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## INTERNAL AUDIT DEPARTMENT

Audit No. 2317-F

July 18, 2003

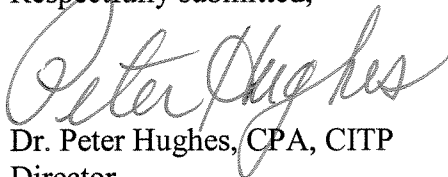
Members, Board of Supervisors  
Hall of Administration Building  
10 Civic Center Plaza  
Santa Ana, CA 92701

Dear Honorable Board Members:

We have completed the June 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, or Autumn McKinney, Audit Manager, at (714) 834-6106, if we can be of further assistance.

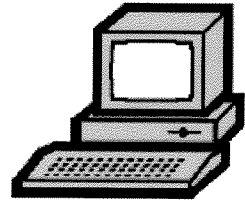
Respectfully submitted,



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: June 30, 2003

Audit No. 2317-F

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



**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.

1. CAAT Performed: **Duplicate Payments.** We used a CAAT to identify potential duplicate payments made during May 2003.

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

The table below summarizes the duplicate payment activity to date:

| CAAT Report    | 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         | \$39,470         | 10             | \$4,046         | 12        | \$7,223         | 18         | \$28,201        |
| August 2002    | 10         | \$12,561         | 0              | \$0             | 9         | \$12,410        | 1          | \$151           |
| September 2002 | 5          | \$2,526          | 0              | \$0             | 0         | \$0             | 5          | \$2,526         |
| November 2002  | 35         | \$32,057         | 0              | \$0             | 1         | \$5,000         | 34         | \$27,057        |
| 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           |
| March 2003     | 4          | \$2,368          | 0              | \$0             | 0         | \$0             | 4          | \$2,368         |
| May 2003       | 13         | \$9,488          | 1              | \$6,549         | 1         | \$429           | 11         | \$2,510         |
| June 2003      | 3          | \$868            | 0              | \$0             | 0         | \$0             | 3          | \$868           |
| <b>TOTAL</b>   | <b>126</b> | <b>\$112,874</b> | <b>11</b>      | <b>\$10,595</b> | <b>23</b> | <b>\$25,062</b> | <b>92</b>  | <b>\$77,217</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 June 2003, a total of 20,378 invoices for \$279,040,877 were added to this data sub-set representing May 2003 transactions.

Currently, the data sub-set includes a total of 697,498 invoices totaling

\$5,122,174,383. The total data file that the sub-set is derived from includes 2,777,876 records totaling \$8,331,301,095.

2. CAAT Performed: **Employee Vendor Match.** We used several CAATs to identify employees that are closely linked to a vendor as a result of sharing a similar address or tax id number.

Status: CEO/HR hosted a discussion and information forum on July 3, 2003 to discuss the Employee Vendor CAAT with several departments that have employee vendors working in their areas. A list of employee vendors was provided to the departments and a discussion was held regarding the type of follow-up that would be needed to assess the appropriateness of the relationships.

A second meeting was held with the departments on July 18, 2003 to discuss the results of the follow-up efforts. The departments were asked to prepare a memo to document the circumstances behind each of the relationships.

The table below is a tracking of employee/vendor matches currently being reviewed.

| CAAT Report Month | Data Matches | Adjustments by Audit | Submitted to CEO/HR | CEO/HR Disposition |              |
|-------------------|--------------|----------------------|---------------------|--------------------|--------------|
|                   |              |                      |                     | Not a Problem      | Action Taken |
| November 2002     | 178          | (140)                | 38                  |                    |              |
| April 2003        | 12           | (4)                  | 8                   |                    |              |
| TOTAL             |              |                      | 46                  |                    |              |

3. CAAT Performed: **Retiree/Extra Help Hours.** We used a CAAT to identify Retirees who worked as extra help more than 980 hours during fiscal year 2001/2002.

Status: In the March 2003 CAAT report, we noted fourteen Extra Help Retirees had worked over 980 hours during fiscal year 2001/2002 and gave the exceptions to CEO/HR for further review.

On July 18, 2003, OCERS communicated to CEO/HR that retirement benefits should have been suspended on the fourteen Extra Help Retirees when they had exceeded the 960 work hours. As a result, OCERS is evaluating what action is appropriate to recover the overpayments.

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.

Results: This CAAT was applied in June 2003 with no irregular deposit activity identified.

5. CAAT Performed: **Deleted Vendors.** We used a CAAT to identify Vendors that have been deleted or removed from the Vendor Master List.

Results: This CAAT was applied in June and detected that 41,013 of 119,652 vendors had been removed from the Vendor Master.

We spoke with the A-C/Information Technology/CAPS General Accounting Systems and were informed that the deletions resulted from a planned maintenance procedure to remove vendors who have not had activity during the past several years. A CAAT was then performed to determine if there had been any payment activity on the deleted vendors during the prior two and a half years. No exceptions were noted and all deleted vendors did not have recent payment activity.

Attachment – Provided to the Auditor-Controller only:

A. Potential Duplicate Payments, dated 6/24/03 – A-C/Claims and Disbursing Section