IMPLEMENTING CONTINUOUS AUDIT FACILITIES FOR SMALL AND MEDIUM BUSINESSES

Presented by Greg Frazier, CPA.CITP

- The Internet
- Database Event Triggers

ERP Application

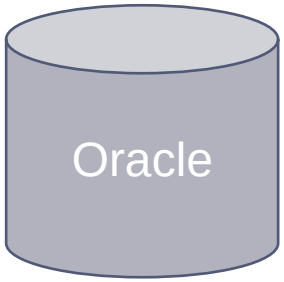
General Ledger Journal Entry

Before Event Triggers

Low Cash Balance Report (3rd Party App)

Journal Entry Number	Date	User ID	Account Number	Account Description	Debit	Credit
GL-10123	06-27-2013	GREGF	10-6050-000	Office Supplies	125.00	
GL-10123	06-27-2013	GREGF	00-1010-000	Checking		125.00

- User runs the report daily, weekly, monthly
- User runs the report on demand
- Application automatically runs every 10 seconds (continuous polling)



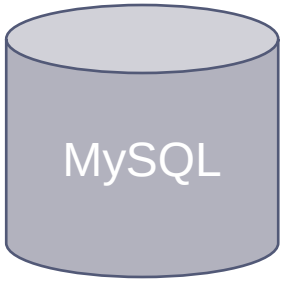
Application submits a request to be notified when certain even triggers occur

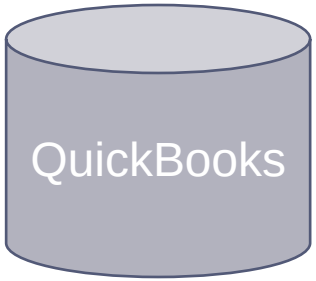
Database events:

- Add record to table
- Modify record to table
- Delete record from table

Registered 3rd Party Apps:

- Database procedures
- ERP modules
- 3rd party dictionaries
- 3rd party applications





Application Registration Request

Using Event Triggers

ERP Application

General Ledger Journal Entry

Low Cash Balance Report (3rd Party App)

