

**NYU LEONARD N. STERN SCHOOL OF BUSINESS  
DEPARTMENT OF ACCOUNTING  
ACCT-GB.6215 – IT AUDITING  
SUMMER 2013**

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**Office Hours:** By appointment or telephone.

**Required Materials:**

(R) “Accounting Information Systems” by  
Romney and Steinbart, - 12<sup>th</sup> ed Prentice Hall,  
ISBN 978-0-13-255262-2.

**Course Meeting Schedule:**

May 28-July 2, 2013

Section 60: T 9:00-11:55 AM

Section 61: T 1:00-3:55 PM

(Note: Our June 11 class has been rescheduled to June  
14. Subject to space limitations and prior approval you  
may attend any section on the rescheduled date).

**COURSE DESCRIPTION AND LEARNING GOALS**

The purpose of this course is to help prepare you for a successful career in public practice, industry, or government by understanding how to audit, use and participate in the design of accounting information systems. The course will also help students learn how to assess and consider the impact of IT governance, risk and compliance on accounting functions, focusing on how IT affects business process and controls and the impact on financial reporting. The course will also enable students to understand issues and developments in IT Auditing so that as practitioners, they can properly determine how to assess accounting system controls to effectively address the adequacy of controls in audited systems or for those systems that they have management responsibility. Recent regulatory and financial reporting developments will also be discussed. An increasingly competitive global marketplace has organizations clamoring for better information assurance or additional business insight. While IT professionals have the technical expertise necessary to ensure that IT hardware is secure or technology solutions are properly deployed, they lack the Certified Public Accountant (CPA) or financial manager’s perspective and ability to understand the complicated business implications and risks associated with technology.

Information technologies impact every aspect of accounting, including financial reporting, managerial accounting, auditing and tax. The nature of the work done by CPAs and financial managers continues to evolve as these technologies advance. In a number of organizations, technology function now reports to the Chief Financial Officer or their designee. The storage of business assets and financial information has led to recent professional pronouncements requiring that accounting professionals understand the technology controls used to process and record this information. As information increasingly becomes digitalized, significant opportunities exist for accounting professionals and their firms to leverage technology tools to become more efficient in performing traditional services and open opportunities for new client services.

Responding to the above opportunities, the AICPA has recently introduced a variety of new assurance services enabling professionals to provide assurance in technology-related environments including Trust Services, Privacy Framework and Risk Advisory. The AICPA has also introduced a specialty credential – Certified Information Technology Professional (CITP) and an Information Technology section.

The course is composed of the following topics and their approximate percentage of course time:

- IT Governance and General Controls (15%)
- Information Security and System Reliability (25%)
- AIS System Development Lifecycle and IT Vendor Management Oversight (25%)
- System Implementation and Operations (including Change Control) (10%)
- Application Controls Emphasizing the Revenue and Expenditure Cycles (25%)

**COURSE REQUIREMENTS AND GRADING**

SEGMENT	% OF GRADE
Professional Behavior and Class Participation	10%
Midterm Exam	45%
Final Exam	45%

Grades are determined following the Undergraduate College Grading Guidelines:

- A’s – awarded for excellent work
- B’s – awarded for good or very good work
- C’s (or below) – awarded for adequate or below work.

**Re-Grading:**

In line with Grading Guidelines for NYU Stern, the process of assigning of grades is intended to be one of unbiased evaluation. This means that students are encouraged to respect the integrity and authority of the professor’s grading system and discouraged from pursuing arbitrary challenges to it.

If a student feels that an inadvertent error has been made in the grading of an individual assignment or in assessing the overall course grade, a request to have the grade be re-evaluated may be submitted. Students should submit such requests in writing to the professor within 7 days of receiving the grade, including a brief written statement of why he or she believes that an error in grading has been made

**Professional Behavior and Class Participation:**

Students will accumulate points by participating in class by asking questions or by successfully responding to questions posed during class. Points in this category can only accumulate by attending and actively

participating in class. NOTE: Depending on time availability in class, there may not be time for everyone to participate in every session. It is important that you proactively manage your participation and not wait to be called on in order to achieve the maximum grade for this category.

