

April 12, 2010

## **Combat Fraud with New Tool That Also Increases Profits**

*by William Gindlesperger, Chief Executive Office, e-LYNXX Corporation*

CHAMBERSBURG, PA -- Fraud hurts more than an organization's bottom line. It will tarnish, even destroy, an organization's reputation. Fighting fraud in the workplace, however, is a daunting task because thanks to ever-improving technology fraud perpetrators are becoming increasingly more sophisticated.

As the most common and most costly of all white-collar crimes, procurement fraud, or contract fraud as it also is known, costs businesses in the United States billions in losses each year. Federal government estimates are that close to \$50 billion a year are lost to procurement fraud and that is just fraud associated with government work. Several times that much occurs when non-government related fraud is included, but the exact amount is not known

Since the U. S. National Procurement Fraud Task Force (NPFTF) was created in 2006 to combat public and private sector fraud, more than 400 criminal convictions have been pursued. The NPFTF's work has resulted in 300 plus convictions and hundreds of millions of dollars in civil settlements and judgments. This, though, is just the tip of the iceberg.

According to recent PricewaterhouseCoopers (PwC) research, corporations and other organizations have greater exposure to procurement fraud than most senior managers and board members realize, especially during economic downturns. Areas that are most vulnerable include bidding processes, information management systems, vendor maintenance, and invoice and payment processing. Here are some red flags that PwC says you should watch for:

### Information management

- Inconsistent data compiled across procurement-related systems
- Significant data quality issues relating to spend data and vendor data

### Procurement process

- Lack of controls around use of preferred vendors, negotiated contracts
- Low compliance with corporate preferred buying guidelines

### Vendor maintenance

- Multiple instances of the same vendor within master data
- Inconsistent vendor payment terms across the organization

### Invoice and payment processing

- Duplicate payments
- Inefficient invoice processing

To effectively combat fraud, organizations must become more sophisticated than the perpetrators. That means tighter controls and 100% transparency. It also means being open to change. PwC recommends using tools that qualify vendors and streamline procurement processes. IT systems also must be strengthened by focusing on the set up and maintenance of vendor master files and other support systems. The system deployed also must provide data about procurement trends, payment patterns, and changes in the mix of products and services procured to find indications of wasteful or collusive behavior.

These levels of control are available with new approaches to procurement. New procurement methodology and technology make it possible to attain 100% transparency, full accountability and reporting, tight control, greater efficiencies, detailed task management and thorough information archiving -- all via a web-based communications and workflow system that eliminates e-mails and other communications that can be manipulated, hidden or destroyed.

This is how it works. From the moment a project is conceived, the idea is entered into the system's database. Suppliers are identified by the buyer and entered into the buyer's database of pre-qualified suppliers, and this is where they are stored until the buyer makes a change. Each supplier is thoroughly vetted to determine capabilities, location, equipment, staffing and special attributes such as being environmentally compliant. Detailed job specifications are then entered. Based on new procurement methodology, the computer matches the job specifications with only those suppliers capable of doing the work. The purpose of the new procurement method is to establish a fair competitive pricing environment so only qualified suppliers are asked to bid. The bids are made, and the supplier is chosen. All of this happens in minutes, and the process can be repeated for subsequent jobs eliminating negotiated rates that could become suspect.

Once the supplier is chosen by the buyer, both buyer and supplier responsibilities are assigned to establish timelines and project accountabilities. Who can access the system and when also is entered to make sure only those with a need to know have access at any given time. Then, every detail about the project -- from changes through production to delivery and invoicing -- is entered and recorded. Everything is archived and nothing can be modified or erased. A permanent record is established for future reference.

This level of reporting and documentation consolidates vendors and streamlines the procurement process, as recommended by PricePricewaterhouseCoopers. The transparency, compliance, consistency and accountability that it creates protect against fraud.

Even better, the new competitive pricing methodology reduces the procured costs of goods and services. In the print industry, for example, this new process is reducing procured print costs by 25% to 50% with no upfront investments for the web-based system. Reductions occur because the suppliers know that the way to win work is to bid low with deeply discounted prices, and this is typically done to fill production downtime. All know that filling downtime is the key to success. Suppliers also know that when used consistently to keep work and revenue flowing, this approach will increase their bottom-line profitability by about 10% of their revenues. The supplier wins, and the buyer wins. There is no incentive for fraud.

**About e-LYNXX Corporation**

e-LYNXX Corporation, the North American procurement authority, is exclusively endorsed by *Printing Industries of America (PIA)* and *Educational and Institutional Cooperative Purchasing (E&I)* and recognized as a top 100 procurement firm by *Supply & Demand Chain Executive*. Founded in 1975, e-LYNXX has three divisions. ● American Print Management provides enterprise print procurement solutions and patented competitive methods to reduce costs for direct mail, marketing materials, packaging and other procured print. Results include enhanced quality and service levels, efficiencies, process control, transparency and procured print cost reduction of 25% to 50%. ● Patented Procurement Method grants patent licenses for supply chain optimization. Results include substantial reduction in existing costs of competitively procured goods and services. ● Government Print Management offers U.S. GPO bid services, access and assistance. Results include filled downtime, operational stability, improved cash flows and increased profitability. [www.e-LYNXX.com](http://www.e-LYNXX.com) – 888-876-5432

**About the Author**

William Gindlesperger is a nationally recognized entrepreneur, inventor, author and consultant in print and procurement. He founded ABC Advisors and its successor, e-LYNXX Corporation, in 1975. Under Mr. Gindlesperger's leadership the firm has grown to become North America's procurement authority. Print buyers and suppliers alike have benefited from his insight and innovation.

Mr. Gindlesperger has directed major in-plant studies in both the private and public sectors and is highly regarded for his knowledge, advice and work on behalf of firms in matters pertaining to the U.S. Government Printing Office (GPO). He has testified before the U.S. Senate Committee on Rules and Administration regarding government print and procurement policy. He also has worked directly with numerous Congressional and Senatorial members and staff and has advised Congress on the development, operations and future of GPO print procurement and the federal print program in general.



He was a founder and chairman of Printing Industries of America's (PIA) PrintPAC (political action committee) and has been recognized for his contributions to PIA and services to the printing industry. He was inducted into PIA's Ben Franklin Honor Society of print industry leaders in 2009 for his lifetime contributions to the print industry. *Supply & Demand Chain Executive* honored Mr. Gindlesperger by including him in its 2010 listing of the most influential leaders in the supply and procurement profession.

Mr. Gindlesperger invented the methodology that optimizes cost reduction in the procurement of specification-defined goods and services. He has been granted two separate business method patents by the U.S. Patent Office, first for the competitive procurement of print and then for the competitive procurement of all customized and specification-defined goods and services.

Under Mr. Gindlesperger's leadership, e-LYNXX has grown into the leading print management and procurement licensing firm in North America. e-LYNXX has been exclusively endorsed by Printing Industries of America (PIA) and has been named one of the top 100 procurement firms in North America by *Supply & Demand Chain Executive* magazine.

His firm handles more than 200 on-going consulting assignments at any given time. Among its contracts is one with Educational & Institutional Cooperative Purchasing to assist colleges, universities and other institutions nationwide with procurement and print-spend management.

A native of Chambersburg, Pa., Mr. Gindlesperger is a graduate of Dickinson College.

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