Journal Entry Number	Date	User ID	Account Number	Account Description	Debit	Credit
GL-10123	06-27-2013	GREGF	10-6050-000	Office Supplies	125.00	
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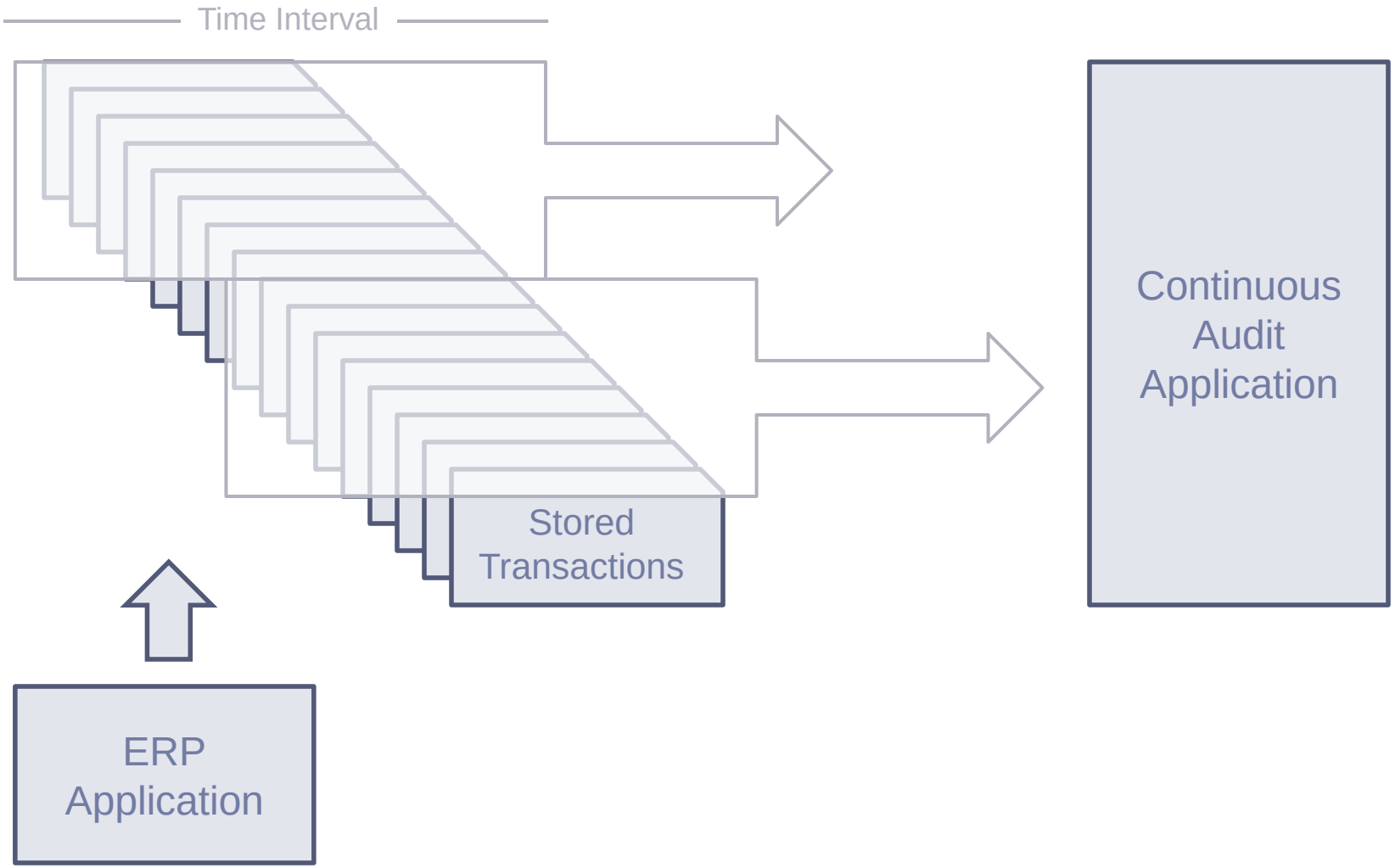
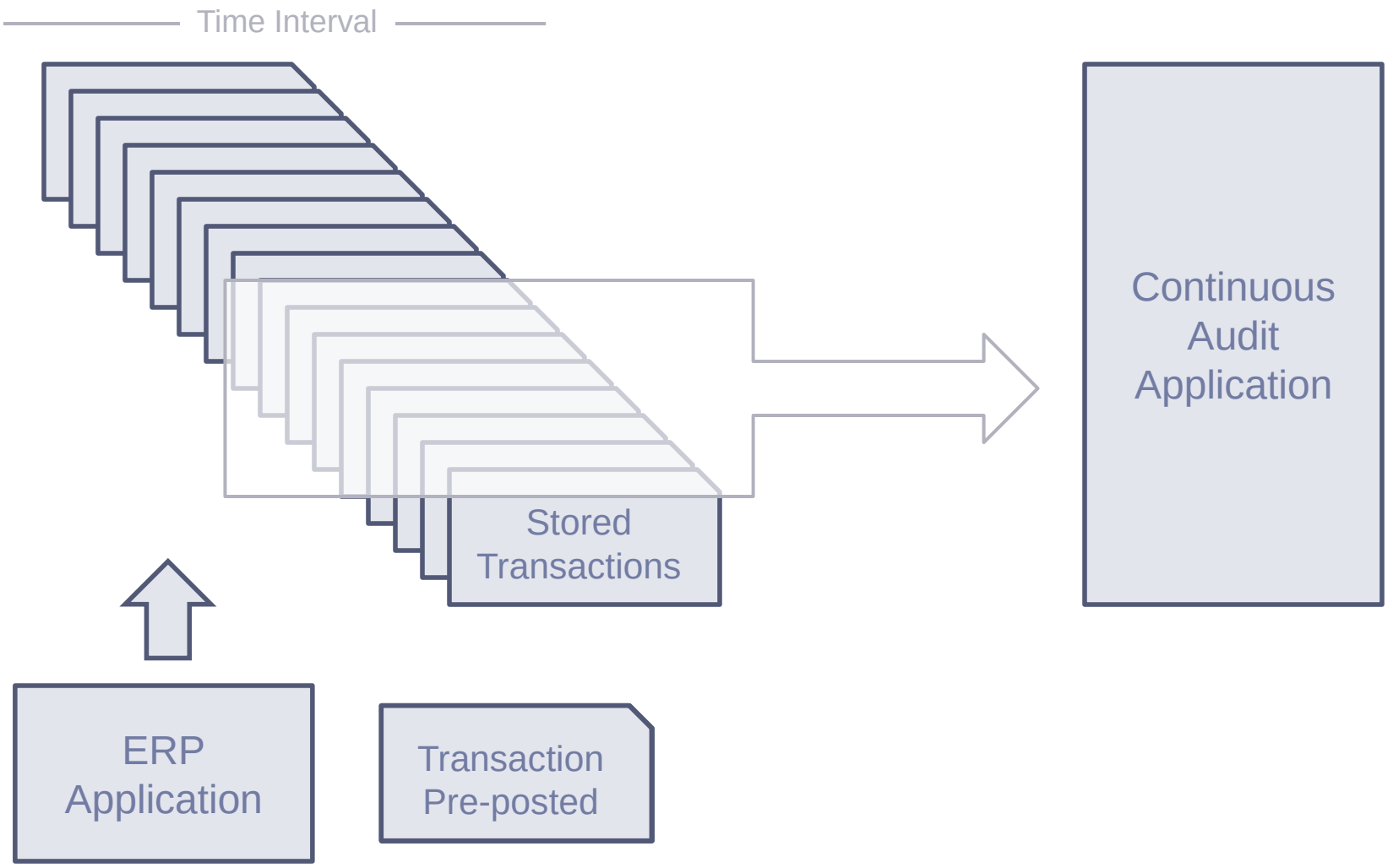
