Checklist 1 – Screening Contracts for Possible Wrongdoing and Fraud

For “Yes” answers, auditors should:

* determine the reasons for the Yes answer,
* assess the significance of any Yes answers, and
* assess the implication of several Yes answers and how they relate.

The auditor should consider undertaking additional work to clarify or resolve these warning signs or red flags.

Auditors can amend the questions or add questions as appropriate to reflect the uniqueness of the entity.

1. Stage 1 of the Contracting Process—Requirements Definition

|  |  |  |  |
| --- | --- | --- | --- |
| **QUESTIONS** | **YES** | **NO** | **COMMENTS** |
| 1. Was advice from technical experts missing in drawing up specifications for technical projects?
 |  |  |  |
| 1. Is there unusual involvement by a senior official?
 |  |  |  |
| 1. Did the contracting unit fail to determine if goods, services or information to be purchased were already owned?
 |  |  |  |
| 1. Was the needs analysis rushed?
 |  |  |  |
| 1. Has excessive stock been acquired?
 |  |  |  |
| 1. Is the information in files or the needs analysis for potential sources of materials only provided to the successful bidder?
 |  |  |  |
| 1. Has the replacement period for goods been shortened?
 |  |  |  |
| 1. Is surplus material that is in good operating condition being replaced?
 |  |  |  |
| 1. Are the requirements specifications too narrow?
 |  |  |  |
| 1. Is the consultant who helped develop the contract specifications also permitted to bid on the contract?
 |  |  |  |
| 1. Is the needs analysis product oriented, rather than performance oriented?
 |  |  |  |
| Other Questions |  |  |  |

2. Stage 2 of the Contracting Process—Acquisition, Bidding, and Selection

| **QUESTIONS** | **YES** | **NO** | **COMMENTS** |
| --- | --- | --- | --- |
| 1. Are the bid specifications unclear?
 |  |  |  |
| 1. Is there unusual involvement by a senior official?
 |  |  |  |
| 1. Is there a questionable relationship between the contractor and the government officials responsible for selecting the contractor?
 |  |  |  |
| 1. Has confidential information been released (to a specific contractor)?
 |  |  |  |
| 1. Are there unusual bidding patterns?
 |  |  |  |
| 1. Are only a few bids submitted?
 |  |  |  |
| 1. Is the evaluation of a contractor inconsistent with the contractor’s previous performance?
 |  |  |  |
| 1. Is the review of bids rushed?
 |  |  |  |
| 1. Does one person, rather than a panel, evaluate the bids?
 |  |  |  |
| 1. Are several small contracts issued sequentially to the same supplier?
 |  |  |  |
| 1. Are exceptions made to the tender deadline?
 |  |  |  |
| 1. Are bids changed after they are submitted?
 |  |  |  |
| 1. Are specifications changed after the contract is awarded but before it is signed?
 |  |  |  |
| 1. Does the request for proposal contain a mistake that invalidates the tender call or request for proposal?
 |  |  |  |
| 1. Is the lowest responsive bidder not selected?
 |  |  |  |
| 1. Is the delay for bidding period unreasonable?
 |  |  |  |
| **Other Questions** |  |  |  |

2.1 Anti-Competition Activities:

| **QUESTIONS** | **YES** | **NO** | **COMMENTS** |
| --- | --- | --- | --- |
| 1. Does an analysis of bidders and contract awards indicate patterns?
 |  |  |  |
| 1. Is competition restricted by when and how the request for proposal/call for tenders is published?
 |  |  |  |
| 1. Do bids refer to industry-wide pricing practices?
 |  |  |  |
| 1. Is there any correspondence with contractors that suggests collusion?
 |  |  |  |
| 1. Are there any unusual withdrawals of tenders?
 |  |  |  |
| 1. Do any bids contain peculiar information?
 |  |  |  |
| 1. Does the successful contractor use any competitors as subcontractors?
 |  |  |  |
| 1. Are bid estimates higher than expected?
 |  |  |  |
| 1. Have related companies submitted individual bids?
 |  |  |  |
| 1. Is there a low number of bidders and only one qualified contractor because dummy bids were submitted?
 |  |  |  |
| **Other Questions** |  |  |  |

**2.2 Sole-Source Contracts**

|  |  |  |  |
| --- | --- | --- | --- |
| **QUESTIONS** | **YES** | **NO** | **COMMENTS** |
| 1. Are contracts changed from competitive to non-competitive (sole source)?
 |  |  |  |
| 1. Is the documentation used to justify sole‑source contracting inadequate?
 |  |  |  |
| 1. Are contracts repeatedly awarded to the same contractor?
 |  |  |  |
| 1. Are standing orders used for large purchases?
 |  |  |  |
| 1. Are local purchase orders (LPOs) higher than the approved dollar limits?
 |  |  |  |
| **Other Questions** |  |  |  |

3. Stage 3 of the Contracting Process—Administration, Performance and Evaluation

**3.1 Fixed-Cost Contracts**

| **QUESTIONS** | **YES** | **NO** | **COMMENTS** |
| --- | --- | --- | --- |
| 1. Are there changes to a contract after it is awarded that result in substantially increased charges?
 |  |  |  |
| 1. Is a change order issued without an adequate explanation or as a result of circumstances that the contractor should have foreseen?
 |  |  |  |
| 1. Is the contract extended unexpectedly?
 |  |  |  |
| 1. Are there significant cost over‑runs?
 |  |  |  |
| 1. Is the system for reviewing contractor invoices inadequate?
 |  |  |  |
| 1. Is the test certification documentation inadequate?
 |  |  |  |
| 1. Is the certification of contractor performance (required under section 34 of the *Financial Administration Act)* missing or incorrect?
 |  |  |  |
| 1. Are inspections or inspection reports missing or inadequate?
 |  |  |  |
| 1. Are there any complaints about the quality of deliverables?
 |  |  |  |
| **Other Questions** |  |  |  |

**3.2 Cost-Plus and Cost-Per Contracts**

| **QUESTIONS** | **YES** | **NO** | **COMMENTS** |
| --- | --- | --- | --- |
| 1. Is the inspection process inadequate?
 |  |  |  |
| 1. Are the rates charged higher than those stipulated in the contracts?
 |  |  |  |
| 1. Are photocopies submitted to support charges?
 |  |  |  |
| 1. Is there evidence of double billing?
 |  |  |  |
| 1. Is the contractor identification on the invoice inadequate?
 |  |  |  |
| 1. Are there questionable invoice details?
 |  |  |  |
| 1. Are invoices lacking certification as being paid?
 |  |  |  |
| 1. Do the contractor’s employees lack required skills?
 |  |  |  |
| 1. Do labour costs appear high?
 |  |  |  |
| 1. Do overtime charges seem unreasonable?
 |  |  |  |
| 1. Is quality assurance weak?
 |  |  |  |
| 1. Are incomplete cheques submitted as proof of payment?
 |  |  |  |
| 1. Does the timing of progress payment charges seem unrelated to plans?
 |  |  |  |
| 1. Are there claims for materials that were not purchased?
 |  |  |  |
| **Other Questions** |  |  |  |