

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

For the Period: September 2004

Report Date: October 18, 2004

Report Number: 2416-I

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**INTERNAL AUDIT DEPARTMENT
COUNTY OF ORANGE**

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**COUNTY OF ORANGE
INTERNAL AUDIT DEPARTMENT**

OFFICE OF THE DIRECTOR

*Integrity
Objectivity
Independence*

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Transmittal Letter

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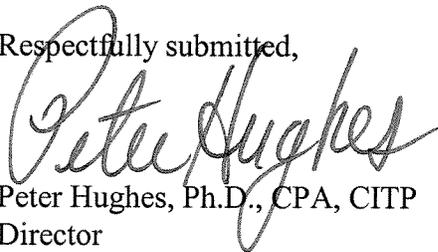
Members, Board of Supervisors
Hall of Administration Building
10 Civic Center Plaza
Santa Ana, CA 92701

Dear Honorable Board Members:

We have completed the September 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,


Peter Hughes, Ph.D., CPA, CITP
Director

cc: Members, Audit Oversight Committee
Thomas G. Mauk, 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 August 2004.
Duplicate Payments

A. Results: Six potential duplicate payments were identified in the August 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	16	\$5,426	75	\$81,675	12	\$12,881
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	4	\$2,570	2	\$49,659	1	\$144
August 2004	2	\$780	0	\$0	2	\$780	0	\$0
September 2004	6	\$7,771	0	\$0	0	\$0	6	\$7,771
TOTAL	184	\$238,845	25	\$18,180	124	\$194,560	35	\$26,105

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 September 2004, a total of 16,957 invoices for \$67,042,058 were added to this data sub-set representing August 2004 transactions.

Currently, the data sub-set includes a total of 969,916 invoices totaling \$7,355,123,886. The total data file that the sub-set is derived from includes 4,114,796 records totaling \$12,504,777,770.



2. CAAT Performed: We used a CAAT to identify employees that are closely linked to a vendor as a result of sharing a similar address.

Employee Vendor Match

A. Status: We are in the process of analyzing the results of this CAAT routine. The table below tracks the employee/vendor matches identified so far that are currently being reviewed by HR.

CAAT Report Month	Data Matches Submitted to HR	HR Disposition				
		In Progress	Not a Valid Match	No Conflict Exists	Potential Conflict - HR to take Appropriate Action	Potential Conflict - Issue Resolved to HR's Satisfaction
September 2004	2	1	0	1	0	0

3. CAAT Performed: We used 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 2003/2004.

Retiree/Extra Help Hours

A. Results: For FY 03-04, the Human Resources Department (HR) implemented a working retiree status report to help HR and the department HR staff monitor the hours of working retirees. We performed an independent CAAT to validate the report implemented by HR. Based on the CAAT results, it appears HR's working retiree status report is accurately capturing and reporting working retirees' hours.

However, for FY 03-04, the status report identified two retirees who worked more than the maximum hours allowed. Because there were two retirees in FY 03-04 exceeding allowed thresholds, HR is working to refine their processes. This includes clarifying responsibilities and authority of OCERS versus the County and improving communications with the department HR staff and the applicable retiree.

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 September 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 September 2004 with no significant findings.



Attachment:

Provided to the Auditor-Controller only: Potential Duplicate Payments, dated 9/17/04 – A-C/Claims and Disbursing Section

