Modus operandi of Satyam Corporate Fraud

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With the help of the Cyber forensic techniques, CBI was able to decipher modus operandi of Satyam Corporate Fraud i.e. generating false invoices to show inflated sales by M/s. Satyam Computers Service Ltd.

Investigation conducted by CBI into the Satyam Scam revealed that M/s. Satyam Computer Services Ltd (SCSL) has got a regular application flow for generation of invoices. This regular flow has a series of applications like Operational Real Time Management (OPTIMA) for creating and maintaining the projects, Satyam Project Repository (SRP) for generating the project ID, an application to key-in the main hours put in by the employees called Ontime and a Project Bill Management System (PBMS) for generating the billing advises from the data received from the Ontime and from the rates agreed upon with the customer. Based on these billing advise generated by PBMS, the Invoice Management System (IMS) generates the invoices. Apart from the regular application flow, M/s. SCSL has another method of generating invoices through Excel Porting wherein the invoices can be generated directly in IMS bypassing the regular application flow by porting the data into the IMS. This application has to be used sparingly for emergency requirements.

Investigation revealed that in order to perpetrate this fraud, the accused have surreptitiously got a subroutine incorporated in the Source Code of IMS application wherein a new user ID called Super User was got created and this Super User had the power to hide/unhide the invoices generated in IMS. By logging in a Super User, the accused were hiding some of the invoices that were generated through Excel Porting. Once an invoice is hidden the same will not be visible to the other divisions within the company but will only be visible to the Sales Team in Finance Division of M/s SCSL. As a result, the concerned business circles will not be aware that such invoices are existing. These invoices are also not despatched to the customers. Investigation revealed that all the invoices that were hidden using the Super User ID in the IMS server were found to be false and fabricated.

Investigation further revealed that these false and fabricated invoices were generated for the purpose of inflating the sales and the amounts pertaining to these false and fabricated invoices were shown as receivables in the books of accounts of M/s SCSL thereby dishonestly inflating the revenues of the company. Investigation revealed that there are 7561 invoices that were found to be hidden in the IMS. These 7561 invoices are worth Rs. 5,117 crores. Investigation revealed that the accused have already entered 6603 out of these false and fabricated invoices amounting to Rs. 4,746 crores into their books of accounts thereby inflating the revenues of the company to this tune.

During the course of the investigation, a detailed analysis of the computer logs pertaining to both the IMS application and the computer network of M/s SCSL were analysed. Further, this analysis was also matched with the Access control swipe card data of the company. As a result of this analysis, the individuals who have generated and hidden these false and fabricated invoices have been identified. Further, the computer server where these incriminating electronic records were stored was also identified and the incriminating data was retrieved and the required computer forensic expert's opinions were also obtained. As a result of this detection, the actual modus operandi as well as the individuals who have perpetrated the fraud have been identified which resulted in unearthing the whole fraud and helped in finalisation of the investigation pertaining to the falsification of accounts and forgery of documents by the accused in the Satyam Scam.

The bail application of Sh. B. Ramalinga Raju, Sh. B. Ramaraju and Sh. V. Srinivas have been dismissed by the trial court on 25.4.2009. Eight persons are in judicial custody including the above three persons. CBI has also got permission for conducting further investigation in this case pertaining to acquisition of assets by the accused and the diversion of funds.