

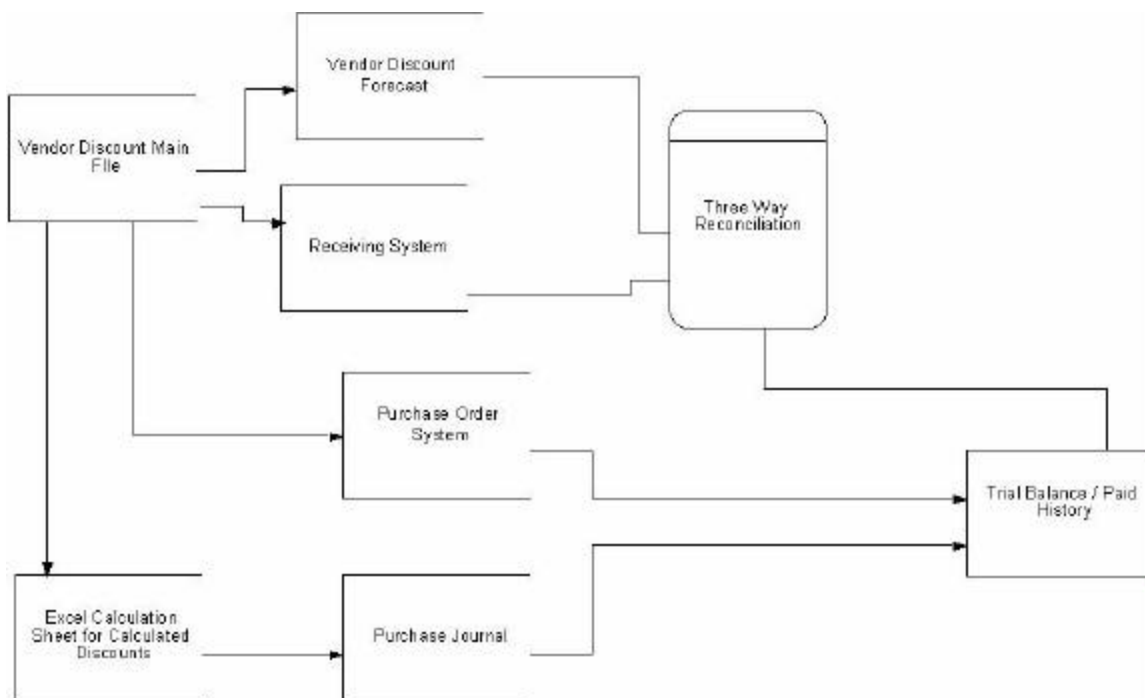
Measure Data Twice So You Can Audit Once

By Richard B. Lanza, CPA, PMP

After selecting your audit area based on a risk assessment process (see [Assess Risk](#) and [Select Area](#) sections of AuditSoftware.Net), you need to understand the underlying data files. Without this foundational understanding, the auditor may complete various tests that are useless or the auditor may not focus on the true issues within the system data. Therefore, it is best that you first identify the data model for the system and then complete various tests to ensure the integrity of the model and the residing data.

Creating the Data Model

With the speed that computer systems get implemented, many times information technology departments do not document the system completely. Further, many times, small subsystems are documented, but NO model for the system-at-large is completed. Therefore, auditors may find themselves needing to create such holistic data models. As in the below example (model created with [Flow Charting 5](#)), there are seven subsystems (represented by rectangles in the below chart). There may be data models for each subsystem, but the below represents the overall data model for the entire vendor discount processing cycle.



Please note that the above graphic took no more than five minutes to produce in [Flow Charting 5](#), a popular flowcharting software.

What Do You Do With The Data Model?

Now that the overall model is viewed (in a half-page I might add), the auditor can see the integration points throughout the process. Such points are points of failure which should be assessed for risk and tested for integrity purposes. For example, a vendor discounts may be

entered into the vendor discount system but, due to the many paths it must go, not actually get charged to the vendor's trial balance.....or therefore taken by the company. It is suggested that numerous tests be completed that can be agreed to the process owner reconciliation documents (identified as performance measures below) and integration/exception reports for those will identify integrity issues within the data model:

Performance Measure Examples

- Total number of discounts
- Number of adjustments per discount
- Summarize discount by vendor
- Summarize by discount type

Integration/Exception Report Examples

- Age open discounts in the trial balance by date of discount
- Identify discounts in the paid history/trial balance that are not in the vendor discount system, and vice versa
- Extract all negative discounts (where the company owes the vendor)
- Identify gaps in discount numbers
- Calculate interest lost for not charging discounts past their effective date
- Identify duplicate discounts based on vendor and amount

After the auditor has satisfied themselves that the model has reasonable integrity, they can then perform there audit tests with much stronger reliance on the results. Also, the auditor may also find process inefficiencies/ineffectiveness given that now a full view of the data model is being viewed.