

RUTGERS
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Automating Accounts

Receivable for a Remote Audit

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I. Introduction

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IV. Conclusion

Agenda

1. Introduction
2. Automation as a Remote Audit Enabler
3. Methodology & Observations
4. Summary & Conclusions

Introduction





Procter & Gamble

Cincinnati, Ohio

Objective

- **Original goal:**
Automate accounts receivable audit tests at P&G
- **Extended goal:**
Use automation to enable remote audit



Current status

- Unsuccessful attempt at automating accounts receivable audit tasks
- “We learned a few ways of how not to do it”

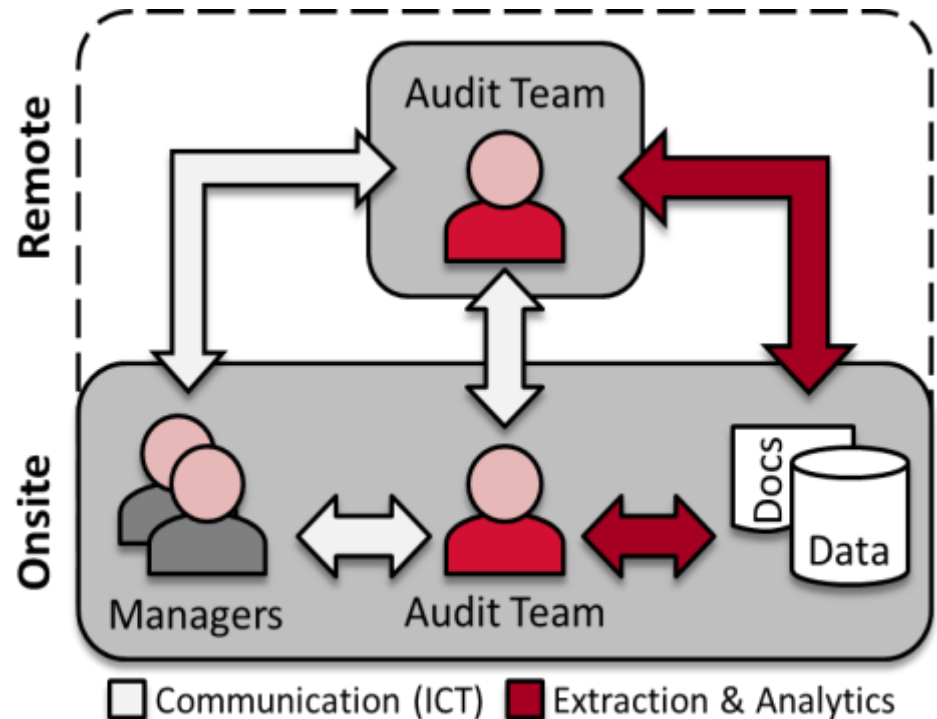


Automation as a Remote Audit Enabler



The remote audit framework

- **Remote audit** uses information and communication technology and data analytics to assess controls, gather evidence, and interact with clients (Teeter et al, 2010)

