

Preliminary Investigation Brief: Veridian Bank Investment Fraud

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Issue Category: Investment Fraud

Confidentiality Level: Confidential

Risk Assessment Score: 51

Financial Impact USD: \$9,869,890

Summary:

This Preliminary Investigation Brief provides an initial assessment of the investment fraud scheme at Veridian Bank, focusing on technical details and analysis of specific transactions. The investigation has identified a complex web of suspicious activities involving the Meridian Opportunities Fund, managed by Marcus Thorne's Investment Division.

Scope:

The scope of this investigation encompasses the Meridian Opportunities Fund, a \$10 million investment vehicle managed by Thorne. The fund's portfolio includes illiquid assets, primarily real estate holdings and private equity investments. Our analysis indicates that Thorne has employed a "mark-to-model" valuation methodology, which has resulted in inflated valuations of these assets.

Initial Evidence:

Our investigation has uncovered the following evidence:

1. **Transaction Patterns:** A review of the fund's transaction history reveals a pattern of purchases and sales that are inconsistent with the fund's stated investment objectives. Specifically, the fund has invested heavily in assets that are not aligned with its publicly stated strategy.
2. **Valuation Methodology:** Our analysis of the fund's valuation reports indicates that Thorne has employed a "mark-to-model" valuation methodology, which has resulted in inflated valuations of the fund's assets.
3. **Suspicious Wire Transfers:** We have identified several suspicious wire transfers from the fund to external parties, including a \$1.2 million transfer to a company controlled by Thorne.

Technical Specifications:

Our analysis has employed the following technical specifications:

1. **Risk Assessment Matrix:** We have utilized the Enterprise Risk Matrix (ERM) to assess the risk associated with the fund's investments. The ERM score for the Meridian Opportunities Fund is 51, indicating a moderate level of risk.
2. **Financial Impact Analysis:** Our analysis has calculated the potential financial impact of the investment fraud scheme, including the estimated value of the inflated assets and the potential losses to the fund's investors.
3. **Data Analytics:** We have employed data analytics tools to identify patterns and anomalies in the fund's transaction history and valuation reports.

Measurements:

Our analysis has taken the following measurements:

1. **Asset Valuation:** We have estimated the value of the inflated assets to be \$5.4 million.
2. **Potential Losses:** Our analysis indicates that the fund's investors may face potential losses of up to \$9.6 million.
3. **Risk Score:** The ERM score for the Meridian Opportunities Fund is 51, indicating a moderate level of risk.

Recommendations:

Based on our initial findings, we recommend that the following actions be taken:

1. **Immediate Freeze:** The fund's assets should be frozen to prevent any further unauthorized transactions.
2. **Investigation Continuation:** The investigation should continue to identify additional evidence and to assess the full extent of the investment fraud scheme.
3. **Regulatory Notification:** The relevant regulatory authorities should be notified of our findings and the potential impact on the fund's investors.

Conclusion:

Our preliminary investigation has identified a complex web of suspicious activities involving the Meridian Opportunities Fund. Our analysis indicates that Thorne has employed a "mark-to-model" valuation methodology, which has resulted in inflated valuations of the fund's assets. We recommend that the fund's assets be frozen and that the investigation continue to identify additional evidence and to assess the full extent of the investment fraud scheme.

Appendix:

The following appendix includes additional technical details and supporting evidence:

1. **Transaction History:** A detailed review of the fund's transaction history.
2. **Valuation Reports:** A copy of the fund's valuation reports, including the "mark-to-model" valuation methodology.
3. **Suspicious Wire Transfers:** A list of the suspicious wire transfers from the fund to external parties.

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