

THE ‘NO WIND NO WAVES:’ PROCUREMENT FRAUD INVESTIGATION

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CASE SYNOPSIS

On November 10, 2014, Don, board chair and CEO of DuPower Tire Corporation, received an anonymous e-mail accusing Eric, the company’s Procurement Division manager, of taking kickbacks for several years. Don understood that it would be impossible to launch an internal investigation without alerting Eric (“No wind, no waves.”). He therefore followed a suggestion from DuPower’s CPA to hire Robert, an experienced forensic accountant at the W&Y Consulting Firm, as a (quiet) forensic investigator to prepare a risk- and evidence-based report describing the client company’s inherent risks, internal controls, and residual risks in its procurement activities with specific focus on the main issues of the company and specifically on Eric’s position.

CASE OVERVIEW

On November 10, 2014, an anonymous e-mail appeared in the inbox of Don, board chair and CEO of the DuPower Tire Corporation. He was shocked at the content of the message, which stated that Eric, the manager of the company’s procurement division for the preceding 21 years, had been receiving kickbacks. Don had complete confidence in Eric’s supply chain management skills whenever a materials shortage occurred, Eric always found a supplier who had sufficient stock to ensure that DuPower customers got their orders filled on time. Eric had worked for the company for almost 23 years, making him eligible for the DuPower employee stock plan. Since he held 3% of the firm’s total outstanding shares, Don figured that Eric “*wouldn’t do anything to hurt the company or shareholders because he is one of them.*” However, the e-mail gave specific details about the alleged kickbacks, and the whistleblower seemed to also be involved in the kickback activity.

Remembering the Chinese proverb, “*No wind, no waves,*” Don thought about ways to confirm what the e-mail stated. He understood that it would be impossible to launch an internal investigation without Eric’s knowledge. He also knew that he could not make any accusations without hard evidence, and that any proof would have negative consequences for the company’s image and share price.

With no firm solution at hand, Don called Yang, a certified public accountant at the TLC firm that DuPower hired two years before as an external auditor. After listening to Don’s story, Yang said, “*The only solution is to appoint an independent forensic accountant to investigate the possible kickbacks. I know someone named Robert who is one of the best. He’s a certified fraud examiner and senior forensic accountant at the W&Y consulting firm. He has a lot of experience investigating corporate corruption.*” Don accepted Yang’s suggestion and hired Robert as (quiet) forensic investigator to prepare a risk- and evidence-based report describing the client company’s inherent risks, internal controls, and residual risks in its procurement activities with specific focus on the main issues of the company and specifically on Eric’s position (Crumbley et al, 2013).

Considering the size of DuPower Tire and the amount of capital involved in its public offering, Robert assembled a team of 15 forensic auditors to investigate the firm's procurement transaction cycle.

The Corporation

Before starting an on-site investigation, Robert and his team analyzed DuPower and the tire industry in general. They learned that the DuPower Tire Corporation had been founded in Taiwan by Donald Jiang in 1940. For many years its three main products were tires for rickshaws, rubber shoes, and items for industrial use. In the later 1950s and early 1960s, the number and variety of vehicles on the island increased rapidly as the economy spurred and a transportation infrastructure was developed. In response to demand, DuPower started to manufacture and market tires for cars, jeeps, small delivery vans, trucks, buses, heavy construction equipment, and snow tires for export. Very soon the company's main products (99% of all sales) were tires for passenger cars and commercial vehicles. DuPower also made and sold tires for heavy construction equipment a specialty market that only accounted for 0.4% of its total product sales. In October of 1964 the company went public and traded shares on the Taiwan Securities and Exchange Commission, with an initial capitalization of US\$2.25 million. By the end of 2014, the corporation had US\$278 million of capital assets.

Robert and his team learned that the primary raw materials in tire production were natural and synthetic types of rubber. Since rubber trees had never been grown on Taiwan island, DuPower had to purchase natural rubber from producers in Southeast Asian countries. To maintain steady sources and to build good relationships with other Southeast Asian rubber suppliers, in 1984 the company executed a 100% stock exchange to acquire a Malaysian firm called Excel Tire, Ltd. and renamed it DuPower Tire Ltd. In 1993 it acquired the Global Rubber Corporation in Thailand in another 100% shareholding transaction, and in 1995 it established the Pioneer International Corporation in Indonesia. Responding to the increasing demand for vehicle tires in China, in 2004 DuPower used direct investments in two firms, Global Rubber Corporation and Pioneer International Corporation, to create a new company in Suzhou named the Sustainable Rubber Industrial Corporation, aimed specifically at the Mainland Chinese market. DuPower's affiliate structure is shown as Exhibit 1.

"Decentralized management" best describes the core culture of the DuPower Tire Corporation. Its board of directors holds ultimate decision-making power, and its CEO is fully authorized to manage the Corporation on the behalf of all shareholders. The CEO is responsible for three departments: general operations, marketing, and R&D. A general operations chief operating officer (COO) manages four divisions: internal auditing, manufacturing, procurement, and finance. The marketing department is managed by a chief sales officer (CSO) who is responsible for developing both domestic and international marketing channels. The R&D department, administered by a chief R&D officer, consists of three divisions: design and testing, quality control, and its most important function, materials/supplies research to maintain high levels of product quality. The organizational structure of DuPower is shown in Exhibit 2, its sales performance for the past 19 years is illustrated in Exhibit 3, and information regarding firm performance in terms of financial structure, solvency, operating capacity, and profitability for the past 19 years is presented in Exhibit 4.

