

The Harris County

# Auditor's Office



Newsletter



August 2012



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## The Budgeting Process

### The Budget Input Process

With budget season upon us, a topical update on the budget process is warranted. With respect to the County Budget, Harris County operates under Subchapter C of the Local Government Code Chapter 111. Subchapter C is applicable to counties with a population of more than 125,000 whereby the commissioner's court of the county appoints a county budget officer to prepare a county budget for the fiscal year.



Jeff Jackson  
Director of Revenue Accounting

By statute, the budget officer, is responsible for itemizing the budget to allow as clear a comparison as practicable between expenditures included in the proposed budget and actual or estimated expenditures for the same or similar purposes that were made for the preceding fiscal year. The budget must show with reasonable accuracy each of the projects for which an appropriation is established in the

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The Harris County Auditor's Office was awarded the 2012 GFOA Award for Excellence in the category of eGovernment and Technology for "Enhancing and Streamlining Reporting and Analysis in Harris County", an

outstanding contribution to the practice of government finance. The award was for the implementation of a user-friendly business intelligence software system that provides users with access to large amounts of data for timelier reporting to Harris County citizens and other interested parties.



budget and the estimated amount of money carried in the budget for each project.

The county auditor is responsible for providing the budget officer information necessary to prepare a complete financial statement for inclusion in the budget. The financial statement must show:

- the outstanding obligations of the county;
- the cash on hand to the credit of each fund of the county government;
- funds received from all sources during the preceding fiscal year;
- a statement of all accounts and contracts on which sums are due to or owed by the county as of the last day of the preceding fiscal year, except for taxes and court costs;
- the funds and revenue estimated by the auditor to be received from all sources during the preceding fiscal year; and
- the funds and revenue estimated by the auditor to be received during the ensuing year.

For the first four items above, if at the time the budget officer prepares the financial statement, the budget officer may use estimates of that information made by the county auditor.

### **Budget Adoption**

Once a budget is proposed, a public hearing is held by the commissioner's court allowing taxpayers to participate in the budgeting process. At the conclusion of the public hearing, the commissioner's court takes action on the proposed budget. The commissioner's court may make any changes in the proposed budget that it considers warranted by the facts and law and required by the interest of the taxpayers, but the amounts budgeted in a fiscal year for expenditures from the various funds of the county may not exceed the balances in those funds as of the first day of the fiscal year, plus the anticipated revenue for the fiscal year as estimated by the county auditor. Once approved by the commissioner's court, the court files a copy of the budget with the county auditor and the county clerk and posts the budget on the internet.

### **After the Budget is Adopted**

County funds must be expended within strict compliance with the budget; however certain situations provide for an exception:

- In Case of Emergency - The commissioner's court may authorize an emergency expenditure as an amendment to the original budget only in a case of grave public necessity to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonably diligent thought and attention;
- Transfers - The commissioner's court by order may amend the budget to transfer an amount budgeted for one item to another budgeted item without authorizing an emergency expenditure; or designate the county budget officer or another officer or employee of the county who may, as appropriate and subject to conditions and directions provided by the court, amend the budget by transferring amounts budgeted for certain items to other budgeted items.
- Proceeds from Bonds or Other Obligations - If a county bond issue is submitted at an election or other authorized obligations are to be issued against future revenues and a tax is to be levied for those obligations, the commissioner's court shall adopt a budget of proposed expenditures. On receipt of the proceeds of the sale of the bonds or other obligations, the county may make expenditures from the proceeds in the manner provided by this subchapter for expenditures for general purposes.
- Grant or Aid Money - The county auditor shall certify to the commissioner's court the receipt of all public or private grant or aid money that is available for disbursement in a fiscal year but not included in the budget for that fiscal year. On certification, the court shall adopt a special budget for the limited purpose of spending the grant or aid money for its intended purpose.
- Intergovernmental Contracts - The county auditor shall certify to the commissioner's court the receipt of all revenue from intergovernmental contracts that is available for disbursement in a fiscal year but not included in the budget for that fiscal year. On certification, the court shall adopt a special budget for the limited purpose of spending the revenue from intergovernmental contracts for its intended purpose.
- New Revenue - The county auditor shall certify to the commissioner's court the receipt of revenue from a new source not anticipated before the adoption of the budget and not included in the budget for that fiscal year. On certification, the court may adopt a special budget for the limited purpose of spending the revenue for general purposes or for any of its intended purposes.
- Catch All – Section 111.0709 states "This subchapter does not prevent the commissioner's court from making changes in the budget for county purposes."

