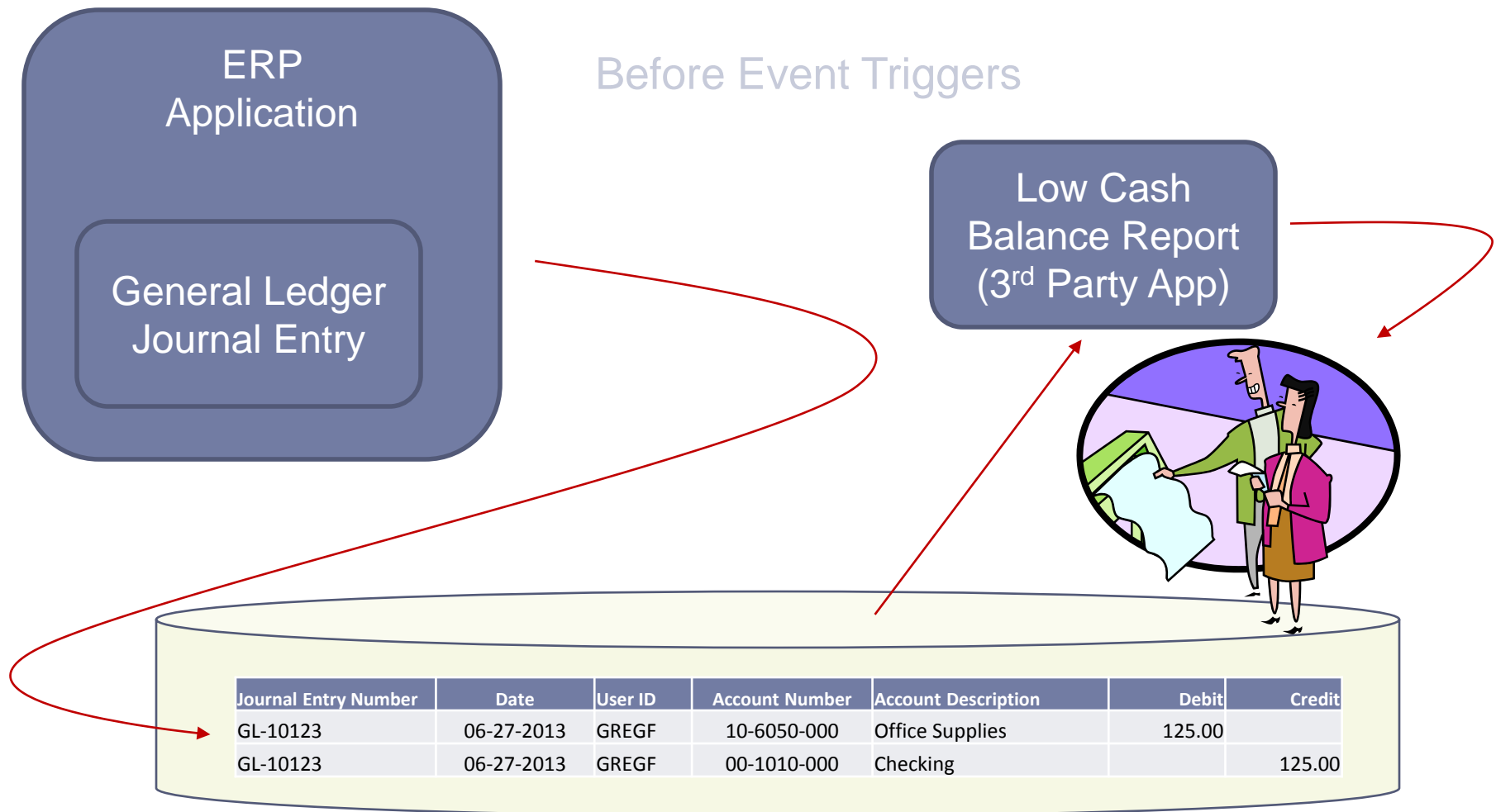


# IMPLEMENTING CONTINUOUS AUDIT FACILITIES FOR SMALL AND MEDIUM BUSINESSES

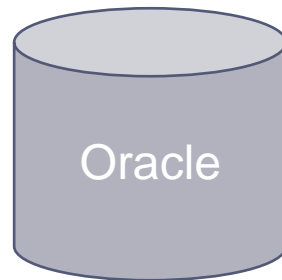
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Presented by Greg Frazier, CPA.CITP

