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Many accountants are familiar with the threats faced by our organizations from the outside — hackers, viruses, spyware, Trojans, and other various malicious software and people. However, many of us fail to think about the threat from inside the organization — employees, vendors, consultants and clients.

It is fairly easy to look at the security vulnerabilities outside the organization because it receives more coverage, but internal security vulnerabilities are often overlooked or ignored. We all like to trust our employees and believe that they are serving the best interests of our firm. While the vast majority of employees are honest and forthright in their dealings, there may be a time when we become victim to an insider threat.

### **What are the threats?**

The threats come in many forms and have various degrees of severity ranging from fairly benign threats (such as an employee losing a client's records) to more severe threats (such as an employee stealing client information and selling it to an identity thief).

Here is a list of some inside threats faced by an accounting firm:

- Losing client records
- Theft of client records
- Unauthorized discussions with third parties about client information
- Removing client records for personal use or for sale
- Using client information to commit a crime (theft of money or a client's identity by employee or an associate of the employee)
- Theft of company information
- Sale of company information (sale of the processes used by the firm, most likely to a competitor)

- Misuse of position to obtain benefits from clients

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who should have access are actually the only ones who do. Document control can take several forms including the following:

- Using passwords to gain access to network resources as well as within a document in order to secure sensitive information
- Using document management software to control access to documents
- Using the file security system built into the server operating system to secure documents in folders with access controlled to only those users who require access
- Rotation of duties to ensure that employees who might be thinking of leaving cannot take a group of clients with them because of unrestricted access
- Limiting access to only those documents required to complete the work assigned

Let's take a closer look at each of these areas to gain some insight into how each will help bring about effective internal control over documents and threats from the inside.

### **Passwords**

Use of passwords provides access control to documents and the network. By using passwords on document(s) and the network to either open or edit the document, you control the ability to prevent non-authorized employees from looking at or changing a document. Passwords address internal vulnerabilities, especially from employees who might desire to use the information for inappropriate activities. Passwords also provide means of controlling access to resources on the network. And by not having authorization to access a particular area, the user is prevented from obtaining information from that area.

### **Document Management**

Properly designed document management software provides a means for not only managing the various documents in your environment, but also for securing them.

Most document management products make it very easy to assign rights to particular

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are also used on occasion. Each of these operating systems has built-in file permission structures. While assigning file permissions on your server is not as easy as it would be in a document management tool, it is a means for controlling access to documents and preventing unauthorized use if set up properly. The network administrator would need to build a folder structure to fit your organization.

Once set up, users would only be able to access the folders and files stored within based on their permissions. This is similar to the document management solutions except that it is done at the server level and users cannot easily make security changes without the assistance of their network administrator. Considerable thought also needs to be put into the structure to ensure that users do not have rights to files they should not be able to see.

### **Rotation of Duties**

We always advise clients to rotate duties to guard against stealing. The same thing can be done in an accounting firm to prevent familiarity from becoming a liability to the organization. Employees who are too familiar with clients can (and sometimes do) decide to leave a firm and start their own. They often take the clients with whom they are most familiar (or those clients follow them) because of the personal relationship that has developed between them. One of the easiest ways to prevent this type of familiarity from becoming a liability for your firm is to rotate the employee's work so that every two or three years, they are working on a new set of clients. This provides stability for the client relationship but does not allow it to become too familiar.

### **Limiting Access to Assigned Work**

Many of the engagement tools available today have the means for assigning work to specific employees and preventing other employees from accessing those documents.

By assigning only certain documents to certain employees, no single employee

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is especially important to new employees who might be more prone to use information

inappropriately versus older, more senior employees who are more trusted. This is no guarantee, however, as senior “more trusted” employees can compromise procedures just as much as younger less-experienced employees.

### **Other Steps**

Software monitoring tools can help monitor and lock down your internal network from internal threats and look for inappropriate access and activities inside the network. While these tools may make sense for a large firm of 100+ employees, most smaller accounting firms are going to want to utilize the tools already available as part of the existing software they are using and already own.

### **Summary**

Just as an accounting firm looks at its outside security issues, it also needs to look at its internal security issues. Employees might have many reasons for wanting to take advantage of inadequate controls over client information. No matter what the reason, it is important for accounting firms to look internally to ensure they are not providing a means for employees to utilize the information in the organization in an inappropriate manner.

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