### **Midterm and Final Exams:**

All exams will be administered during established class times. Exams are expected to consist of primarily short answers. Further information on the exams will be provided during the semester. Make-up exams will only be given for extremely highly unusual and extraordinary cases of **MEDICALLY DOCUMENTED** emergencies. (NOTE: Under no circumstances will a job conflict qualify for a reason to take a make-up exam.) Any decisions or exceptions relating to make up exams are at the sole and final discretion of the Professor.

### **GENERAL COURSE NOTICES**

Students are expected to attend class and to be thoroughly prepared to discuss the assigned readings. Professional standards continually evolve and change. As part of their professional development, students will need to learn how to monitor developments and maintain their competencies.

All participants must engage in appropriate professional behavior. Professional behavior is characterized by the following attributes: prompt arrival to class, courteous behavior in class (i.e., being attentive while others are speaking, dedicating your attention to this class while the class is in session, leaving class at the designated time, no use of cell phones, etc.), and professional preparation for class. To prepare for class professionally, you should read the assignments prior to class, prepare assigned problems, engage in class discussion, and actively participate in group activities.

Consider the following additional points as you prepare for class:

- You should be prepared to discuss all readings on the dates assigned. We will not have enough time to cover everything that is important in the class, so you must take the initiative to raise questions on material that you do not understand.
- As clients expect from a licensed professional and their practice, appreciate the effort required to properly prepare for class.
- Leverage group study and automated tools to manage your time. As in the real world, you are encouraged to “network with your peers” as necessary to prepare for and complete assignments.

### **Academic Integrity:**

Integrity is critical to the learning process and to all that we do here at NYU Stern. As members of our community, all students agree to abide by the NYU Stern Student Code of Conduct, which includes a commitment to:

- Exercise integrity in all aspects of one's academic work including, but not limited to, the preparation and completion of exams, papers and all other course requirements by not engaging in any method or means that provides an unfair advantage.

- Clearly acknowledge the work and efforts of others when submitting written work as one's own. Ideas, data, direct quotations (which should be designated with quotation marks), paraphrasing, creative expression, or any other incorporation of the work of others should be fully referenced.
- Refrain from behaving in ways that knowingly support, assist, or in any way attempt to enable another person to engage in any violation of the Code of Conduct. Our support also includes reporting any observed violations of this Code of Conduct or other School and University policies that are deemed to adversely affect the NYU Stern community.

### **NYU STERN Policies:**

- Unless specifically identified in the syllabus, default Stern policies apply to this course.
- The School expects that students will conduct themselves with respect and professionalism toward faculty, students, and others present in class and will follow the rules laid down by the instructor for classroom behavior. Students who fail to do so may be asked to leave the classroom.
- Students may not work together on graded assignments (e.g., Exams).
- Course evaluations are important to us and to students who come after you. Please complete them thoughtfully.
- Your class may be recorded for educational purposes.
- The entire Stern Student Code of Conduct applies to all students enrolled in Stern courses and can be found at:
  - Undergraduate College: <http://www.stern.nyu.edu/uc/codeofconduct>
  - Graduate Programs: [http://w4.stern.nyu.edu/studentactivities/involved.cfm?doc\\_id=102505](http://w4.stern.nyu.edu/studentactivities/involved.cfm?doc_id=102505)

### **Student Contact Information:**

Student contact information must be kept current in order to receive important notices from the school and from me. Your contact information is **online via your Blackboard course e-mail**. Please check your local address, local phone number, and emergency contact information on the school's Web and revise as needed. All important class notices, including class communications, will be sent only to your Blackboard email address.

### **STUDENTS WITH DISABILITIES**

If you have a qualified disability and will require academic accommodation of any kind during this course, you must notify me at the beginning of the course and provide a letter from the Moses Center for Students with Disabilities (CSD, 998-4980, [www.nyu.edu/csd](http://www.nyu.edu/csd)) verifying your registration and outlining the accommodations they recommend. If you will need to take an exam at the CSD, you must submit a completed Exam Accommodations Form to them at least one week prior to the scheduled exam time to be guaranteed accommodation.