As such, the commissioner's court statutorily change the budget as long as it is in the best interest of the county.

### **Other Provisions of Interest**

With regard to monitoring, the county auditor plays several critical roles by statute. On the adoption and certification of a general or special county budget, the county auditor: opens an appropriation account for each main budgeted or special item in the budget; enters each warrant drawn against that appropriation; periodically informs the commissioners court of the condition of the appropriation accounts; and oversees the warrant process to ensure that the expenses of any department do not exceed the budget appropriations for that department.

Finally, the duties given under Subchapter B to the county auditor that are not expressly conferred by Subchapter C on the budget officer remain duties of the county auditor. Therefore, all references to the county auditor within Subchapters B and C apply. For a detailed read of Chapter 111 of the Local Government Code, go to <http://www.statutes.state.tx.us/Docs/LG/htm/LG.111.htm>.

## *E-Invoicing: The Next Step*

The Accounts Receivable Department (AR), like everyone else, wants to utilize technology to its fullest advantage to provide the most user-friendly, customer service-centric, efficient and low-cost method of invoicing and collecting for County-provided goods and services. Did I not mention, quicker turn-around of getting paid?!! Well to that end, AR in conjunction with ITC and Purchasing are working on identifying a provider who could bring these goals to fruition. By the end of FY14, AR plans on transitioning all agreeable vendors to one version or another of e-invoicing.



Ron Foster  
Manager—Accounts  
Receivable

Electronic invoicing, often referred to as e-invoicing, is just what it sounds - - the exchange of an invoice document between a supplier and a buyer in an electronic format. This definition ranges between the simplest form of e-invoicing, scanned invoices sent as a .pdf via electronic mail (e-mail) to actually interfacing with the vendor's Account Payable (AP) system. Another method entails the use of a supplier managed web portal in which a customer logs on with a secure password and sees their invoice to be paid, reviews statements and payment history - - all without generating, mailing or touching a piece of paper. Now that is progress!! This is not new to

the AR industry; the Europeans seemed to have adopted this years ago, but it is relatively new to the County. Just this year, AR in conjunction with ITC set up an automated and electronic billing of ITC's Regional Radio Services. The plan was to upgrade the AR Module to IFAS 7i later this year, which would allow for e-invoicing, unlike our current version. However, at this point it makes more sense to wait a little longer for a more recent version of IFAS called One Solution instead of going through 7i conversion and then another upgrade in a couple more years. But, more on that topic another day.

There is much time, effort and cost involved in a paper-based invoicing process. A quick inventory of what tasks pertain to paper invoicing...print the invoice, using paper and toner, walk to printer, put in envelope, add postage, deliver to mailbox, at which time the USPS must then collect and mail. Then there is a built-in delay based on the amount of time that is required for the postal service to deliver the invoice to the customer and for the customer's check to reach the Treasurer's Office. That doesn't include the time the customer spends receiving, sorting and processing our payment.

The best case scenario of a successful implementation of e-invoicing for all concerned is one that presents data from the supplier in a format that can be directly uploaded into the buyer's AP system without requiring any manual data entry from the buyer's personnel. This also results in a much higher acceptance rate by the customers sooner rather than later. Some other benefits from the customer's perspective, which will serve to more readily persuade them to accept our electronic invoices, include:

- Reduced costs: elimination of internal sorting, delivering and manual data entry of paper invoices by their AP department.
- Increased accuracy: electronic capture of invoices enables straight-through processing of data into accounts payable systems without relying on error-prone, manual re-keying of data.
- Increased Accounts Payable productivity: as a result of increased accuracy, the amount of re-work required due to invoice errors is reduced.
- Faster processing and payment cycles: can fully automate the invoice capture, routing and approval process. This leads to on-time payment, avoiding late payment fees, and delivers the opportunity to capture contractually negotiated discounts, if applicable.

Benefits from the County's perspective:

- Faster payments: e-invoicing eliminates the delays that result from mailing, routing, sorting and re-keying paper invoices.

- Reduced costs: delivery costs of participating customer's invoices can be reduced by as much as 80%, due to savings in postage materials, processing and storage.
- Fewer rejected invoices: eliminates the buyer's need to manually re-key the data, reducing the potential for data entry errors, which lead to invoices being rejected.
- Increased productivity: you know that your customers have received their invoices and precisely when they were received. No more *"It must have been lost in the mail."*
- Enhanced account reconciliation and Treasury receipting processes: Customers will often consolidate a number of invoices to allow for a single bank transfer which sometimes leads to the AR Department having to call the customer's AP Department to find out how to assign the payment. Vendors can send an electronic remittance advice with the payment, providing detailed accounting of invoices paid as well as credits taken or adjustments made.

