

---

# **101 ACL Applications:** A Toolkit for Today's Auditor

by Richard B. Lanza, CPA

THIRD EDITION

Copyright © 2000 Richard B. Lanza

All rights reserved. Third edition.

No part of this publication may be reproduced in any form by any means, electronic or mechanical including photocopying and recording, information storage, retrieval or transmission without permission in writing from the publisher, except by a reviewer who may quote brief passages in a review.

Global Audit Publications  
575 Richards Street  
Vancouver, BC  
Canada V6B 2Z5  
gap\_editor@acl.com

Global Audit Publications' mission is to provide a worldwide forum to disseminate innovative and productive concepts and ideas regarding technology commonly used by auditors, information security experts and other information guarantors. Authors wishing to submit manuscripts are encouraged to contact the publisher for publication guidelines.

LIMITATION OF LIABILITY/DISCLAIMER OF WARRANTY: THE AUTHOR, RICHARD B. LANZA, AND THE PUBLISHER, GLOBAL AUDIT PUBLICATIONS, HAVE USED THEIR BEST EFFORTS IN PREPARING THIS BOOK AND ARE NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS. THEY MAKE NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE CONTENTS OF THIS BOOK AND SPECIFICALLY DISCLAIM ANY IMPLIED WARRANTIES OR MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE AND SHALL IN NO EVENT BE LIABLE FOR ANY LOSS OF PROFIT OR ANY OTHER FINANCIAL OR COMMERCIAL DAMAGE, INCLUDING, BUT NOT LIMITED TO, SPECIAL, INCIDENTAL, CONSEQUENTIAL OR OTHER DAMAGES.

All product names, trademarks or registered trademarks are the property of their respective companies, including:

ACL for WindowsACL Services Ltd.

Excel, Word, WindowsMicrosoft Corporation

ISBN 1-894497-08

Written, printed and bound in Canada

# Table of Contents

---

## 101 ACL Applications: A Toolkit for Today's Auditor

Table of Contents	i-1
Introduction	i-9
Staying Informed with ACL Software	i-11
Key Concepts	i-13
Where to find more information	i-15
How the book is organized	i-17

---

## Chapters 1-3

Read This First	1-1
Motivation behind this book	1-1
The Seven Steps To Power Applications	1-2
Continuous Auditing Procedures	2-1
Adjusting Your Data and Batches	2-1

---

## Chapter 4: General Ledger

General Ledger	4-1
General Ledger Objectives	4-1
General Ledger Applications	4-1
General Ledger Data File	4-2
General Ledger Verification Batch	4-3
<b>Application 1:</b> Stratify general ledger activity for unusual trends and exceptions	4-7

<b>Application 2:</b> “Flatten” journal entries into one record to extract repetitive and unique journal entries	4-11
<b>Application 3:</b> Summarize debit and credit activity for unusual trends and exceptions	4-23
<b>Application 4:</b> Summarize general ledger activity on account type	4-27
<b>Application 5:</b> Merge detailed information from other modules into the general ledger	4-29
<b>Application 6:</b> List all journal entries that do not net to zero	4-33
<b>Application 7:</b> Select journal entry compliance samples based on various factors	4-37
<b>Application 8:</b> Review the sequence of journal entry numbers for gaps	4-45

---

## Chapter 5: Purchasing & Accounts Payable

Purchasing and Accounts Payable Management	5-1
Purchasing and Accounts Payable Objectives	5-1
Purchasing and Accounts Payable Activities are Operating Effectively and Efficiently	5-1
Purchasing and Accounts Payable Data Files	5-4
Purchasing and Accounts Payable Verification Batch	5-8
<b>Application 1:</b> Stratify vendor balances, check amounts, invoice amounts, purchase order amounts, approval limits and check dates for unusual trends and exceptions	5-13
<b>Application 2:</b> List vendors with post office boxes for identification of possible fictitious vendors	5-21
<b>Application 3:</b> Match payroll file to vendor file for identification of possible unauthorized vendors	5-25
<b>Application 4:</b> Calculate the annualized unit price changes in purchase orders for the same product in the same year	5-31

<b>Application 5:</b> Calculate the variance between the approved purchase order and the invoice cost	5-31
<b>Application 6:</b> Select expenditure compliance samples under numerous situations	5-39
<b>Application 7:</b> Review the sequence of invoices, purchase orders and check numbers for gaps	5-49
<b>Application 8:</b> Analyze purchase orders based upon their issuers and/or approvers	5-53
<b>Application 9:</b> Extract large invoice payments excluding any intercompany transactions	5-57
<b>Application 10:</b> Select a Monetary Unit Sample of vendor invoices and automatically create confirmation requests	5-61
<b>Application 11:</b> Calculate weighted days payable outstanding and interest lost for not paying in 30, 45 and 60 days	5-67
<b>Application 12:</b> Detect vendors with no discounts taken when discounts have been taken in the past	5-75
<b>Application 13:</b> Calculate interest lost for paying invoices prior to their due dates	5-79
<b>Application 14:</b> Identify vendors with numerous checks who could potentially be paid on a monthly basis	5-83
<b>Application 15:</b> List possible duplicate payments based on matching invoice number, vendor name and the absolute value of the check amount	5-87
<b>Application 16:</b> List possible duplicate payments based on matching invoice date, vendor name and the absolute value of the check amount	5-87
<b>Application 17:</b> List possible duplicate payments based on invoice date, invoice number and the absolute value of the check amount	5-87
<b>Application 18:</b> Extract check payments for unrecorded liability testwork	5-95
<b>Application 19:</b> Consolidate vendor activity to assess organizational purchasing power	5-101
Application Recommendations	5-102

