

The Harris County

Auditor's Office



Newsletter



February 2013



Auditor's Office

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Tis The Season!... It's That Time of Year... Again

And, No, I'm not talking about Thanksgiving or any other holiday that causes us to overindulge in good food (and relatives) and then wonder why year after year we never learn. No, it's the other event that causes us some indigestion - - especially if we don't know what to anticipate . . . Yep, that's right. . . I'm talking about the County's fiscal year end! But, have no fear, for the Auditor's Office – AP, AR and Grants Accounting Department is here to get you through it with minimal headaches (and with good cheer) . . . if you follow a few important steps.



Linda Harvey,
Director—
AP, AR and Grant
Accounting

The information presented here pertains to items reportable to the AP, AR and Grants Accounting Department. If you'd like to see the full impact (the whole enchilada, so to speak) that pertains to your department for the close of one year and the opening of the new year, then please turn your attention to the "*Fiscal Year End Information*" letter from County Auditor, Barbara Schott, delivered to your Department Head's email mid-November via our very own, Debi Ferraro!

And, to stay off the "Naughty Not Nice List" and keep your department's

financials accurate and the Bill Collector from knocking at your door, your prompt attention to this requested information is highly beneficial and greatly appreciated!

ACCOUNTS PAYABLE

1. **Review of Encumbered Purchase Orders**

Please review your outstanding purchase orders to identify those purchase orders that should be

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canceled in order to close the encumbrance. **Only those purchase orders in which there are no unpaid invoices or you do not expect to expend the encumbered funds should be canceled.** The CDD report titled En-Open Encumbrance Summary by PO can be used to assist in your review. Your department may close encumbered purchase orders by preparing and forwarding a memo or email with an attached list of purchase orders to the Purchasing Department. You may contact Ronnie James, AP Manager, at 713-755-8374, or Debi Ferraro, AP Supervisor, at 713-755-4601, or Pat Martin, Purchasing, at 713-755-6039 for assistance.

2. Electronic Funds Transfer Settlement Schedule

The Accounts Payable electronic funds transfer settlement schedule for payments made via EFT (electronic funds transfer) to vendors and county employees is available on the Harris County Auditor's Office intranet website located at www.co.harris.tx.us/auditor. This schedule provides the dates funds should be available in vendor and employee accounts. Should you have any questions, please contact Ronnie James at 713-755-8374, or Debi Ferraro at 713 755-4601.

3. Invoice Processing Schedule

The schedule of the Accounts Payable processing deadlines was sent to department heads and liaisons in November 2012. This schedule is also available on the Harris County Auditor's Office intranet website located at www.co.harris.tx.us/auditor.

The Invoice Processing schedule is an important tool and will assist you in ensuring invoices are processed by required payment due dates, and in planning your submittal of claims to adjust for the weeks when Commissioners Court does not meet. You may also plan and discuss submissions of claims with your Accounts Payable Claims Processor.

Department approval of invoices must be completed no later than 12:00 P.M. on the Friday before the scheduled Commissioners Court date. Insufficient purchase order balances, incorrect purchase order numbers, and other invoice issues could adversely affect the timeliness required to meet these court dates. Should you have any questions, please contact one of the following Auditor's Office employees: Ronnie James at 713-755-8374, or Debi Ferraro at 713-755-4601.

4. Reminder – February 26, 2013 Commissioners Court Meeting

The last Commissioners Court meeting for this fiscal year will be Tuesday, February 26, 2013. The first Commissioners Court meeting in the new fiscal year 2014 will be March 12, 2013. The following is the schedule for claims to be included on the transmittal of audited claims

for Commissioners Court for Tuesday, February 26, 2013:

Monday, 02/18/13	Invoices and Request for Payments are due to Accounts Payable no later than 4:30 PM in order to Process for the February 26th Court List.
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Departmental approval of invoices must be completed no later than 12:00 PM Friday, February 22, 2013. Insufficient purchase order balances, incorrect purchase order numbers, and other issues related to the invoice could adversely affect the timeliness required to meet the Commissioners Court date.

Please contact Ronnie James at 713-755-8374, or Debi Ferraro at 713-755-4601 with questions or comments.

ACCOUNTS RECEIVABLE

5. Accounts Receivable Not Maintained by the Auditor' Office

The County Auditor's Office is currently performing a review of all departments' accounts receivables (amounts due from individuals or other entities) which are not currently billed by the AP, AR and Grants Accounting Department. In conjunction with this review, the Auditor's Office is requesting certain information from County departments.

Departments that generate a **billing (invoice, statement, letter, etc.) to an entity outside of Harris County and/or departments that have a receivable that is not currently maintained by the Auditor's Office** are requested to complete the attached form and return it to Ron Foster, AR Manager, at Ron.Foster@aud.hctx.net immediately.