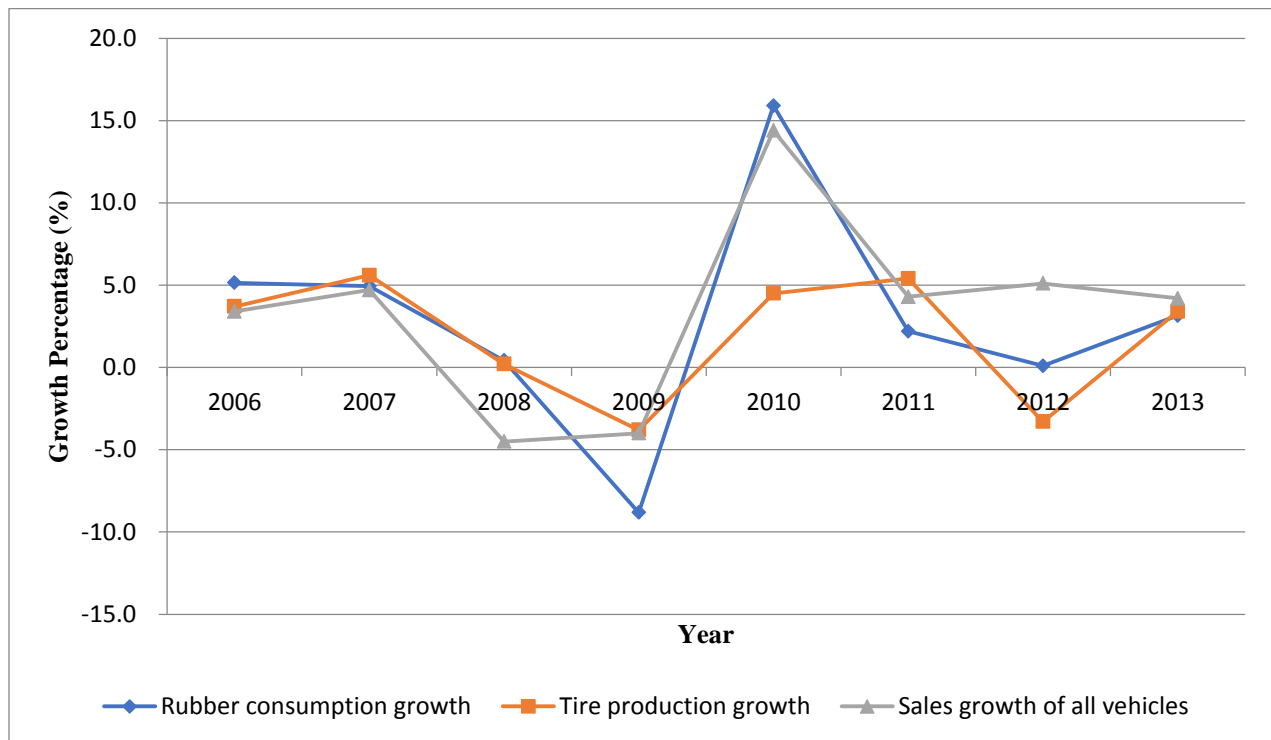
The Tire Industry

Characteristics

Close relations are maintained among the tire, automobile manufacturing, and rubber industries. Rubber producers provide raw materials (both natural and synthetic rubber) for the manufacturing of tires sold to vehicle manufacturers (e.g., cars, bicycles, trucks, buses) and firms who serve the needs of car owners at the retail level. Figure 1 displays chain relations among these industries. As shown, the fortunes of any one of the three are influenced by the other two, as well as general economic factors. Figure 2 illustrates global trends in change patterns in the respective growth of automobile sales, tire production, and rubber consumption.



**FIGURE 1
INDUSTRIAL CHAIN**



**FIGURE 2
GLOBAL TRENDS IN CHANGE PATTERNS IN RUBBER CONSUMPTION, TIRE
PRODUCTION AND AUTOMOBILE SALES**

Tire manufacturers produce both original equipment and replacement tires. According to TRIS Rating study results, replacement tires account for a major proportion of all tires sold worldwide, and replacement tire demand is generally more stable than that for original equipment tires because it is less sensitive to economic cycles that influence new car sales. When demand for new automobiles decreased sharply due to the 2008-2009 financial crisis, demand for natural rubber also declined sharply, and rubber prices dropped in kind.

As stated above, tires are made from a combination of natural and synthetic rubber, and raw materials account for between 50% and 60% of total manufacturing costs. Natural rubber prices are tied to supplies, end product demand, and prices for natural rubber substitutes. Since automobile tire manufacturers are the primary users of natural rubber (consuming 60-70% of all worldwide production), raw materials demand is exceptionally sensitive to vehicle tire demand. Synthetic rubber, a near-substitute for natural rubber, is made from crude oil. When oil prices drop, tire manufacturers decrease their demand for natural rubber and purchase more synthetic rubber.

Trend Analysis: Production and Sales

The four main types of tire products in order of importance are car, motorcycle, bicycle, and other. In Taiwan, car tires have accounted for more than 71% of total sales since 2002 (Exhibit 5). The domestic tire market has become increasingly competitive since Taiwan joined the World Trade Organization that same year. Car tire manufacturers have tried to develop new export markets all over the world, and their products have undergone continuous improvement in terms of grip, stability, safety, and quality. As shown in Exhibit 6, the percentage of domestic sales for all Taiwanese tire firms in 2013 was only 28.7% of all sales; export sales have increased to 71.3% since 2002. The five major export countries are the USA, Japan, the UK, the Netherlands, and Australia.

Also as shown in Exhibit 6, car tire production and sales increased sharply between 2002 and 2004 due to increasing demand in both China and the USA, but fell considerably starting at the end of 2004. An earthquake and associated tsunami affected all of South Asia on December 26, 2004, inflicting significant damage on natural rubber supplies and driving up prices for natural rubber products, including car tires. Tire production and sales continued to decline in 2005, and in 2006 the industry took another hit in the form of increased crude oil prices. A partial recovery in tire production occurred in 2007 due to increased demand for replacement tires in the US and EU countries, plus a sharp increase in car sales in China. However, the 2008-2009 subprime mortgage crises strongly affected the production and sale of cars and car tires worldwide. Increases in both were noted in 2010 as natural rubber and crude oil prices fell; during this period Mainland Chinese continued to buy cars in large numbers. One year later, crude oil prices rose and Japanese car manufacturers drastically reduced production due to the 311 earthquake and tsunami, strongly affecting car tire demand in that market. Production levels in 2012 and 2013 fell below 2011 figures due to three factors: low demand for car tires in the EU, the growing presence of Chinese car tire products in the US market, and weak economic growth in Taiwan.

