

The Harris County

# Auditor's Office



Newsletter



August 2013



### Auditor's Office

Barbara J. Schott, CPA  
County Auditor

### Accounting Division

Mike Post, CPA  
Chief Assistant

Carol Market  
Director  
Financial Accounting

Vacant  
Director  
Continuous Monitoring

Linda Harvey  
Director  
Revenue Accounting

Michelle Ramsey  
Director  
AR and Grant Accounting

Rita Anderson  
Manager  
Accounts Payable

### Audit Division

Vacant  
Chief Assistant

Mark Ledman  
Director  
Audit Services

Harland Maisel  
Director  
Continuous Auditing

Janet Norstrom  
Director  
Systems & Procedures

Curt Weller  
Director  
Payroll Audit

Wayne Comeaux  
Manager  
Compliance Audit

## Time Records and Employee Verification Audits

The great American singer-songwriter Jim Croce once wrote about saving time in a bottle. But as Harris County employees know, our time is saved on time sheets. There is good reason why "You Don't Mess Around with (those records)," but first a little history.



Wayne Comeaux,  
Manager of  
Compliance Audit

Several years ago, the Auditor's Office performed "Payroll Payoff Audits." Auditor's Office staff would arrive at the Treasurer's Office early on payday and obtain selected departments' paychecks. The auditors then traveled to the department and hand-delivered paychecks, but only after the payee presented photo identification.

With the dawn of direct deposit and no paychecks to hand out, the audits evolved to an "Employee Verification Audit." Now unrelated to a payday, the audit includes such steps as, obtaining and reviewing the time records, ensuring proper approvals were obtained, comparing entry into the Daily Time Entry System, and verifying the employee exists. Procedures direct the Auditor's Office Compliance Audit Department to perform these Employee Verification Audits.

Due to the importance of verifying controls over time records are in place, those audits will be more frequent in the future. A report is issued at the end of the audit documenting our findings.

If you are the contact person we would be seeing during one of these audits, you may be asking yourself how you can prepare for this ahead of time. This article will hopefully give

### INSIDE THIS ISSUE:

- Time Records and Employee Verification Audits.
- Unanticipated Money? No Problem ... Supplemental Revenue Certifications.
- Cloud Computing.
- Texas Legislature Bills That May Affect your Department.
- Understanding Payroll Encumbrance FY14.
- Communication in Accounting: It Counts.
- How Important is Your W-4?
- Disaster Recovery Testing and Preparation.



you some tips to help you avoid some issues.

The first step is to be familiar with Harris County Accounting Procedure O.1 "Preparation of Time Record."

After you read the procedure, the next step is to make sure your department is using an approved time record. The procedure technically refers to a "Time Record" and not a "Time Sheet" because in Harris County there are several different approved documents to record time. Available on the Auditor's Office intranet site are eight variations of a Time Record. They all begin with the form number 1084. If you are using one of those forms, check the revised date in upper left hand corner. It should be the same date as listed on the website.

In addition to the Time Records posted on the intranet site, there are about twenty alternate methods used throughout the county. This occurs when a department has a special time keeping need. An alternate method, such as a time card and clock, is allowed as long as it has been approved by the Auditor's Office. That approval will only occur if the elements that are required to be on a Time Record are present. You should have a letter on file indicating approval. Alternate methods are generally developed by the departments and not the Auditor's Office.

From time to time, required elements on a time record change. For example, years ago an employee's Social Security Number was a required element. Now, a SSN has been replaced by the Employee ID. New requirements are updated in the procedure. In addition, if you are using one of the eight time records on the intranet site, these are also constantly updated with the new requirements. However, if your department is using an alternate time record, it will be your responsibility to ensure the time record you use is in compliance with the new requirements. You can always resubmit the alternate record to obtain a new approval.

The Employee Verification Audit will always review the Time Records used by your department to ensure it is current and approved. If not, it will be a finding on our audit report.

Another step you can take to help reduce issues found in the audit is to ensure the Time Records are completed correctly. As we discussed, there are multiple versions of Time Records, but generally all would require these elements:

- Employee name
- Employee's exempt/non-exempt status

- Employee identifying number
- Beginning of the pay period
- End of the pay period
- Start time
- End time
- Lunch in minutes or actual time
- Hours worked
- Employee signs and dates
- Supervisor signs and dates

These are just some of the required elements. The procedure lists 20 required elements and seven others that are required based on the circumstance. The procedure also addresses the steps that must be taken to revise a Time Record.

