

Date: 16 JAN 2021 10:07:15 +0000
From: "Karina Ramirez" <Kramirez@ApolloShoes.com>
Subject: Upcoming Apollo Shoes Engagement

Attachment: <<InfoSystemDocumentation.doc>>

I'm sorry I missed you when you stopped by earlier today. Per your request, I have tried to summarize the new information technology system:

The new IT system is a combination of a simple batch computer system and an advanced computer system. Accounting clerks directly enter accounting transactions from their terminals located in the various accounting departments; thus, entry is online. However, the transactions are not validated at entry to check for input errors. To prevent errors from entering the financial records, the transactions are not immediately posted to the various subsidiary ledgers maintained in the database.

Validation occurs after the transactions are balanced by batch. The transactions are then posted to the ledgers by batches every night; therefore, the various databases, such as inventory, are only up to date as of the prior working day's transactions. (I insisted that Apollo start the accounting processing in this mode to establish control. As employees become more familiar with the terminal entry and control over transaction entry proves adequate, I will consider moving to online data entry and online input validation.)

In addition, Apollo Shoes is using a wireless local area network multiserver with a small information systems staff. This small staff cannot support all of the ideal division of duties that would provide the proper separation auditors desire among IT personnel.

I've attached an excerpt from our documentation that describes the system in more detail. I hope this summary satisfies your needs. Please let us know if there is any additional information that you require.

Karina

Karina Ramirez

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Information System

The reorganized IT department became active in June. At that time the director, Ernst Hathaway, was promoted to vice president. Apollo obtained a wireless local area network (LAN) multiserver soon after and began testing the hardware and software. The testing of the new computer system progressed throughout the early fall with the accounting processing run on both the old IT system and the new system for the month of September. On October 1, Apollo converted to the wireless multiserver system. As the new IT system was designed and customized to Apollo's needs, every effort was made to keep as many as possible of the procedures and business documents used in the old system. This made the transition to the new system easy on the employees, thus reducing training and employee objections to the new IT system. Further, most of the controls and separation of duties previously described were retained.

Hardware Description

Apollo installed a wireless Local Area Network (LAN), featuring 10 TB (terabytes, or 10 trillion bytes) of storage capacity. This system can support 400 client machines, but Apollo currently uses about 20. This system utilizes a Storage Area Network (SAN) for database storage, file management system and redundancy. Network printers are located in each department.

Accounting Software

The financial accounting software is an integrated application combining a comprehensive set of general ledger, accounts receivable, and accounts payable functions. The financial accounting system allows online entry with online data validation and online posting. However, to provide better control, Apollo has elected to utilize batch entry, deferred validation, and deferred posting. In this mode, the data are not validated at the time of entry. A special input validation routine, which reports all validation errors, is employed after the batches are balanced. The erroneous entries can be corrected through maintenance functions. The transfers of transactions from the Accounts Receivable and Accounts Payable modules to the General Ledger module also are done in batch mode. Batches are validated and posted every night; thus, the detailed accounting records are never more than one day from being accurate. Two levels of security are provided in the system. The terminals require a special password. Access to any function (data entry, data review, review invocation) for each unique set of transactions is controlled by another set of passwords. Thus, allowed operations are isolated to the department that must enter and use the data. For example, the order entry accounting clerks cannot access the cash disbursement records or enter cash disbursement transactions without knowledge of the appropriate passwords.

Organization and Duties of IT Personnel

The IT department consists of Ernst Hathaway—the Vice President of Information Systems, a systems development project manager and two programmer/analysts, an operations manager (who also serves as the librarian and control clerk), and two machine operators. Following is a brief summary of the responsibilities and duties of each.

Vice President of Information Systems (VP-IS). The VP-IS is responsible for computer processing operations. Included responsibilities include long-range planning, setting policy and procedures for information systems (IS) employees, approving all equipment purchases, and preparing the department budget. The VP-IS also provides the primary contact with other department vice presidents and has overall responsibility for training other department personnel in the use of the new system. The VP-IS works with the systems development manager and the various users to set priorities for the programmer/analysts.

Systems Development Project Manager. The project manager is primarily responsible for all modifications to the financial accounting system and other systems development projects. He creates the specifications for projects after consultation with the users and assigns projects to the programmer/analysts. Other responsibilities include interface with the users on a one-to-one basis to resolve their problems and consider their requests for modifications, education of the programmer/analysts, and working with the vendor service representatives on software problems.

Operations Manager. The operations manager's primary responsibilities are to ensure that the computer is operating properly and to direct the work of the two operators. Additional duties include system security, librarian, database administrator, and control clerk. The operations manager also is the person who works with vendor hardware service and maintenance personnel.