AUDITOR'S REPORT

CONTINUOUS AUDITING
PAYROLL DATA ANALYTICS
INTERIM REPORT – CONSTABLE PRECINCT 3

April 29, 2016

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April 29, 2016

Constable Ken Jones
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Baytown, TX 77521

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Houston, Texas 77002

RE: Continuous Auditing Payroll Data Analytics – Constable Precinct 3

The purpose of this letter is to present the results of the Payroll Data Analytics Review with Employee Verification relative to Constable Precinct 3. Through the use of automated tools, Continuous Auditing performed a series of analytics to assess the risk of individuals being paid who are not current employees on the Harris County Payroll. With the exception of a few employees excluded due to the nature of their job, 100% of the employees were included in the analytic. Our planning procedures included the following:

1) A comparison of the payroll disbursements file to the human resources employee master data file, to ensure that payees are active employees.
2) Performed a process walkthrough of the Social Security Administration's Social Security Number Verification System.
3) Utilized data analytics file for the pay period ending September 11, 2015, to perform a series of tests to identify payroll risk indicators and aggregate the results to departments.

At the conclusion of the planning procedures, Continuous Auditing performed employee verification procedures to test the existence and proper handling of employees in specific departments.

The engagement began by providing Mike Post, Chief Assistant County Auditor, with a combined engagement and scope letter and conducting entrance and exit conferences. After selecting departments for review, subsequent letters were then provided to those department heads informing them of the employee verification process to be performed in their departments. The purpose of the letters and conferences were to explain the process, identify areas of concern, describe the procedures to be performed, discuss issues identified during the engagement, and solicit suggestions for resolving the issues. Chief Deputy Bob Wooten and Chief Clerk Jill Harrison, Constable Precinct 3, served as primary contact and liaison, respectively, for this engagement.

Constable Ken Jones
Harris County Constable, Precinct 3

Mr. Mike Post
Chief Assistant County Auditor – Accounting

The work performed required our staff to exercise judgment in completing the scope objectives. While data analytics were used to review 100% of the scoped population, there is a risk that error or fraud was not detected during this engagement. The official, therefore, retains the responsibility for the accuracy and completeness of their financial records and ensuring sufficient controls are in place to detect and prevent fraud.

The enclosed Auditor's Report presents the significant issues identified during our procedures, recommendations developed in conjunction with your staff, and any actions you have taken to implement the recommendations.

Sincerely,

Barbara J. Schott
County Auditor

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

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OVERVIEW

On an annual basis, Harris County Payroll Department ("Payroll") processes approximately $950 million in payroll for about 17,000 Harris County and affiliated employees.

Payroll is responsible for employee compensation (i.e. the timely and accurate processing of payroll) and processing wage deductions, garnishments, and taxes. Additionally, they ensure compliance with local, state, and federal laws which includes maintenance of certain payroll related records. County employees are paid by direct deposit or through a pay card (essentially a pre-paid debit card). Checks are generally not used, but may be issued for unusual situations (e.g. payment made to an estate or to replace a lost pay card).

Payroll is also responsible for processing payroll, but not for time entry or human resources activities. Individual departments are responsible for accurate time entry and entering attendance into IFAS. The individual departments also hire employees, establish employee records on IFAS, and modify the employee records (including benefit elections and salary adjustments). Additionally, some actions, such as modifications to direct deposit, voluntary retirement, etc. can be performed directly by the employee via web interface. Payroll, thus, processes payroll at "arm's length," processing the data and information provided to it by the departments and the individual payees.

The individual County departments, through their administrative processes, are the entities primarily responsible for ensuring employee eligibility. Payroll supports County Departments in validating employees through submitted time sheets, required records, and a Social Security Number verification process administered by the Social Security Administration.

RESULTS

Based on the procedures performed, all Harris County Constable Precinct 3 employees selectively tested for in-person employee verification procedures were proven to exist, and determined to be valid active employees.