PETER HUGHES, Ph.D, CPA, CIA, CFE, CITP
Director

400 Civic Center Drive West
Building 12, Room 232
Santa Ana, California 92701-4521
(714) 834-5475 Fax: (714) 834-2880

INTERNAL AUDIT DEPARTMENT

Audit No. 2317-A

February 7, 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 January 2003 report of the results of our Computer-Assisted Audit Techniques (CAAT). The report is attached for your information.

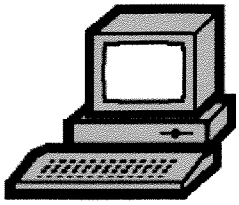
We would like to acknowledge the courtesy and cooperation extended to us by the personnel of the Auditor-Controller's Office and the CEO/Office of Human Resources. As always, I remain available to answer any questions you may have. Please contact me directly or Eli Litter, Deputy Director at (714) 834-5899 if we can be of further assistance.

Respectfully submitted,

Dr. Peter Hughes, CPA, CITP
Director

Attachment

cc: Members, Audit Oversight Committee
David Sundstrom, Auditor-Controller
Robert Leblow, Manager, Auditor-Controller/Claims & Disbursing Section
Virginia Czarnecki, Principal Accountant/Auditor, Auditor-Controller/Information Technology/CAPS G/L System Support
Jan Walden, Director, CEO/Office of Human Resources
Patti Cahill, Manager, CEO/HR/ HR Standards
Scott Sanders, Senior Systems Programmer Analyst, CEO/HR/Employee Benefits
Darlene J. Bloom, Clerk of the Board of Supervisors
Foreman, Grand Jury



Monthly Report on Computer-Assisted Audit Techniques (CAAT)

Report Date: January 31, 2003

Audit No. 2317-A

Audit Director:	Dr. Peter Hughes, CPA, CITP
Deputy Director:	Eli Littner, CPA, CISA
Audit Manager:	Autumn McKinney
Staff Auditor:	Leigh Riddle

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 a 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 application to identify potential duplicate payments made in December 2002.

Results: Three potential duplicate payments were identified in the December 2002 data.

The table below summarizes the duplicate payment activity to date:

CAAT Report Dated	Total		Not Duplicates		Recovered		In Process	
	#'s	$'s	#'s	$'s	#'s	$'s	#'s	$'s
May 2002	12	$12,922	0	$0	0	$0	12	$12,922
July 2002	40	$36,651	10	$8,092	12	$7,223	18	$21,336
August 2002	10	$12,561	0	$0	6	$9,293	4	$3,268
September 2002	5	$2,526	0	$0	0	$0	5	$2,526
October 2002	0	$0	0	$0	0	$0	0	$0
November 2002	35	$32,057	0	$0	0	$0	0	$0
December 2002	1	$445	0	$0	0	$0	35	$32,057
January 2003	3	$772	0	$0	0	$0	3	$772
TOTAL	**106**	**$97,934**	**10**	**$8,092**	**18**	**$16,516**	**77**	**$72,881**

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 January 2003, a total of 19,130 invoices for $468,048,092 were added to this data sub-set representing December 2002 transactions.

Currently, the data sub-set includes a total of 598,174 invoices totaling $4,284,945. The total data file that the sub-set is derived from includes 2,320,356 records totaling $6,890,989,217.

2. CAAT Performed: **Employee Vendors.** A CAAT was created to identify employees who have recently received payments as vendors for goods and/or services based upon similar tax identification numbers.

   Status: The list of employee vendors continues to be researched by the CEO/Office of Human Resources. The CEO/Office of Human Resources acknowledged that they will research these items but were unable to spend time on this during January 2003.

3. CAAT Performed: **Employee Vendor Address Match.** We used a CAAT to identify instances where employees possess the same address as vendors.

   Status: Refinement to this CAAT was performed in October 2002. Additional records were provided to the CEO/Office of Human Resources in November 2002. The CEO/Office of Human Resources acknowledged that they will research these items but were unable to spend time on this during January 2003.

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. This review is designed to identify potential fictitious employees.

   Results: This CAAT was applied in January. No further review was deemed necessary because no irregular deposit activity was identified by the CAAT.

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

   A best business practice is to de-activate vendors rather than delete them from the Vendor Master file. Retaining vendor records in a de-active status protects the County's ability to fully research historical information.

   Status: This CAAT was applied to December 2002 monthly data. An additional 20 vendors deleted from the Vendor Master in December 2002.

   In December 2002, we forwarded a list of deleted vendors to the Auditor-Controller for their review and feedback. During January 2003, the Auditor-Controller continued their research of the previously submitted list of deleted vendors.

Attachments – Provided to the Auditor-Controller or County Executive Office only:

A. Potential Duplicate Payment, dated 1/30/03 – Auditor-Controller/Claims and Disbursing Section