
- To provide evidence as to what was requested e.g. when, by whom, to whom.

The requisition should be signed by a senior officer who can authorize expenditure. A list of authorize signatories is kept by procurement and state what sort of purchasing. The person concern can authorize and any cash limit which applies. Below are some of the information that can be found on the requisition form;

- Title
- A formal instruction to the procurement department
- Requisition number
- Date prepared
- Quantity of goods required
- Location to which goods must be supply
- Requisition by
- Authorize by
- Date on which goods are required
- Unit price

ii. Selecting

Selecting the suppliers can be done through different means which some can be as follows, request for quotation (RFQ), request for information (RFI), tender, pre-qualification questionnaire. The next stage, once the procurement department is aware that a requirement exists, is to select a supplier and perhaps to select a brand or specification of the items. It is at this stage that the procurement department can make a major contribution to success. In most cases the specification will already have been decided and will not need to be reviewed every time a purchase transaction occurs. Reference to procurement records will show where previous orders were placed and whether supplier performance was satisfactory. Existing procurement contracts may cover the requirement; in this case selection stage has already been carried out. The order or call-off goes to the agreed supplier, mentioning the existing contract, even if there is no previous contract, there may be an established supplier. Competent buyers do not change from an established supplier without good reasons.

iii.   Enquiry Procedures

General buyer' guides give a long list rather than a short list of potential suppliers. This   can be cut down by sending to the firms listed a preliminary enquiry giving brief details of the requirement, and asking firms, if they are able and willing to supply the requirement, to give some details about capability, performance record financial status and other matters useful in drawing up short list. These preliminary enquiries are usually called request for information. In connection with construction contracts they are often called pre-qualification questionnaires, since the aim is to prequalify or make a preliminary selection of potential suppliers who appears qualify to undertake the work. Having prepared a short lists of possible suppliers, the next step is to send out formal enquires or request for quotation or tender form. Request for quotation is nearly an invitation to threat simple an indication of price or terms and conditions upon which the suppliers will be prepared to sell if a buyer made in an offer. Therefore, it is not part of any contractual obligation.

iv.   Ordering

After the terms and conditions of the contract have been agreed and reordered, the order can be placed. In some cases the contract in fact is the purchase order. In other cases, for e.g. in fact is the purchase order. In other cases, for e.g. in case of a routine buying situation, buyers will negotiate a call-off agreement, covering the materials needed for a longer period (one year or even longer). Next, purchase orders are placed against this agreement. In those cases contracting and ordering are separate activities.

A purchase order usually is initiated (electronically) through a purchase order requisition or a materials requisition. For production and inventory items this requisition is generated through the materials requirements planning systems through the matching of the materials volume needed for production for a given period and the available inventories. When inventories seem to get lower than their minimum acceptable levels, the MRP-System generates a signal to the purchasing department by means of detailed materials. Or purchase order requisition. Most advanced (integrated) materials planned software packages enable the transfer of this requisition to purchase order electronically. When ordering from a supplier, it is very, important to be specific about the information and instruction to the supplier. Generally, a purchase order will include the following entities: an order number, a concise description of the product, unit price, number of units required, expected delivery time or data, delivery address, and invoice address. All of these data need to be reflected on the delivery documents and invoice sent by the supplier in order to facilitate (electronic) matching.

- *Types of orders*
1. Period contracts and blanket orders- these are not usually instructions to deliver goods, rather they are agreements as to total quantities, descriptions, prices and terms on which goods are to be supplied. Instructions which tell goods to deliver, in what quantities, and when, against a period contract or blanket order, take a variety of forms such as:
   a. Contract release form, which releases goods for delivery
   b. Call-order, which calls off goods for delivery
   c. The normal purchase order form, with specific reference to   the date and number of the main contract against which goods are ordered.
   d. A simplified purchase order form, similar to a purchase requisition except that this is address to the supplier instead of to the purchasing department.
   e. A 'laundry list' type of order is also used with period contracts.
   f. He user fills in weekly requirements on a preprinted order form, which the supplier collects each week, delivering the goods a week later on the next visit.
2. Schedule orders- are those which schedule future requirements for   one or more items. The supplier may authorized to deliver stated requirements for the current period, to manufacture but not deliver.
3. Requirements for the following period and to purchase materials but   not work on them for a further period of time.
4. Standing orders- are arrangement under which a supplier goes on delivering something until told to stop.

v.   Completion

The transaction is completed when goods are accepted and paid for. Goods receiving bay is usually provided for goods inwards. This is usually in the main stores building if there is one. Alternatively, goods may be delivered direct to the department. It is important to lay down clear procedures for receiving goods so that they are available promptly to

those requiring them, and also to that payment is not made for faulty goods. Most suppliers send advice notes by post to the purchasing department. This notifies the procurement department that goods are on the way coming. When goods arrived, they are identified with the aid of the advice note received by post or enclosed with them, the packing mote which is often packed with them, and the copy order provided for goods receiving. Goods are checks to see that what has arrived are exactly what were ordered. If something is received which does not appear to have been ordered, goods receiving should be check with purchasing before accepting it. Any discrepancy or damage in transit is reported to purchasing. When goods have been accepted this is recorded on a goods-received note with copies to interested departments.