Now that you have a correct Time Record, another action that will help avoid findings on an audit report is to make sure that the time reflected on a Time Record is properly entered into the County's Daily Time Entry System. Hours recorded as worked, vacation, ill time, etc., should appear on the County Auditor's Form 132 Report. Those hours should be the same as what is reflected on the Time Record.

Lastly, as the name of the audit is "Employee Verification," naturally one of the steps we perform is to ensure those employees receiving pay in the payroll system are legitimate. Therefore, we will be asking to review the Driver's License or other State issued ID of each employee. We will also require the employee to sign the 132 Report. This process can take several days depending on number of employees and their work schedules.

Departments can assist us with this step by reviewing payroll records to make sure employees that have left the department are no longer being paid. Our audit staff will have a copy of the engagement letter and an Auditor's Office ID badge in case employees are concerned about our presence.

Albert Einstein once said "Time is an illusion." There's one Nobel Prize winner that never filled out a Harris County time sheet.

## *Unanticipated Money? No Problem ... Supplemental Revenue Certifications*

Did you know that the County Auditor is required under Texas Local Government Code §111.07075 to “certify to the Commissioners Court receipt of revenue from a new source not anticipated when the County budget was adopted and not included in the budget for that fiscal year”?

Texas Local Government Code §111.0706 also states that “The County Auditor shall certify to Commissioners 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”, and §111.0707 states that “The County Auditor shall certify to Commissioners Court the receipt of all intergovernmental contracts that are available for disbursement in a fiscal year but not included in the budget for that year. On certification, the court shall adopt a special budget for the limited purpose of spending the revenue for its intended purpose.”

Note that if a revenue budget estimate was made and adopted which was lower than actual revenues received in that same fiscal year, this does not qualify as “new” funds to be certified, as the estimated revenue was anticipated and budgeted. An estimate is just that - - an estimate. No adjustments are made to the estimate after budget is adopted.

When a County Department receives unanticipated funds (for example, a new unanticipated grant or a new patrol contract, etc.) during the year after the adoption of the annual budget, they must request a supplemental revenue certification to have these funds added to the current year's budget. These requests must be sent to the attention of the Senior Director of Revenue Accounting, Linda Harvey, or to Michael O'Barr in Revenue Accounting, describing the unanticipated nature and amount of the funds to be considered for budget adjustment. Additionally, a written description of the restrictions regarding the future expenditures of these funds must be included in order to be processed. These requests must be received by Michael no later than 12:00 pm on the Friday that falls eleven (11) days prior to the next



Michael O'Barr,  
Supervisor,  
Revenue  
Accounting

regularly scheduled Commissioners' Court. This period will allow enough time for Michael to process and Linda and the County Auditor, Barbara Schott, to approve for that next court agenda.

Revenue Accounting prepares a certification letter and attached schedules acknowledging receipt of funds or contract for funds to Commissioners' Court for revenue certification. Once approved by Court, Revenue Accounting enters this additional revenue budget into the applicable department's budget. Budget Management can then enter a corresponding expenditure budget, also based on what was approved by Commissioners' Court. This additional revenue, not previously budgeted in the current fiscal year, essentially provides the department additional funds this fiscal year to be used for its intended purpose.

## *Cloud Computing*

As the term “Cloud Computing” is getting more and more popular in the information technology world, one may ask, “What is Cloud Computing”?



Wai Leung,  
Audit Services

Cloud Computing in general, is a migration from owned resources (i.e., servers) to shared resources in which client users receive information technology services on demand from a third-party service provider via the internet, “Cloud.” It is not a new concept. In simpler words, you can think of the Cloud as a very large server on which different services and data are stored and you access all those for your work through the internet. The software and data that you access does not exist on your computer or server, but instead it is on the server of the service provider, thus the concept of Cloud Computing.

The concept of using a Cloud to depict networks of computing and communication systems can be traced back to as early as the 1950's. What we now commonly refer to as Cloud Computing is the next stage in the internet's evolution, providing the means through which everything – from computing power to computing infrastructure, applications, business processes to personal collaboration – can be delivered to a user as a service wherever and whenever needed. This concept started to explode in 2002 when one of the popular on-line retailers offered computer

access to external clients through its web services division.