- The Internet
- Database Event Triggers



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

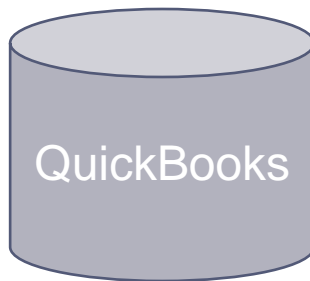


Database events:

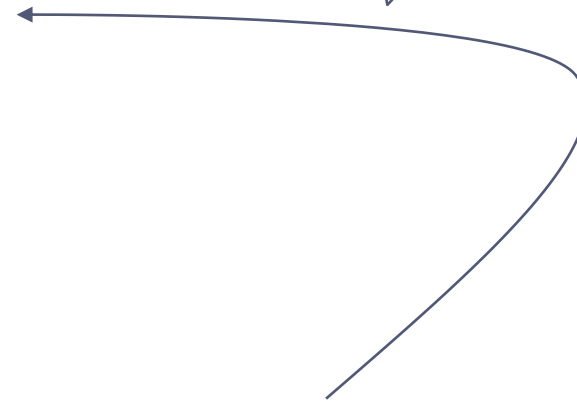
- Add record to table
- Modify record to table
- Delete record from table

Registered 3<sup>rd</sup> Party Apps:

- Database procedures
- ERP modules
- 3<sup>rd</sup> party dictionaries
- 3<sup>rd</sup> party applications

