Audit Problems Related to Electronic Data-Processing Installations

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Four or five years ago lots of people in the accounting world were making very sophisticated prognostications concerning the future of record-keeping in a world that would be virtually saturated with electronic data-processing equipment. The equipment salesmen were quoting tremendous backlogs of orders and predicting even greater backlogs when their low-priced, all-purpose equipment of the future was announced. "Computer experts" were confidently discussing the automated offices of the future in which management would be confronted only with the task of solving the business problems that a computer had identified and reported to them as exceptions. And about this time a lot of auditors were busy speculating as to how they would analyze a collection of magnetic spots.

Now, with just a few years' hindsight, much of that electronic hysteria appears to have been unwarranted, or at least not justified by subsequent developments. What has happened in the meantime? Truly, the only thing that has happened in this respect is that when the first of these electronic toys were delivered and we at last had an opportunity to play with them, they lost a great deal of their pie-in-the-sky glamour. They became recognized for what they really were—just bigger, better, and much more expensive pieces of hardware.

With the EDP equipment presently available and in use we are not faced with any earthshaking audit problems that cannot be solved by proper planning. It is when electronic applications are in the planning stage that the auditor can be most effective. It is at this stage that he is in a position to inject his audit requirements as additional specifications, or parameters, for the EDP application. This thought that we can, and should, place restrictions on the use of EDP equipment may cause screams of anguish from EDP purists; it may even cause us to be labeled procedural reactionaries. Be that as it may, we must recognize that procedures designed for the convenience of electronic machinery do not necessarily produce records susceptible of reference, analysis, or audit. If the management of a business feels disposed to support an internal auditing department, if they feel that the production of this group is vital to the orderly processes of the