Cloud services include the delivery of software, infrastructure, and storage over the internet (either as separate components or a complete platform) based on user demand.

So what are the benefits of Cloud Computing? That really depends on the point of view you are taking. The major business benefits can be summarized into the following categories.

- **Cost containment** – The Cloud offers client users the option of scalability without the serious financial commitments required for infrastructure purchase and maintenance. There is little to no upfront capital expenditure with Cloud services. Services and storage are available on demand and are priced as a pay-as-you-go service. Client users can quickly scale up or scale down their usage of services on the Cloud as per market demands, during hours of maximum activity, etc.
- **Availability** – Cloud providers have the infrastructure and bandwidth to accommodate business requirements for high-speed access, storage, and applications. In addition, these providers often have provisions in place and/or multiple redundant sites to minimize downtime, and to facilitate business continuity and disaster recovery.
- **Efficiency** – Reallocating information management operational activities to the Cloud offers businesses a unique opportunity to focus efforts on innovation and research and development. This allows for business and product growth and may be even more beneficial than the financial advantages offered by the Cloud.
- **Device Independence** – Applications provided through the Cloud can be accessed from any device – a computer, a smartphone, an iPad, etc. Any device that has access to the Internet can leverage the power of the Cloud.

Cloud Computing has many benefits; however, there are also some associated risks with using Cloud Computing. The risks that are unique to it include:

- **Data privacy and security** – Hosting confidential data with Cloud service providers involves the transfer of a considerable amount of client users' control over data security to the provider. Ensuring that the provider understands the organization's data privacy and security needs, and that they are aware of particular data security and privacy rules and

regulations that apply to the client users, such as various applicable state statutes, and various industry regulations like HIPAA, the Payment Card Industry Data Security Standard (PCI DSS), etc. is essential.

- **Business Continuity** – Business continuity in the Cloud environment depends on the Cloud providers. Consequently, if using an external Cloud, one must be prepared to ask the question: "What if the provider does not exist tomorrow?" Another major risk to business continuity in the Cloud Computing environment is loss of internet connectivity. Ask the Cloud provider what controls are in place to ensure internet connectivity. If vulnerability is identified, a client user may have to terminate all access to the Cloud provider until the vulnerability is rectified.
- **Physical Location** – When information can be stored anywhere in the Cloud, the physical location of the information can become an issue. Physical location dictates jurisdiction and legal obligation. Country laws governing personally identifiable information (PII) vary greatly. What is allowed in one country can be a violation in another.

Cloud Computing is an emerging trend and the movement to its continued and expanded use does not seem to be slowing down anytime soon. Before shifting business processes to the Cloud, it is important to assess whether the inherent risks have been comprehensively evaluated, the control mechanisms have been clearly identified, and that residual risks are at acceptable levels to take advantage of the benefits presented by the Cloud. At a minimum, Cloud Computing services providers will need to provide their customer organizations assurance that they are doing the "right" things. Independent assurance from third-party audits and/or service auditor reports should be a vital part of any assurance program.

## *Texas Legislature Bills That May Affect Your Department*

Systems & Procedures monitors the bi-annual Texas legislative sessions and reviews all bills submitted to determine which may affect the Harris County Auditor's Office and/or the financial functions of Harris County. When we determine that a bill meets that criteria, we track its movement through the approval process in order to provide the status updates of these bills to the interested parties in the Auditor's Office.



Janet Norstrom,  
Director of Systems  
& Procedures

Below are eight bills that either went into effect on June 14, 2013, or will go into effect on September 1, 2013, that may be of particular interest. The term **SB** means that the bill was initiated in the Texas Senate, and the term **HB** means that the bill was initiated in the Texas House.

**HB 1442** - Relating to the authority of a county to deposit fees collected by a county bail bond board in a separate county fund. A board shall deposit fees collected under Chapter 1704 of the Occupation Code in the general fund of the county or in a separate county fund established for this purpose. Effective June 14, 2013.

**HB 1513** - Relating to temporary increases in the records archive fees and the records management and preservation fees charged by district and county clerks. Article 1 of the bill authorizes the commissioners court of a county to increase a district court records archive fee from not more than \$5 to not more than \$10, and Article 1 also authorizes a county clerk to increase the Records Management and Preservation Fee and Records Archive Fee from not more than \$5 to not more than \$10. Article 1 takes effect on September 1, 2013.