Cost Structure

For many years, materials costs have accounted for the major proportion of total manufacturing costs for Taiwanese car tire manufacturers. As stated, prices for natural rubber

products increased significantly after the December 2004 earthquake. Synthetic rubber prices increased in 2005, 2008 and 2011 due to fluctuating crude oil prices associated with Hurricane Katrina and political instability in the Middle East. As a result, direct materials costs as a percentage of total manufacturing costs increased to 65.1% in 2005, 72.9% in 2008, and 75.6% in 2011 (Exhibit 7).

Materials Price Trends

Starting in the second quarter of 2009, natural rubber prices declined in light of significant drops in car sales in the US and EU, but increased in 2011 as the world economy recovered from the 2008-2009 economic crisis. The increasing demand for cars in China and supply shortages due to flood disasters in Thailand drove up the price of natural rubber by an average of US 218.51 cents per pound in 2011. However, oversupplies in Southeast Asian countries have pushed down natural rubber prices since 2012 (Figure 3).

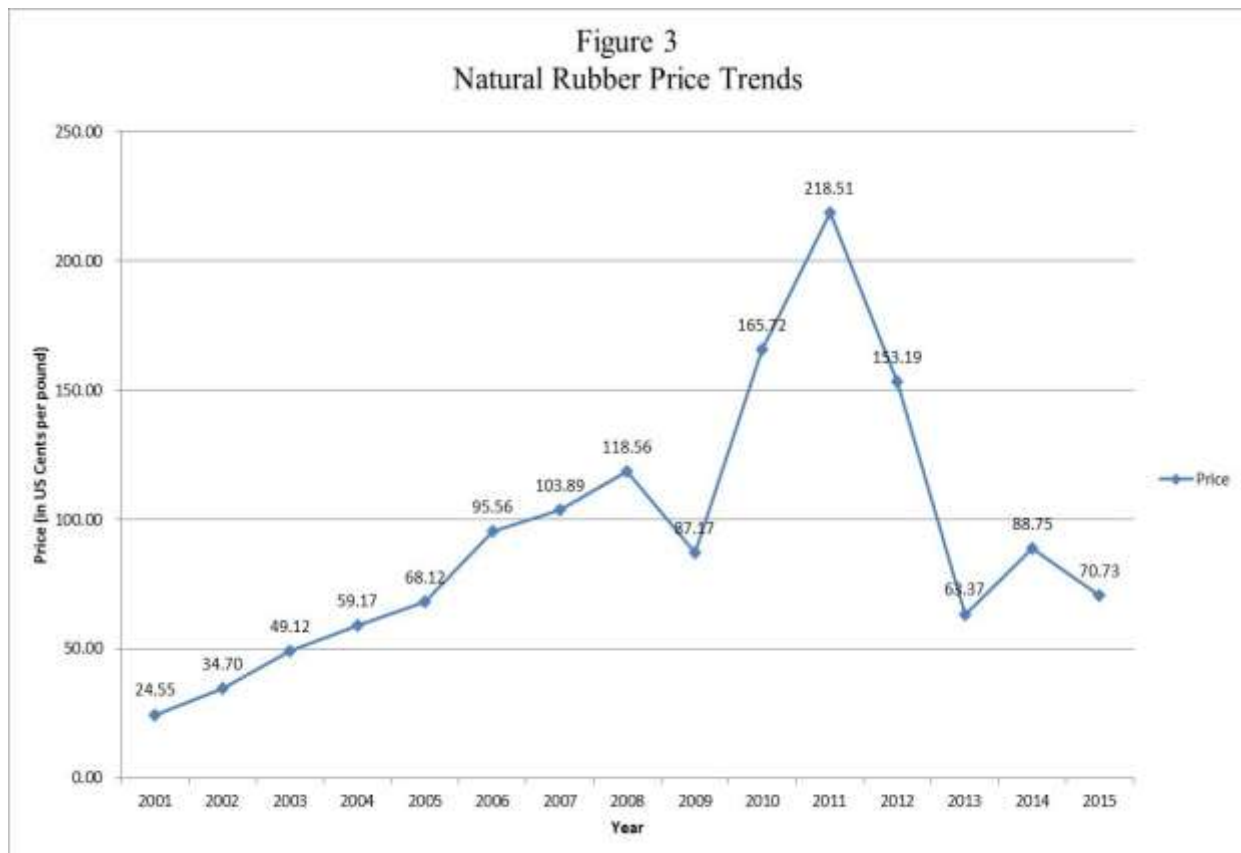


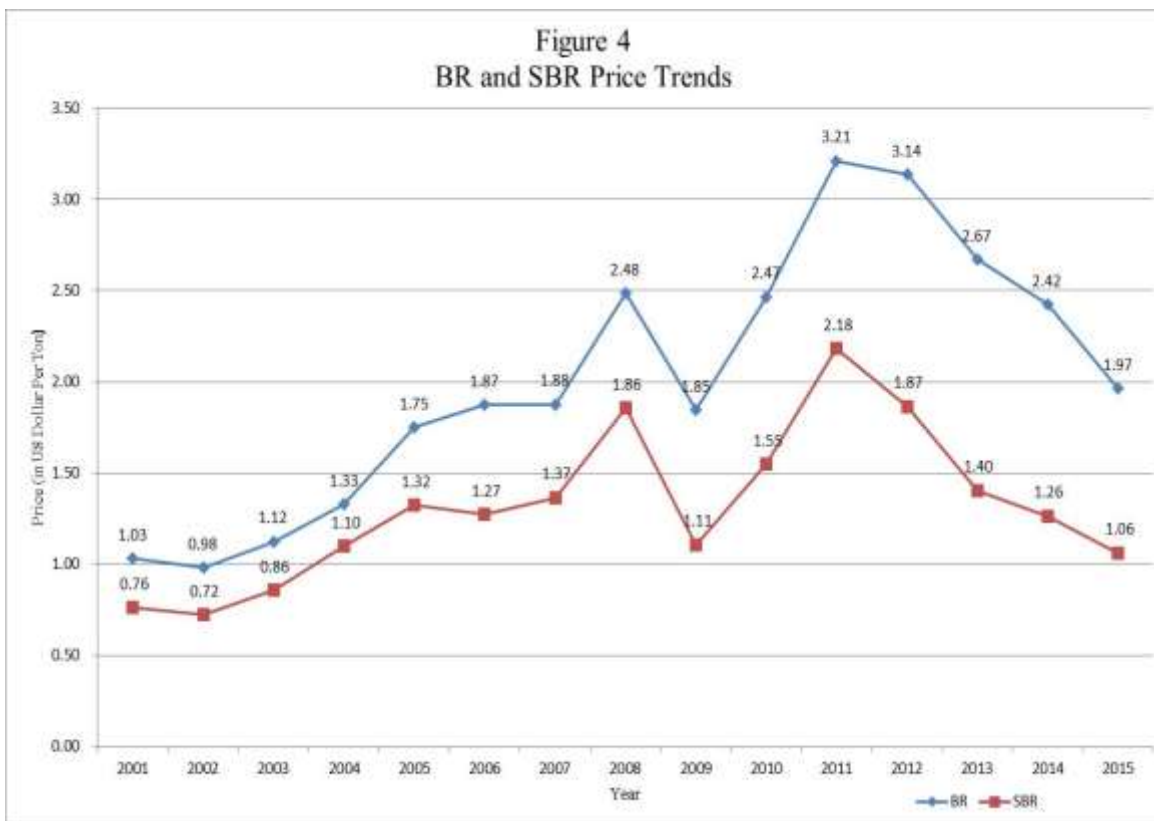
FIGURE 3
NATURAL RUBBER PRICE TRENDS

The two main types of synthetic rubbers are polybutadiene (BR) and styrene butadiene (SBR). Both are made from crude oil, and their prices are significantly influenced by the price of crude oil. From 2002 to 2008, BR and SBR prices increased due to political instability in the Middle East, resulting in shortages in crude oil supplies. Further, more US dollars went into the crude oil market due to the subprime mortgage crisis, and weather-related catastrophes in

