
TABLE OF CONTENTS

Chapter 1: Why Is IT Auditing Important to the Financial Auditor and the Financial Statement Audit?	1
Management's Assertions and the IT Audit	2
Objectives of Data Processing for Small and Medium-Sized Enterprises (SMEs)	4
Special Challenges Facing SMEs	9
Research Confirming the Risks Associated with SMEs	13
A Framework for Evaluating Risks and Controls, Compensatory Controls, and Reporting Deficiencies	15
Summary: The Road Ahead	20
Chapter 1: Test Your Knowledge	21
Chapter 1: Solutions and Suggested Responses	23
Chapter 2: General Controls for the SME	25
General Controls: Scope and Outcomes	26
The "COSO Process" – Putting It All Together: Financial Statements, Assertions, Risks, Control Objectives, and Controls	35
Summary	40
Chapter 2: Test Your Knowledge	41
Chapter 2: Solutions and Suggested Responses	43
Chapter 3: Application-Level Security	45
Key Considerations	45
Initial Security Setup	47
Security Role Design	50
Password Configuration	52
Segregation of Duties	57
Personnel, Roles, and Tasks	57
Access Reviews	64
Human Error	65
Summary	66
Chapter 3: Test Your Knowledge	67
Chapter 3: Solutions and Suggested Responses	69
Chapter 4: General Ledger and the IT Audit	71
The General Ledger: A Clearinghouse of Financial Information	72
Chart of Accounts for QuickBooks	74
SME Risks Specific to the General Ledger and the Chart of Accounts	77
Assertions Underlying the Financial Statements and General Ledger Controls	78
IT Controls, the Transaction Level, and the General Ledger	78
Summary	90
Chapter 4: Test Your Knowledge	93
Chapter 4: Solutions and Suggested Responses	95

Chapter 5: The Revenue Cycle	97
Risk Exposures and Subprocesses	97
Application Controls, Revenue Cycle Risks, and Related Audit Procedures	100
Summary	116
Chapter 5: Test Your Knowledge	117
Chapter 5: Solutions and Suggested Responses	119
Chapter 6: The Expenditure Cycle	121
Risk Exposures and Subprocesses	121
Application Controls, Expenditure Cycle Risks, and Related Audit Procedures	124
Summary	142
Chapter 6: Test Your Knowledge	143
Chapter 6: Solutions and Suggested Responses	145
Chapter 7: The Inventory Cycle	147
Risk Exposures and Subprocesses	148
Application Controls, Inventory Cycle Risks, and Related Audit Procedures	155
Summary	166
Chapter 7: Test Your Knowledge	167
Chapter 7: Solutions and Suggested Responses	169
Chapter 8: The Payroll Cycle	171
Risk Exposures and Subprocesses	171
Application Controls, Payroll Cycle Risks, and Related Audit Procedures	174
Summary	236
Chapter 8: Test Your Knowledge	237
Chapter 8: Solutions and Suggested Responses	239
Chapter 9: Risk, Controls, Financial Reporting, and an Overlay of COSO on COBIT	241
PCAOB Warnings: Insufficient Evidence to Support Opinions	242
How We Got Here: A Historical Perspective	243
Risk	252
Risk and Fraud	253
Controls	256
Financial Reporting	261
PCAOB Guidance on IT Controls	272
Integrating COSO, COBIT, and the PCAOB	273
Summary	280
Chapter 9: Test Your Knowledge	281
Chapter 9: Solutions and Suggested Responses	283

Chapter 10: Integrating the IT Audit into the Financial Audit	285
Risks, Maturity, and Assessments	286
Cross-Referencing COBIT to the PCAOB and COSO	291
Plan and Organize	296
Program Development and Change	306
Computer Operations and Access to Programs and Data	313
Monitor and Evaluate	327
Summary	332
Chapter 10: Test Your Knowledge	335
Chapter 10: Solutions and Suggested Responses	337
Chapter 11: Spreadsheet and Desktop Tool Risk Exposures	339
Specific Types of Risks and Exposures	339
Research on Errors in Spreadsheets	341
Compliance Dimensions of Spreadsheet Risk Exposures	347
Spreadsheet Auditing Tools	351
Governance of Spreadsheets and Desktop Tools	355
Control Considerations	358
Auditing Controls and Creating a Baseline	360
Life After the Baseline: Maintaining Spreadsheets and Desktop Tools	371
Summary	371
Chapter 11: Test Your Knowledge	373
Chapter 11: Solutions and Suggested Responses	375
Chapter 12: Key Reports and Report Writers Risk Exposures	377
How Reports Are Used	377
Original Reports within the Application	380
Modified or Customized Reports within the Application	382
Reports Using Third-Party Packages	386
Analyzing and Validating Reports	389
Summary	391
Chapter 12: Test Your Knowledge	393
Chapter 12: Solution and Suggested Responses	395
Chapter 13: IT Audit Deficiencies – Defining and Evaluating IT Audit Deficiencies	397
A Framework for Audit Deficiencies	397
Types of IT Audit Failures and Illustrative Cases	399
Use of Compensatory Controls	411
Ideas for Addressing Segregation-of-Duties Issues	412
Summary	414
Chapter 13: Test Your Knowledge	415
Chapter 13: Solution and Suggested Responses	417

Glossary	419
Index	421
Final Exam Copy	429