

**IAD's MONTHLY ACTIVITY REPORT**  
**FOR**  
**FEBRUARY 2005**  
**TO THE**  
**BOARD OF SUPERVISORS**

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

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*Integrity  
Objectivity  
Independence*

**by the Director of Internal Audit**  
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Certified Information Technology Professional (CITP),  
Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE)

## Monthly Summary – FEBRUARY 2005

### Status Report to the Board of Supervisors by IAD

#### MATERIAL FINDINGS

	Department and Description	Comments
		NONE

#### NON-MATERIAL FINDINGS

	Department and Description	Comments
1.	<p>DEPT: Housing and Community Services Department (Office on Aging and Special Programs Division)</p> <p>TITLE: Follow-Up Audit of Department Control Review Housing and Community Services Department New Programs Purchasing Card Program, Audit No. 2346</p> <p><u>Audit No.</u> 2440</p> <p>ISSUED: 2/4/05</p>	<p>1<sup>st</sup> Follow-Up Audit of purchasing card transactions in the Housing and Community Services Department (HCS) New Programs (Office on Aging and Special Programs Division) to determine if corrective action had been taken for the 8 recommendations we noted in our original audit.</p> <p><b>CONCLUSION:</b> HCS discontinued using purchasing cards in the Office on Aging and Special Programs Division; therefore, the recommendations are no longer applicable and no additional follow-up audit is necessary.</p> <p><b>BACKGROUND:</b> The original audit assessed the adequacy of processes, procedures and controls to 1) ensure purchasing card transactions are valid, accurately supported, and approved by management; 2) are in compliance with the County’s Purchasing Card manual; 3) that purchases were proper and did not circumvent purchasing card requirements.</p> <p><b>TYPE OF RECOMMENDATIONS:</b> Ensure support documentation and procedures exist for program-specific card uses; management authorization is obtained for travel; process improvements are made for purchasing card account changes and billing credits.</p>

**Monthly Summary – FEBRUARY 2005**  
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	<b>Department and Description</b>	<b>Comments</b>
2.	<p>DEPT: County Executive Office/Purchasing</p> <p>TITLE: Follow-Up Audit of County Executive Office Purchasing Card Program, Audit No. 2346</p> <p><u>Audit No.</u> 2440</p> <p>ISSUED: 2/16/05</p>	<p>1<sup>st</sup> Follow-Up Audit of purchasing card program administration by CEO/Purchasing to determine if corrective action had been taken for the 9 recommendations we noted in our original audit.</p> <p><b>CONCLUSION:</b> All 9 recommendations were implemented.</p> <p><b>BACKGROUND:</b> The original audit assessed the adequacy of processes, procedures and controls over CEO/Purchasing’s administration of the County’s purchasing card program, which includes new card issuances, terminations and cardholder account modifications, and maintaining the County of Orange Purchasing Card Program policy and procedure manual.</p> <p><b>TYPE OF RECOMMENDATIONS:</b> Ensure CEO/Purchasing obtains authorization for cardholder modifications, verifies training and documentation requirements for new cardholders, updates policy and procedure manual, and monitors/reconciles reports from contractor bank (U.S. Bank).</p>
3.	<p>DEPT: Auditor-Controller (A-C), Human Resources (HR), and CEO/Purchasing.</p> <p>TITLE: Monthly Report on Computer-Assisted Audit Techniques (CAAT) for January 2004.</p>	<p>We utilize a proprietary, best practices, and industry recognized software product to help us compile and query large amounts of data looking for specified characteristics. These automated queries are commonly known as CAATs (Computer Assisted Audit Techniques).</p> <p>We perform the CAAT routines monthly, bi-annually, or annually depending on the nature of the specific routine.</p>

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Department and Description	Comments
<p><u>Audit No.</u> 2518-A Computer Assisted Audit Techniques (CAAT)</p> <p>ISSUED: February 9, 2005</p>	<p><b>CONCLUSION:</b></p> <ul style="list-style-type: none"> <li>• <u>Duplicate Payments to Vendors:</u> One duplicate payment for \$8,400 was identified in the December 2004 data and is being pursued by the A-C. We perform this analysis monthly to identify duplicate payments made to vendors. We added 18,374 invoices paid during December 2004 and amounting to \$530,747,151 to our database</li> <li>• <u>Employee/Vendor Relationships:</u> HR finished its review of the remaining 1 match and determined that no conflict of interest existed for the 8 matches total identified by the CAAT routine. We perform this procedure annually to identify employees buying goods/issuing contracts to themselves or a related vendor. We compared 19,908 employee addresses with 80,218 vendor addresses</li> <li>• <u>Working Retirees:</u> HR finalized their enhanced processes with County departments and employees to address monitoring of working retirees. No further CAAT work will be performed until later this fiscal year.</li> </ul> <p><b>BACKGROUND:</b></p> <p>The CAATs differ from our traditional audits in that the CAATs can query 100% of a data universe whereas the traditional audits typically test but a sample of transactions from the population.</p> <p>The resulting matches identified by the CAATs are subjected to further review and analysis by the Internal Audit Department. We then forward any resulting findings to the A-C, HR, or CEO/Purchasing for their review and concurrence, and subsequent correction/recovery. We also work with these departments to identify internal control enhancements with the purpose of preventing future occurrences of the type of findings identified by the CAATs.</p>