Southeast Asian countries created shortages of natural rubber and increasing demand for synthetic rubber. The 2008-2009 financial crisis depressed the price of crude oil; BR and SBR prices also dropped sharply, but quickly increased to USD3.21 per ton (BR) and USD2.18 per ton (SBR) as the demand for synthetic rubber in China increased, especially in 2011. Since 2012, BR and SBR prices have fallen due to oversupplies of natural rubber and new synthetic rubber production capacity in China (Figure 4).

Procurement Transaction Cycle and Relevant Internal Controls

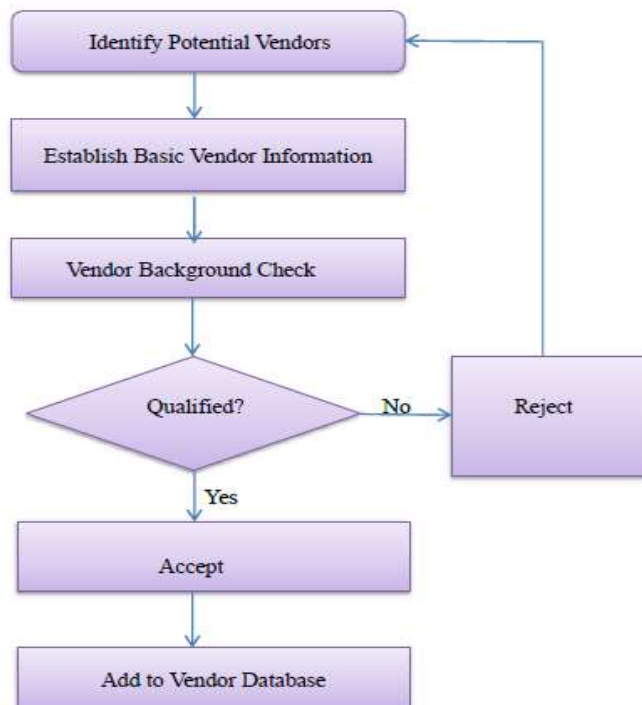
After studying DuPower and the tire manufacturing industry, Robert and his team looked at the whistle-blower’s kickback accusation. With permission from the firm’s internal auditing manager, COO, and CEO, they visited DuPower’s corporate headquarters and gathered data on all materials procurement transactions during the preceding two decades. They also analyzed the company’s procurement procedures and relevant internal control policies. The procurement activities involve both raw materials and manufacturing facilities in a transaction cycle involving requisitions (Figure 5), vendor entry (Figure 6), and transactions (Figure 7). Detailed descriptions of activity procedures and internal control policies are presented in Exhibits 8, 9 & 10.



