



**INTERNAL AUDIT DEPARTMENT**  
**COUNTY OF ORANGE**

*Integrity  
Objectivity  
Independence*

**Monthly Report on  
Computer-Assisted Audit Techniques  
(CAAT)  
for the Month of December 2004**

**Report Number: 2416-L**

**REPORT DATE: January 26, 2005**

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

**For the Period: December 2004**

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**COUNTY OF ORANGE  
INTERNAL AUDIT DEPARTMENT**

**OFFICE OF THE DIRECTOR**

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**Transmittal Letter**

Report No. 2416-L

January 26, 2005

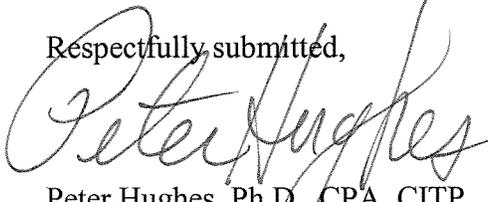
Members, Board of Supervisors  
Hall of Administration Building  
10 Civic Center Plaza  
Santa Ana, CA 92701

Dear Honorable Board Members:

We have completed the December 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, Internal Audit

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  
Dennis Edwards, Director, CEO/Purchasing  
Darlene J. Bloom, Clerk of the Board of Supervisors  
Foreman, Grand Jury

## CAAT Program:

This report details the monthly activity from the Computer-Assisted Auditing Techniques (known by the acronym CAAT). We use a proprietary, 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 CAATs are automated queries applied to large amounts of electronic data searching for specified characteristics. The CAATs differ from our traditional audits in that the CAATs can query 100% of a data universe whereas the traditional audits typically test but a sample of transactions from the population.

For example, each month we download the monthly disbursement activity from the County's data warehouse into a cumulative vendor payment database that we have created. Then, we query 100% of the database looking for payments with the same invoice number and the same amount. We then subject the resulting matches to further review and analysis (such as obtaining and reviewing copies of the paid invoices) to determine if a duplicate payment was made. We then forward resulting findings to the Auditor-Controller for validation and recovery.

We also work with the departments to identify internal control enhancements with the purpose of preventing future occurrences of the type of findings identified by the CAATs.

We currently perform five CAATs routines described below utilizing selected payroll and vendor data. Depending on the nature of the CAAT, we perform them monthly, biannually, or annually.

### 1. CAAT Performed: Duplicate Payments

We used a CAAT routine to identify potential duplicate payments made to vendors during November 2004.

#### A. Results:

No potential duplicate payments were identified in the November 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
December 2004	0	\$0	0	\$0	0	\$0	0	\$0
<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 routine 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.).

During the month of December 2004, 16,942 invoices for \$166,888,415 were added to this data sub-set representing November 2004 transactions. Currently, the data sub-set includes 1,020,517 invoices totaling \$7,729,188,594. The total data file from which the sub-set is derived includes 4,371,403 records totaling \$13,202,651,231.

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

We used a CAAT routine to identify employees that share a similar address as a vendor. This may identify employees buying goods or issuing contracts to themselves or a related vendor

**Status:**

Last month we 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.

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	1	0	7	0	0
TOTAL	10	1	0	8	0	1

**3. CAAT Performed: Retiree/Extra Help Hours**

We used a CAAT routine to identify retirees working as extra help in excess of contracted or mandated limits. Our criteria was 960 hours (maximum allowed for regular retirees) or 720 hours (maximum for early retirees) during fiscal year 2003/2004.

**Status:**

Status carried forward from prior month. HR continues to work on refining their internal processes to address this issue. 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 routine to review for multiple employee paychecks directly deposited to the same bank account. This may identify employees paid twice in the same pay period or fictitious employees.



**Status:**

Some of the information needed to perform this CAAT is not available. Auditor-Controller/Information Technology has informed us that the information should be available by April 2005.

**5. CAAT Performed: Deleted Vendors**

We used a CAAT to identify Vendors that have been deleted or removed from the Vendor Master List. For deleted vendors, we verify that there has been no recent activity for that vendor.

**Results:**

This CAAT was applied in December 2004 with no significant findings.

