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Director

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INTERNAL AUDIT DEPARTMENT

Audit No. 2236-A

September 26, 2002

Members, Board of Supervisors
Hall of Administration Building
10 Civic Center Plaza
Santa Ana, CA 92701

Dear Honorable Board Members:

We have completed the July 2002 report of the results of our Computer-Assisted Audit Techniques (CAAT). The report is attached for your information.

We would like to acknowledge the courtesy and cooperation extended to us by the management of the Auditor-Controller's office. As always, I remain available to answer any questions you may have. Please contact me directly or Eli Litter, Deputy Director at (714) 834-5899 if we can be of further assistance.

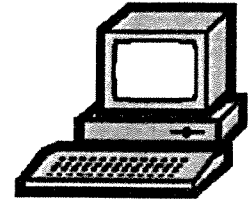
Respectfully submitted,

A handwritten signature in cursive script that reads "Peter Hughes".

Dr. Peter Hughes, CPA
Director

Attachment

cc: Members, Audit Oversight Committee
Dr. Michael Schumacher, County Executive Officer
David Sundstrom, Auditor-Controller
Robert Leblow, Manager, Auditor-Controller/Claims & Disbursing Section
Darlene J. Bloom, Clerk of the Board of Supervisors
Foreman, Grand Jury



Monthly Report on
Computer-Assisted Audit Techniques
(CAAT)
Report Date: July 30, 2002

Audit No. 2236-A

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| Audit Director: | Dr. Peter Hughes, CPA, CITP |
| Deputy Director: | Eli Littner, CPA |
| Audit Manager: | Autumn McKinney |
| Staff Auditor: | Leigh Riddle |



Internal Audit Department

COUNTY OF ORANGE

CAAT Program:

This report details the monthly activity and findings from establishing the Computer-Assisted Auditing Techniques (known by the acronym CAAT) as a part of our audit coverage. We are using a proprietary, state-of-the-art/best practices and industry recognized software product to help us in this process. This software tool looks for unusual data patterns. An example of a common pattern would be duplicate payments; such as, two or more identical payments made on the same invoice number to one vendor. We are keeping the details of our process and the vulnerabilities identified to a general discussion because of the risks associated with disclosing specific details of our financial and accounting processes.

The CAAT is a continuing and evolving audit process with the goal of developing a toolset of computer-routines and techniques that will analyze patterns in the individual data elements of the County's financial data. The resulting data/exceptions will be subjected to further review, analysis validation, recovery and evaluation of internal control enhancements whose purpose is to prevent future occurrences of the findings identified by the CAAT process.

CAAT Performed:

We used a CAAT application to identify potential duplicate payments.

Results:

With this CAAT application, we identified \$36,651.21 in possible duplicate payments. In context, the CAAT data set was about \$1 billion in disbursements. The details of the specific invoices and amounts making up the above total were provided to the Auditor-Controller in the attachment of this report. We validated with Auditor-Controller staff that the identified items were likely to be duplicate payments and provided information to them for further analysis, validation, recovery and evaluation of internal control enhancements. We are working with the Auditor-Controller staff to develop a status report that will be used to monitor the validation and recovery of the identified items.

The disbursement process is the responsibility of the Auditor-Controller's office. We recommended the Auditor-Controller address the duplicate payments issue with vendors to help avoid future double invoicing.

The support of the Auditor-Controller's staff has been outstanding. We look forward to further joint efforts with the Auditor-Controller's office in providing additional computer assisted reviews regarding disbursements.

Attachment – Provided to Auditor-Controller only