Although there will be hurdles including technology constraints, start-up costs, acceptance by customers (estimated to be 25% to 70% on average the first year and then up to 70% to 90% on average after the first year or two) and education of employees, AR believes that the benefits easily outweigh the efforts and will exponentially save on material and labor costs. One estimate suggests that the mailing of a single paper invoice costs \$5, and with a fully integrated e-invoicing system, this cost to deliver a single invoice could be cut to 0.08 cents. GXs, an internationally recognized business to business e-commerce consulting service, makes the following observations regarding the savings of going to electronic invoicing:

Invoice processing cost	Reduced by 30% to 90%
Processing cycle time	Reduced by 65%
Accounts payable labor	Reduced by 25% to 40%
On-time payment percentage	15—59%

In addition to the County and its customers, another party benefits from going to paperless electronic invoicing . . . trees.

**Save the trees!**

## Recent Accounting Pronouncements

The Auditor's Office in preparing and issuing the County's Financial Statements (CAFR) is subject to the rules of the Governmental Accounting Standards Board (GASB), which is currently the source of Generally Accepted Accounting Principles (GAAP) used by state and local governments. The mission of the Governmental Accounting Standards Board is to establish and improve standards of state and local governmental accounting and financial reporting that will result in useful information for users of financial reports and guide and educate the public, including issuers, auditors, and users of those financial reports. GASB has issued nine new statements that will have an effect on future County CAFR's. The following is a brief summary of each new statement and when it will be implemented by the Auditor's Office.



Calvin Clark,  
Manager—Capital  
Projects, Debt Service  
& Proprietary Funds

- GASB Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements* ("GASB 60"), improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. GASB 60 will be implemented by the County in fiscal year 2013.
- GASB Statement 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* ("GASB 61"), which modifies certain requirements for inclusion of component units in the financial reporting entity, amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances and clarifies the reporting of equity interests in legally separate organizations. GASB 61 will be implemented by the County in fiscal year 2014.
- GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* ("GASB 62"), which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements: 1) Financial Accounting Standards Board (FASB) Statements and Interpretations; 2) Accounting Principles Board Opinions; 3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting

Procedure. GASB 62 will be implemented by the County in fiscal year 2013.

- GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* ("GASB 63"), amends the net asset reporting requirements in Statement No. 34 and other pronouncements by incorporating deferred outflows of the resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position rather than net assets. GASB 63 will be implemented by the County in fiscal year 2013.
- GASB Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53* ("GASB 64"), clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider and establishes when the effective hedging relationship continues and therefore should continue to be applied. GASB 64 will be implemented by the County in fiscal year 2013.
- GASB Statement 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"), establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB 65 will be implemented by the County in fiscal year 2014.
- GASB Statement 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62* ("GASB 66"), seeks to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuances of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 GASB and AICPA Pronouncements*. GASB 66 will be implemented by the County in fiscal year 2014.
- GASB Statement 67, *Financial Reporting for Pension Plans* ("GASB 67"), replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB 67 enhances note disclosures and RSI for both defined benefit and defined contribution plans. GASB 67 will be implemented by the

County in fiscal year 2015.

- GASB Statement 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 will be implemented by the County in fiscal year 2016.

## Depositing Collections

Your department collects funds. Your job is to make sure that money gets to the County's bank account. What do you need to know to make sure it's being done correctly?



Joan Lora,  
Supervisor - Report  
Audit

First, you should have a supply of bank deposit slips on hand. These deposit slips are obtained from the Treasurer's Office. If you see that you're starting to run low on deposit slips, please contact the Treasurer's Office a few weeks in advance so they can order more deposit slips for you.

Your deposit slips are pre-encoded with the bank's routing number and the County's bank account number. The deposit slips are also pre-numbered with a sequential 10-digit deposit slip number that generally begins with your 3-digit department number. If your department makes deposits to more than one bank account, you will have a separate supply of deposit slips for each bank account. Each deposit slip contains an original and either two or three copies behind the original.

Local Government Code §113.022 requires that all deposits must be made on or before the fifth business day after the funds were collected. This is a recent change. Previously, you had seven business days in which to make your deposit.

After you have closed out the cashiers and balanced their collections, you should prepare your deposit slip. Remember that the employees who accept payments should not be the same employees who balance receipts or deposit collections. Therefore, if you worked as a cashier that day, you should not also balance that day's collections or prepare that day's deposit. Generally, only one day's collections should be deposited per deposit slip, but in no case should collections from different calendar months be combined on the same deposit slip.