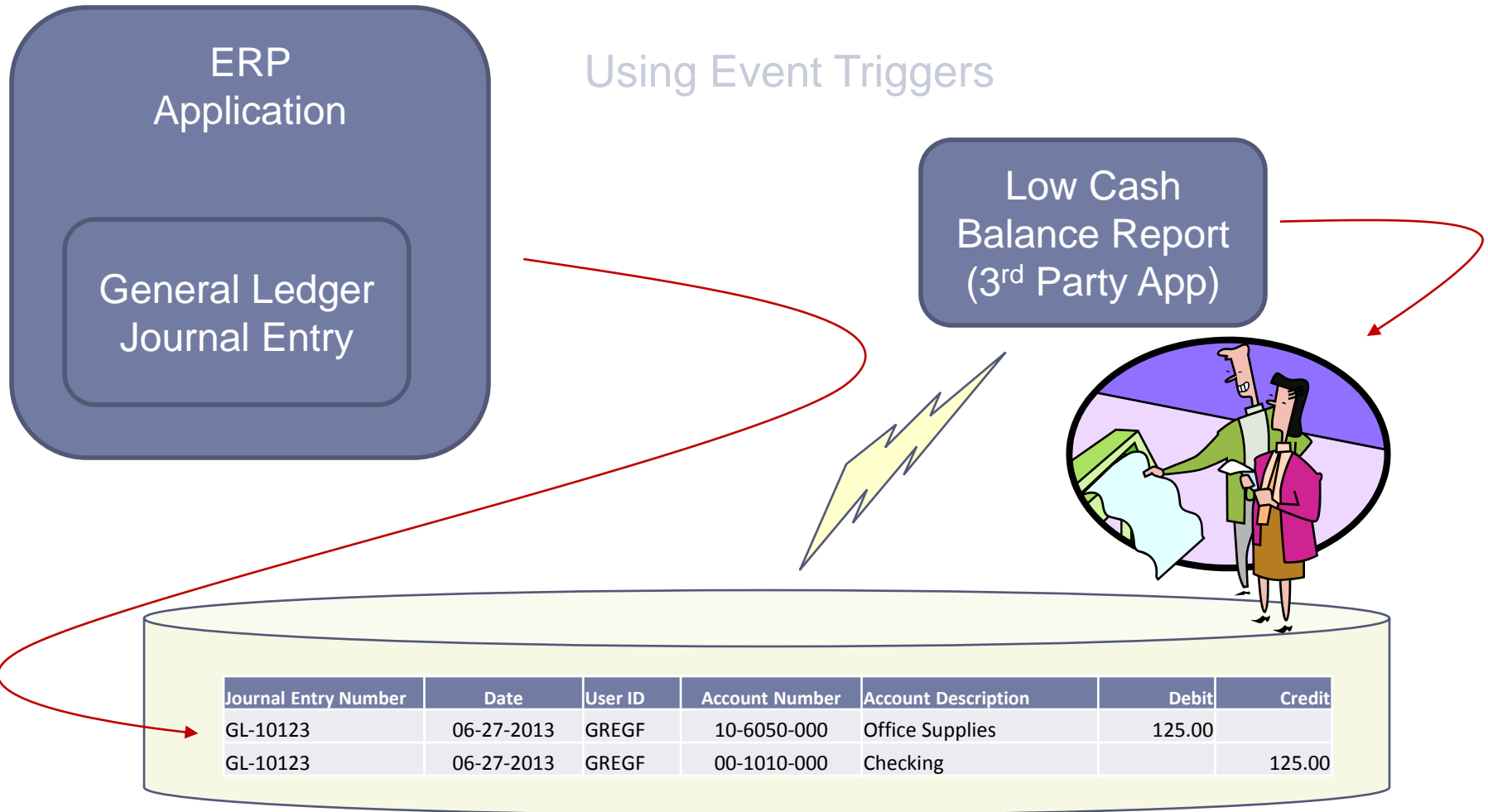


Application submits a request to be notified when certain even triggers occur