**HB 1642** - Relating to the Port of Houston Authority. The bill eliminates the current requirements of the Harris County Auditor. However, the bill does set forth that the Harris County Auditor may conduct a financial audit of the Port of Houston Authority as part of an annual, county-wide risk assessment and audit plan. Effective September 1, 2013.

**HB 2021** - Relating to the authority of a county to contract for the collection of certain amounts; authorizing a fee. The bill authorizes the commissioners court of a county to contract with a

private attorney or public or private vendor for the collection of an amount owed to the county relating to a civil case, including an unpaid fine, fee, or court cost, if the amount is more than 60 days overdue. The county may authorize a collection fee of not more than 30 percent of the amount referred to compensate the attorney or vendor collecting the debt. Effective June 14, 2013.

**HB 2302** - Relating to signing electronic or digital court documents to the electronic filing system established by the Texas Supreme Court, to the statewide electronic filing system fund, to certain court fees and court costs, and to recovery of electronic filing fees by taxing units; imposing and authorizing certain fees. The bill:

- Permits a judge to use a digital or electronic signature for an official court document.
- Creates a \$20 filing fee for civil cases at the probate, county, district, and appellate courts.
- Creates a \$10 filing fee for civil cases at the justice courts.
- Creates a \$5 court cost for criminal convictions from the county and district courts.
- Permits a judge to waive these fees if the individual is indigent.
- Requires the counties to remit the entire fee to the state and require the Comptroller of Public Accounts to deposit the fees to a Statewide Electronic Filing Fund as an account within the General Revenue Fund that can be appropriated to the Office of Court Administration for an electronic filing system.
- Permits a local government that uses the electronic filing system to charge up to \$2 for each electronic transaction to offset expenses reasonably incurred to accept electronic payment methods or interface with other technology information systems.
- Permits a local government to accept electronic payment methods, including payments made with credit and debit cards.
- Sets a September 2019 expiration date for the \$2.

**SB 356** - Relating to the audit of court registry funds in certain counties. The bill requires the registry funds to be audited at the end of each county fiscal year by the

county auditor, an independent certified public accountant, or a firm of independent certified public accountants selected by the commissioners court. The due date for the audit report submission changes from within 90 days to not later than the 180th day. Effective June 14, 2013.

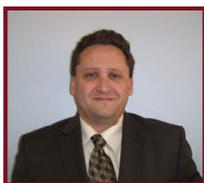
**SB 389** - Relating to the imposition of court costs in certain criminal proceedings. The bill requires the amount of a court cost imposed on the defendant in a criminal proceeding must be the amount established under the law in effect on the date the defendant is convicted of the offense. Effective June 14, 2013.

**SB 1419** - Relating to funding for juvenile case managers through certain court costs and to the establishment of the truancy prevention and diversion fund. The bill imposes a \$2 court cost on convictions in justice courts, with collections from the court cost deposited into a new General Revenue account. Counties would retain 50% of the new \$2 court cost fee to be used for the purpose of operating or establishing a juvenile case manager program. Effective September 1, 2013.

If you would like additional information regarding any of the bills mentioned above, please contact Systems & Procedures. We will be happy to help you in any way we can.

## Understanding Payroll Encumbrance FY14

To assist departments with monitoring their budgets, the accounting system (IFAS) calculates a salary and benefits encumbrance, referred to as the "payroll encumbrance". The payroll encumbrance was implemented in FY12 and affects all non-grant funds. This is a tool to be used by the departments to manage their budgets and assist them in making better financial decisions. It is used to assist in budget checking at the total department level encompassing all salaries and benefits over-budget conditions.



Scott Kozara  
Manager II of  
Financial Accounting

### What is a payroll encumbrance and how is it calculated?

The Payroll Encumbrance is an estimate of

expenditures needed to pay salaries and benefits for the remainder of the fiscal year. The payroll encumbrance program is run immediately after each payroll is posted. It is a self-calculating recurring journal entry based on each respective departments most recent pay period that posts to the encumbrance system rather than actual expenditures. For example, after a payroll is posted the recurring journal entry takes the number of pay periods remaining (i.e. 16) in the fiscal year and multiplies each line of the payroll that just posted by the number of pay periods remaining (i.e. 16) and generates the amount to be encumbered. The previous payroll encumbrance is reversed and the new payroll encumbrance is recorded by posting to the encumbrance system, which can be viewed through most encumbrance reports and CDD "ABAL" Reports.