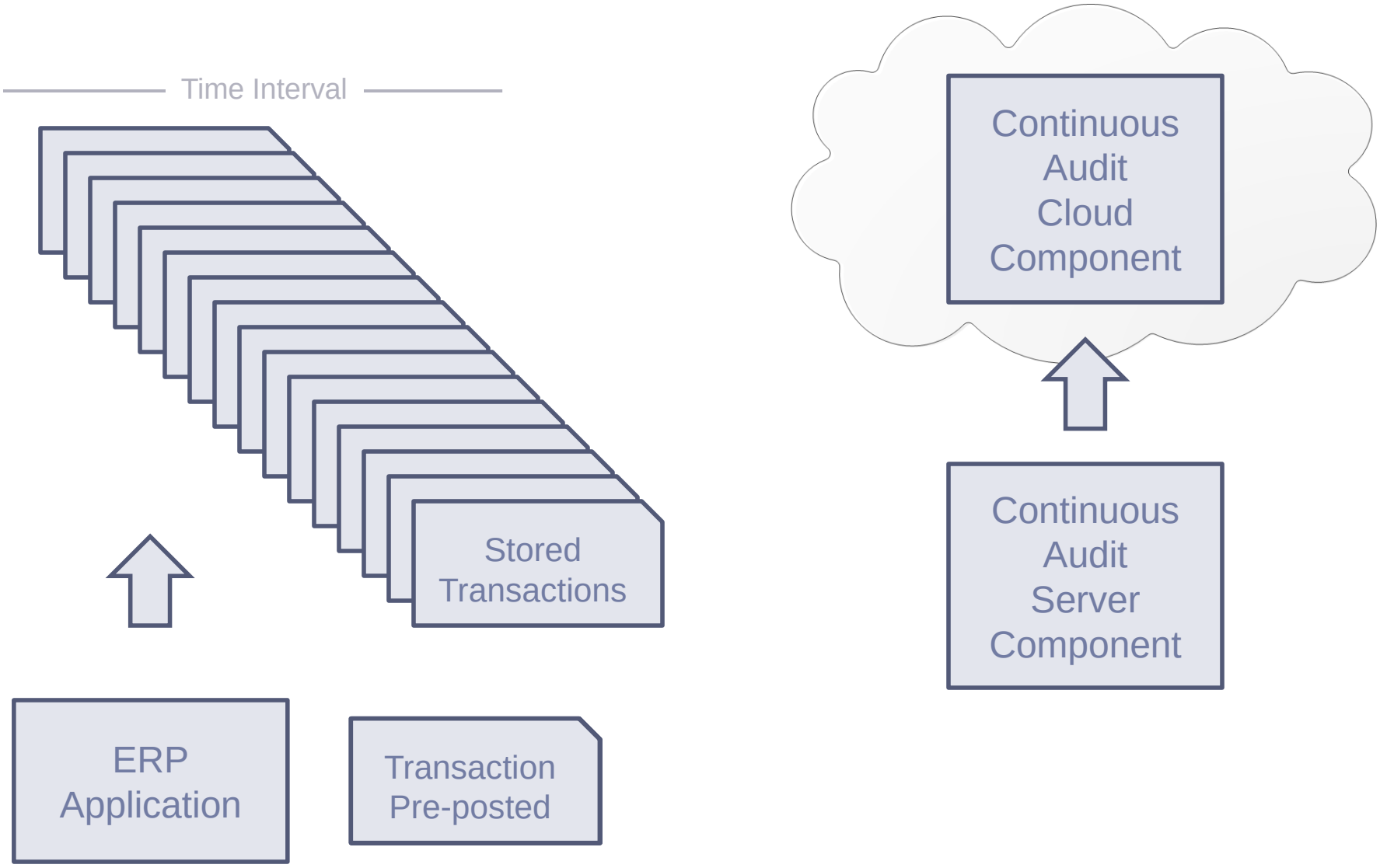
- Application is notified when any add, update and delete events occur