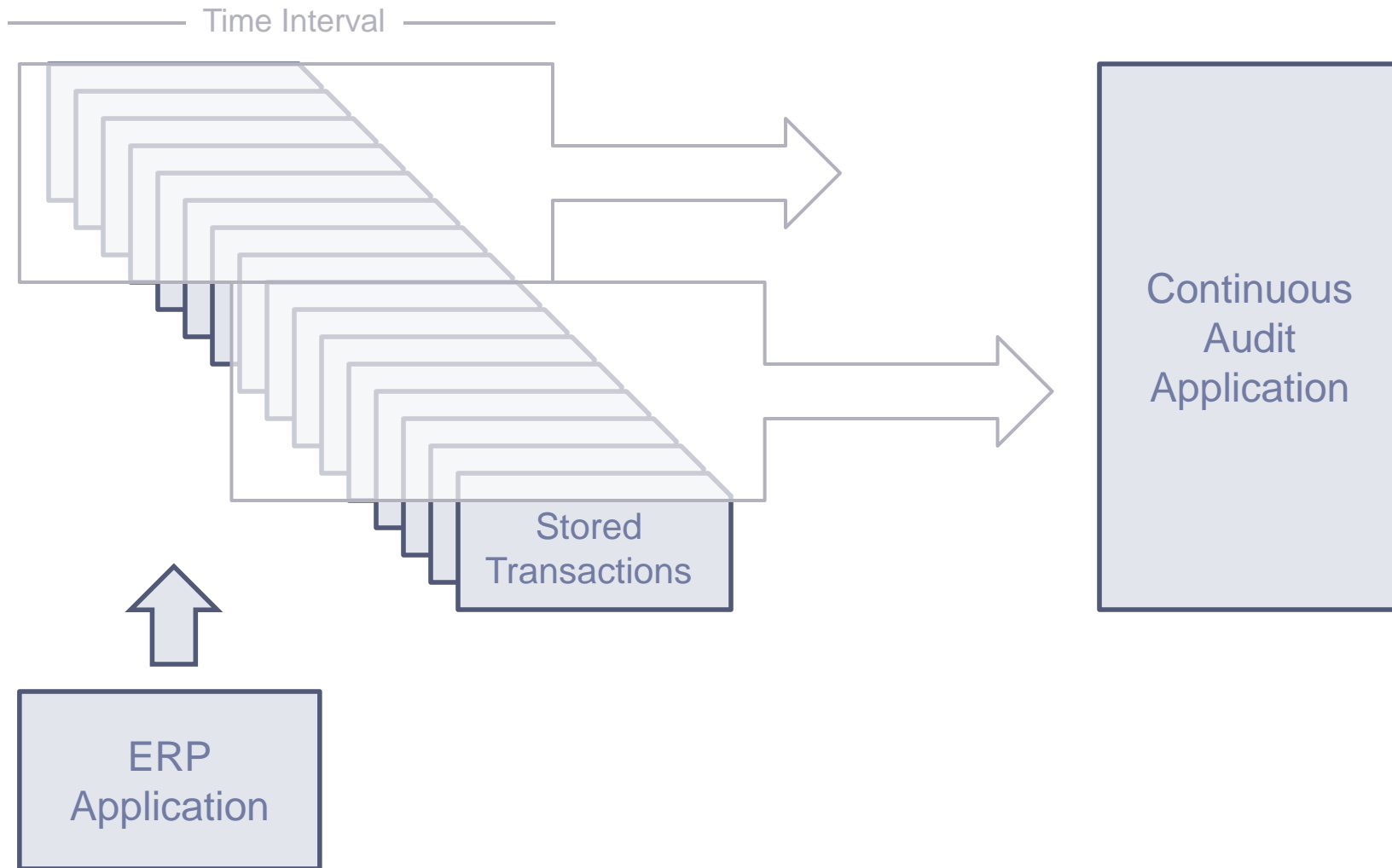
Application  
Registration  
Request

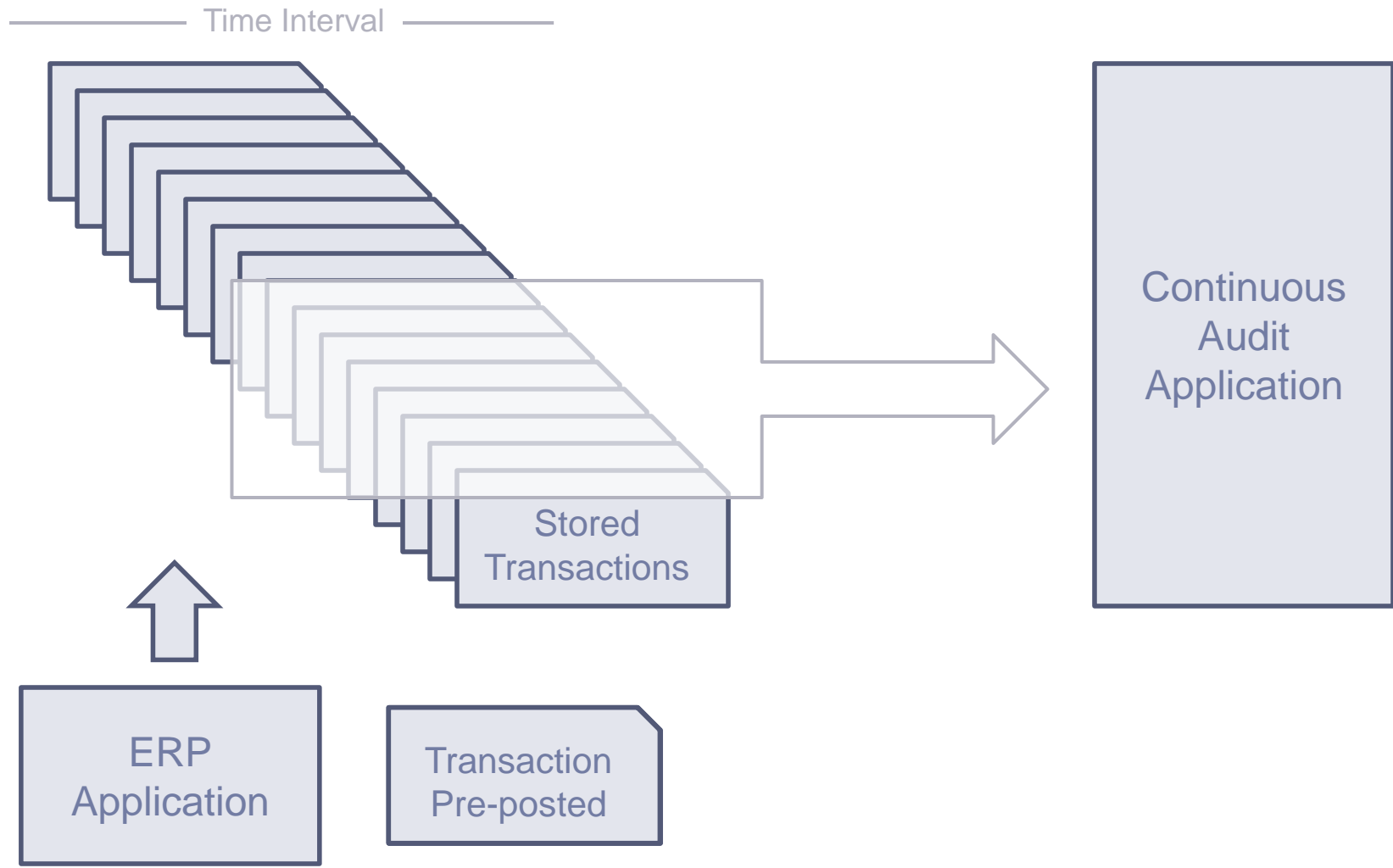