### In FY14 there are 27 actual pay periods vs. the normal 26 pay periods, how will this affect your budget?

For the general fund, all departments have been provided a budget for 26 pay periods only, the 27<sup>th</sup> pay period has been budgeted 100% in the Budget Office. Therefore, the payroll encumbrance for individual departments reflects 26 pay periods. For all other funds, the payroll encumbrance is based upon all 27 pay periods in the fiscal year. After the first pay period in February 2014 through the remainder of the fiscal year, there will be no payroll encumbrance in fund 1000 except for the Budget Office, which will be reflected when viewed with most encumbrance reports and CDD "ABAL" Reports.

### How will changes in personnel affect the payroll encumbrance?

If there are adjustments in the number of staff being paid from one pay period to another, the payroll encumbrance will correctly encumber expenses for the remainder of the fiscal year because it is based upon the most recent payroll. There may be special situations such as over-time pay required because of a specific event (i.e. holiday, end of the year, etc.) that should not be encumbered each pay-period for the remainder of the fiscal year.

Knowing your department's available budget by simply running a report assures you have the tools to make timely and informed financial decisions. If a department has a special situation or has a payroll encumbrance question, please contact **Scott Kozara** at 713-755-6539 or **Carol Market** at 713-755-6516.

## *Communication in Accounting: It Counts*

"Accounting is the language of business". A lot of people think it's just numbers, but it's really a lot more than that. There are a lot of areas outside of numbers that need to be looked at, processes and procedures, what the tone of the company is. Accounting will take you in just about any direction in a company." ~ Wade Becker, CPA, Beard, Miller Co. (Burger, 2008)



Co-Authored by  
Paul Wilden, Manager  
of Grant Accounting  
and  
Ron Foster, Manager of  
Accounts Receivable

Organizations are changing and with that so are the beliefs about job descriptions and the related skills needed to perform these jobs. Information Technology (IT) professionals, once left alone to "just make the computers work" are now moving into cross-functional and higher level management positions which require them to translate "tech speak" into terms and descriptions that members from all departments in an organization can understand. The stereotypical role of the accountant characterized as merely an introverted "numbers person" is being replaced with the understanding that today's accounting professionals are required to possess and use interpersonal and communication skills to help with the decision making processes across all functional areas of the accounting discipline and the organization.

Communication is one of the organizational functions that help us stay efficient and productive. One of the more important forms of communication is inter-departmental communication. The importance of communication between different departments becomes most evident when that communication breaks down and issues arise. Strengthening communication between departments will maintain an efficient flow of information and help the County as a whole in many areas including:

### **GRANTS ACCOUNTING**

#### Applying For and Receiving Grants

A county department can lose a funding opportunity if GCS (Grants Coordination Section) is unaware of a deadline in which court had to approve the application or accept a grant award. As a result, your department could lose the opportunity to operate a program that could have benefited the citizens of the County. The

accurate exchange of information between Departments improves the ability to meet deadlines, get the appropriate approvals, and to have contracts and documents reviewed and signed by the proper departments. Information exchange allows for an efficient exchange of data between all departments involved in the lengthy grant award process.

#### Transaction Reclassifications

When an ineligible expenditure is erroneously coded to a grant it must be communicated to the Auditor's Office as soon as possible so that a journal entry can be posted reclassifying the amount to the correct code. Not doing so could result in an audit finding and the county losing funds.

#### Payroll Allocations

When an employee works on multiple grant awards/ activities, a distribution of their salary and benefits must be recorded. When this occurs, it must be communicated to the Auditor's Office so a journal entry can be posted reallocating the personnel expenses. Not doing so could result in an audit finding and the county losing funds.

#### Payroll Projections

Communicating grant-related payroll expenditure projections inclusive of all departments affected by the payroll process will allow departments to take action to remedy a potential issue. This could be either preventing a grant from overspending and causing the county fund this overage or it could prevent the county from losing grant funds when there is remaining budget that could be allocated for other uses.

#### Budgeting

A breakdown in communication at any point in the life cycle of a grant can result in issues. For example, if the Auditor's Office does not receive notification of a grant amendment in time to meet the next court deadline, then revenue certification won't occur and budgets won't reflect the amendments. Funds could be lost, which in turn, could result in undesirable consequences for the County.

