

AuditMyBooks

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Contact: C.P. Morey - morey@auditmybooks.com - 678-453-8485

AuditMyBooks™ Awarded National Science Foundation Grant to Conduct Groundbreaking Accounting Fraud and Forensics Research *Breakthrough research predicted to change the way small businesses and financial institutions manage risk*

ATLANTA (July 14, 2010) – [AuditMyBooks™](#), the creators of products that help small businesses protect their money by detecting errors and fraud, today announced that the National Science Foundation (NSF) awarded a \$150,000 Phase I Small Business Innovation Research (SBIR) grant to assess the feasibility of predicting fraud in small businesses. This cutting-edge research will enable AuditMyBooks to extend its current Analyzer™ product line which automatically scans accounting systems to detect errors and fraud. The research proposal suggests that fraud prediction may be possible by analyzing small business financial data with advanced statistical analysis.

[Bonnie Nagayama](#), a CPA and Intuit Advanced Certified ProAdvisor, says, “AuditMyBooks already has a product in the market that can help small businesses by analyzing their data to detect financial irregularities. This research allows them to go after that ounce of prevention. Being able to predict when businesses are more susceptible to errors and fraud is a very interesting proposition.”

The AuditMyBooks research will assess the feasibility of using techniques like Hierarchical Clustering and Binary Classification to predict the likelihood of errors and fraud. While new to this specific application, these techniques have been used to solve similar problems in other fields.

[Dr. Jennifer Lewis Priestley](#), Associate Professor of Statistics at Kennesaw State University says, “the research AuditMyBooks is piloting in this space will lead to the development of a Transaction Risk Score - similar to a FICO score used in consumer finance to predict the probability that a loan will be repaid. While our general analytical process is similar, we are using data attributes which are unique to transaction-based fraud for small businesses.” The project will identify if attributes like a company’s industry classification or transaction volume can be used to predict the likelihood of financial irregularities.

Fraud is a serious problem in the U.S. with a measured societal impact. The Association of Certified Fraud Examiners (ACFE) estimates that organizations lose 5% of their revenues to fraud, and companies with less than 100 employees represent more than 30% of all fraud cases. ACFE research also shows that small and medium-sized businesses suffer the highest median losses of any sized company at nearly \$150,000 per occurrence.

[Steve Bachman](#), CEO of AuditMyBooks says, “In many cases, businesses affected by fraud are forced to lay off employees, stop payments to suppliers, reduce quality levels or cut other vital spending in hope of recouping losses. In the worst cases, companies may even be forced to close.”

The NSF SBIR Program was created to increase the incentive and opportunity for small firms to undertake cutting-edge, high risk, high quality scientific or engineering research with a high potential economic payoff. SBIR grants are a non-dilutive form of R&D funding provided by 11 agencies of the Federal government. The application process is highly competitive and requires a qualified scientific team, innovative approach and a rigorous R&D plan. AuditMyBooks worked with SBIR Georgia, a service of [ATDC](#), to construct a compelling proposal and bring together a highly qualified team. The result of these efforts is non-dilutive funding to develop their next generation product. An abstract of the research proposal can be seen at:

<http://www.nsf.gov/awardsearch/showAward.do?AwardNumber=1013413>.

About AuditMyBooks

AuditMyBooks™ is a business-to-business software company that automatically analyzes small and medium-sized business accounting records to detect accounting errors and fraud. Designed to work with QuickBooks, the #1 small business financial software application in the United States, AuditMyBooks Analyzer™ products are available in the [Intuit App Center](#).

AuditMyBooks™ is led by a team with extensive experience in financial auditing, accounting systems and information security. They saw a market need for a cost effective and easy-to-use solution that helps small businesses identify suspect financial transactions to proactively reduce business risk. Drawing from techniques successfully used to detect information security threats such as viruses and spyware, AuditMyBooks™ helps small businesses protect their financial resources and ensure their financial data is reliable for decision-making and reporting. Based in Atlanta, AuditMyBooks™ has been recognized as one of the Top 40 Most Innovative Companies by the Technology Association of Georgia.

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