

Audit Report: latest_audit_report

Report Information

Report ID:	latest_audit_report
Audit Date:	2025-03-19 14:32
Audit Type:	Manual
Department:	All
Period:	2025-02-17 to 2025-03-19

Audit Summary

AI Analysis Insights

Forensic Financial Audit Finding - IT Department Transactions

Date: October 26, 2023

Subject: Analysis of Flagged IT Department Transactions - February/March 2025

1. Most Serious Potential Issues:

* **Vendor B Overpayments & High-Risk Scores:** Multiple transactions (TRX-007199, TRX-008094) associated with Vendor B have high-risk scores (above 55) and utilize wire transfers or electronic payments. This combination raises concerns about potential inflated billing or fictitious vendor schemes. * **Unusual Use of Cash Payments:** Several transactions are paid via cash, which is atypical for IT-related expenses and lacks a strong audit trail (TRX-002533, TRX-007614, TRX-001358, TRX-006634, TRX-006889, TRX-003029, TRX-00236, TRX-009900, TRX-007444, TRX-007715, TRX-007102). This is especially concerning with the \$4000.00 payment to Vendor I via cash (TRX-007715). High cash payments may suggest off-the-books activity or attempts to conceal the true recipient.

2. Common Patterns Among Flagged Transactions:

* **Department Concentration:** All flagged transactions originate from the IT department, indicating a potential vulnerability or internal control weakness specific to that area. * **Vendor Concentration:** Certain vendors (Vendor B, Vendor H, Vendor I, Vendor D) appear frequently across the flagged transactions. * **Payment Method Variety:** While wire transfers and electronic payments are common, the presence of checks, credit cards, and especially cash warrants attention. Cash payments are an outlier. * **Timing:** Most transactions are concentrated between Feb 17 and March 19, 2025 which suggests the transactions may be occurring over a specific period. * **Standard Timestamp:** All transactions share the same timestamp (14:31:42.070), suggesting a potential system issue or data entry anomaly, not necessarily fraud. This timestamp should be validated. * **Small value transactions with high-risk scores:** Many of these transactions have a low dollar amount (less than \$500) but the risk scores are considerably high, which may suggest the risk score metric needs to be calibrated.

3. Recommendations for Further Investigation:

* **Vendor Due Diligence:** Conduct thorough due diligence on Vendor B, Vendor H, Vendor I, and Vendor D. Verify their legitimacy, ownership, and relationship with the company. * **Review IT Department's Procurement Process:** Evaluate the IT department's purchase order process, approval workflows, and invoice reconciliation procedures. Look for potential weaknesses or bypasses. * **Investigate Cash Payment Justifications:** Require detailed justification for each cash payment, including receipts and evidence of goods or services received. Interview the personnel involved in authorizing and processing these payments. * **Examine Supporting Documentation:** Obtain and scrutinize all supporting documentation (contracts, invoices, delivery receipts) for the flagged transactions. Compare invoice details with actual services/goods received. * **Employee Interviews:** Conduct interviews with relevant IT personnel, including those responsible for vendor selection, payment processing, and approval. * **Risk Score Calibration:** Review the risk score methodology and ensure it is accurately calibrated to identify high-risk transactions. A low-value transaction with a high-risk score might indicate a calibration issue, but should still be investigated. * **IP Address Investigation:** Check if the IP address that initiated these transactions are the same or similar. If so, it could mean an inside job or a shared login. * **Investigate the timestamp** The common timestamp across all transactions should be investigated, as this may be a data integrity issue.

4. Possible Non-Fraudulent Explanations:

* **Process Lapses:** Inadequate adherence to internal controls, leading to unintentional errors in vendor selection or payment methods. * **Data Entry Errors:** Incorrect data entry could lead to misclassification of transactions or inflated risk scores. * **Urgent or Emergency Purchases:** Legitimate urgent or emergency IT needs might have bypassed standard procurement procedures, resulting in unusual payment methods. * **New Vendor Onboarding:** The company may be onboarding new vendors that are legitimately required by the IT department. * **System Errors:** A system error might be automatically flagging standard transactions.

Conclusion:

The flagged IT department transactions exhibit several potentially concerning patterns. While non-fraudulent explanations exist, the high-risk scores, vendor concentration, and unusual payment methods warrant a thorough investigation to determine the true nature of these anomalies. Further investigation is needed to definitively rule out fraudulent activity.