**FIGURE 4
BR AND SBR PRICE TRENDS**



**FIGURE 5
MATERIALS REQUISITION**



**FIGURE 6
MATERIALS VENDOR IDENTIFICATION PROCESS**

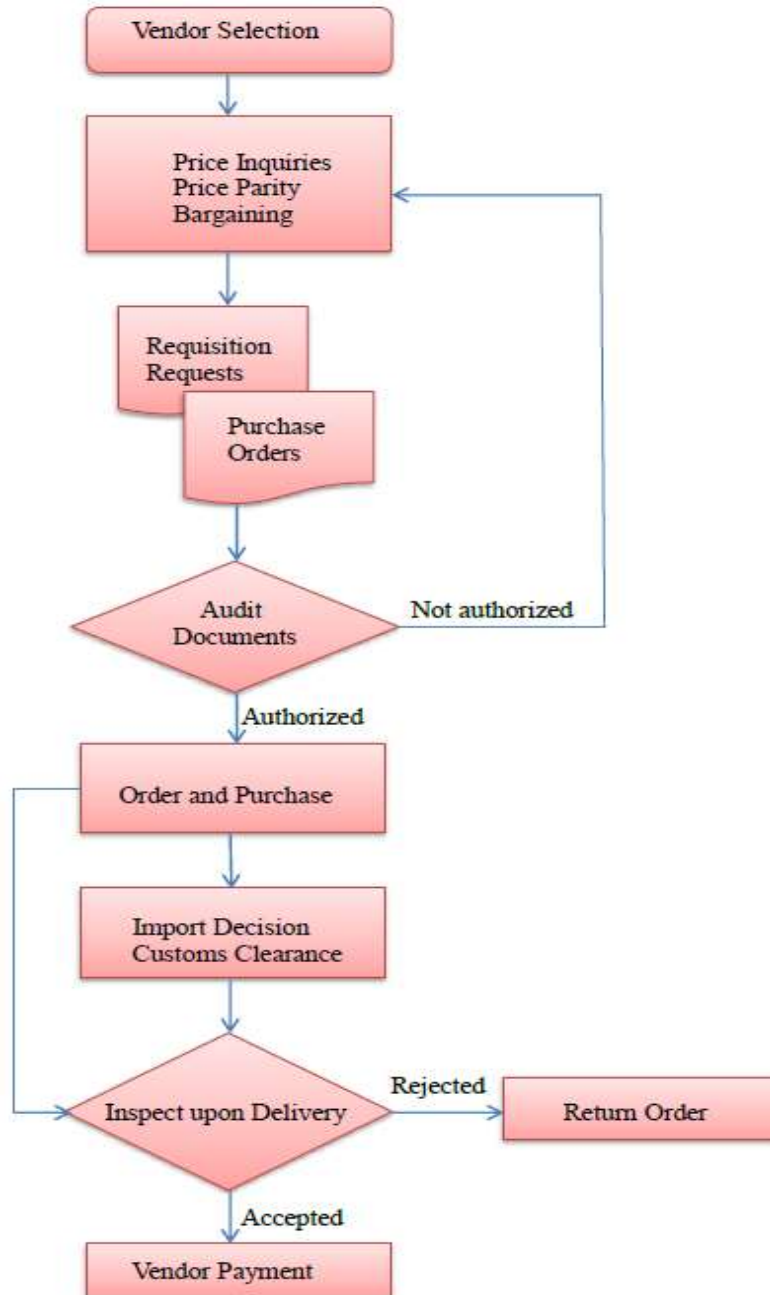


FIGURE 7
MATERIALS PROCUREMENT TRANSACTION PROCEDURE

Decision Dilemma

During their investigation into internal control procedures, the forensic accounting team learned that for more than 10 years Eric had been in complete charge of vendor selection, price inquiries, price parities, bargaining, and making final decisions regarding purchase orders, with little if any monitoring. Further, they found that DuPower's internal control policies contained no requirements for record-keeping for these procurement activities. According to the procurement

personnel they interviewed, it was unnecessary to document the processes because of the long-term relationships between vendors and DuPower. The company's internal auditing manager agreed with this assessment, and added his opinion that it was unnecessary to stipulate such a policy.

To Robert's team members, the absence of such record-keeping represented a major weakness in DuPower's internal control and procurement transaction procedures. But the accountants failed to find any concrete evidence indicating that Eric had received kickbacks. Robert started to consider whether he had overlooked some important piece of information.

