



Riara School of Business

Nurturing business innovators

JANUARY-APRIL 2024 TRIMESTER

EXAMINATION FOR DEGREE IN BACHELOR OF BUSINESS ADMINISTRATION

DAY PROGRAMME

RPS 406: CASES IN PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

DATE: APRIL 2024

TIME: 2 HOURS

SPECIAL INSTRUCTIONS

1. Write your REGISTRATION NO. Clearly on the answer booklet(s).
2. Answer Question One and ANY other TWO questions under section II
3. Questions in all sections should be answered in answer booklet(s)
4. PLEASE start the answer to EACH question on a NEW PAGE.
5. For the questions, write the number of the question on the answer booklet(s) in the order you answered.
6. Write on both sides of each leaf and indicate number of each question at the top of each page.
7. Write the answers in a paragraph form unless stated otherwise.
8. Marks allocated to each question are shown at the end of the question.
9. All rough work must be done on the answer booklet and crossed through!
10. Use supplementary pages only when you have exhausted those in this book.
11. Fasten the supplementary pages to the inside back cover of this booklet.

SECTION I

QUESTION ONE: COMPULSORY (30 MARKS)

Manipulation of the Procurement Process

A politically exposed person (PEP) and employees of a procuring entity and a financial institution and one of its customers were involved in procurement corruption where the Government lost over US\$6.5million. The PEP was alleged to have influenced the procurement process that led to the award of the road tender to a fake company. The charges stemmed from an investigation in the illegal award of a contract to a fictitious road construction company from USA that was contracted to construct a road. It was later discovered that the fictitious company did not have relations to the firm in the US that it used as its parent company. Investigations further revealed that a company called X Construction Company Inc. was awarded a contract for the construction of the road, yet the bidder for the job was Y Construction Company. The prosecution argued that this was illegal since the bidding company was different from the one awarded the contract. The fraud in the procurement of a contractor started when a bid was presented to the procuring entity purporting to be a bid for Y Mississippi but with X Florida tagged on as its representative. At the stage of bid opening, X bid should have been rejected. The procurement unit allowed this bid to go through to evaluation stage and the contracts committee also strangely allowed it not only to pass but in fact to win the contract. Red flags were raised by the preliminary due diligence team however, by then the process had advanced since a contractor had been selected. The prosecution evidence was that the discrepancy between the bid and the final award was the subject of due diligence which was not concluded. Further, that the securities which were supposed to secure the advance payment were fake as well as forged. Securities are the reason money is advanced to a contractor. It is a form of collateral. Nonetheless, an advance payment of over US\$ 6.5 million was made against the forged or unenforceable securities. These funds were withdrawn and spent and another company called Z was subcontracted and given half of the funds and mobilized to start the construction of the road. After evaluating the prosecution and defense evidence, the judge concluded that the prosecution case against A1 the PEP and A2 CEO has not been proved beyond reasonable doubt. Consequently, A1 and A2 were acquitted on all counts. A3, the Finance Director, was found guilty of neglect of duty for failing to verify securities against which an advance payment was made.

Required

- a) Provide a suitable case title for this case **(2 marks)**
- b) “The PEP was alleged to have influenced the procurement process that led to the award of the road tender to a fake company” Discuss the procurement cycle process that leads to award of a contract; in your explanation cite the lapses cited in the case **(7 Marks)**

- c) “The prosecution evidence was that the discrepancy between the bid and the final award was the subject of due diligence which was not concluded”. Elaborate this statement in the context of what constitutes *due diligence* as a pertinent term applied in the entirety of a procurement process. **(8 Marks)**
- d) Highlight FOUR (4) lapses contravening public procurement management in this case. **(4 Marks)**
- e) “After evaluating the prosecution and defense evidence, the judge concluded that the prosecution case against A1 the PEP and A2 CEO has not been proved beyond reasonable doubt. Consequently, A1 and A2 were acquitted on all counts. A3, the Finance Director, was found guilty of neglect of duty for failing to verify securities against which an advance payment was made”. Acquittal rates for procurement cases have led to most procurement professionals being the culprits that are found guilty highlight **SIX(6)** measures that procurement professionals need to know in handling procurement matters ethically. **(9 Marks)**

SECTION II

Review CASE II and answer any TWO questions of your choice.

CASE II

Mjuaji Marco is a Town Clerk of Tuendelee Municipal Council. He recently started a business in town known as Bidhaa za Kushangaza Suppliers. The business deals in the supply of stationery. Tuendelee Municipal Council has floated a tender worth KSh. 300,000/- for the supply of stationery. Bidhaa za Kushangaza Suppliers, among others, puts in a bid. Using his office as town clerk, Mjuaji orders Mtiifu Paulo, an employee of the Council who knew where the key to the Tender Box was kept, to open the tender box at night and tell him what the other suppliers have quoted. When the Tender Box is opened, he soon realizes that Bidhaa za Kushangaza Suppliers have quoted the highest price and are therefore unlikely to win the tender. Mjuaji removes Bidhaa za Kushangaza Suppliers' bid, and replaces it with another from them quoting the lowest price. At a meeting of the Committee dealing with the tender, Mjuaji does not disclose that he has an interest in Bidhaa za Kushangaza Suppliers. He participates in the discussions of the Committee and contributes to the Committee's decision to award the tender to Bidhaa za Kushangaza Suppliers. Mlanawe Yohana, a Public Officer in

charge of procurement in Tuendelee Municipal Council, receives stationery from Bidhaa za Kushangaza Suppliers pursuant to the tender. Upon inspection, he discovers that not only are the goods defective, but that they are also far less than those ordered. He threatens to reject the entire consignment. Mporaji Maarufu, a salesperson from Bidhaa za Kushangaza Suppliers, implores Mlanawe not to reject the consignment. He informs Mlanawe that Bidhaa za Kushangaza Suppliers belongs to the Town Clerk and promises that Mlanawe will be “*handsomely rewarded*” if he receives the goods as they are. To prove his point, Mporaji produces a wad of one-thousand-shilling notes which he places in Mlanawe’s hands. Mlanawe puts the money in his pocket, acknowledges delivery and receives the goods. Mjuaji thereafter arranges for Bidhaa za Kushangaza Suppliers to be paid very quickly without due regard to procedure.

QUESTION TWO

- (a) Based on the Case II above discuss **FIVE (5)** fraudulent practices in procurement
(10 Marks)
- (b) Discuss any **THREE (3)** Committees involved in the procurement process that support in providing oversight to the procurement process
(10 Marks)

QUESTION THREE

- (a) Elaborate the exposure of the **FOUR (4)** persons highlighted in this case and in involvement of procurement malpractice
(10 Marks)
- (b) Discuss **FOUR (4)** alternatives procurement methods that may have been adopted in place of the questionable tendering process.
(10 Marks)

QUESTION FOUR

- (a) Elaborate **SIX (6)** characteristics to observe of selecting and prequalifying competent suppliers before committing them to any procurement in organizations
(12 Marks)

(b) Discuss **FOUR (4)** ways in which procurement planning would assist in the event such a case would arise in a procurement audit. **(8 Marks)**