

## Creating an Audit Trail for Your Business

November 30, 2017  
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No matter what you do, there will be aspects of your job that you absolutely love. And then you'll have the things that you tolerate out of necessity. I'm guessing that, for almost everyone reading, "audit trail" sounds like something that fits squarely into the "tolerate" bucket. Even if you don't know what it is, it probably sounds equal parts intimidating and boring. The closest word association you'll likely have with "audit" is that it's [what the IRS does to you](#) when it simultaneously takes a fine-toothed comb to your life and demands more money from you. And looking to avoid angering the IRS is probably not what you dreamed of on career day as a child. But building and maintaining an audit trail for your business doesn't have to be onerous. Far from it.

### What Is an Audit Trail, Anyway?

I've thrown the word around a few times, but let's get a little more precise to set the stage for a post. What is an audit trail?

To get a good working definition of "audit trail," consider [the definition of "audit."](#)

An official examination and verification of accounts and records, especially of financial accounts.

It has official overtones to it, and it involves taking a detailed look at relevant records. So when you commission an audit, you ask someone to come in, on the record, and take a detailed look at what you're doing.

An audit trail, then, is what you do to facilitate this activity. You make sure to dutifully document and capture anything that an auditor might need. What's the reasoning for this? Generally speaking, you do this to demonstrate that you operate with a high degree of transparency and that your activities are all ethical, responsible, and legal.

Take the aforementioned case of the IRS mandating an audit for you. This will tend to go much better for you if you've made sure to create an audit trail: saving receipts, noting business expenses, keeping careful track of all income, etc.

### Examples of Audit Trails in Business

What are some other examples that are perhaps a little less adversarial than dealing with the IRS? Let's take a look at the sorts of audit trails a business might find handy and why.

- A detailed security log of which users have access to what information in a database. This sort of thing can be crucial for protecting sensitive data like health information.
- Records of all financial transactions a business makes. This includes everything from paying employees to operating expenses to accounts receivable. When you know where all money comes from and goes, you can prevent abuse and fraud.
- Tracking all customer communication. This can help a great deal with dispute resolution and also with keeping customers happy by providing relevant information about their past communications.
- Operational transactions. Imagine a company like Uber, for instance. The ability to audit pickup and dropoff times, as well as routes, helps with pricing and staffing considerations.

I could go on, but you get the idea. An audit trail can indemnify you against potential legal actions and accusations. But it can also serve to give you important intelligence about your business. It might not be the most exciting idea in the world on the surface, but it's incredibly important.

### Do You Really Need an Audit Trail? Who Does This Matter To?

Some of these examples might seem to apply to larger or more mature operations. Does a small business really need something like this? What kinds of businesses are the best candidates?

Well, obviously larger companies with larger risk profiles have the strongest need in this department. This holds especially true for highly regulated industries. If you work with sensitive health information or offer a product with safety implications, you'll have the greatest need. Governmental agencies will check up on your compliance, so it behooves you to be able to demonstrate it quickly and easily.

But this doesn't mean that smaller companies can't benefit. In the first place, today's smaller companies are tomorrow's larger ones. But beyond that, this information can help you with both business intelligence and the prevention of problems. No matter what the size of the business, is it ever reasonable to be unable to account for the money you make or the people that log into your system?

Audit trails let you perform your own business health checkups.

### How to Create Audit Trails for Your Business

I've already defined what an audit trail is. But let's now look at what it involves. What are the prerequisites for a meaningful audit trail?

- It has to be a complete history of what you're interested in monitoring. If it's your accounting, you can't leave transactions out here and there.
- It has to be sequential so that you can recreate a chronological play-by-play.
- You need to make sure it's both consumable and searchable. If you can't read it, then it's useless.

With those prerequisites in mind, what's the best way to create an audit trail for your organization? Well that part, at least, is simple. You do it through software logging.

In this day and age, the world (and most of your operations) runs on some form of software or another. You're probably not using carbon paper and binders to keep track of your finances and customer orders. Instead, you use accounting software and CRM systems. And all of those systems produce log files, as do the pieces of server and operating system software running beneath them.

You might also have your own software. And, if you do, you're probably logging from it as well. You can help your own audit trail by [implementing good logging practices](#).

So in the broadest terms, you want to make sure that you're capturing all of this information in your log files. Gather them all up and look through them, making sure you're capturing what you need. If you're not getting everything, work with vendors or the responsible people in house to capture the additional information.

### Log Aggregation for a Sophisticated Audit Trail

What I just described probably sounds like a lot of work. And that's because it *will* be a lot of work. Going out and finding all sorts of different log files, rounding up the people with relevant expertise, and making sure they have what you need...it's a daunting task.

In the end, it'll be worth the effort. But if you'd rather forgo some of that effort, you can take advantage of [modern automation around log management](#). Here are a few of the [relevant features](#) that a log aggregation tool offers:

- It can put all of your logs into a single place and weave them together into chronological order.
- It can extract the most salient bits of information and allow you to tag them so that you can examine different facets of your business.
- It'll give you really fast search capabilities, as well as charts and graphs to help you visualize the log contents.

Tooling exists to do these things, which figures to save you a lot of effort.

Way too many organizations first think about creating an audit trail when someone comes along to audit them. Then it's a painful and high-pressure experience. But if you start before the pressure's on, you'll have a much different experience building your audit trail. The combination of today's tooling and getting a jump on it early can give you both peace of mind and a huge competitive advantage.

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