

# **AUDITOR'S REPORT**

## **AUDITOR'S OFFICE PAYROLL FINAL BENEFIT CALCULATION**



**October 30, 2015**

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**BARBARA J. SCHOTT, C.P.A.**  
**HARRIS COUNTY AUDITOR**

October 30, 2015

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Central Technology Services  
406 Caroline, 4<sup>th</sup> Floor  
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RE: Auditor's Office Payroll Final Benefit Calculation

The Audit Services Department performed procedures relative to the Auditor's Office Payroll Final Benefit Calculation. The objective of the engagement was to evaluate whether the final benefit calculation programmed in the County's Integrated Financial and Administrative Solution (IFAS) system by Central Technology Services (CTS) for terminated and/or transferred employees was adequately tested and accurately re-calculated by Payroll Department Personnel (Payroll) prior to being placed into production. Our procedures included the following:

- Evaluating the reasonableness and completeness of the test plan
- Obtaining completed testing documents and verifying that testing appeared complete and that Payroll Management reviewed and approved testing results.
- Independently re-performing the calculation of final benefit for the employees tested by Payroll to verify that the results agree with Payroll's calculation.

Our procedures included an examination of the transaction records of revenues and disbursements, and required our staff to exercise judgment in the selection of such records. As the procedures were not a detailed examination of all transactions, there is a risk that error and fraud were not (or might not be) detected during this engagement. The Official, therefore, retains the responsibility for the accuracy and completeness of their financial records.

Mr. Mike Post  
Chief Assistant County Auditor

Mr. Bruce High  
Chief Information Officer

We appreciate the time and attention provided by you and your staff during this engagement.

Sincerely,



Barbara J. Schott  
County Auditor

cc: District Judges  
County Judge Ed Emmett  
Commissioners:  
    R. Jack Cagle  
    El Franco Lee  
    Jack Morman  
    Steve Radack  
Devon Anderson  
Vince Ryan  
William J. Jackson

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## OVERVIEW

Upon separation of employment, departing employees will, in general, receive their final benefit pay for their unused vacation balances and unused compensatory time at their applicable rates of pay at the date of separation in accordance with the Harris County Employee Personnel Regulation (effective 11/30/2013). Final benefit pay is calculated based on directives from Commissioners' Court, department policies, and federal and state law. From time to time these directives are updated requiring modifications to how overtime is calculated.

Non-exempt employees accrue one and one-half hour of compensatory time for every hour of overtime worked. Exempt employees accrue one hour of compensatory time for every hour of overtime worked. The County pays employees for their accrued compensatory time upon termination or transfer to another County department. Departing employees who have non-exempt comp time balances receive full pay for these balances. Departing employees who have exempt comp time balances receive pay for one-half of their comp time balances. However, departing employees do not receive pay for their unused sick leave balances.

In accordance with Federal regulations the payment of overtime and accrued compensatory time balances to non-exempt employees must include various types of incentive pay in the overtime payment calculation, whereas such payments to exempt employees are only required to be calculated on base pay.

The IFAS system includes the various types of incentive pay in the calculation for payment of compensatory time for non-exempt balances. As Commissioners' Court has not approved the inclusion of various types of incentive pay in the calculation for payment of accrued compensatory time balances (or overtime) to exempt employees, the Auditor's Office submitted a request to CTS to modify the IFAS calculation of payments for final benefits.

Depending on the complexity of the modifications the calculation may require edits to the IFAS application (Program Changes) or could be changed through IFAS settings (System Settings). Program Changes are changes to the actual commands and functionality of the application. Procedures for making changes to IFAS code are defined by County Accounting Procedures O.9, *IFAS Program Changes*. System Settings are values that the application is designed to use for determining how calculations are made without changing the application. The process for making changes to System Settings is defined by O.10, *IFAS System Settings Service Requests*. Testing for both IFAS Program Changes and System Settings changes are defined by County Accounting Procedures O.12, *Financial System Testing Guidelines*.

## **RESULTS**

Based on the procedures performed the test plan appeared reasonable as it included scenarios on employees from different departments, employment status (exempt or non-exempt), and their applicable overtime pay and overtime rates taking into consideration any applicable pay incentives (e.g. longevity, bilingual, education allowance, etc.). Testing appeared complete and Payroll Management reviewed and approved testing results. In addition, Audit Services re-performed the calculation of final benefits for employees tested by Payroll without exception.