Some departments deposit to multiple bank accounts each day. If your department does this, make sure you separate

your collections properly and use the correct bank account's deposit slip.

Count the cash and record that amount on your deposit slip. You may list your checks on your deposit slip. Or, if you have a large quantity of checks, you should run two adding machine tapes. If they agree, record the check total on the deposit slip and attach one adding machine tape to the deposit slip that you send to the bank. Ensure the back of each check has been stamped "For Deposit Only" with an endorsement stamp. Finally, record the grand total of the deposit (cash and checks) on the deposit slip, then sign and date the deposit slip.

The deposit slip should reflect the amount of cash and checks that you are sending to the bank. That amount may differ from the receipts you issued, so you may have an overage or a shortage. Make sure that the actual amount being deposited is the amount you record on the deposit slip, not the amount you should be depositing.

Double-check the amounts you wrote on your deposit slip. Make sure you didn't transpose any numbers when recording the grand total. If possible, ask a supervisor to review the deposit slip, including re-counting the cash and running an adding machine tape of all amounts, to ensure that there are no errors. If you discover a mistake on the deposit slip, do not scratch out amounts or try to convert a "1" into a "7". Just use a new deposit slip.

Some departments enter their deposit slip numbers into IFAS as part of closing out their IFAS cash receipting batch. After you enter your deposit slip number on the IFAS screen, IFAS won't let you change the number you entered. If you entered an incorrect deposit slip number in IFAS (either you made an error when typing it in IFAS or you entered one deposit slip number in IFAS and then discovered that you needed to prepare a new deposit slip), you should e-mail Compliance Audit, Revenue Accounting and the Treasurer informing them of the incorrect deposit slip number entered in IFAS and the actual deposit slip that will be sent to the bank.

Once your deposit slip is complete, keep one copy for your office files and send the original and one copy to the bank along with the cash and checks. Some departments have a bank bag that's picked up by the armored car service and delivered to the bank. Other departments place their money in a bank bag and bring it to the Treasurer for pickup by the armored car. And other departments deliver their funds to a nearby branch of the County depository.

Whichever method your department uses, lock the bank bag if you have one and secure it in the safe or a locking file cabinet while they funds are in your office. Do not go back into the bank bag to make change for customers. If your department uses the armored car service to transfer the money to the bank, you should complete a bill of lading form provided by the armored car service.

After the bank receives your deposit, they will deposit the funds to the County's bank account, validate one copy of the deposit slip and return that validated deposit slip to you a few days later in the bank bag. If you do not receive the validated deposit slip, contact the Treasurer's Office to obtain proof that the deposit made it to the County's bank account. Keep that validated deposit slip for your monthly audit.

This is a brief overview on making deposits. To learn more, please see Harris County Accounting Procedures A.1, F.1-2-1 and F.1-2-2.

[http://www.info.aud.hcintranet.net/robo/projects/procedures/A1\\_CashHandling\\_Guidelines.pdf](http://www.info.aud.hcintranet.net/robo/projects/procedures/A1_CashHandling_Guidelines.pdf)

[http://www.info.aud.hcintranet.net/robo/projects/procedures/F1-2-1\\_Deposits\\_via\\_Treasurer.pdf](http://www.info.aud.hcintranet.net/robo/projects/procedures/F1-2-1_Deposits_via_Treasurer.pdf)

[http://www.info.aud.hcintranet.net/robo/projects/procedures/F1-2-2\\_Deposits\\_via\\_ArmoredCarrier\\_or\\_FieldLocation.pdf](http://www.info.aud.hcintranet.net/robo/projects/procedures/F1-2-2_Deposits_via_ArmoredCarrier_or_FieldLocation.pdf)

## *Asset Forfeiture Reporting*

The Audit Services department performs procedures for both State, and Federal Asset Forfeitures for various Harris County law enforcement agencies (Sheriff, Constables, District Attorney and Fire Marshal).



Mark Ledman,  
Director of Audit  
Services

The procedures evaluate compliance with the Code of Criminal Procedure, Chapter 59.06, as well as the guidelines set forth by the United States Department of Justice and the United States Department of the Treasury. A total of 19 State and/or Federal Asset Forfeiture Reports (Forfeiture Reports) are filed during the month of April of each year. The District Attorney's Office State report is due during October of each year. Matters that are identified as part of our procedures regarding the Forfeiture Reports are presented either verbally in a separate Auditor's Report to the elected/appointed official or in writing pursuant to Local Government Code §115.0035 (a)(c).

