

**Monthly Report on
Computer-Assisted Audit Techniques
(CAAT)**

For the Period: July 2004

Report Date: August 9, 2004

Report Number: 2416-G

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**INTERNAL AUDIT DEPARTMENT
COUNTY OF ORANGE**

"The Internal Audit Department is an independent audit function reporting directly to the Orange County Board of Supervisors."

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**COUNTY OF ORANGE
INTERNAL AUDIT DEPARTMENT**

OFFICE OF THE DIRECTOR

*Integrity
Objectivity
Independence*

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Transmittal Letter

Report No. 2416-G

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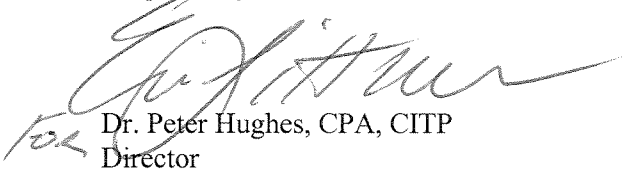
Members, Board of Supervisors
Hall of Administration Building
10 Civic Center Plaza
Santa Ana, CA 92701

Dear Honorable Board Members:

Under a new reporting format, we have completed the July 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,


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
Marcel Turner, Director, 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

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: We used a CAAT to identify potential duplicate payments made during June 2004.
Duplicate Payments

A. Results: Seven potential duplicate payments were identified in the June 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	\$99,982	15	\$4,959	75	\$81,675	13	\$13,348
2003	50	\$33,304	4	\$10,039	31	\$18,710	15	\$4,555
January 2004	5	\$31,921	0	\$0	5	\$31,921	0	\$0
February 2004	2	\$1,120	1	\$145	1	\$975	0	\$0
March 2004	5	\$8,709	0	\$0	4	\$7,955	1	\$754
April 2004	3	\$435	0	\$0	3	\$435	0	\$0
May 2004	0	\$0	0	\$0	0	\$0	0	\$0
June 2004	1	\$2,450	0	\$0	1	\$2,450	0	\$0
July 2004	7	\$52,373	0	\$0	0	\$0	7	\$52,373
TOTAL	176	\$230,294	20	\$15,143	120	\$144,121	36	\$71,030

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 July 2004, a total of 22,986 invoices for \$89,948,945 were added to this data sub-set representing June 2004 transactions.

Currently, the data sub-set includes a total of 937,065 invoices totaling \$7,213,136,942. The total data file that the sub-set is derived from includes 3,948,021 records totaling \$12,021,364,145.



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

A. **Status:** We are currently in the process of running these CAAT routines again and will relate the results in a future report.

3. **CAAT Performed:** We use a CAAT to identify retirees working as extra help for more than 960 hours (maximum allowed for regular retirees) or more than 720 hours (maximum for early retirees) during a fiscal year.
Retiree/Extra Help Hours

A. **Status:** We are currently in the process of running this CAAT routine again and will relate our results in a future report.

4. **CAAT Performed:** We used a CAAT application to review for multiple employee paychecks that are directly deposited to the same bank account.
Direct Deposits

A. **Results:** This CAAT was applied in July 2004 with no irregular deposit activity identified.

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

A. **Results:** This CAAT was applied in July 2004 with no significant findings.

Attachment:

Provided to the Auditor-Controller only: Potential Duplicate Payments, dated 7/29/04 – A-C/Claims and Disbursing Section