III. RESEARCH METHODOLOGY

The sections in this chapter describe the methodology for the research work. The procedure employed includes developing the sampling plan, research area and presentation of data. It also highlights how research methodology was designed and pre-tested, methods of data collection and its challenges.

A. Research Methodology

The response data was obtained from a survey on selected books, journals, procurement managers of various public sector organization and selected institutions, Government Agencies, purchasing students from various Polytechnics and Universities.

B. Study Area

This refers to the geographic location of a questionnaire that is villages, towns, cities. The scope of the research was within the Greater Accra Metropolis which used National Vocational Training Institute (NVTI) as the case study

C. Research Design

The research used the interviews and conversations. The research used two independent variable (corporate fraud and motivation) and one dependent variable (performance of purchasing professional). Corporate fraud was assessed using closed-ended questionnaires, where purchasing professionals or gurus provided answers to them. Whereas open-ended questionnaires were used to assessed the motivational level of the purchasing professionals. The performance of the purchasing professionals were measured using profitability and technical measure of the performance.

D. Target Population

This is the defined population that will be sampled. The researcher's estimated population to be sampled if four hundred (400) these includes procurement officials in the National Vocational Training Institute (NVTI), Procurement gurus in the public sector organization. It is the method to obtain a representative sample, probability sample of the population to be drawn. The researcher's sampling procedure is as follows:

Sampling unit which constituted procurement officials of NVTI, procurement gurus in the public sector organization and the suppliers is four hundred (400) people. Sampling procedure used was random sampling method where all the public sector organization stands the same chance of being selected. The same method is applied to the various outfits.

E. Sample Size and Sampling

The targeted population was the total staff of NVTI head office which was about four hundred (400) out of which fifty (50) was sampled for the study.

F. Research Instruments

To enable the researcher collects enough data for this project work, the researcher used methods such as administration of questionnaires, interviews, observations, internet, libraries and conversations. Literature on this topic was also referred to during the project.

G. Date Collection

These are ways used for gathering the information and they include questionnaire, survey, interviews and observation

i. Questionnaire

The researcher designed questionnaires for various heads of departments in the public sector (organization understudy) including the procurement officers, with the aim of knowing what causes the fraud in their procurement activities and the possible solutions or preventive measures.

This instrument is a set of questions printed on paper and presented to respondents for answer. Because of its flexibility, it is the most commonly used instrument by researchers to collect primary data. The content of questionnaires is generally determined by the objective of the research work. A draft of questionnaire on analyzing corporate fraud in procurement activities in public sector organization was developed by the researcher.

Two specialized section of questionnaire were developed.
 These were:
- Section A: A personal records of respondent which were not compulsory for respondent to fill.
- Section B: The roles of procurement officers in helping analyzing corporate fraud in procurement activities in public sector organization.

ii. Survey research

While observation and focus group researchers are best suited for exploratory research, Surveys are best suited for descriptions research. This approach was undertaken to learn about people's knowledge, belief and references and to measure magnitude. The surveyed speeches of procurement gurus or expect, read articles written by procurement expects and applied them in the literature review of this project work.

Interviews and Conversations

They were as follows;
- Direct personal interview with the procurement officer. The aim was to obtain relevant information as to how their procurement activities are performed and their integration with other departments.
- Direct personal interview with the head of accounts. The aim was to find out how payments with regards to purchases are done.
- Direct personal interview with the commissioner of testing. The aim was to find out how procurement activities affect their services delivered to schools and private candidates that take their exams.

The researcher had opportunity to witness the NVTI's tender opening and evaluation processes and how some contracts are awarded. At that instant talked to some suppliers about how they feel when they win or lose a contract.

H. Sampling plan

This section of methodology explains the population the researcher deals with after deciding the approach and instrument to be used in the research. It involves the sample size, sampling procedure and sample unit.

I. Data Analysis

The data collected were first checked and analysed to avoid any contradiction so as to ensure consistency. The individuals responses to independent variables (corporate fraud and motivation) were averaged across all the purchasing professionals in the public sector and the individual indexes were used as measures for analysis. The edited responses were presented in chapter four.

J. Limitation

Some managers were not cooperative during the interview, in answering the researcher's questions. Books which were the researcher's major source of data were difficult to come by, especially during the closure of the school, when the school library was also closed to students. Some response of the questionnaires sent to external source for information delayed.

IV. CONCLUSION

A. Summary of Research Findings

After a careful analysis of the data collected during the study, the Following was detected or found:

Because a substantial capital investment goes into the acquisition of goods, works and services in an organization, it is important that management establish separate procurement department to scrutinize the process

From this research at NVTI, it was also found that, the relationship and co-operation with the procurement unit and other functional department is very important as indicated by 63% of the respondents.

In table 4.9 of chapter four, findings made shown that NVTI has centralized procurement functions where all items are procure and further distributed to their centres in other parts of the country.

