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## INTERNAL AUDIT DEPARTMENT

Audit No. 2317-I

October 14, 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 September 2003 report of the results of our Computer-Assisted Audit Techniques (CAAT). The report is attached for your information.

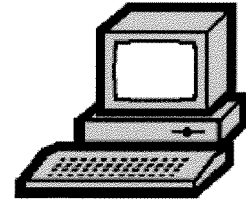
We would like to acknowledge the courtesy and cooperation extended to us by the personnel of the Auditor-Controller's Office and the CEO/Office of Human Resources. As always, I remain available to answer any questions you may have. Please contact me directly or Eli Littner, Deputy Director, at (714) 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  
Bill Malohn, A-C/Information Technology/CAPS G/L System Support  
Jan Walden, Director, CEO/Office of Human Resources  
Patti Cahill, Manager, CEO/HR/ HR Standards  
Gloria Phillips, Senior Analyst, 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  
Macias, Gini & Company LLP



Monthly Report on  
Computer-Assisted Audit Techniques  
(CAAT)  
Report Date: September 30, 2003

Audit No. 2317-I

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Audit Director:	Dr. Peter Hughes, CPA, CITP
Deputy Director:	Eli Littner, CPA, CISA
Audit Manager:	Autumn McKinney, CPA, CIA, CGFM
Senior Auditors:	Leigh Riddle, CIA, CFSA Carol Swe, CPA, CIA



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 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 August 2003.

Results: Five potential duplicate payments were identified in the August 2003 data. We provided details for these matches to A-C/Claims and Disbursing.

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	\$12,921	0	\$0	1	\$8,090	11	\$4,831
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	1	\$1,028	4	\$1,498
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	1	\$746	2	\$122
July 2003	3	\$8,273	0	\$0	3	\$8,273	0	\$0
August 2003	2	\$1,647	0	\$0	1	\$1,297	1	\$350
September 2003	5	\$1,587	0	\$0	0	\$0	5	\$1,587
<b>TOTAL</b>	<b>139</b>	<b>\$125,249</b>	<b>11</b>	<b>\$10,595</b>	<b>30</b>	<b>\$44,496</b>	<b>98</b>	<b>\$70,158</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 September 2003, a total of 15,690 invoices for \$72,978,928 were added to this data sub-set representing August 2003 transactions.

Currently, the data sub-set includes a total of 755,011 invoices totaling \$5,394,093,601. The total data file that the sub-set is derived from includes 3,058,207 records totaling \$8,978,094,402.

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 is continuing to perform additional follow-up where necessary to formalize the departments responses in a document.

The table below tracks the 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 working as extra help for more than 960 hours (maximum allowed) during fiscal year 02-03.

Status: CEO/HR has begun generating a report every pay period that identifies retirees working by department and the cumulative number of hours worked by each retiree. CEO/HR is forwarding the report to the appropriate department for review and action. CEO/HR is also working to make this information available to departments on the data warehouse.

Since there is little risk that retirees will exceed the 960 hour limit early in the fiscal year, and CEO/HR has implemented a process to monitor working retirees, this CAAT will not be run monthly, but as needed later in the fiscal year.

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 September 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 September 2003 with no significant findings.

Attachment – Provided to the Auditor-Controller only:

- A. Potential Duplicate Payments, dated 9/11/03 – A-C/Claims and Disbursing Section