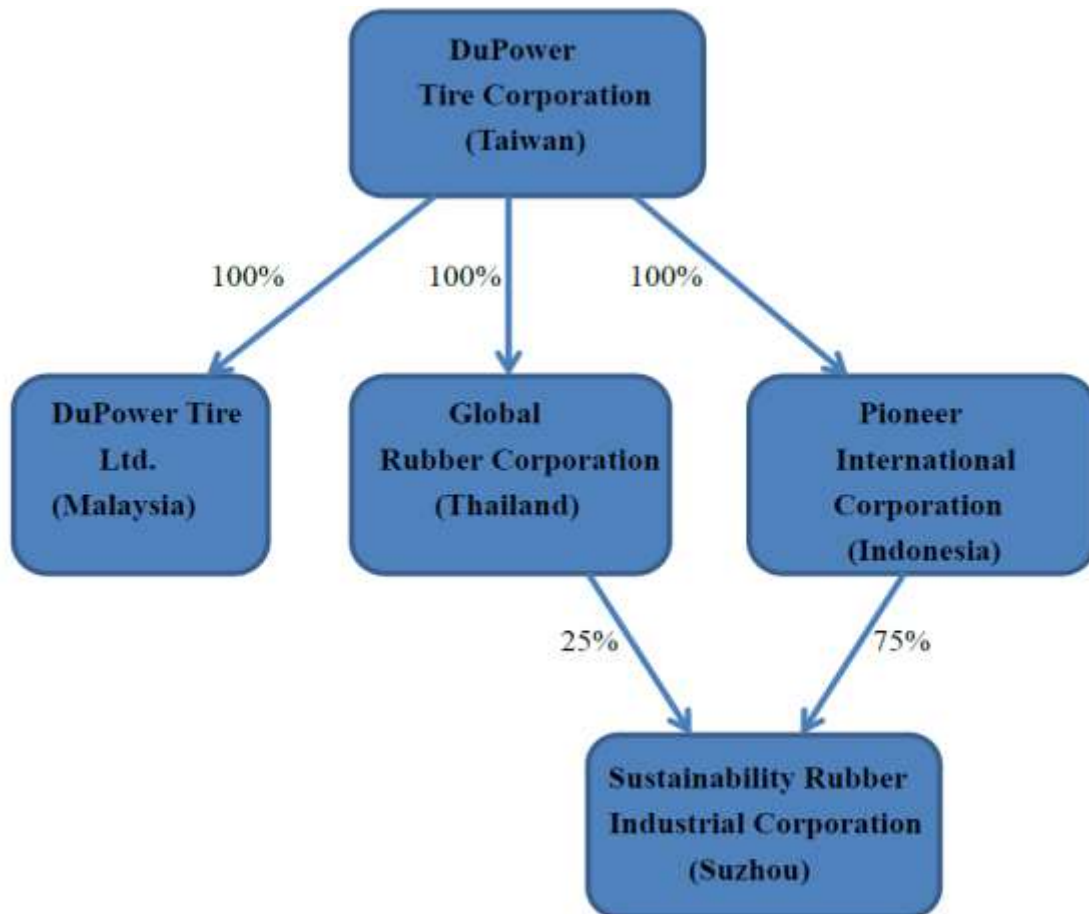
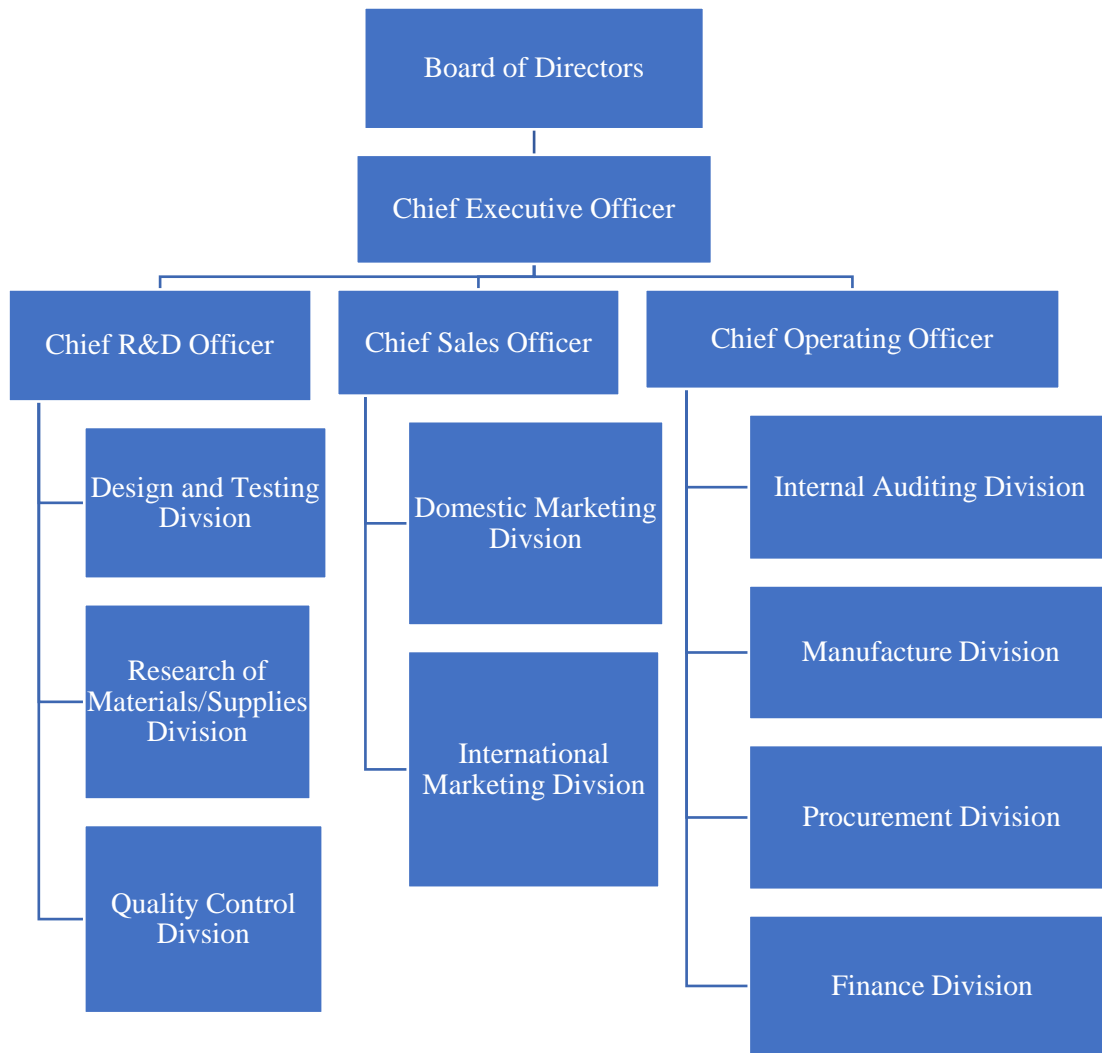


EXHIBIT 1
DUPOWER TIRE CORPORATION AFFILIATE STRUCTURE



**EXHIBIT 2
DUPOWER TIRE CORPORATION ORGANIZATIONAL STRUCTURE**

Exhibit 3 DUPOWER TIRE CORPORATION SALES PERFORMANCE DATA				
Year	Sales Revenue (In \$)	Cost of Sales (In \$)	Gross Margin (In \$)	Gross Margin Ratio (In %)
1996	37,54,844	30,24,014	7,30,830	19.46%
1997	38,37,188	30,46,850	7,90,338	20.60%
1998	40,41,632	30,75,991	9,65,641	23.89%
1999	40,52,648	31,09,958	9,42,690	23.26%
2000	39,27,049	32,93,322	6,33,727	16.14%
2001	36,72,334	30,51,741	6,20,593	16.90%
2002	43,96,429	33,48,756	10,47,673	23.83%
2003	49,61,714	37,79,526	11,82,188	23.83%
2004	66,76,241	46,39,600	20,36,641	30.51%
2005	87,61,100	64,42,419	23,18,681	26.47%