### Using Event Triggers



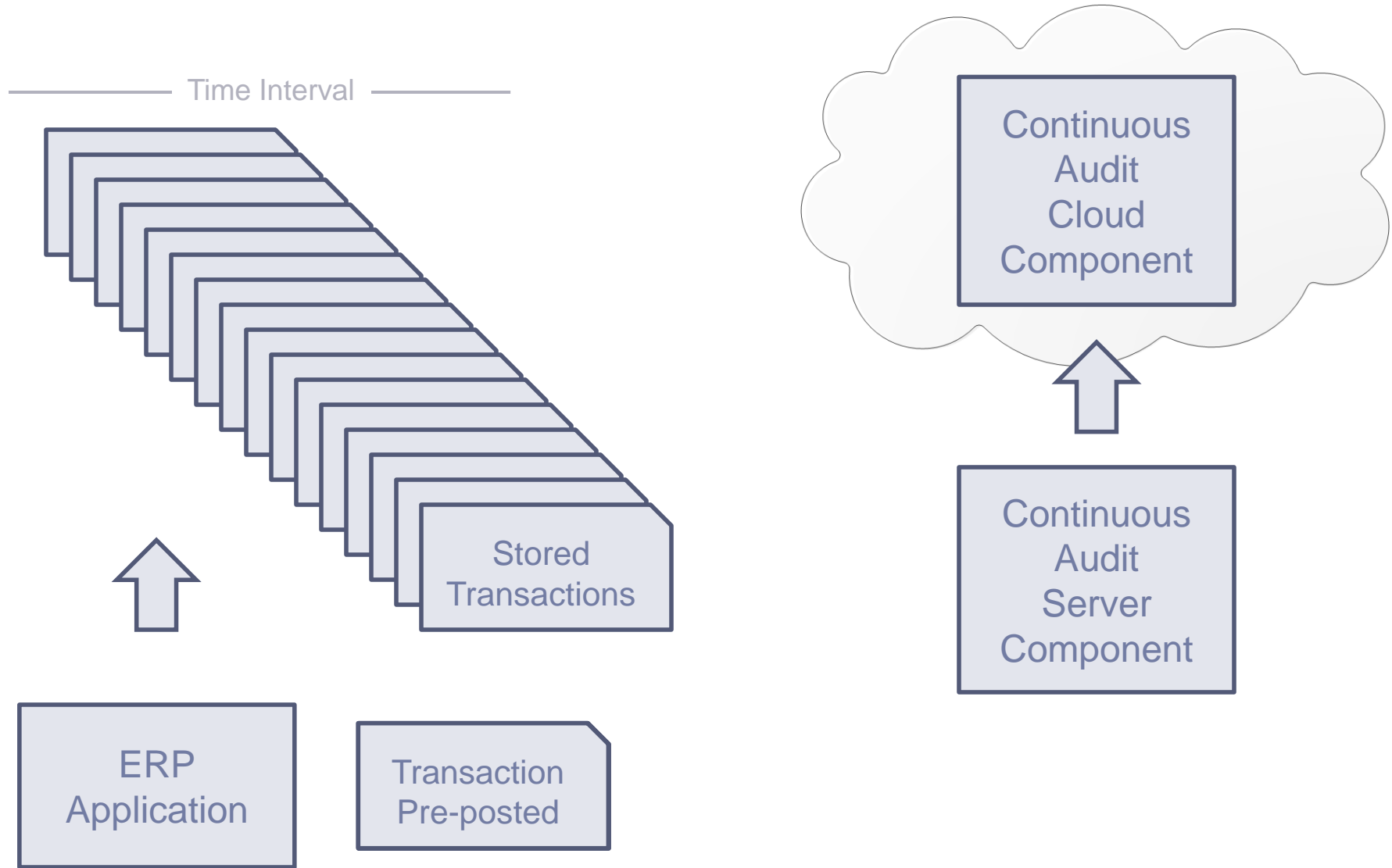
- Application is notified when any add, update and delete events occur