### **ACCOUNTS RECEIVABLE**

Satisfying customers could be described as the ability to generate genuine teamwork among all departments in the organization and to instill the constant awareness that customer service is everyone's business.

This description emphasizes the importance of customer service as an organizational responsibility. Needless to say, teamwork sometimes doesn't just happen because people want it to. Quality customer service is the ability to create a climate of confidence, credibility, and

satisfaction for all parties in the "chain".

A key premise in customer satisfaction is effective communications needed to understand the needs and meeting, or exceeding, the expectations of customers. It is important to emphasize that total customer satisfaction can be attained only if all employees can work together to assist each other to achieve their common objectives. Each person must improve what is around them and look for ways to satisfy the requirements of others in the organization efficiently.

Accounts Receivable is a key component of the accounting process. A strong, well organized, efficient department is vital to the success of any business as a whole.

Invoices represent amounts that are owed to the County for services, sale of assets, fees and various other activities or transactions. Adequate coordination and communication with county departments is necessary for the Accounts Receivable Section to provide this service to all county departments. The key to keeping track of receivables is recording them in IFAS where they can be monitored and payment can be applied to invoices by the County Treasurer's Office.

By working with the Accounts Receivable Section, county departments benefit by utilizing the resources provided by the Auditor's Office and IFAS to handle the various tasks that must be done related to their receivables. Below are just a few of the many benefits:

- Duplication of efforts is minimized
- Decrease in Costs
- Increased efficiency
- Streamlined process
- Monitoring of receivables
- Accurate application of payments
- Accurate Fund and Revenue coding
- Timely invoice aging reporting to alert departments of any delinquencies
- Better customer address controls
- Ensuring that proper authorization to bill is provided by either legislative action or approval from Commissioner's Court.
- Ongoing relationships with vendors due to dedicated Accounts Receivable staff assigned to various types of billings
- Departments are spared the additional work of

keeping track of receivables by some other means

- Centralized receivables reporting and data management makes it easier to compile for year-end CAFR.

Accounts Receivable benefits from effective communication with county departments as well. Below are just a few examples:

- Avoiding incorrect mailing address by maintaining current customer contacts
- Avoiding customer disputes by providing accurate and timely billing information
- Identification of items needed to bill – critical that departments inform Accounts Receivable when entering into or changing an existing contract
- Access to proper contact channels

#### Collection Efforts

In accordance with Accounting Procedure A.28, Accounts Receivable Policy Statement, county departments are to be involved in collecting accounts receivable originated by them. Specifically, Accounting Procedure A.28 requires that county departments take the appropriate action regarding delinquent accounts to include, but not limited to, notifying the customer of delinquent accounts, assisting in resolving issues, terminating service, and providing the County Attorney with the information to collect delinquent accounts.

The Accounts Receivable Section supports the collection efforts of county departments by monitoring receivables, sending past due notifications if not paid within 90 days of the invoice date and providing invoices to the County Attorney if not paid within 30 days of sending the past due notification.

So, you can see that effective communication is critical to every area of the County and breakdowns in communication could have a devastating effect on many different aspects of County operations. Today's business communicators are fortunate in that they have a variety of forms of communication to choose from. Different situations and different employee needs demand the use of multiple communication channels to drive messages home and information transfers effectively and efficiently. An understanding of the benefits of effective inter-departmental communication and how we can all assist each other can help us all to achieve our goals.

## How Important is Your W-4?

The Employee's Withholding Allowance Certificate (Form W-4) is the employers' basis for withholding federal income tax from an employee's wages. The amount withheld is based upon the employee's marital status (married, single or married but withholding at a higher single rate) and on the number of withholding allowances the employee claims.



Linda Dougherty,  
Assistant Director of  
Payroll Audit

The W-4 is required to be filled out as a newly hired employee and your department inputs into the IFAS Payroll system. The W-4 communicates the employee's legal name, social security numbers, tax status and withholding allowances. The more withholding allowances you claim, the less you will have withheld in federal income tax each pay period. An allowance (or reduction in withholding), for instance, can be taken for family members who are financially dependent on the employee, or for other allowable deductions that the employee expects to claim in the tax year. In other instances, the employee may not owe any tax at all, in which case the employee may claim an exemption from federal tax withholding. A current employee may file a new W-4 if at any time the number of withholding allowances changes. Those who claim exempt must submit a new W-4 by February 15<sup>th</sup> each year to continue the exempt status.

