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INTERNAL AUDIT DEPARTMENT

Audit No. 2317-K

December 31, 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 November 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.

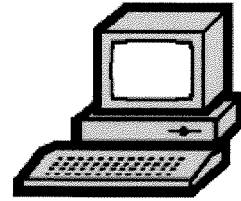
Respectfully submitted,

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, 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, Assistant CEO/Office of Human Resources
Patti Cahill, Manager, CEO/HR/ HR Standards
Gloria Phillips, Senior Analyst, CEO/HR/ HR Standards
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: November 30, 2003

Audit No. 2317-K

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



Internal Audit Department

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 October 2003.

Results: Six potential duplicate payments were identified in the October 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
October 2003	8	\$4,300	0	\$0	0	\$0	8	\$4,300
November 2003	6	\$3,737	0	\$0	0	\$0	6	\$3,737
TOTAL	153	\$133,286	11	\$10,595	30	\$44,496	112	\$78,195

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 November 2003, a total of 17,573 invoices for \$83,888,448 were added to this data sub-set representing October 2003 transactions.

Currently, the data sub-set includes a total of 790,183 invoices totaling \$5,617,482,571. The total data file that the sub-set is derived from includes 3,238,037 records totaling \$9,421,243,750.

- 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: Internal Audit met with CEO/HR to standardize the communication and reporting procedures for this and future employee/vendor CAAT reviews.

The table below tracks the employee/vendor matches currently being reviewed.

CAAT Report Month	Data Matches	Adjustments by Audit	Submitted to CEO/HR	In Progress	CEO/HR Disposition			
					Not a Valid Match	No Conflict Exists	Potential Conflict - CEO/HR to Take Appropriate Action	
November 2002	178	(140)	38	5	2	25	6	
April 2003	12	(4)	8	0	5	0	3	
June 2003	10	(0)	10	1	4	4	1	
TOTAL				56	6	11	29	10

- 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: Since there is little risk that retirees will exceed the 960 hour limit early in the fiscal year and since 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 November 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 November 2003 with no significant findings.

Attachment – Provided to the Auditor-Controller only:

A. Potential Duplicate Payments, dated 11/17/03 – A-C/Claims and Disbursing Section