### 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.

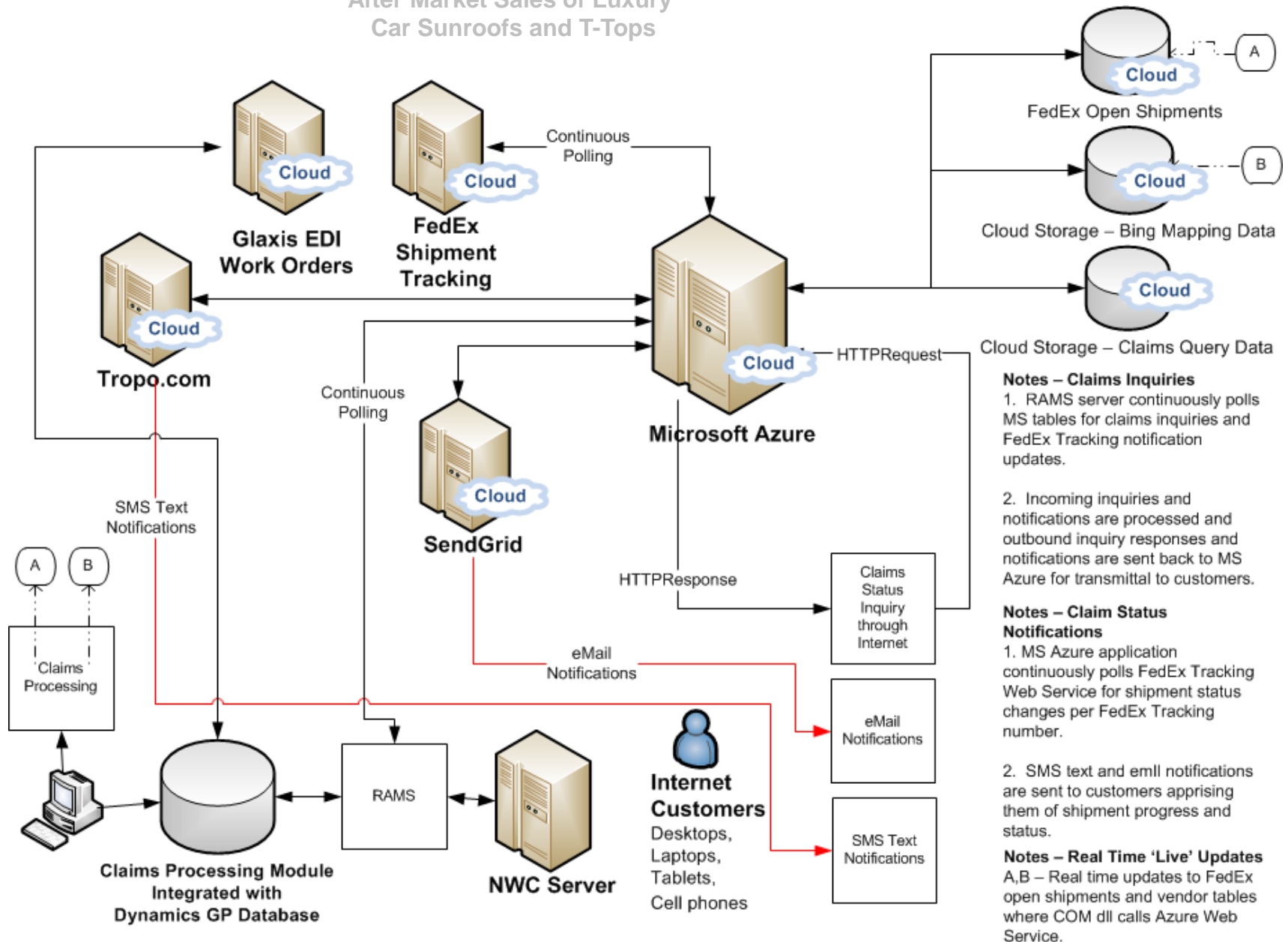
One or more exceptions are reported for the following journal entry created from Payables Trx Entry transaction number **PMTRX00000826**, journal entry number **27699**.