If you claim exemption from withholding on the Form W-4, federal income tax is not withheld from wages. Employees may not claim exemption unless they owed no tax in the previous year and expect to owe no federal income tax in the current year. If another person can claim you as a dependent on his or her tax return, you cannot claim exemption from withholding if your income exceeds \$950 and includes more than \$300 of unearned income (interest and dividends). Students are not automatically exempt from withholding. At times, the IRS will send the employer a notice called a "lock-in letter" if the employee should have had income tax deducted from the wages and didn't. The Payroll department will change the tax status and allowances from exempt to Single and zero allowances. This taxing remains in effect until the Payroll department receives a letter from the IRS stating that the employee tax status has changed. The employee can submit a new W-4 that results in taxes that are equal to or greater than the amount ordered by the IRS. The payroll department must keep the IRS

notices for a period of not less than four years from the date that either the employee terminates or the notice is no longer in effect, whichever is later.

When you choose your tax status to be Single and claiming zero withholding allowances, you are likely to pay more tax than is necessary. The federal income tax is a pay-as-you-go tax. You will get the extra tax back when you file your personal income tax return. The conditions for claiming withholding allowances are:

1. You can claim one allowance for yourself, unless someone else (a spouse or parent) will list you are a dependent on their tax return
2. You can claim an allowance for your spouse, unless he or she is working and has already claimed an allowance their work.
3. You can claim one allowance for each child you list as a dependent on your tax return, unless your spouse has already claimed the child on their W-4 form.

The instruction list at the top of the Form W-4 is called the "Personal Allowances Worksheet". By answering each question, knowing your family situation, you can determine the number of allowances you should claim. There are specific rules concerning claiming head of household. The worksheet also guides you through child or dependent care expenses and child tax credits. Page 2 of the worksheet walks you through deductions and adjustments if you are a two-earner family. The IRS publication 4766, and Publication 919, "How Do I Adjust My Withholding" gives you a few tips on how to calculate your withholding. IRS website address is [www.irs.gov](http://www.irs.gov). Utilize the search box on the IRS website, found in the upper right corner of the screen, to read these publications. Generally you do not have to submit a new Form W-4 each year unless you need to adjust your withholding. If there are tax law changes that increase your tax for 2013 and you do not increase your withholding, you have to pay tax when you file your tax return. If there are changes that decrease your tax for 2013 and you do not decrease your withholding, you may get a larger tax refund. Remember also, that you can ask for additional withholding tax by stating an amount on Line 6 of the W-4. However, an employee cannot state an amount that they want withheld for income taxes. The current income tax rules are based upon the pay frequency, the marital status and the number of allowances. Payroll gets requests from employees that they want, for example, a flat \$100.00 per paycheck withheld for income tax. Flat amounts are not allowed by the IRS and is not an option on the Form W-4.

What are some reasons for filing a new W-4?

- 1) Your living arrangement or financial situation changes, leaving you with more allowances. For example, if you or your spouse gives birth to a child, or if a working spouse quits their job, you can submit a new W-4 claiming an extra allowance.
- 2) You realize that you are now exempt from federal income tax withholding.
- 3) If your name changes and you've got your new social security card.
- 4) When filing your previous years return you discover too much or too little is being withheld.

W-4 changes can be made on the Harris County Auditor's website.

Lastly, at the bottom on the W-4 is a perjury statement you have to sign attesting that you have provided correct information. Please ensure the information on the form is correct prior to signing it. If it is incorrect, it could result in a felony offense if you are found guilty and the punishment can be severe.

The payroll department cannot provide tax advice on how to fill out Form W-4, but we will try to help anyone understand the W-4 and how critical this form is to both Harris County and all its' employees.

