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**INTERNAL AUDIT DEPARTMENT**

Audit No. 2416-B

March 15, 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 February 2004 report of the results of our Computer-Assisted Audit Techniques (CAAT). The report is attached for your information.

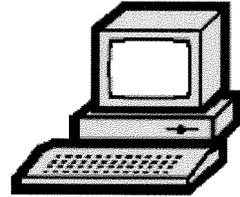
We would like to acknowledge the courtesy and cooperation extended to us by the personnel of the Auditor-Controller's Office and the Human Resources Department. As always, I remain available to answer any questions you may have. Please contact me directly or Eli Littner, Deputy Director, at (714) 834-5899, or Autumn McKinney, Audit Manager, at (714) 834-6106, if we can be of further assistance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Peter Hughes".

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: February 29, 2004

Audit No. 2416-B

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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 January 2004. We met with representatives from the Auditor-Controller/Claims and Disbursing Section in February 2004 and discussed an approach they will implement for collection of older items.

Results: Two potential duplicate payments were identified in the January 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
<b>TOTAL</b>	<b>160</b>	<b>\$166,328</b>	<b>14</b>	<b>\$14,085</b>	<b>35</b>	<b>\$78,553</b>	<b>111</b>	<b>\$73,690</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 February 2004, a total of 15,859 invoices for \$111,236,770 were added to this data sub-set representing January 2004 transactions.

Currently, the data sub-set includes a total of 838,843 invoices totaling \$6,378,299,019. The total data file that the sub-set is derived from includes 3,489,563 records totaling \$10,554,641,791.

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.

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	0	2	30	6
April 2003	12	(4)	8	0	5	0	3
June 2003	10	(0)	10	0	4	5	1
TOTAL			56	0	11	35	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 February 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 February 2004 with no significant findings.

Attachment – Provided to the Auditor-Controller only:

Potential Duplicate Payments, dated 2/27/04 – A-C/Claims and Disbursing Section