Widely accepted view of continuous audit processing – Time interval based





Alternative approach to continuous audit processing – Transaction based



Alternative approach to continuous audit processing – Transaction based

An example of an actual detective control report emailed from a continuous audit application

Delete | Move | Spam | Actions

From: Continuous Audit Facility (CAF)
To: Greg Frazier, CPA

Continuous Audit Facility Alert!

This email is an alert from a cloud-based continuous monitoring facility provided by Greg Frazier, CPA, PLLC.

The following journal entry was created by a user with a network sign-on i.d. of SERVICE and an application sign-on i.d. of sa on Thursday, August 08, 2013 at 12:56 AM.

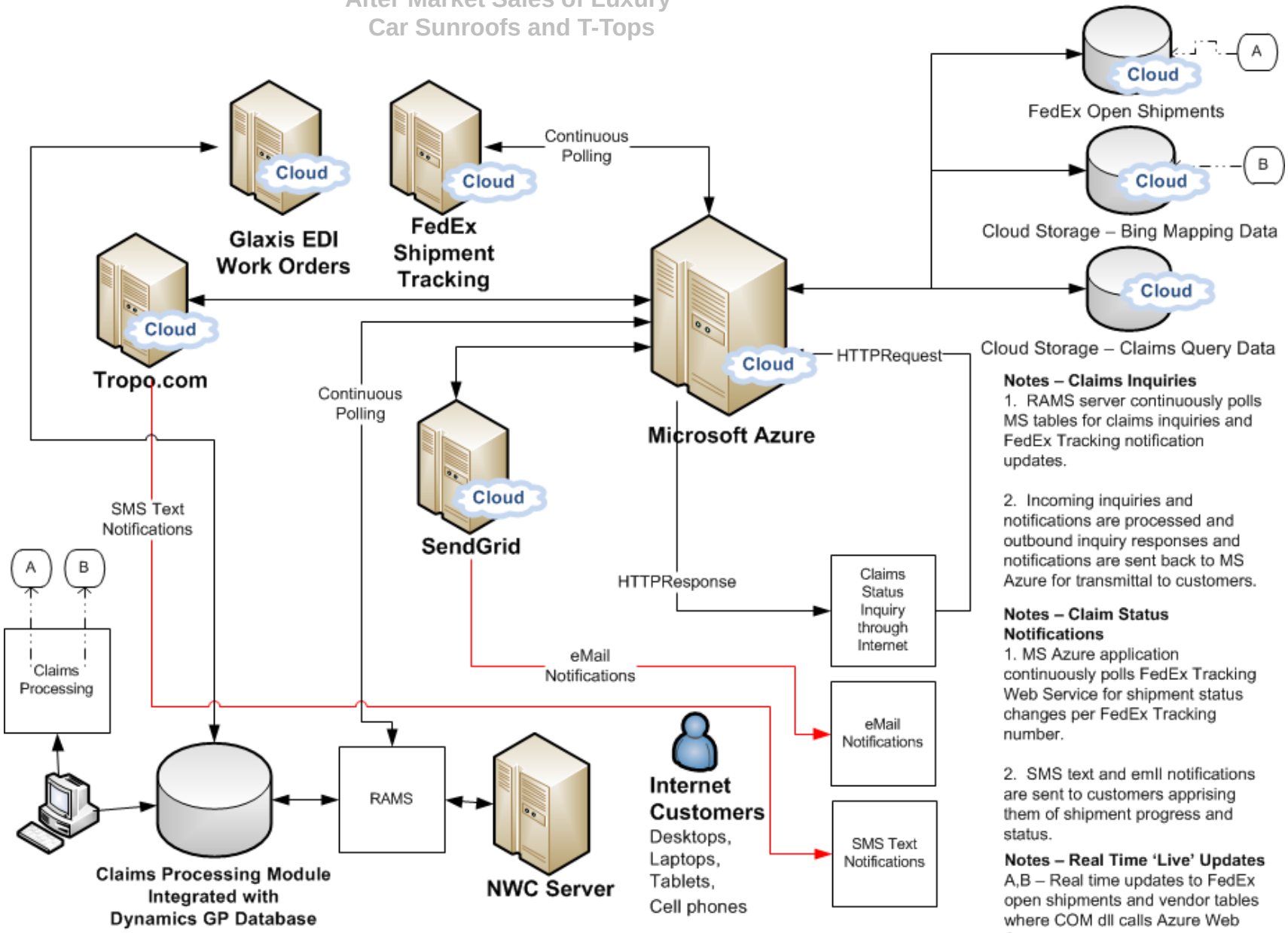
One or more exceptions are reported for the following journal entry created from Payables Trx Entry transaction number PMTRX00000826, journal entry number 27699.

Trx Date	Trx	Account type	Account	Description	Debits	Credits
7/31/2013	PMTRX	Cash	000-1100-00	Cash - Operating Account		300.00
	PMTRX	Administrative Expense	100-6480-00	Repairs a Maintenance	300.00	

Reportable Condition: Payables transaction not posted to the payables GL control account
This journal entry was created from a transaction that increases or decreases the accounts payable sub-ledger while not effecting the balance in the accounts payable GL control account. Consequently, this journal entry could cause an out-of-balance condition.. The general ledger account number subject to the exception is 000-1100-00.

Reportable Condition: Transaction posted to a prior month
This journal entry contains a questionable posting to a prior month and may be subject to reversing or adjusting journal entries prior to the close of the entity's fiscal year.. The general ledger account number subject to the exception is 000-1100-00.

After Market Sales of Luxury Car Sunroofs and T-Tops



Notes – Claims Inquiries

1. RAMS server continuously polls MS tables for claims inquiries and FedEx Tracking notification updates.

2. Incoming inquiries and notifications are processed and outbound inquiry responses and notifications are sent back to MS Azure for transmittal to customers.

