

RED FLAGS METHODOLOGY

Red flags are indicators for potential issues regarding governance failure, collusion or corruption in projects.



The Institute for Social Accountability

RED FLAGS METHODOLOGY

Planning Stage:

- Key planning documents are not provided
- Manipulation of procurement thresholds—Change in threshold value or grouping of a high number of procedures below threshold to avoid more competitive procedures.



RED FLAGS METHODOLOGY

Tendering Stage:

- Unreasonable prequalification requirements
- Vague, ambiguous, unreasonably strict or narrow, or incomplete specifications
- Failure to make bidding documents available to all bidders
- Bundling tenders in unreasonably large or small amounts to discourage or eliminate certain bidders
- Direct awards in contravention to the provisions of the procurement plan
- Tender is invitation only
- Short or unusually long -time between tender advertising and bid opening
- Tender value is higher or lower than average for this item category
- Unreasonably low or high line item



RED FLAGS METHODOLOGY

Tendering Stage:

- Single bid received/ Low number of bidders for item and procuring entity
- Tender has a complaint
- Inappropriate evaluation criteria or procedures
- Wide disparity in bid prices
- Bids are an exact percentage apart
- Winning bid is just under the next lowest bid
- Perennial losing bidders give appearance of legitimate competition when they have no intention of winning
- Prevalence of joint bid patterns (consortia)



RED FLAGS METHODOLOGY

Tendering Stage:

- Potential bidders make agreements not to bid because of Collusion arrangements (Missing bidders)
- Line-item bid prices by different bidders are identical, very close or an exact percentage apart
- Losing bids are round numbers
- Improper acceptance of a late bid or late discounts
- Bid is too close to budget, estimate or preferred solution



RED FLAGS METHODOLOGY

Tendering Stage:

- Persistently high or increasing bid prices compared to cost estimates, price lists, previous prices similar jobs or industry averages
- Late bidder is the winning bidder
- Bidders submit bids in subsequent re-bidding rounds in same order as in original bid
- Only winning bidder was eligible
- Lowest bidder is disqualified
- Poorly supported/ High number of bid disqualifications
- Unanswered bidder questions
- Close relationships exists between bidder and buyer
- Physical similarities in documents by different bidders



RED FLAGS METHODOLOGY

Tendering/ Awarding Stage :

- Splitting purchases to avoid procurement thresholds
- Supplier (or bidder) has abnormal address or phone number
- Supplier (or bidder) address is same as project officials
- Business similarities between suppliers (or bidders): common addresses, personnel, phone numbers, etc.
- Supplier (or bidder) is not listed in business or telephone directories or business registries
- Supplier is not on the approved supplier list
- Supplier does not have internet presence



RED FLAGS METHODOLOGY

Awarding Stage :

- Supplier wins bids for item or service types it is unlikely to have, or higher quantities of items or services it is unlikely to be able to provide
- High number of direct awards to one bidder
- Small initial purchase from supplier followed by much larger purchases (first purchase is to test whether it will be accepted)
- The same companies always bid, the same companies always win and the same companies always lose
- Awards below the competitive bid threshold followed by change orders that exceed the threshold



RED FLAGS METHODOLOGY

Awarding Stage :

- Multiple direct awards above or just below the direct award threshold
- The winning bid does not meet the award criteria
- Rotation of winning bidders by job, type of work or geographical area
- Winning supplier provides a substantially lower bid price than other bidders
- Large difference between the award value and final contract amount
- Large difference between contract price and winning bid price
- Long unexplained delays in contract negotiations or awards (ex: as bribe demands are negotiated)
- Decision period for submitted bids excessively short
- Decision period for submitted bids excessively long or involved legal challenge



RED FLAGS METHODOLOGY

Awarding/ Contracting Stage :

- One or a few bidders win a disproportionate number of contracts of the same type
- High market concentration



RED FLAGS METHODOLOGY

Contracting Stage :

- Contract is not public



RED FLAGS METHODOLOGY

Implementation Stage :

- Change orders issued after contract award, reducing or deleting item
- Change orders issued after contract award, extending the line-item requirements
- Delivery failure
- Total payments to a contractor exceed total contract or purchase order amounts
- Approval of unnecessary change orders to increase the contract price after award
- Losing bidders are hired as subcontractors or suppliers
- A contractor subcontracts all or most of the work received (indicating it could be a shell company).
- Prevalence of subcontracting
- Discrepancies between work completed and contract specifications