In order to evaluate the completed Forfeiture Reports timely, we request the law enforcement agency to provide their completed forms by the end of the first week of April 7 (District Attorney's State report by the end of the first week of October). This allows us time to review the information, complete our procedures, provide feedback to the law enforcement agency, and allow time for the forms to be properly signed by applicable County Officials and filed

with the State and Federal governmental agencies.

In recent years the Forfeiture Report form has changed, which has added an additional level of complexity as the changes in the form have been occurring around, and sometimes during March and April when the Harris County law enforcement agencies are preparing them. The applicable governmental websites do not always have the updated form that is required for filing and although, we are constantly monitoring the websites for form changes, we still need the law enforcement agencies to notify us immediately if a new form or other notification of a form change has been received or in the mail or electronically.

During 2011, some new provisions were added to Chapter 59.06. A few of the new provisions are listed below with a brief description. Law enforcement agencies are encouraged to go to <http://www.statutes.legis.state.tx.us/> and review the Code of Criminal Procedure for more comprehensive information.

Article 59.06 (d-1) details categories or expenditures not allowed and expenditures from agencies where the elected official will not hold office in the next term.

Article 59.06(d-2) lists certain types of entities to which donations may be made from forfeiture proceeds.

Article 59.061 grants new audit authority to the State Auditor.

Article 59.062 grants new enforcement authority to the Attorney General when notified by the State Auditor that property is being mishandled.

Although not a new provision, law enforcement agencies should review Article 59.06(d) below for compliance. Article 59.06(d) Proceeds awarded under this chapter to a law enforcement agency or to the attorney representing the state may be spent by the agency or the attorney after a budget for the expenditure of the proceeds has been submitted to the commissioners court or governing body of the municipality. The budget must be detailed and clearly list and define the categories of expenditures, but may not list details that would endanger the security of an investigation or prosecution. Expenditures are subject to the audit and enforcement provisions established under this chapter. A commissioner's court or governing body of a municipality may not use the existence of an award to offset or decrease total salaries, expenses, and allowances that the agency or the attorney receives from the commissioners court or governing body at or after the time the proceeds are awarded. Each year, an entrance and exit meeting is scheduled with the law enforcement agency liaison for engagement planning and fieldwork completion purposes. In most cases, the liaisons have been in place for many years, and we have contact with them throughout the year. As

such, we would appreciate notification if a liaison is changed.

In closing, should there be any questions concerning Asset Forfeiture Reporting, please contact Mark Ledman, Director Audit Services at 713-755-3441 for additional information.

## *What does Harris County do with your Social Security Number(SSN)?*

When you originally got your SSN, an account was set up for you with the Social Security Administration (SSA). Every year, in which you work, wages are reported by your employer and recorded in your account. When you retire, or if you become disabled, your social security benefits will be based on your total earnings.



Linda Dougherty,  
Assistant Director of  
Payroll Audit

The SSA processes millions of W-2 forms each year and about 10% of these W-2 forms have names and SSN's that do not match. The SSA places unposted W-2 forms into an Earnings Suspense file. Any earnings that are put into this file are not being used toward calculating your retirement benefits. As of 2009, there is \$836 Billion in the suspense file.

We in the County Auditors Payroll Department want to ensure that we report and post all your earnings information correctly, so that when you do retire, you get all the benefits to which you are entitled. That is why we are so diligent in making sure we have the correct information. The SSA encourages us to verify your name and SSN as reported on your W-4 (Employee's Withholding Allowance Certificate). This becomes part of the hiring process for tax withholding and reporting purposes. That is why the IRS has mandated that we actually see your social security card.

We do everything we can to ensure that the information you give us remains private. Please make sure that once you show us your card, you put it in a secure place and NOT carry your card with you. If your purse or wallet is stolen, your social security card, along with your driver's license, is all a thief would need to steal your identity.

Additional Note:

In order to reduce expenses, the SSA had previously suspended mailing of the statutorily required earning and benefits statements in 2011. Responding to inquiries from members of the Senate Special Committee on Aging, the SSA has resumed mailing paper statement to workers age 60 and above. SSA now provides an online statement service to provide persons immediate access to their statement information. Go to [www.socialsecurity.gov](http://www.socialsecurity.gov) and create "My Social Security Account". The following information is provided on this website:

- Estimates of the retirement and disability benefits you may receive;
- Estimates of benefits your family may get when you receive Social Security or die;
- A list of your lifetime earnings according to Social Security's records;
- The estimated Social Security and Medicare taxes you've paid;
- Information about qualifying and signing up for Medicare;
- Things to consider for those age 55 and older who are thinking of retiring;
- General information about Social Security for everyone;
- The opportunity to apply online for retirement and disability benefits; and
- A printable version of your Social Security Statement.