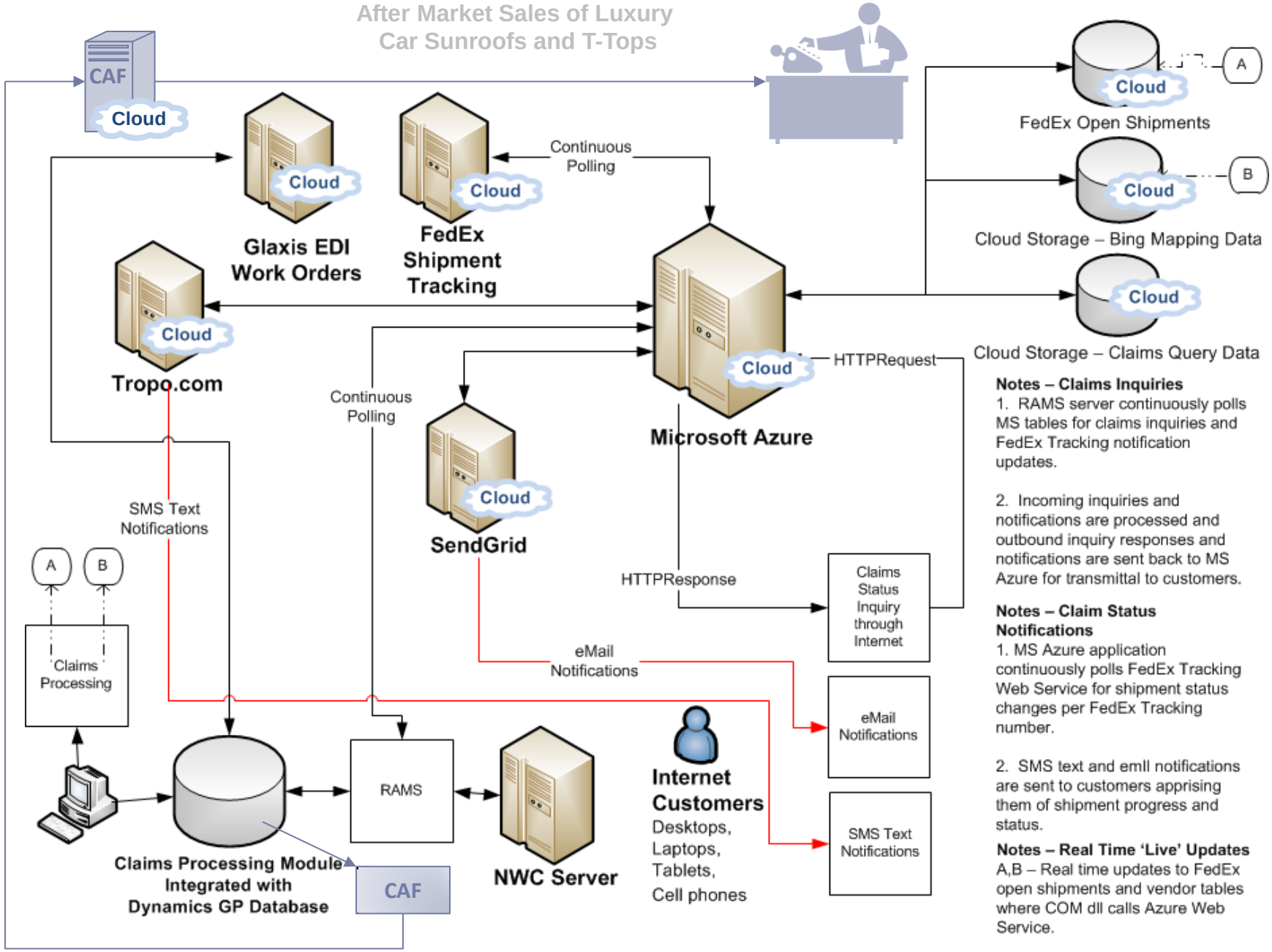
Notes – Claim Status Notifications

1. MS Azure application continuously polls FedEx Tracking Web Service for shipment status changes per FedEx Tracking number.

2. SMS text and emll notifications are sent to customers apprising them of shipment progress and status.

Notes – Real Time 'Live' Updates

A,B – Real time updates to FedEx open shipments and vendor tables where COM dll calls Azure Web Service.



Continuous audit facility evaluates AP aging each time a credit transaction is posted to the AP control account.

Benefits

- Faster detective reports
- Smaller footprint in auditee's environment
- Less costly than traditional audit approach

Drawbacks

- Limited ability to analyze transactions in aggregate
- High reliance on auditee's IT environment
- High reliance on 3rd party IT resources

Questions