Flagged Transactions

Showing 50 of 84 flagged transactions

Transaction Id	Date	Amount	Department	Risk Score
TRX-007199	2025-02-25T14:31:42.070	639.1894726571	IT	55.3506974223
TRX-008294	2025-02-19T14:31:42.070	121.4861061501	IT	44.1422857639
TRX-000685	2025-02-23T14:31:42.070	1151.0944342183	IT	36.0223307123
TRX-005552	2025-03-01T14:31:42.070	236.9774800315	IT	52.5660828322
TRX-001100	2025-02-19T14:31:42.070	93.4187764246	IT	34.0782448021
TRX-007297	2025-03-09T14:31:42.070	175.7949726769	IT	35.6027733283
TRX-007510	2025-03-15T14:31:42.070	1216.9337985043	IT	48.2180515654
TRX-008209	2025-02-19T14:31:42.070	344.5925979659	IT	47.0260606912
TRX-007470	2025-03-15T14:31:42.070	670.1189982936	IT	63.7039214896

TRX-003134	2025-03-18T14:31:42.070	668.3650729252	IT	33.2603215952
TRX-002533	2025-03-17T14:31:42.070	316.7353918742	IT	36.7904890639
TRX-009946	2025-03-14T14:31:42.070	147.8644318534	IT	54.6830669852
TRX-004303	2025-03-07T14:31:42.070	880.0905301684	IT	39.45210808
TRX-004558	2025-02-19T14:31:42.070	148.0130904666	IT	36.3583109305
TRX-007614	2025-03-11T14:31:42.070	632.3308191106	IT	59.0483238755
TRX-007692	2025-02-18T14:31:42.070	79.0169142911	IT	33.5171394386
TRX-008565	2025-02-17T14:31:42.070	194.4249997224	IT	55.448317059
TRX-003418	2025-03-01T14:31:42.070	152.5027359446	IT	46.5603852934
TRX-001774	2025-02-24T14:31:42.070	177.0881399522	IT	38.8306149205
TRX-000780	2025-03-14T14:31:42.070	1927.4253602408	IT	56.4680855165
TRX-004651	2025-03-02T14:31:42.070	212.5019662466	IT	41.1887693551
TRX-001474	2025-03-18T14:31:42.070	477.1495960704	IT	32.3654593964
TRX-009063	2025-02-19T14:31:42.070	603.5294736401	IT	29.8543308677
TRX-005778	2025-03-12T14:31:42.070	776.0792950961	IT	27.6824974361
TRX-001358	2025-03-11T14:31:42.070	443.8793959251	IT	35.2241437926
TRX-006889	2025-02-26T14:31:42.070	1014.8626261697	IT	38.4702293515
TRX-006634	2025-03-17T14:31:42.070	106.5201354188	IT	40.0867871701
TRX-009254	2025-03-04T14:31:42.070	10.4738841578	IT	36.9436418481
TRX-008359	2025-03-13T14:31:42.070	794.7408861485	IT	54.1775839884
TRX-008177	2025-02-22T14:31:42.070	812.5484978236	IT	36.5637065534
TRX-008191	2025-03-15T14:31:42.070	270.4796266202	IT	41.096678037
TRX-001797	2025-02-18T14:31:42.070	181.1489393875	IT	35.6108173515
TRX-001886	2025-03-05T14:31:42.070	818.7072799184	IT	17.9832592518
TRX-008094	2025-03-08T14:31:42.070	1266.0372865082	IT	64.7151624798
TRX-006526	2025-03-12T14:31:42.070	254.5951139687	IT	53.2903574585
TRX-005137	2025-03-04T14:31:42.070	178.3879048576	IT	31.5344660909
TRX-001613	2025-02-21T14:31:42.070	147.1614957235	IT	32.3688164759
TRX-002352	2025-03-17T14:31:42.070	309.05819239	IT	39.3401855408
TRX-007241	2025-03-12T14:31:42.070	1236.2582627378	IT	47.2219664487
TRX-002134	2025-03-17T14:31:42.070	0.4993832561	IT	59.2277019227
TRX-001765	2025-03-19T14:31:42.070	372.4855620166	IT	19.8012281578
TRX-005118	2025-03-07T14:31:42.070	295.1242487486	IT	31.7673698548
TRX-007553	2025-03-14T14:31:42.070	578.869135738	IT	49.4396939618
TRX-001907	2025-03-12T14:31:42.070	952.7456401387	IT	61.619051412

TRX-008732	2025-03-18T14:31:42.070	349.1506133288	IT	38.4420974924
TRX-009799	2025-03-09T14:31:42.070	19.5101850503	IT	31.3434555076
TRX-001891	2025-03-17T14:31:42.070	141.7033010054	IT	52.4817544077
TRX-006754	2025-02-22T14:31:42.070	374.9855996206	IT	51.0400342546
TRX-000172	2025-02-21T14:31:42.070	994.4962981943	IT	36.6879349991
TRX-001148	2025-03-14T14:31:42.070	373.925722918	IT	59.6225845936

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