## *Got The Most Recently Approved County Auditor Form and/or Procedure?*

Are you using the current approved County Auditor prescribed form or procedure? Have you checked the document date to be certain? Auditor prescribed forms and procedures are routinely issued and revised to comply with policies, statutes, and changes in procedures, and to improve their usability. When a form or procedure is approved, it is added to or updated on the Auditor's Intranet. Each form's date is usually located in the top left



Janet Norstrom,  
Director of Systems &  
Procedures

corner of the form. Each procedure has an authorized date in the top right corner of the procedure header.

When a form or procedure is revised, it replaces all previous versions. So, if you have saved a form or procedure on your computer or printed a hard copy to use or refer to, you need to update that form or procedure any time the Auditor issues a revision. How will you know if a revision has been issued? There are a couple of ways to make this determination. First, you can access the Auditor's Intranet directly at <http://www.aud.hcintranet.net/>. Once on this page, select *Forms>County Auditor Forms or Manuals>Accounting Manual*, as necessary, for the listing of forms or procedures, respectively. The Auditor's Intranet can also be accessed from the County's home page, <http://www.harriscountytx.gov/>, if you hover your cursor over *Government* and then click on *Auditor's Office*, which is under Fiscal Services. From the Auditor's Office Internet home page, click on *Auditor's Intranet Site* (on the left side menu). Once on the Auditor's Intranet Forms Index or Procedures Index page, notice at the top that there is a file named *Forms Index-Numeric and Alpha Sorts* or *Procedures Index-Numeric and Alpha Sorts*. These two files are available to help you locate the form or procedure you need by listing forms and procedures both numerically and alphabetically. Also, note that you are able to complete our PDF forms and save them as completed.

Another way to make certain you are using the most current form or procedure is to receive the Auditor's Office Quarterly Update email, which lists all new, revised, and/or rescinded forms and procedures issued during the prior three months. This email is distributed after each calendar quarter, and it includes bulleted lists of significant changes to each revised form and procedure. The Quarterly Update is sent to department liaisons with the expectation that the recipient will disseminate the pertinent information to the appropriate personnel within the department. If you are not receiving Quarterly Updates and would like to, call or email Janet Norstrom (713-755-4149) or Steve Hoza (713-755-6559) to have your name added to the distribution list.

## *Accounts Payable Invoice Processing—What Departments Need To Know*

You've heard the phrase, "It takes a village to . . ." (*you fill in the blank*). Well it is no different with many processes throughout the County. This includes the procurement to payment process. It takes the cooperative effort of many within the County to effectively and efficiently accomplish this cycle - - which invariably is what keeps the County going. If we can't purchase goods and services, this will have a tremendous impact on County operations. If we can't pay our vendors timely, then that will directly impact our ability to transact business with vendors in the future, including terms and pricing they are willing to offer the County.



Linda Harvey,  
Director of AP,  
AR and Grant  
Accounting

In an effort to streamline the process and ensure that County payments are made timely, the Accounts Payable (AP) and Purchasing Departments will soon be offering workshops to assist County Departments in more clearly understanding their role within the procurement to payment cycle. Your department will have the opportunity to send your personnel who are involved with purchasing /receiving and/or the payment process to one of these in-depth workshops. Details will be provided to you in the not so distant future.

In the meantime, please take a look at the following summary of how your Department can make a difference in accurately and promptly paying our vendors - - and most importantly - - ensuring that we are all good stewards of Harris County Tax Payers' dollars by scrutinizing invoices and ensuring we are paying for only those goods and services we ordered and received at the prices we were quoted. As always, if you have any questions, feel free to contact the County Auditor's AP Department. We will be happy to assist you.

### **Summary of County Departments' Accounts Payable Responsibilities**

- Submit vendor invoices that your Department receives, along with proper supporting documentation, to the County Auditor's Office Accounts Payable Department (Auditor's AP Department) in a timely and accurate manner.
- Compare and verify quantities billed on an invoice with quantities listed on the purchase order, receiving documents, contracts/agreements and any other requirements.
- Compare and verify prices billed, discounts and terms

with those specified on the purchase order, approved price lists, catalogs, contracts/agreements and other authorized pricing documents/requirements and arrangements.

