



RISK ADVISORY

ELECTRONIC VENDOR FRAUD

The Office of the State Auditor (OSA) has issued this Risk Advisory to alert the public, business owners, and governmental agencies in the State of New Mexico of risks related to electronic vendor fraud. The OSA strongly advises its stakeholders to be aware of the potential risks associated with occupational fraud and abuse related to vendor invoicing and remittance practices. The OSA further advises reviewing internal controls and developing procedures to aid in the prevention and detection of occupational threats that may lead to waste, fraud, and abuse associated with electronic vendor fraud.

Mitigating Fraud Risk While Maintaining Integrity and Transparency

Greater transparency measures have been taken across all levels of government in providing New Mexicans with information on procurement practices in an effort to reduce public corruption and to keep taxpayers informed as to how and with whom local governments operate and enter into contracts. While transparency in public procurement is a top priority it does not come without risk. It is extremely vital for state and local governments to mitigate risks without compromising the transparency that is owed to New Mexicans.

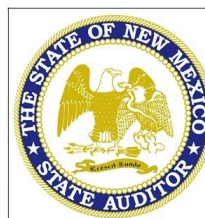
Occupational fraud and abuse related to vendor invoicing and remittance schemes are an easy way fraudsters can take advantage of transparency practices of state and local governments. However, there are steps agencies can take to protect themselves without compromising necessary transparency practices.

Recommendations to Lessen Exposure

- ◆ Identify risks associated with Phishing and Spoofing of email accounts. Review: [OSA Risk Advisory: Don't Get Spoofed—Payroll Phishing Fraud Alert](#) for Red Flags.
- ◆ Do not post vendor change forms to your government website. Update procedures to have vendors contact staff directly to request required forms for any changes.
- ◆ Institute proper segregation of duties so that any system changes in remittance to vendors is completed by someone other than the approver of the changes.
- ◆ Validate contact information with vendors periodically and do not rely on email to confirm change requests.
- ◆ Upon receiving an email from a vendor seeking a change request do not respond without validating the legitimacy of the request.
- ◆ Validate requests over the phone; do not call the vendor using a phone number that was included in the email or any new phone number that hasn't previously been validated. Search internal vendor lists or validate vendor forms of contact by checking online resources and utilize only the phone number(s) that have been properly authenticated.
- ◆ Do not accept vendor change requests via email; insist on confirmation through secure online portals, faxes, or the postal service. Call the vendor to verify the change request is legitimate.
- ◆ Be skeptical of multiple change requests to a single account, revisions to more than one element of an account, and any request to update banking information to an international institution.

To report waste, fraud, or abuse in any public entity in New Mexico:

**Report online: www.saonm.org
Hotline: 1-866-OSA-Fraud**



GAO

Government Accountability Office

New Mexico Office of the State Auditor