Exhibit 3				
DUPOWER TIRE CORPORATION SALES PERFORMANCE DATA				
2006	80,42,156	61,57,619	18,84,537	23.43%
2007	51,08,972	35,46,286	15,62,686	30.59%
2008	47,65,494	39,43,637	8,21,857	17.25%
2009	40,15,366	31,53,391	8,61,975	21.47%
2010	56,63,234	45,85,152	10,78,082	19.04%
2011	62,33,675	51,36,926	10,96,749	17.59%
2012	1,35,08,236	1,17,03,228	18,05,008	13.36%
2013	1,31,41,668	1,11,84,607	19,57,061	14.89%
2014	1,23,56,784	1,02,43,154	21,13,630	17.11%
Notes:				
1. Monetary unit: USD.				
2. All data are from consolidated income statements.				
3. All consolidated income statements complied with International Financial Reporting Standards (IFRS) as of January 1, 2013.				

Exhibit 4															
HISTORICAL FINANCIAL RATIOS															
Year	Financial Structure		Solvency			Operating Capacity						Profitability			
	Total liability/ Total assets	Long-term capital/ Fixed assets	Current ratio	Quick ratio	Interest coverage	Accounts receivable turnover	Collection period	Inventory turnover	Days to sell inventory	Fixed asset turnover	Total asset turnover	Return on assets	Return on stockholders' equity	Net profit margin	Earnings per share
	(%)	(%)	(%)	(%)	(times)	(time)	(days)	(times)	(days)	(times)	(times)	(%)	(%)	(%)	(US \$)
1996	55.79	56.80	67.27	43.92	2.49	6.47	56.41	7.98	45.74	0.57	0.45	0.07	0.15	10.42	2.88
1997	67.07	96.68	64.22	57.09	1.78	5.98	61.04	8.33	43.82	0.58	0.33	2.90	3.28	3.19	0.59
1998	65.13	95.56	29.45	22.24	2.09	5.54	65.88	9.13	39.98	0.59	0.34	5.12	39.53	9.39	1.82
1999	72.33	84.67	34.58	27.77	-1.82	5.00	73.00	8.96	40.73	0.59	0.34	-5.12	-22.22	-20.44	-3.18
2000	82.04	70.09	28.43	16.87	-3.32	4.82	75.72	9.58	38.10	0.57	0.37	-10.39	-54.18	-35.98	-5.42
2001	84.65	66.40	21.57	9.89	-0.30	6.62	55.13	9.85	37.05	0.57	0.37	-4.27	-25.59	-12.00	-1.69
2002	79.74	66.14	22.80	12.71	2.46	11.30	32.30	9.31	39.20	0.65	0.46	6.58	24.33	9.59	2.83
2003	50.71	141.05	39.84	22.05	1.91	11.19	32.61	8.23	44.34	1.41	0.59	3.77	6.02	3.70	1.00
2004	50.51	197.14	75.94	50.18	7.51	12.84	28.42	8.01	45.56	1.89	0.72	10.69	19.59	13.53	3.47
2005	44.71	213.28	74.28	35.44	9.57	14.50	25.17	8.54	42.74	2.33	0.76	13.39	23.35	15.20	5.31
2006	39.01	236.45	80.51	38.29	9.54	13.85	26.35	7.77	46.97	2.09	0.65	12.36	19.31	16.63	3.88
2007	32.37	327.03	149.19	59.34	15.41	13.14	27.77	5.67	64.37	1.89	0.49	15.84	23.24	28.11	3.85
2008	36.66	290.27	60.16	19.25	-4.14	11.62	31.41	3.94	92.63	1.35	0.35	-3.70	-6.45	-12.24	-0.89
2009	27.92	320.59	74.57	39.00	20.64	10.09	36.17	3.62	100.82	1.13	0.27	9.59	13.60	32.79	1.94
2010	32.48	352.35	99.51	56.62	13.30	9.95	36.68	5.47	66.72	1.62	0.37	4.62	-0.89	1.94	0.98
2011	41.03	294.20	62.31	28.58	23.12	9.50	38.42	3.84	95.05	1.44	0.32	8.54	13.10	22.84	2.05
2012	42.71	236.89	41.42	24.41	4.67	8.76	41.66	3.34	109.28	1.27	0.31	1.53	2.04	3.88	0.27
2013	44.21	127.49	143.46	61.74	5.93	6.20	58.87	1.67	218.56	1.45	0.64	2.72	4.17	3.50	0.55
2014	44.78	149.08	141.70	64.53	5.39	5.93	61.55	1.76	207.38	1.40	0.60	2.13	2.93	2.70	0.40
Notes:															
1. All financial ratios determined based on DuPower consolidated financial statements.															
2. All listed companies were required to prepare consolidated and separate financial statements in compliance with the International Financial Reporting Standards															

Exhibit 5				
HISTORICAL DATA ON SALES PROPORTION BY TIRE PRODUCTS				
Years	Tire Product Type			
	Car Tires	Motorcycle Tires	Bicycle Tires	Others
2001	69.37%	8.93%	9.85%	11.86%

Exhibit 5				
HISTORICAL DATA ON SALES PROPORTION BY TIRE PRODUCTS				
2002	71.99%	8.95%	7.59%	11.48%
2003	73.41%	9.12%	7.04%	10.43%
2004	73.47%	8.87%	7.25%	10.41%
2005	74.13%	8.78%	6.68%	10.41%
2006	73.74%	9.64%	6.72%	9.90%
2007	73.11%	10.24%	7.26%	9.38%
2008	73.03%	10.91%	5.90%	10.16%
2009	72.96%	10.49%	5.93%	10.63%
2010	72.27%	10.75%	5.53%	11.45%
2011	71.46%	11.30%	5.64%	11.61%
2012	70.70%	12.22%	5.58%	11.51%
2013	71.18%	12.30%	5.00%	11.52%
Source: Taiwan Institute of Economic Research.				

