



Monthly Report on  
Computer-Assisted Audit Techniques  
(CAAT)

For the Period: November 2004

Report Date: December 2, 2004

Report Number: 2416-K

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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**

Report No. 2416-K

December 2, 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 November 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 **Duplicate Payments** October 2004.

**A. Results:** Two potential duplicate payments were identified in the October 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	17	\$5,469	76	\$85,138	10	\$9,375
2003	50	\$33,304	5	\$10,089	32	\$19,263	13	\$3,952
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	1	\$100	3	\$996	2	\$6,675
October 2004	0	\$0	0	\$0	0	\$0	0	\$0
November 2004	2	\$219	0	\$0	0	\$0	2	\$219
<b>TOTAL</b>	<b>186</b>	<b>\$239,064</b>	<b>28</b>	<b>\$18,373</b>	<b>129</b>	<b>\$199,572</b>	<b>29</b>	<b>\$21,119</b>

**B. Background:** This CAAT concentrates on a sub-set of vendor invoices paid by the County that possess certain common attributes. The sub-set excludes one-time payments (such as election worker pay, jury duty pay, etc.) as well as recurring payments (periodic payments to the same payee for the same amount such as welfare, family support, etc.).

The CAAT reviews the attributes and highlights potential duplicate payments for further review and verification. During the month of November 2004,



16,950 invoices for \$73,680,302 were added to this data sub-set representing October 2004 transactions. Currently, the data sub-set includes 1,003,575 invoices totaling \$7,562,300,179. The total data file from which the sub-set is derived includes 4,281,544 records totaling \$12,918,475,133.

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

**A. Results:** We have completed our analysis of the CAAT routine results. The table below tracks the status of the identified employee/vendor matches submitted to HR for their review. We also met with representatives from CEO/Purchasing and they are considering whether enhancements to current procedures can be made to address employee/vendor relationships.

CAAT Report Month	Data Matches Submitted to HR	In Progress	HR Disposition			
			Not a Valid Match	No Conflict Exists	Potential Conflict - Issue Resolved to HR's Satisfaction	Conflict - Issue Resolved to HR's Satisfaction
September 2004	2	0	0	1	0	1
November 2004	8	8	0	0	0	0
TOTAL	10	8	0	1	0	1

**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 for regular retirees) or more than 720 hours (maximum for early retirees) during a fiscal year 2003/2004.

**A. Status:** HR continues to work on refining 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: Direct Deposits** We used a CAAT application to review for multiple employee paychecks that are directly deposited to the same bank account.

**A. Results:** This CAAT was applied in November 2004; however, some of the information needed to complete this CAAT was not available. We are working with the Auditor-Controller/Information Technology Section to obtain the needed information for future months.

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

**A. Results:** This CAAT was applied in November 2004. The CAAT identified 12,073 vendors deleted from the Vendor Master List during October 2004. Based on discussions with CEO/Purchasing and Auditor-Controller, we determined that these vendors were inactive vendors removed from the Vendor Master in a controlled, systematic purge. CEO/Purchasing and Auditor-Controller will continue to work together to remove inactive vendors and maintain the Vendor Master for improved control and efficiency.



Attachment:

Provided to the Auditor-Controller only: Potential Duplicate Payments, dated 11/8/04 – A-C/Claims and Disbursing Section