## COURSE SCHEDULE

DAY	TOPIC, ASSIGNMENT, AND NOTES
Tu. May 28 (#1)	<p>Topic: Class Introduction, Introduction to AIS and Overview of Transaction Processing Topic: IT Governance for the Financial Executive Topic: Introduction to IT General Controls</p> <p>Readings: Chapters 1, 2 and 5. (Note: These are background/review chapters reflecting information covered in previous coursework and provide a foundation for the rest of the course. <u>Please “skim” the chapters based on your individual need and background.</u> Only lecture content from this session (e.g., not readings) will be included in the exams).</p> <p>Readings: Chapter 11 pp. 302-306. (These readings will be included on the exams).</p> <p>Notes: Today’s lecture will introduce students to the AIS discipline by discussing concerns of interest to financial executives and external auditors. We will review general IT Governance developments and introduce technology-related areas typically included in IT Financial Statement Audits.</p>
Tu. June 4 (#2)	<p>Topic: Information Security and System Reliability</p> <p>Readings: Chapters 8 and 10; Chapter 11 pp. 307-309, 311-314.</p> <p>Notes: Today’s lecture will discuss some of the more technical aspects of AIS and IT Auditing. It is designed to inform students about the key risks and challenges in managing information and related technology resources. The lecture will present important concepts by using “satire and a sarcastic” approach to understanding key information technology risks and their mitigation. This will help students more effectively understand the complex technical issues involved. The lecture will discuss “worst IT practices” that students are most likely to encounter in their professional endeavors. Guidance will be provided as to why these “worst IT practices” exist and how to avoid becoming a “worst IT practice” company.</p>
<b>NOTE: ATERNATIVE DATE</b> Fr. June 14 (#3)	<p>Topic: AIS SDLC and IT Vendor Management Oversight</p> <p>Readings: Chapters 20 and 21; Chapter 11 pp. 309-311.</p> <p>Notes: Today’s lecture will consist of two distinct sections. The first will be to provide students with a “businessperson’s understanding” of the systems development life cycle (SDLC) with specific application to AIS. The second section will discuss the IT Vendor Management process focusing on managing the IT Vendor relationship and incorporating third-party reports into the oversight process.</p>
Tu. June 18 (#4)	<p><b>IN-CLASS MIDTERM EXAM</b></p> <p><i>Scope of the exam will include material from Lectures 1-3 as described above. However, Lecture 3 material from Chapter 20 (first section of the lecture relating to SDLC) will be excluded from the Midterm (but will be tested on the final).</i></p> <p>Topic: Systems Implementation and Operation Topic: Introduction to Application Controls</p> <p>Reading: Chapter 22 pp. 648-654; Chapter 11 pp.314-318.</p> <p>Notes: Today’s lecture will provide the foundation for the remainder of the semester. We will</p>

	<p>examine the challenges involved in implementing an application and ongoing operational/maintenance challenges. The lecture will include discussion of program change controls. Key “generic” application control concepts, including input, process and output controls will also be reviewed. We will also discuss how organizations use application security to enforce segregation of responsibilities.</p>
<p>Tu. June 25 (#5)</p>	<p>Topic: Introduction to the Revenue and Expenditure Cycles</p> <p>Reading: (R) Chapters 12 and 13</p> <p>Notes: Today’s lecture will provide a detailed walk-through of the two most important cycles that students are likely to be involved with early in their professional careers. The lecture will build on the non-IT understanding of cycles that students obtained in previous courses (including Auditing). Our emphasis will be on threats and controls that can be implemented to reduce and manage risk to acceptable levels. A high level discussion of how flowcharts can be used to document and communicate internal control understandings will also be discussed. Due to the nature of the material, the lecture will closely follow the illustrations provided in the textbook.</p>
<p>Tu. July 2 (#6)</p>	<p><b>IN-CLASS FINAL EXAMINATION</b></p> <p><i>Scope of the exam will include material from Lectures 4-5 as described above. In addition, Lecture 3 material from Chapter 20 (first section of the lecture relating to SDLC) will also be tested. Although the final is not meant to be cumulative, due to the nature of the material tested, it is assumed that students will be able to apply knowledge obtained during the first half of the course to respond to test questions from the latter half of the course.</i></p>