Exhibit 6						
HISTORICAL DATA ON PRODUCTION AND SALES OF CAR TIRES						
Year	Total Production	Total Sales	Domestic Sales		Export Sales	
	Quantity (thousand)	Quantity (thousand)	Quantity (thousand)	Percentage ² (%)	Quantity (thousand)	Percentage ³ (%)
2001	16,790	17,173	6,365	37.06%	10,808	62.94%
2002	19,179	19,863	6,787	34.17%	13,076	65.83%
2003	22,275	23,023	7,169	31.14%	15,854	68.86%
2004	23,451	23,752	7,144	30.08%	16,608	69.92%
2005	23,225	23,567	7,189	30.50%	16,378	69.50%
2006	22,316	22,452	6,121	27.26%	16,331	72.74%
2007	23,592	23,801	6,047	25.41%	17,754	74.59%
2008	21,361	21,609	5,399	24.98%	16,210	75.02%
2009	19,254	19,838	5,887	29.68%	13,951	70.32%
2010	24,509	24,755	6,524	26.35%	18,231	73.65%
2011	23,330	23,190	6,484	27.96%	16,706	72.04%
2012	22,050	21,944	6,473	29.50%	15,471	70.50%
2013	22,234	22,369	6,413	28.67%	15,956	71.33%
Notes:						
¹ .All data from the Taiwan Institute of Economic Research.						
² Percentages computed as domestic sales divided by total sales.						
³ Percentages computed as export sales divided by total sales.						

Exhibit 7			
HISTORICAL MANUFACTURING COST STRUCTURE OF THE TIRE INDUSTRY			
Year	Direct Materials Cost (%)	Direct Labor Cost (%)	Manufacturing Overhead (%)
2001	59.06	12.47	28.47
2002	55.80	13.62	30.58
2003	62.67	11.64	25.69
2004	64.43	10.94	24.63
2005	65.06	10.33	24.60
2006	68.09	9.44	22.47
2007	70.95	8.57	20.47
2008	72.93	7.56	19.51
2009	68.41	8.80	22.80
2010	73.32	7.69	19.00

2011	75.61	6.74	17.64
2012	72.03	7.82	20.15
2013	67.99	8.98	23.03
Notes:			
1. All data from the Taiwan Institute of Economic Research.			
2. Proportions determined based on total costs for all manufacturers.			

Exhibit 8	
MATERIALS REQUISITION PROCEDURES AND CONTROL POLICIES	
Procedure	Documentation
1. Manufacturing division supervisor submits requisition request to manager.	Requisition request
2. Manufacturing division manager determines whether current inventory level at warehouse is sufficient to fill requisition request.	
3. If the current inventory level is sufficient, manufacturing division manager prepares materials remittance and gives it to the warehouseman, who delivers materials to supervisor.	Materials Remittance
4. If current inventory level is not sufficient, manufacturing division manager prepares purchase order and submits it to procurement division.	Purchase order
Control Policies:	
1. Are items, quantities and specifications of all materials that are delivered to the manufacturing division consistent with the requisition request and materials remittance?	
2. Is the requisition request, materials remittance, and purchase order all approved by the correct authorized personnel?	

Exhibit 9	
MATERIALS VENDOR ENTRY PROCEDURES AND CONTROL POLICIES	
Procedure	Documentation
1. If existing vendors cannot meet the details of the purchase order, procurement division staff locates potential vendor.	
2. Request vendor to fill out fact sheet.	Vendor Fact Sheet
3. Check vendor background in terms of operating performance/profitability, credit risk, production capacity, market analyst's evaluation, and sales forecast.	
4. Procurement division prepares vendor assessment report based on background check.	Vendor Assessment Report
5. If potential vendor is found to be unqualified, procurement division issues a reject notification and searches for other potential vendors.	Reject Notification
6. If potential vendor is qualified, procurement division enters vendor information into database.	
Control Policies:	
1. Is the reject notification approved by authorized personnel?	
2. Does procurement division regularly update vendor database?	

Exhibit 10	
MATERIALS PROCUREMENT TRANSACTION PROCEDURES AND CONTROL POLICIES	
Procedure	Documentation
1. Procurement staff selects qualified vendor(s) from vendor database.	
2. Procurement staff selects qualified vendor(s) based on price inquiry, price parity, and bargaining results.	
3. Procurement staff submits requisition request and purchase order to procurement division manager.	1. Requisition Request 2. Purchase Order
4. Procurement manager determines (a) whether purchasing price is reasonable, and	

(b) whether requisition request is consistent with purchase order in terms of item type, quantity, specifications, and price.	
5. If either 4(a) or 4(b) is deficient, procurement manager rejects purchase order and orders procurement staff to work out problems with vendor(s).	
6. If both 4(a) and 4(b) are satisfactory, procurement manager approves purchase order and directs procurement staff to execute the order(s).	Purchase Order
7. For materials purchased and imported from other countries, procurement staff processes import requirements and applies for custom clearance.	Custom Clearance Filing
8. Upon receiving materials, manufacturing division staff determines whether received materials match purchase order and requisition documents.	
9. If received materials do not match purchase order and requisition documents, procurement staff returns materials to vendor.	
10. If received materials match purchase order and requisition documents, manufacturing division staff completes acceptance voucher and submits it along with the requisition request and purchase order to division manager.	1. Acceptance Voucher 2. Requisition Request 3. Purchase Order
11. After rechecking acceptance voucher, requisition request, and purchase order in terms of item type, quantity, and specifications, manufacturing division manager signs acceptance voucher and submits all documents to the finance division.	
12. Finance division issues payment to vendor after receiving all required documents with authorized signatures.	1. Commercial Check 2. Credit Letter
Control Policies:	
1. Are acceptance voucher, requisition request, and purchase order approved by the correct authorized individuals?	
2. Are returns of unqualified materials approved by the procurement manager?	

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