## *Disaster Recovery Testing and Preparation*

In its 2013 Atlantic hurricane season outlook, the National Oceanic and Atmospheric Administration's (NOAA) Climate Prediction Center is forecasting an active, or extremely active season this year. For the six-month hurricane season, which began June 1, NOAA's Atlantic Hurricane Season Outlook says there is a 70 percent likelihood of 13 to 20 named storms (winds of 39 mph or higher), of which 7 to 11 could become hurricanes (winds of 74 mph or higher), including 3 to 6 major hurricanes (Category 3, 4 or 5; winds of 111 mph or higher). These ranges are well above the seasonal average of 12 named storms, 6 hurricanes and 3 major hurricanes. Statistics present that the months of August and September are peak months and combined, account for 61% of all Hurricanes forming in the Atlantic Basin.



Mark Ledman,  
Director of Audit  
Services

*It is always a good time to review your Department's business recovery plan for personnel changes, information system or operational process updates, etc.* It is also a good idea for personnel to check to see if you have your supplies in order (batteries, flashlights, canned food, bottled water, etc.) at the ready if needed. When Hurricane Ike hit, sections of the Houston area were without power for more than 10 days. For additional information regarding hurricane preparedness and a complete Emergency Essentials Kit (checklist) you can go to the [www.readyharris.org](http://www.readyharris.org) website and click on the Hurricanes tab.

To prepare, one of the activities that the Harris County Auditor's Office performs is to evaluate whether ITC's Disaster Recovery Plan (DRP) is properly executed to restore the County's financial accounting system's (IFAS System) operating system, applications, and data bases, as well as users' connectivity testing associated with the general ledger, cash receipts, accounts payable, payroll and fixed assets. Each year IFAS System module owner representatives are notified and invited to process predetermined transactions, generate reports, and perform other functions to determine whether connectivity existed and whether the application and transaction files were properly restored. This year's exercise is scheduled for August 26-28.

## 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><u>Length of Service</u></b>	<b>April</b>	<b><u>Length of Service</u></b>	<b>July</b>	<b><u>Length of Service</u></b>
Carolyn Helm	37	Brenda Tucker	10	Leslie Pope	29
Curt Weller	31	Mark Ledman	7	Tammie Sonnier	23
Wendee McCain	22	Darlene Taylor	7	Michael O'Barr	13
Janet Norstrom	19	Leticia Quiroz	7	Tom Ngo	12
Maggie Cauley	16	Pat Moreno	6	Ollie Willis	10
Martha Rowell	16	Lisa Godfrey	5	Cynthia Acosta	7
Sheli Ruis	14	Greg Lueb	5	Wai Leung	6
Timothy Leonard	13	Velia Frias	4	Eric Pertl	6
Vicki Cash	13	Shennen Williams	3	Lin Zhong	5
JoEllen Lamb	12	Elizabeth Garcia	2	Luis Cedeno	1
Carol Market	10	Jonathan Drury	1	Sharonda Cato	1
Jose Mendoza	10	Angela Billard	1	Jason Vance	1
Tijuana Smith	8				
Marie Cary	5	<b>May</b>		<b>August</b>	
Wendi Welsh	4	Tommy Jenkins	33	Trina Cheney	29
<b>February</b>		William Erb	25	Stephen Hoza	24
Yolanda Anderson	27	Gwendolyn Foy	14	Christopher Casas	17
Pamela Mayon	23	Rosa Trevino	13	Michael Post	17
Anna Spalding	13	Nicholas McGee	11	Barbara Schott	13
Filomeno Vioria	12	Sophana Ven	8	Betty Lew	7
Veronica Sanchez	11	Tanya Williams	6	David Tish	7
Linda Harvey	9	Peter Cripps	5	Linda Dougherty	3
Clarice Brown	9	La'Sha Kelly	1	Yang Liu	2
Courtney Leigh	9	Juanita Wallace	1	Abdul Khan	1
Ronald Foster	8			Firouzah Bahrami	1
Sylvia Mercy	6	<b>June</b>			
Robin Barker	5	Mary Jo Zalesky	34		
Mellanie Tostado	4	Wayne Comeaux	30		
Robert Jones	4	Harland Maisel	27		
Ada Rodriguez	3	Donna Godair	23		
Vashti Collins	1	Cassandra Smith	9		
Jacqueline Pittman	1	Walter Hammann	8		
<b>March</b>		Sirina Macias	3		
Patricia Mata	13				
Cynthia Smith	9				
Calvin Clark	8				
Charles McDonald	4				

Congratulations to each of YOU!!!



**Barbara J. Schott, C.P.A.**  
**Harris County Auditor**  
1001 Preston, Suite 800  
Houston, Texas 77002