



Internal Audit Department

O R A N G E C O U N T Y

AUDIT HIGHLIGHT

JUNE 20, 2014

PAYROLL AUDIT USING COMPUTER-ASSISTED AUDIT TECHNIQUES (CAATS): AUDITOR-CONTROLLER AND SELECTED DEPARTMENTS/AGENCIES AUDIT NO. 1350-B

WHAT WE DID

Using Computer-Assisted Audit Techniques (CAATs), we analyzed **100%** of the **129,413 paychecks issued for the quarter ended September 30, 2013**, amounting to about **\$220 million** to determine whether the CAPS+ Payroll system is accurately processing and reporting payroll data. We audited payroll data to identify unusual trends and exceptions; recalculated paycheck data for accuracy; compared paycheck data to the prior pay period's data to identify and investigate discrepancies; and compared payroll register reports to identify and investigate any discrepancies between reports. CAATs are automated queries applied to large amounts of electronic data searching for specified characteristics. We use a proprietary, best practice and industry recognized software product (ACL) to help us in this process. CAATs query 100% of a data universe whereas traditional audits typically test a sample of transactions.

WHAT WE FOUND

Our CAAT routines generated exceptions that required further research by Internal Audit, the Auditor-Controller and selected departments/agencies (Health Care Agency, Social Services Agency, and the Sheriff-Coroner) to determine if they were valid exceptions that could indicate any errors in CAPS+ payroll system processing and reporting. **Based on our testing of payroll transactions in the selected County departments/agencies, and the Auditor-Controller's research of the exceptions, we found that satisfactory explanations for the exceptions were provided. Nothing came to our attention indicating any errors in CAPS+ payroll system processing or reporting.**

WHY THIS ANALYSIS IS IMPORTANT

The County processes approximately **\$2 billion annually for payroll**. The CAPS+ HR/Payroll system was implemented in February 2011. There are 26 pay periods annually. Each pay period, departments/agencies utilize the VTI timekeeping system to record payroll hours (except for the Sheriff-Coroner that uses an in-house developed payroll system). VTI interfaces with CAPS+ HR/Payroll, which contains the employee personnel and payroll data, to process the reported hours with the employee payroll data. This is the first audit conducted to determine if the CAPS+ HR/Payroll system is properly processing and reporting payroll data. This audit did not evaluate internal controls over payroll processing in County departments/agencies, and was intended to primarily determine if the CAPS+ payroll system processing and reporting was effective.

CAATS - Cited as a Best Practice by the Institute of Internal Auditors