- Verify the clerical accuracy of the amounts billed on the vendor's invoice with respect to calculations, extensions, totals, as well as deductions of discounts and credits taken on the invoice.
- Inform the Auditor's AP Department of adjustments to invoices needed (i.e., returns, damaged goods, services not received, etc.) or other issues such as invoice disputes.
- Provide proper coding of purchase orders and request for payments (RFPs) to the appropriate budget line item and ensure that sufficient budgeted funds are available.
- Adhere to the laws governing procurement and the budget, contractual and other requirements, as well as County policies and procedures for purchases and expenditure of County funds. This includes ordering goods and services only when funds are available on a purchase order and in the department's budget to ensure compliance with statutory requirements, as well as the County's policies and procedures.
- Approve invoices for payment either electronically through IFAS or manually via an RFP in a timely manner. Such approvals acknowledge and certify that expenditures are correct and are legally authorized County expenditures and that the goods and/or services were received and account coding is correct.
- Provide the Auditor's AP Department with an "Authorized Signatories Form" signed by those individuals who are delegated the authority to approve invoices for payment and make changes as required (i.e.. deletions) to authorized signatories list, as they occur.

## *Auditor's Office Accounts Payable Department: (Two New Accounts Payable Review and Recovery Firms to begin work.)*

The Harris County Auditor's Office processes approximately 350,000 invoices annually, totaling approximately \$1.4 billion (excluding Construction payments). As a part of the County Auditor's fiscal responsibilities, two firms are being retained to review paid invoice files to determine any discrepancies in payments,

report the findings, and assist in recovering payments as required by the County. One Accounts Payable Review and Recovery firm will focus on Pharmacy and Medical Surgical supplies vendors, and the other firm will focus on other A/P disbursements. Both engagements will be managed by Audit Services. As in the last engagement, some audit procedures will be directed at reviewing credits for goods and services that are due to Harris County. Ms. Barbara Schott, County Auditor, will be notifying Departments by letter and providing a separate letter to one of the Accounts Payable Recovery firms requesting information concerning credits due to Harris County. Unlike the last engagement, these firms will be authorized to contact County vendors directly to follow-up on discrepancies and collect the overpayments.

These engagements are expected to begin during September 2012 and continue on an ongoing basis.

If you should have any questions concerning the audit procedures being performed for these two engagements, or would like to request an engagement be performed in your area, please feel free to contact Mark Ledman, Director of Audit Services at 713-755-3441.

## *Data Analytics*

The County Auditor has made a big commitment to developing a Computer Aided Audit Tools and Techniques (CAATs). The Auditor's Office has two departments, the Continuous Auditing Department, consisting of three individuals and the Continuous Monitoring Department, currently two individuals all developing CAATs.



Harland Maisel,  
Manager of  
Continuous Auditing

This is a sign of the Auditor's dedication towards developing tools and techniques that incorporate data analysis to help monitor processes and improve efficiencies in the County Auditor's office. But Data Analytics can go beyond Continuous Assurance---in fact, it should go beyond those two departments. Data Analytics and improvement is something that every county department can and should help identify.

So what is Data Analytics? It is the use of electronic tools (Excel, Access, SQL, ACL, etc.) to look at data for trends, exceptions, or processes that can be used to improve, simplify, or better monitor activities. For example, Data Analytics can be used to test entire populations of data to ensure compliance with certain guidelines/regulations. Suppose a test is needed to determine if the proper amount of taxes were paid or collected. Using the data available, one could create a parallel process that would compare the property value amount, the tax rate, and the actual amount paid with the expected amount to be paid. Using Data Analytics, this can be performed on the entire population ensuring 100% compliance with a regulation/policy/

guideline.

In a real life example using the Data Analytics tool ACL, an auditor was able to identify six instances out of several million transactions, which failed to adhere to state regulations. Having identified the issue, the auditor was able to use Data Analytics to identifying the root cause. It was determined that all six of the transactions had failed to be processed by the automated system and had to be pushed through the system manually. The auditor also determined that all six had been processed by the same adjuster. The adjuster processed the six transactions in a manner that most transactions were handled, but these specific transactions were exceptions to the general rule and required special processing. By educating the processor about the exception, the items were reprocessed avoiding potential fines from the state regulators.

Using automated tools, users can combine information from different systems to produce results that individual systems cannot compile. For example, Continuous Auditing has a project that takes information from 10 different IFAS system level tables, a table from the human resources module, and 2 additional tables developed by Continuous Auditing to develop a report that contains a comprehensive representation that is used to investigate anomalies. Another report combines information from several different systems---including a few from outside of Harris County---that allows validation of the accuracy of claims processing by our third party benefits processor.

