

Continuous Monitoring of Transactions to Reduce Fraud, Misuse, and Errors

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Advances in information technology have made it possible to continuously monitor companies' accounting transactions, profiling transactions as they occur. This article discusses continuous monitoring of transactions with the goal of significantly reducing fraud, misuse, and errors by insiders. The continuous monitoring concept is first described, followed by a discussion of results various companies have experienced by using continuous monitoring software. The paper concludes with consideration of future directions in continuous monitoring.

The U.S. business community continues to suffer from both occupational fraud and fraudulent financial reporting. Recent studies by KPMG (2003), the Association of Certified Fraud Examiners (ACFE 2004), and the Securities and Exchange Commission (SEC 2003) highlight the continuing severity of the fraud problem in the U.S. In addition, the complexity of U.S. business structures and systems often makes it difficult to eliminate errors from financial systems and to reduce employee misuse of assets or failure to comply with policies.

Advances in information technology have made it possible to continuously monitor companies' accounting transactions. In this article, we discuss continuous monitoring of organizations' transactions with the goal of significantly reducing fraud, misuse, and errors. We begin with a discussion of the need for monitoring. The continuous monitoring concept next is described, followed by a discussion of the results that companies have experienced by using continuous monitoring software. The paper concludes with consideration of future directions in continuous monitoring.

Dana Hermanson and David Wolfe also serve on the Advisory Board of Oversight Systems, Inc.