COUNTY OF ORANGE
INTERNAL AUDIT DEPARTMENT

OFFICE OF THE DIRECTOR

Integrity
Objectivity
Independence

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Audit No. 2416-F

July 20, 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 June 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

Monthly Report on Computer-Assisted Audit Techniques (CAAT)

Report Date: June 30, 2004

Audit No. 2416-F

Audit Director:	Dr. Peter Hughes, CPA, CITP
Deputy Director:	Eli Littner, CPA, CISA
Audit Manager:	Autumn McKinney, CPA, CIA, CGFM
Senior Auditors:	Carol Swe, CPA, CIA

Internal Audit Department

COUNTY OF ORANGE

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

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 May 2004.

Results: One potential duplicate payment was identified in the May 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	30	$17,870	16	$5,395
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	0	$0	1	$2,450
TOTAL	**169**	**$177,921**	**20**	**$15,143**	**118**	**$140,831**	**31**	**$21,947**

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 June 2004, a total of 18,889 invoices for $168,357,577 were added to this data sub-set representing May 2004 transactions.

Currently, the data sub-set includes a total of 914,079 invoices totaling $7,123,187,998. The total data file that the sub-set is derived from includes 3,846,871 records totaling $11,784,505,625.

2. CAAT Performed: **Employee/Vendor Match.** 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.

   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: **Retiree/Extra Help Hours**. 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.

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

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 June 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 June 2004 with no significant findings.

Attachment – Provided to the Auditor-Controller only:
Potential Duplicate Payments, dated 6/29/04 – A-C/Claims and Disbursing Section