Stanford University is among the world’s most well respected academic and research centers. Stanford needed a flexible data analysis solution to assist them in ensuring regulatory compliance with external funding sources and implement reliable internal business controls. For over 10 years, Standford’s Internal Audit department has relied on ACL software to access and analyze data from disparate platforms and avoid millions of dollars in potential revenue leakage. The team continues to expand its ACL use in order to overcome organizational challenges and mitigate campus-wide business risks.

“ACL IS AN EXTREMELY ADAPTABLE TOOL. THE MORE YOU LEARN ABOUT IT, THE MORE CAPABLE IT BECOMES. IT JUST GETS BETTER AND BETTER WITH EXTENDED USE.”

- STEVEN JUNG, DIRECTOR OF INTERNAL AUDIT

Customer Profile

Established in 1891, Stanford University’s campus borders Palo Alto and Silicon Valley, California, and is home to more than 15,000 students, the Stanford Hospital & Clinics, and the Lucile Packard Children’s Hospital. The campus also houses several national research centers, including the Center for Advanced Study in the Behavioral Sciences, the National Bureau of Economic Research, and the Stanford Linear Accelerator Center. In 2003/04, Stanford’s consolidated budget was US $2.3 billion and its capital budget was US $152 million. In addition, the Stanford Research Park is home to more than 140 companies with 23,000 employees working in electronics, software, biotechnology, and other high-tech fields.

Challenges

Due to its size and administrative complexity, Stanford University is more than an institution of higher education – it is essentially a municipality and a business. The Internal Audit department is responsible for assessing and evaluating risks associated with this enterprise and assisting management in mitigating those risks.

In 2003/04, Stanford faculty carried out more than 3,500 externally sponsored research projects with total budgets of US $885 million. Nearly 90 percent of this funding came from the US federal government, with the requirement that expenditures be made in accordance with associated acquisition regulations and cost principles. If the University cannot adequately document that the funds were properly disbursed, they can be reclaimed. Therefore, the Stanford Internal Audit department needs a reliable method to track and verify externally sponsored transactions.

Since over 5,000 University staff members have signing authority, Stanford financial management must also implement effective controls to govern the entry and payment of expenditures. This is a daunting challenge, given that many University departments, business units, and research centers rely not only on the institution’s new ERP system, but on other divergent accounting systems and computer platforms.
Solution

Duplicate payments can quickly become a major source of revenue leakage. The Stanford Audit team assisted the University’s Accounts Payable (AP) staff in using ACL data analysis software to investigate over US $150 million in annual payables transactions. With ACL, AP staff analyze 100 percent of the payment records to pinpoint duplicate payments before printing vendor checks. This process has consistently identified over US $40,000 per month in potential duplicate payments – adding to hundreds of thousands of dollars in annual savings.

ACL solutions also enable Stanford auditors to more effectively work with the new Stanford ERP system. For example, when a persistent security bug emerged recently in one application, the Internal Audit team used ACL technology to identify the bug’s ‘signature,’ and tracked it back to the trigger points. With ACL, the auditors helped profile and eliminate a persistent information security threat before it caused extensive damage.

Stanford University has been an innovative user of ACL technology for more than 10 years. The Internal Audit team plans to expand its use of ACL solutions along with transaction-level data from a central data warehouse to implement monitoring capabilities in AP, payroll, purchasing, petty cash, and other business areas, including review of sponsored research expenditures on a monthly, weekly, and in some cases, a daily basis. With ACL, Stanford auditors and research managers can track each transaction incurred through a sponsored research account and ensure compliance with federal and donor spending regulations.

Results

The Stanford University team recognizes the unique capabilities of ACL software and is working toward a broader implementation across various business areas. With ACL, Stanford auditors have:

- Identified over US $480,000 in potential duplicate vendor payments annually.
- Tracked and eliminated a difficult security bug in the campus ERP system during the busiest point in the academic year.
- Planned applications that can track every transaction from over US $800 million worth of sponsor-regulated research expenditures.
- Analyzed transactional data pulled from disparate cross-campus accounting systems via central data warehouses.