The 60-Minute Fraud Finder

4 Excel Tests to Catch Thieves

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By Majid Mumtaz

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Test 1: The "Benford" Sanity Check

Theory: In any large, naturally occurring dataset of **Vendor Invoices** (AP Ledger), the leading digit is not random. It follows a specific logarithmic probability.

The Auditor's Benchmark: Compare your data against this expected distribution.

Leading Digit	Expected %
1	**30.1%**
2	**17.6%**
3	**12.5%**
4	**9.7%**
5	**7.9%**
6	**6.7%**
7	**5.8%**
8	**5.1%**
9	**4.6%**

⚠ CRITICAL WARNING: CONTEXT MATTERS

Do NOT use this on Menu Sales. If your burger costs $25, your sales data will start with "2" almost 100% of the time. That is not fraud; that is a menu.

USE THIS ON: Vendor Payments, Expenses, and Procurement data (which span from $10 for toner to $100,000 for rent).

REAL-WORLD EXAMPLE: "THE FAKE MARKETING AGENCY"

An Auditor ran this test on "Marketing Expenses." The digit **"7"** appeared 20% of the time (should be 5.8%).

The Find: The Marketing Director was approving fake invoices for **$7,500** and **$7,800** to a shell company he owned, keeping them just under his $8,000 approval limit.

HOW TO DO IT IN EXCEL:

1. **Extract the First Digit:**
    - Column A: `Invoice Amount`
    - Column B: `First Digit` formula: `=LEFT(A2, 1)`
2. **Pivot Table:**
    - Rows: `First Digit`
    - Values: `Count of Invoice Amount`
3. **Calculate %:**
    - Show Values As: `% of Column Total`

Test 2: The Round Number Trap

Theory: Real business transactions are messy. Taxes, discounts, and exchange rates make numbers ugly (e.g., **$4,982.13**).

The Fraud: Bribes and fake expenses are often round numbers (e.g., **$5,000.00**). Humans crave simplicity.

REAL-WORLD EXAMPLE: "THE PHANTOM CONSULTANT"

We scanned a General Ledger for numbers ending in `.00`.

The Find: A recurring payment of **$2,500.00** labeled "Govt Relations Consulting."

The Reality: There was no invoice. The employee created a "Payment Request Form" for a vague service. This created a channel to siphon money out of the company to pay cash

bribes to inspectors. Real service providers usually have "messy" bills (e.g., $2,500 + $125 VAT = $2,625).

HOW TO DO IT IN EXCEL:

1. **Identify Round Numbers:**
    - Formula: `=MOD(A2, 1) = 0` (Finds amounts with no cents)
2. **Filter:**
    - Filter for TRUE.
3. **Context Check:** Rent is round. Catering is not.

Test 3: The Weekend Warrior

Theory: Most B2B transactions happen Monday to Friday, 9-5.

The Fraud: Fraudsters often work when the controls are weak—nights and weekends.

REAL-WORLD EXAMPLE: "THE SUNDAY CREDIT NOTE"

We filtered for manual Journal Entries (JE) posted on Sundays.

The Find: A Sales Manager posted a **$50,000 Credit Note** at 11:30 PM on a Sunday. He was wiping out a debt for a friend's company before the Monday morning aging report was run.

HOW TO DO IT IN EXCEL:

1. **Extract the Day:**
    - Formula: `=TEXT(A2, "dddd")`
2. **Filter:**
    - Select `Saturday` and `Sunday`.

Test 4: The "Bun-to-Burger" Ratio (Inventory Yield)

Theory: In a restaurant or factory, inputs (inventory) should correlate perfectly with outputs (sales). Every burger sold **must** consume one bun.

The Fraud: "Skimming" is when a manager sells a burger for cash but doesn't ring it up in the system. The money goes in their pocket, but the inventory still disappears.

REAL-WORLD EXAMPLE: "THE PHANTOM FEAST"

We compared the purchase orders for burger buns against the POS sales data for a specific franchise.

The Find: The store bought 10,000 buns but only recorded 8,000 burger sales.

The Question: Where did the 2,000 buns go? "Waste" was reported at only 1%.

The Verdict: The manager was selling 20% of his burgers for cash and pocketing the money. He couldn't hide the **"Un-Financial"** evidence: the missing bread.

HOW TO DO IT IN EXCEL:

1. **Map your Inputs to Outputs:**
    - Find your "Anchor Ingredient" (something that is used in almost every sale and is hard to substitute, like buns, cups, or specific packaging).
2. **Calculate Theoretical Yield:**
    - `Opening Stock` + `Purchases` - `Closing Stock` = `Physical Usage`.
3. **Calculate Variance:**
    - `Physical Usage` - `POS Sales Quantity` = `The Gap`.
4. **Flag the Outliers:**
    - If the Gap > 3% consistently, you don't have a waste problem; you have a theft problem.

Want to go deeper?

Excel is a powerful starting point.

For those managing complex operational risks, my book **The Un-Financial Risk Manager** provides a detailed examination of advanced strategies used by modern audit functions.

Topics covered include:

- **Forensic Data Analytics:** Moving beyond simple checks to automated fraud detection.
- **Operational Integrity:** How to audit supply chains, food safety, and franchise networks.
- **The Risk Mitigation Ledger:** A framework for reporting risk value to the Board.

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The Un-Financial Risk Manager

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