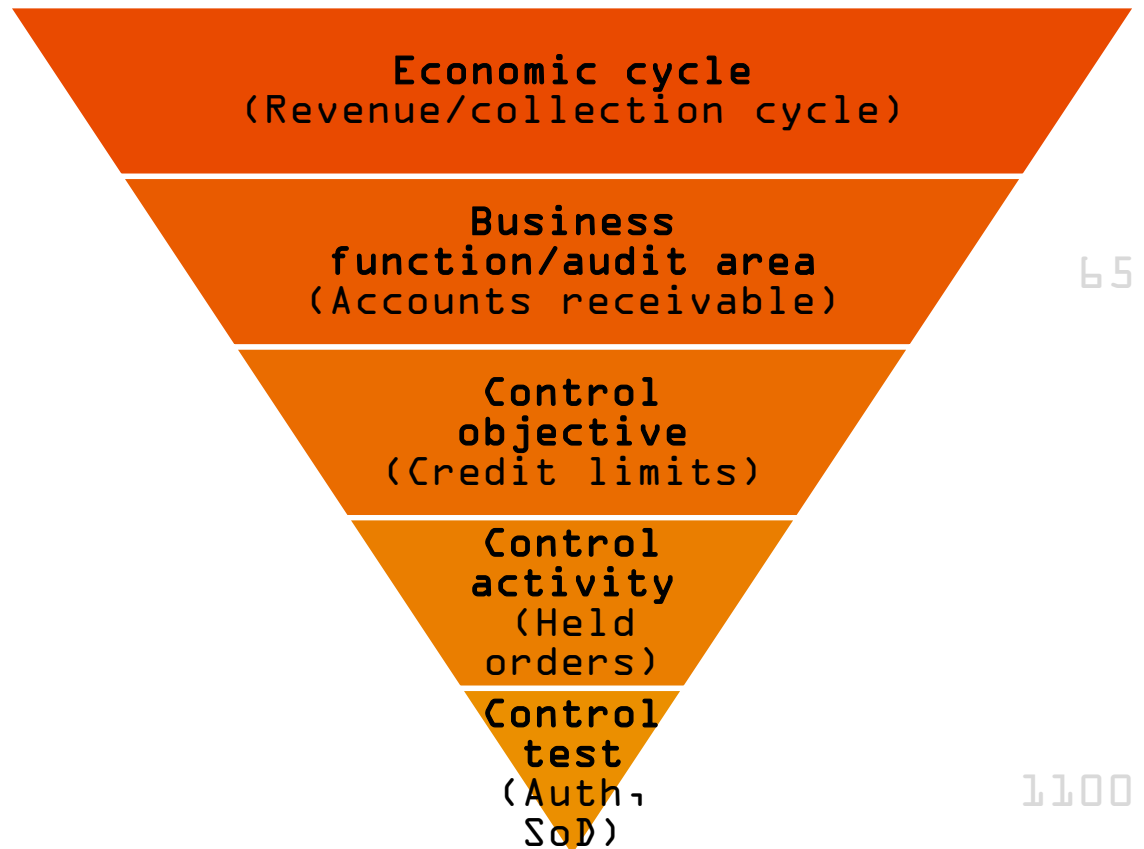


Modular audit automation

- **Audit automation** facilitates risk-based evidence collection while increasing audit coverage
(Alles et al., 2008)
 - Enables **full population** testing
 - Directs auditor attention to **exceptions**
- Formalization/reengineering of audit procedures into rules and analytics
 - **Testing transactions**
e.g. customer behavior, abnormal transactions
 - **Testing controls**
e.g. authorizations, segregation of duties

Modular audit automation

- Audit programs are typically divided into several modules or functions
- Automation evaluation begins at functional level



Process reengineering

- Three approaches:

Automate existing control tests	Automate control activities	Automate control objectives
Formalize audit tests, output exceptions	Create new tests in digital environment, alter some business processes (e.g. digital docs)	Evaluate audit risk, rethink control activities, alter business processes to enable new audit procedures
Minimal effort	Moderate effort	Moderate to high effort

Methodology & Observations



Analysis of existing audit plan

- First approach: Automate existing A/R control tests
 - Evaluated existing audit procedures (40 audit tests)
 - Classified audit tests into four buckets (A, B, C, D)
 - Identified tests that required minimum reengineering effort (low-hanging fruit)

Framing the remote audit

- Second approach: Automate A/R control activities
 - Evaluated internally-developed remote audit plan (24 control activities)
 - Determined process/system design prerequisites of the remote audit/audit automation
 - Proposed new tests for querying and comparing ERP transactions

Distilling the primary audit objectives

- Third approach: Automate A/R control objectives
 - Separated (9) objectives into key components:
 - Collectability
 - Credit Limits
 - Miscellaneous A/R
 - Linkage between credit limits and aging
(Profiles of high-risk customers)
 - Authorization
 - Work in process, tests to be determined

Conclusions



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Work in process

- Worked with P&G internal auditors to evaluate and attempt automation
- Can there be a push-button audit?
- Outcomes and goals were unclear at times
- Testing and manual verification
- Simple vs. creative
- Continue to address alternatives to enable automation of the audit process

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Summary

- Gained insight into the audit processes
- Identified areas for business process reengineering
- Addressed some potential areas where a remote audit would be appropriate

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Next research steps

- Exploring additional areas for partial automation
- More clearly identify goals and desired outcomes