While these analyses are the focus of Continuous Auditing and Continuous Monitoring, everybody has tools at their disposal that can help them identify and improve what they do. Access and Excel can be used to identify duplicates, stratify data, obtain averages, and identify outliers.

The County Auditor has made a commitment to using Data Analytics, so what can you do? The first task is to understand your data. Everybody should be familiar with what he or she is doing and what information is being used. Familiarize yourself with what values are valid in specific fields? If you receive a spreadsheet or data dump, start by asking if there are values that do not make sense? Are there specific values that should only be used if another is used in a different field? Are the dates and numeric values accurate? Are they within the expected ranges? Are there values that are unusually large/small? Are there negative values where you would expect positive values? Do you have fields that represent debits and credits? Do the total debits equal the total credits?

Basically, one of the easiest ways to start down the path of Data Analytics is to start looking at the data you use on a regular basis and try to validate that it is complete and what you expect. If you see something that does not make sense, it may be an indicator of a bigger issue.

*County Auditor's Office Employees Service Anniversaries*

Congratulations to the following employees who have reached their anniversary milestone with Harris County this year. Each employee's length of County Service and the month that the milestone was reached is shown below.

<b>January</b>	<b>Length of Service</b>	<b>March, cont'd</b>	<b>Length of Service</b>	<b>July</b>	<b>Length of Service</b>
Carolyn Helm	36	Charles McDonald	4	Leslie Pope	28
Curt Weller	30	Amy Christiansen	1	Tammie Sonnier	22
Wendee McCain	21			Michael O'Barr	12
Janet Norstrom	18	<b>April</b>		Maria Awayan	11
Maggie Cauley	15			Tom Ngo	11
Martha Rowell	15	Mary Nguyen	10	Ollie Willis	9
Sheli Ruis	13	Brenda Tucker	9	Cynthia Acosta	6
Timothy Leonard	12	Mark Ledman	6	Wai Leung	5
Vicki Cash	12	Darlene Taylor	6	Eric Pertl	5
JoEllen Lamb	11	Aleta Chambers	6	Lin Zhong	4
Carol Market	9	Leticia Quiroz	6	Toni Tyler	1
Jose Mendoza	9	Pat Moreno	5		
Tijuana Smith	7	Lisa Godfrey	4	<b>August</b>	
Marie Cary	4	Greg Lueb	4		
Wendi Welsh	3	Velia Frias	3	Trina Cheney	28
		Shennen Williams	2	Stephen Hoza	23
<b>February</b>				Ronnie James	17
		<b>May</b>		Christopher Casas	16
Yolanda Anderson	26			Michael Post	16
Liz Calhoun	24	Tommy Jenkins	32	Barbara Schott	12
Pamela Mayon	22	William Erb	24	Betty Lew	6
Anna Spalding	12	Cassandra Davis	15	David Tish	6
Filomeno Vilorio	11	Gwendolyn Foy	13	Maria Alfaro	3
Veronica Sanchez	10	Rosa Trevino	12	Linda Dougherty	2
Linda Harvey	8	Nicholas McGee	9		
Clarice Brown	8	Sophana Ven	7		
Courtney Leigh	8	Tanya Williams	5		
Ronald Foster	7	Peter Cripps	4		
Sylvia Mercy	5				
Robin Barker	4	<b>June</b>			
Mellanie Tostado	3				
Brook Syers	3	Mary Jo Zalesky	33		
Robert Jones	3	Wayne Comeaux	28		
Ada Rodriguez	2	Harland Maisel	26		
		Donna Godair	22		
<b>March</b>		Cassandra Smith	8		
		Walter Hammann	7		
Debi Ferraro	29	Sirina Macias	2		
Patricia Mata	12	Tanisha Castillo	1		
Cynthia Smith	8	Dedra Nelson	1		
Calvin Clark	7				
Isimenmen Aburime	4				

*Congratulations*

The following County Auditor employees have earned the designation of certified County investment Officer (CIO) from the Texas Association of Counties. The CIO award is a professional credential presented to an elite group of individuals who receive 40 hours of formal classroom instruction, successfully complete a comprehensive examination and continue to advance their professional competency through on-going education.

Steven Garner  
 Jeffrey Jackson  
 Scott Kozara  
 Janet Norstrom  
 Valerie Robbins  
 Tammie Sonnier

*Congratulations to each of YOU!!!*



**Barbara J. Schott, C.P.A.**  
**Harris County Auditor**  
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