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**INTERNAL AUDIT DEPARTMENT**

Audit No. 2416-C

April 7, 2004

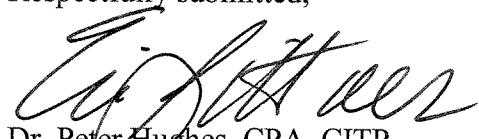
Members, Board of Supervisors  
Hall of Administration Building  
10 Civic Center Plaza  
Santa Ana, CA 92701

Dear Honorable Board Members:

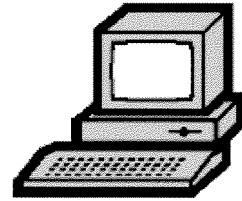
We have completed the March 2004 report of the results of our Computer-Assisted Audit Techniques (CAAT). The report is attached for your information.

We would like to acknowledge the courtesy and cooperation extended to us by the personnel of the Auditor-Controller's Office and the Human Resources Department. 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,

*FOR*   
Dr. Peter Hughes, CPA, CITP  
Director

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, Director, Human Resources  
Patti Cahill, Manager, Human Resources  
Gloria Phillips, Senior Analyst, Human Resources  
Bill Rawlings, Director, CEO/Purchasing & Real Estate  
Darlene J. Bloom, Clerk of the Board of Supervisors  
Foreman, Grand Jury



Monthly Report on  
Computer-Assisted Audit Techniques  
(CAAT)  
Report Date: March 31, 2004

Audit No. 2416-C

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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, CISA, CIA 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 February 2004.

Results: Five potential duplicate payments were identified in the February 2004 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
2002	103	\$99,980	10	\$4,046	24	\$33,751	69	\$62,183
2003	50	\$33,307	4	\$10,039	7	\$13,473	39	\$9,795
January 2004	5	\$31,921	0	\$0	4	\$31,329	1	\$592
February 2004	2	\$1,120	0	\$0	0	\$0	2	\$1,120
March 2003	5	\$8,709	0	\$0	0	\$0	5	\$8,709
<b>TOTAL</b>	<b>165</b>	<b>\$175,037</b>	<b>14</b>	<b>\$14,085</b>	<b>35</b>	<b>\$78,553</b>	<b>116</b>	<b>\$82,399</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 March 2004, a total of 15,783 invoices for \$75,472,103 were added to this data sub-set representing February 2004 transactions.

Currently, the data sub-set includes a total of 854,626 invoices totaling \$6,453,771,122. The total data file that the sub-set is derived from includes 3,570,488 records totaling \$10,750,127,920.

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: The table below tracks the employee/vendor matches currently being reviewed by the Human Resources Department (HR).

CAAT Report Month	Data Matches	Adjustments by Audit	Submitted to HR	HR Disposition				
				In Progress	Not a Valid Match	No Conflict Exists	Potential Conflict HR to take Appropriate Action	Potential Conflict - Issue Resolved to HR's Satisfaction
November 2002	178	(140)	38	0	2	30	6	6
April 2003	12	(4)	8	0	5	0	3	3
June 2003	10	(0)	10	0	4	5	1	1
		TOTAL	56	0	11	35	10	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 March 2004 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 March 2004 with no significant findings.

Attachment – Provided to the Auditor-Controller only:  
 Potential Duplicate Payments, dated 3/19/04 – A-C/Claims and Disbursing Section