It was also revealed that, corporate fraud exist because of management and Purchasing officers collusion with suppliers as indicated by 24 of the respondents representing 48%.

Another aspect also revealed that low salary level and insufficient monitoring contributed to the corporate fraud in the procurement activities.

The research revealed that, most of the staff in the public sector procurement units does not have the requisite qualifications apart from the managers. In a narrow sense, the findings made in these research work shows that public sector procurement procedure used is similar to the scientific procurement procedure identified in this research.

After realizing all the above findings, the researcher is suggesting that a proper internal control measures should be implemented in all the public sector organization to check all activities especially their procurement activities. Moreover that should not end the matter but its management should proceed to ensure its monitoring and evaluation.

B. Conclusion

In conclusion, the researcher realized that investigation management is vitally important. Therefore measures should be put in place to ensure that, a full record unit is made of the source of all documentary and other exhibits used in a procurement process.

A full note is made of all interviews including the time, place, persons present, etc. interviews are legally tape recorded, where possible, to provide a true and complete record, the investigation is conducted fairly and confidentially and that all investigative techniques are absolutely legal in the various jurisdictions in which the investigation takes place.

Before an investigation is initiated, it is vital that serious consideration is given as other choice of investigator. Fraud investigation is a specialist skill and is fraught with peril if performed in an unprofessional or haphazard fashion.

Fraud investigations should not be conducted by management or others within your organization unless they are sufficiently skilled and trained for the task.

C. Recommendation

The following recommendations were based on findings in 5.0 above;
It is now clear that corporate fraud in an organization cannot be underestimated. It is therefore, recommended that, public sector procurement unit should have its staff to be well trained professionals to undertake the procurement activities so that they can apply the ethics and professionalism of procurement.

Public Sector should develop the practice of multi sourcing in their selection of suppliers (open tender). This will enable them to get the best supplier available for the supply of goods, works and service and also allow transparency.

The practice, whereby purchases are done at the various levels would not only bring cost to the organization but a diminishing value in the organizations services. With this in mind, it is recommended that their procurement unit must do all purchases upon approval from the Entity Tender Committee (ETC) to prevent fraud and further risk in the procurement activities.

It is recommended that, public sector organizations should take advantage of the wide area network (WAN) of ICT facilities to bring together all their stakeholders in their supply chain activities to enhance smooth operations and eschew fraud risk.

Therefore the researcher will wish to recommend that all the previous advice should be considered whiles strengthens it internal control system and also adhered to the rules and regulation that are laid down to be followed within the organizations and that of the public procurement Authority (Act, 663, 2003) should also be followed strictly.

Bibliography

1. W.C Benton, Linda McHenry *"Constructing purchasing and supply chain management"* (2009, 1st Edition), McGraw-Hills U.S.

2. Joseph T. Wells *"Principles of Fraud Examination"* (2010, 3 edition) Wiley

3. Harold Fearon "*Handbook of Purchasing"* (1996, 5th Edition), McGraw Hills professionals UK.

4. J.H Bailey *"Purchasing and Supply Management"* (2005, 5th Edition), Trans-Atlantic publications London.

5. Victor H.Pooler, David J. Pooler *"Purchasing and Supply Management"* (1997), 2nd Edition), John Wileyason Inc. New York.

6. Michael R. Lenders *'Purchasing and Supply Management"* (1996), 1st Edition), McGraw-Hills professionals UK.

7. Sally Ramage and Jen Williams *"Fraud Law procedure and Investigation"*(2009) Oxford University press

8. Kevin Trudeou *"Deemed fraud"* (2009), Perseu books

9. Victor H. Pooler *"Purchasing and Supply Management"* (1996.) McGraw Hills professionals UK.

10. **Evans** Donald **"*Fraud** and Deceit in Science"* (2005)

11. Harold fearon *"The hand book of purchasing"* (1993, 5th edition) Mcgraw-Hill

12. J.H. Baily 2nd *"Purchasing and Supply Management"* (2006, 5th Edition), Perseu books

13. C.K. Lyson "purchasing" (1984 9th Edition) Mande handbooks

14. Horace Freeland Judson *"The Great Betrayal: Fraud in Science"* (2004, 1 edition) Houghton Mifflin Harcourt

15. Stephen Pedneault *"Anatomy of a Fraud Investigation"* (2010, 1 edition) Wiley

16. Joseph T. Wells *"Corporate Fraud Handbook: Prevention and Detection*" (2011, 3 edition) Wiley

17. Keneth Lyson – *"Purchasing"* (1985, 4th Edition), Pitman's publication UK.

18. Mark Nigrini *"Forensic Analytics"* (2011, 1 edition) Wiley

19. Hon. Yaw Osafo Marfo MP. (2003). *Public Procurement Bill*. www.ppbghana.org

20. The Public Procurement Act, 2003(Act, 663). www.ppaghana.org/documents.

21. The Public Procurement Manual of Ghana, (2007). www.ppaghana.org/documents.

22. www.highhway.gh.gov