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	

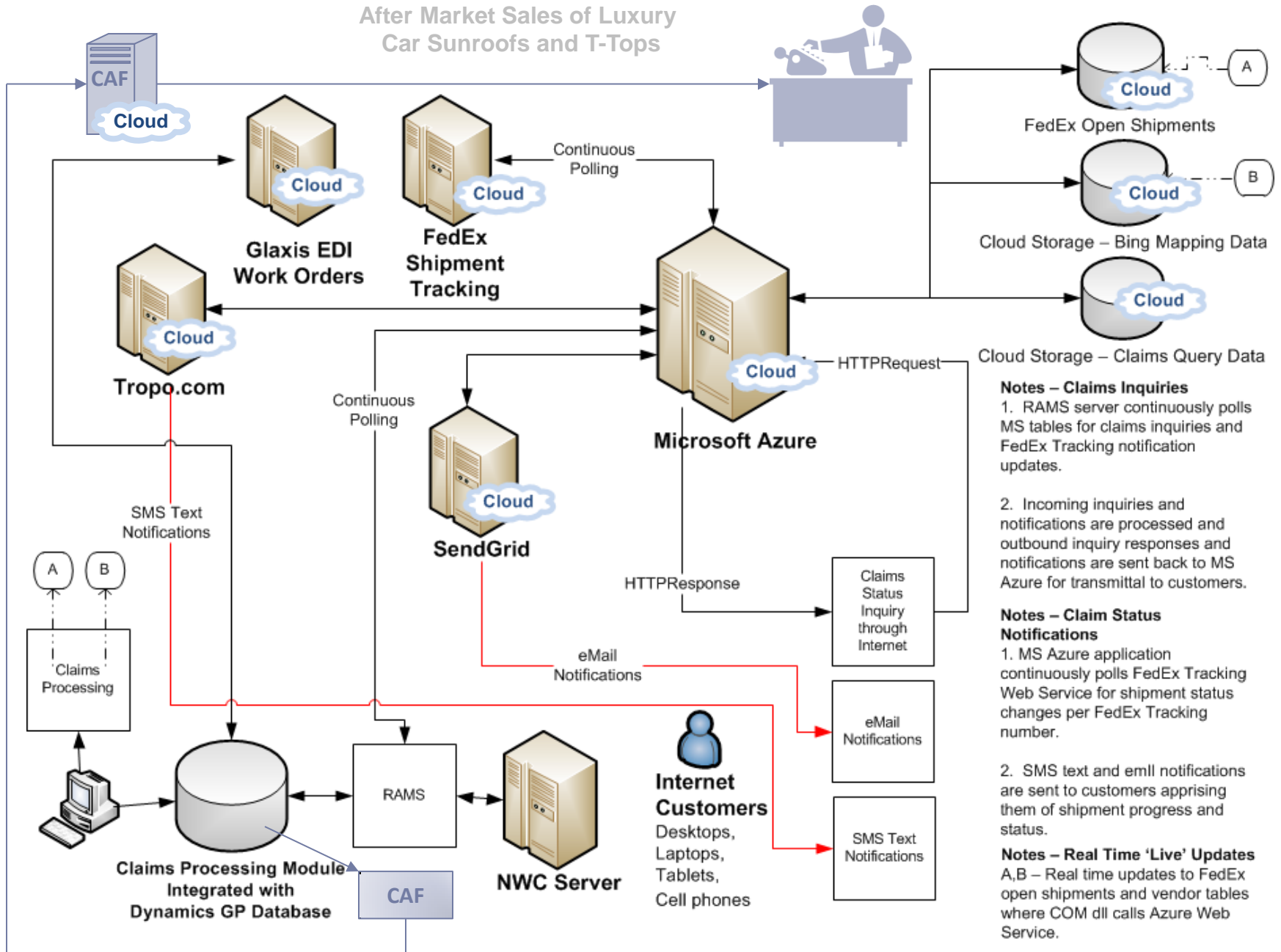
**Reportable Condition: Payables transaction not posted to the payables GL control account**  
This journal entry was created from a transaction that increases or decreases the accounts payable sub-ledger while not effecting the balance in the accounts payable GL control account. Consequently, this journal 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



After Market Sales of Luxury Car Sunroofs and T-Tops



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 3<sup>rd</sup> party IT resources

Questions