Chapter XVI

An Accounting Framework for Identifying Internet Abuse

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Current accounting methods used by companies do not charge departments appropriately for Internet usage. The problem is compounded because information technology (IT) departments have lacked the ability and process to track Internet usage. Currently time and costs for Internet usage by departments are often allocated based on head count or perceived usage. This crude allocation method could result in disproportionate allocation and charges, some departments being attributed more than their share while other departments get “free rides.” This paper recommends the use of an activity-based costing system for budgeting the costs associated with Internet usage. The costs thus budgeted can then be compared to actual costs to arrive at a variance. If such variance is unfavorable, and it is significant, then managers should be penalized as this could reflect abuse with respect to Web usage. Penalization could take the form of reducing departmental incomes by the variance. If managers are evaluated on departmental earnings, then there will be an incentive to investigate the problem and take remedial action.

INTRODUCTION

In the past few years Internet access for office workers has become almost commonplace. Corporations are increasingly using the Internet as a tool for meeting their business needs. In particular, for many departments within companies, the use of the Internet has become a “mission-critical” tool. This is because the Internet facilitates communication, enables close collaboration on projects without the need for travel or expensive telephone bills, and improves productivity of knowledge workers. A pervasive problem associated with Internet use by employees is the potential for abuse. If workers utilize part of their office time for “surfing” the Internet for personal pleasure or any other reason not related to the business, this represents a drainage of company resources. One obvious strategy for most companies would be to monitor employees during office hours.

However, it has to be noted that there may be legal implications of monitoring about which the company should be aware. The employee may have the right to take legal recourse if they feel that such monitoring infringes on their rights of privacy. Privacy has long been a legal and social issue in the United States and many other countries (Mizell, 1998). A special organization called the Electronic Privacy Information Center (www.epic.org) is now trying to establish means of recourse for individuals who feel that their privacy has been infringed on the Internet. A survey conducted and discussed by Mizell appears to indicate that, overall, about one third of employers engage in electronic surveillance of their employees in some form or other. This has been a concern addressed by the American Civil Liberties Union (ACLU). Eight years ago, Pinsonneault and Kraemer (1993) warned management of the consequences of attempting to implement control in this new nebulosity area. This warning has been more recently echoed by Varney (1996). The purpose of this paper is to generate an accounting framework that could provide a mechanism for employers to identify potential Internet abuse without encroaching on issues relating to employees’ privacy.

The Web’s technology is pervasive throughout most organizations today. This presents management with various problems involving infrastructure, support, and control. Currently, three basic types of Web computing exist. They are:

1. Net access—this enables various forms of information to be accessed.
2. Net-enabled applications—whose actual code is tied to the Internet.
3. Net administration—is the process of managing and controlling the Internet infrastructure.

The migration to Net-based computing has been quite rapid. The Net has become a mission-critical component of most organizations’ computing
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Carlo Gabriel Porto Bellini, Rita de Cássia de Faria Pereira and João Luiz Becker (2012). *International Journal of Human Capital and Information Technology Professionals* (pp. 54-78).
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