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## INTERNAL AUDIT DEPARTMENT

Audit No. 2236-C

October 2, 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 September 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 personnel of the Auditor-Controller's Office and the CEO/Office of Human Resources. 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.

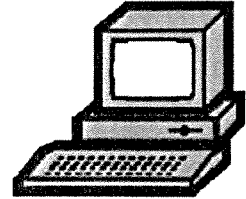
Respectfully submitted,

A handwritten signature in black ink 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  
Jan Walden, Director, CEO/Office of Human Resources  
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: September 27, 2002

Audit No. 2236-C

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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

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COUNTY OF ORANGE

CAAT Program:

This report details the monthly activity and findings from establishing 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. 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.

Two new CAAT routines were added to this month's activities. One is a match of employee and vendor addresses (item 3 below). The second is a review for multiple paychecks being directly deposited to the same bank accounts (item 4 below).

1. CAAT Performed: **Duplicate Payments.** We used a CAAT application to identify potential duplicate payments.

Results:

With this CAAT application, we identified 5 invoices totaling \$2,526.33 in possible duplicate payments. All potential duplicates relate to payments that were paid during the month of August 2002.

This CAAT focuses only on a sub-set of the invoices paid by the County that possess certain common attributes. The CAAT reviews the attributes and highlights potential duplicate payments for further review and verification. During the month of August 2002, a total of 20,582 invoices for \$67,933,565 were added to this data sub-set.

Currently, the data sub-set includes a total of 343,015 invoices totaling \$2,129,503,067. The total data file that the sub-set is derived from includes 1,327,583 records totaling \$3,696,788,186.

The table below recaps the results from this and prior months results to provide feedback on the recovery effort communicated to us from the Auditor-Controller's Claims and Disbursing Section.

| CAAT Report Dated | Duplicates Identified | Recovered to date |
|-------------------|-----------------------|-------------------|
| May 2002          | 11                    | \$11,160          |
| July 2002         | 27                    | \$35,424          |
| August 2002       | 10                    | \$2,331           |
| Sept 2002         | 5                     | \$0               |
| <b>Totals</b>     | <b>53</b>             | <b>\$9,206</b>    |

The CAAT routines are successfully identifying several issues as well as validating some of the County's existing processes. As these CAAT routines are new for the County, the investigation and disposition of these duplicate payments and other issues identified will take some time to work out. The Auditor-Controller's Office has exhibited exemplary efforts to address and resolve the issues.

2. CAAT Performed: **Employee Vendors.** Last month, we used a CAAT application to identify instances where employees are receiving payments as vendors for goods and/or services.

Status: Approximately ½ of the 178 instances identified last month related to off-duty Sheriff-Coroner employees who were providing training, such as at the Sheriff's Training Academy. Upon further research by the Auditor-Controller's Claims and Disbursing Section, this arrangement was determined to be acceptable and was approved by the Board of Supervisors on October 16, 1990.

The Auditor-Controller's Claims and Disbursing Section continues to research the remaining instances where County Employees are serving as both employee and Vendor.

3. CAAT Performed: **Employee Vendor Address Match.** We used a CAAT to identify instances where employees possess the same address as vendors. Although similar to the Employee/Vendor CAAT, this review is designed to identify instances where employees may be attempting to mask their dual relationship by operating under a different name and/or tax identification number. In order to perform this review, we have partnered with the CEO/Office of Human Resources.

Results: We discovered 321 matches from this data set. It is expected that a certain amount of overlap will occur between this CAAT and the Employee/Vendor CAAT. However, due to the confidential nature of employee addresses, it is necessary to separate the reviews.

The list of address matches was provided to the CEO/Office of Human Resources for further review and analysis.

4. CAAT Performed: **Direct Deposits.** We used a CAAT application to review for multiple employee paychecks that are directly deposited to the same bank account. This review is designed to identify potential fictitious employees.

**Results:** Our review included all paychecks that were directly deposited from August 2001 to August 2002. Although we found many reasonable instances (over 700), where two employees deposited their paychecks to the same bank account, we found no instances where three or more employees had deposited their paychecks to the same bank account.

No further review was deemed necessary.

Attachments – Provided to Auditor-Controller and CEO/Office of Human Resources only