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**INTERNAL AUDIT DEPARTMENT**

Audit No. 2317-B

March 25, 2003

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

Dear Honorable Board Members:

We have completed the February 2003 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.

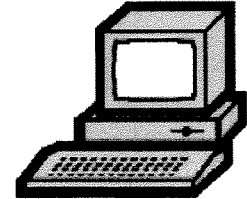
Respectfully submitted,

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

Dr. Peter Hughes, CPA, CITP  
Director

Attachment

cc: Members, Audit Oversight Committee  
James D. Ruth, Interim County Executive Officer  
David Sundstrom, Auditor-Controller  
Robert Leblow, Manager, Auditor-Controller/Claims & Disbursing Section  
Virginia Czarnecki, A-C/Information Technology/CAPS G/L System Support  
Jan Walden, Director, CEO/Office of Human Resources  
Patti Cahill, Manager, CEO/HR/ HR Standards  
Scott Sanders, Senior Systems Programmer Analyst, CEO/HR/Employee Benefits  
Bill Rawlings, Director, CEO/Purchasing & Real Estate  
Paula Kielich, Administrator, CEO/Purchasing/Automated Purchasing Program  
Darlene J. Bloom, Clerk of the Board of Supervisors  
Foreman, Grand Jury



Monthly Report on  
Computer-Assisted Audit Techniques  
(CAAT)  
Report Date: February 28, 2003

Audit No. 2317-B

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Audit Director:	Dr. Peter Hughes, CPA, CITP
Deputy Director:	Eli Littner, CPA, CISA
Audit Manager:	Autumn McKinney, CIA
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 information technology 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.

One new CAAT routine was added this month – Retiree/Extra Help Hours. This new routine reviewed the number of hours worked by retirees as extra help during the fiscal year 2001/2002 (item 6. below).

1. CAAT Performed: **Duplicate Payments.** We used a CAAT application to identify potential duplicate payments made in January 2003.

Results: Three potential duplicate payments were identified in the January 2003 data.

The table below summarizes the duplicate payment activity to date:

CAAT Report Dated	Total		Not Duplicates		Recovered		In Process	
	#'s	\$'s	#'s	\$'s	#'s	\$'s	#'s	\$'s
May 2002	12	\$12,922	0	\$0	0	\$0	12	\$12,922
July 2002	40	\$36,651	10	\$8,092	12	\$7,223	18	\$21,336
August 2002	10	\$12,561	0	\$0	6	\$9,293	4	\$3,268
September 2002	5	\$2,526	0	\$0	0	\$0	5	\$2,526
October 2002	0	\$0	0	\$0	0	\$0	0	\$0
November 2002	35	\$32,057	0	\$0	0	\$0	35	\$32,057
December 2002	1	\$445	0	\$0	0	\$0	1	\$445
January 2003	3	\$772	0	\$0	0	\$0	3	\$772
February 2003	3	\$266	0	\$0	0	\$0	3	\$266
<b>TOTAL</b>	<b>109</b>	<b>\$98,200</b>	<b>10</b>	<b>\$8,092</b>	<b>18</b>	<b>\$16,516</b>	<b>81</b>	<b>\$73,592</b>

Background: This CAAT concentrates on a sub-set of vendor invoices paid by the County possessing certain common attributes. The CAAT reviews the attributes and highlights potential duplicate payments for further review and verification. During the month of February 2003, a total of 19,721 invoices for \$122,746,801 were added to this data sub-set representing January 2003 transactions.

Currently, the data sub-set includes a total of 617,895 invoices totaling \$4,407,691,355. The total data file that the sub-set is derived from includes 2,407,842 records totaling \$7,160,093,831.

2. CAAT Performed: **Employee Vendors.** A CAAT was created to identify employees who have recently received payments as vendors for goods and/or services based upon similar tax identification numbers.

Status: This list was originally presented to the Auditor-Controller's Claims and Disbursing Section and CEO/Office of Human Resources during August 2002. The list included 178 employee-vendor relationships for review. During September, October, and November 2002, the Auditor-Controller's Claims and Disbursing Section and the CEO/Office of Human Resources performed reviews of the relationships and concluded that many were appropriately authorized.

However, the CEO/Office of Human Resources determined that 38 of the original employee-vendor relationships identified required further investigation. During December 2002, we provided additional data to CEO/Office of Human Resources to assist this review.

The CEO/Office of Human Resources and CEO/Purchasing are currently working to develop methodologies and processes for reviewing the remaining 38 relationships data in order to complete this and future reviews.

3. CAAT Performed: **Employee Vendor Address Match.** We used a CAAT to identify instances where employees possess the same address as vendors.

Status: This CAAT first appeared in the September 2002 CAAT report. At that time, a list was presented to the CEO/Office of Human Resources for analysis. In November 2002, a more accurate and updated list was forwarded to them.

The CEO/Office of Human Resources and CEO/Purchasing are currently working to develop methodologies and processes for reviewing the November data in order to complete this and future reviews.

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: This CAAT was applied in February and no irregular deposit activity was identified by the CAAT.

However, we did note three very unusual name changes. The three names were given to the CEO/Office of Human Resources for further review.