<b>Application 20:</b> Summarize debit memos on vendor, issuer, and type for exceptions and unusual trends	5-105
<b>Application 21:</b> Identify all vendors with debit balances	5-111

---

## Chapter 6: Payroll Processing

Payroll Processing	6-1
Payroll Processing Objectives	6-1
Payroll Processing Applications	6-2
Payroll Processing Data Files	6-3
Payroll Processing Verification Batches	6-6
<b>Application 1:</b> Stratify payment amounts, hours worked, hourly rates and check dates for unusual trends and exceptions	6-11
<b>Application 2:</b> Reconcile salaried employee gross pay from one pay period to the next	6-17
<b>Application 3:</b> Compare payroll costs from one period to another	6-21
<b>Application 4:</b> List all hourly employees working more than the total hours available in the week	6-27
<b>Application 5:</b> Select a payroll sample for compliance testwork	6-31
<b>Application 6:</b> Compare payroll data files to human resource data files to detect additional/missing employees and differing salary rates	6-35
<b>Application 7:</b> List possible duplicate payments based on the same day and employee	6-41
<b>Application 8:</b> List possible duplicate payments based on the check date and the absolute value of the check amount	6-41
<b>Application 9:</b> Review the sequence of check numbers for gaps	6-47

---

## Chapter 7: Billing and Accounts Receivable Management

Billing Function and A/R Management Objectives	7-1
Billing Function and A/R Management Applications	7-2
Billing Function and A/R Management Data Files	7-3
Billing Function and A/R Management Verification Batches	7-7
<b>Application 1:</b> Stratify sales for unusual trends and exceptions	7-13
<b>Application 2:</b> Stratify cash receipts for unusual trends and exceptions	7-19
<b>Application 3:</b> Calculate weighted days sales outstanding (“DSO”) by customer, salesperson, and the entire organization	7-25
<b>Application 4:</b> Review the sequence of invoices, sales orders and shipping documents for gaps	7-33
<b>Application 5:</b> Calculate interest lost for shipments not billed to date	7-37
<b>Application 6:</b> Calculate interest lost for the time lag between the shipment being made and the billing being processed	7-37
<b>Application 7:</b> Recalculate the aging of accounts receivables	7-43
<b>Application 8:</b> Report customers with old and large account balances	7-47
<b>Application 9:</b> Identify customers with no set credit limit	7-51
<b>Application 10:</b> Identify customers who have exceeded their credit limit	7-51
<b>Application 11:</b> Summarize credit memos on customer, credit manager and type for exceptions and unusual trends	7-55
<b>Application 12:</b> Identify all customers with credit balances	7-59
<b>Application 13:</b> Select a Monetary Unit Sample of customer invoices and automatically create confirmation requests	7-63
<b>Application 14:</b> Analyze discounts taken by customers after the discount due date	7-69

---

## Chapter 8: Inventory Management

Inventory Objectives	8-1
Inventory Management Applications	8-2
Inventory Management Data File	8-3
Inventory Management Verification Batch	8-6
<b>Application 1:</b> Stratify inventory costs for unusual trends and exceptions	8-9
<b>Application 2:</b> Calculate inventory turnover and assess it in relation to part lead times	8-13
<b>Application 3:</b> Identify slow moving inventory parts	8-19
<b>Application 4:</b> Compare unit cost to current sales price for lower of cost or market testing	8-23
<b>Application 5:</b> Select a Monetary Unit Sample of inventory parts	8-27
<b>Application 6:</b> Summarize inventory adjustments for unusual trends and exceptions	8-31
<b>Application 7:</b> List parts with extended cost, unit cost or quantity less than zero	8-35
<b>Application 8:</b> Identify inventory not counted in a specified period of time	8-37
<b>Application 9:</b> Identify parts that have never been counted	8-37
<b>Application 10:</b> Stratify parts based on the last date they were counted	8-37

---

## Chapter 9: Property, Plant and Equipment

Property, Plant and Equipment Objectives	9-1
Property, Plant and Equipment Applications and Reports	9-2
Property, Plant and Equipment Data File	9-2
Property, Plant and Equipment Verification Batch	9-5
<b>Application 1:</b> Summarize fixed assets by their depreciable lives	9-9
<b>Application 2:</b> Detect expenses that should have been capitalized	9-12
<b>Application 3:</b> Extract large additions or disposals for review	9-17
<b>Application 4:</b> Select a Monetary Unit Sample of fixed assets for vouching and physical inspection	9-21
<b>Application 5:</b> Stratify disposal information by dollar amount and select a sample for detail testwork	9-25
<b>Application 6:</b> List assets with high salvage values compared to asset values	9-29
<b>Application 7:</b> List assets that have been depreciated beyond their cost	9-29

---

## Chapter 10: Electronic Data Processing Review

Electronic Data Processing Objectives	10-1
Electronic Data Processing Applications	10-2
Electronic Data Processing Data Files	10-3
Electronic Data Processing Verification Batch	10-5
<b>Application 1:</b> Review activity reports for default usernames and usernames of unrecognized or terminated employees	10-9

<b>Application 2:</b> Review activity reports for users with no activity in an unacceptable period of time	10-13
<b>Application 3:</b> Summarize access types by username	10-17
<b>Application 4:</b> Review the time of and length of login times	10-19
<b>Application 5:</b> Review activity reports for login failures	10-23

---

## **Chapter 11: Using Dialog Builders With The Toolkit**

Implementing Dialog Builder in the PAYROLL_1 batch	11-3
--	------

---

### **About the author**