Departments that subsequently identify additional receivables should notify Ron Foster at 713-755-3539 as soon as they are identified. Should you have any questions or concerns please feel free to contact Ron Foster or Linda Harvey, Director of AP, AR and Grants Accounting Department, at 713-755-4832 or Linda.Harvey@aud.hctx.net.

Now, don't you feel better, or at least more confident in what you need to do for year-end? If you are still having chest pains, call 9-1-1, but if it's merely some lingering heartburn, please call anyone of us, especially those helpful efolks listed above. Then you can sit back and enjoy the New Year, knowing fully well that you are armed

with the information and tools you need to make it through yet another fiscal year end season! Have a great year, everyone!

Changes to CAFR Reporting Resulting from GASB Statement No. 54

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which was effective for Harris County's Fiscal Year ended February 29, 2012.



Carol Market
Director — Financial Accounting

GASB 54 significantly changed the presentation of governmental fund balances in the Comprehensive Annual Financial Report (CAFR). The GASB 54 classification of fund balance emphasizes constraints on the use of the resources reported in governmental funds. The new GASB also clarified the definitions of governmental fund types.

Starting with Harris County's February 29, 2012 CAFR fund balance is classified as non-spendable, restricted, committed, assigned, and unassigned. Previously the categories were reserved and unreserved; unreserved included designated and undesignated.

Non-spendable fund balance includes items that are not in spendable form such as inventories and prepaid amounts. **Restricted** resources are those that are externally restricted by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. **Committed** amounts are those that can only be used for specific purposes per constraints imposed by formal action of the government's highest level of decision-making authority (for Harris County this would be Commissioner's Court). **Assigned** amounts are constrained by the government's intent to be used for a specific purpose, but they do not meet the definition of restricted or committed fund balance. Assigned fund balance is not reported if it causes a deficit in unassigned fund balance. **Unassigned** fund balance is the residual classification for the General Fund. Only the General Fund can have a positive unassigned fund balance; all

governmental funds can have a negative unassigned fund balance in certain situations.

At Harris County two of the noticeable differences in fund balance (for governmental funds) between pre and post GASB 54 implementation are the classification of encumbrances and inventories/prepaid amounts. Prior to GASB 54, all encumbrances were reserved. Per GASB 54 encumbrances that are cannot be classified as restricted or committed are assigned. Inventories and prepaid amounts were reported in reserved fund balance, but under GASB 54 they are reported in non-spendable fund balance.

GASB 54 also clarified the definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type (Harris County does not currently have any permanent funds). The clarification of special revenue fund type had the most impact on Harris County. Per GASB 54 one or more specific restricted or committed revenues should be the foundation for a special revenue fund. This definition excludes committed or unassigned funds and transfers-in as being the major component of a special revenue fund.

Harris County Bank Reconciliation

The bank reconciliation process currently utilized by the County consists of a coordinated effort between the Treasurer's office and the Bank Reconciliation Section. There are currently over 250 bank accounts to reconcile at the County. Approximately 90 of these are custodial and another 58 are trustee accounts.



Michael O'Barr,
Supervisor of Bank Reconciliations

The IFAS Bank Reconciliation module has been written to reconcile both deposit and check information. Deposit information is fed to the Bank Reconciliation module through the posting of IFAS cash receipt batches. Check information is fed to the Bank Reconciliation module at the time checks are printed from IFAS accounts payable and payroll. Information from outside sources such as JIMS jury checks and Port of Houston checks are loaded from a data file provided by the information source.

Deposit information from the various bank accounts is loaded from data files provided by the bank on a daily basis. Deposit information is reconciled daily by the Treasurer's Office. Paid check information is provided electronically by the bank and reconciled by the Treasurer's Office on a monthly basis.

Of the County bank accounts reconciled in the Auditor's Office, only six of them require extensive reconciliation tools. These are:

1. the main depository account of the County (**General Concentration Account**) where all armored car deposits and most Treasurer's deposits are made and the account which funds all checks clearing the next four disbursement accounts on a daily basis (Zero Balance Accounts or ZBA's),
2. the main disbursement ZBA account for most funds' account payables (**Central Disbursing Account**) which pays bills for a variety of funds (reimbursements are wired from these funds to the General Concentration Account on a weekly basis),
3. the main disbursement ZBA account for Flood Control (**Flood Control Controlled Disbursement Account**),
4. the disbursement ZBA account used to process all payroll checks and direct deposits for County employees (**Payroll Account**),
5. the disbursement ZBA account for jury checks (**Jury Account**) for which the District Clerk prepares the juror's check through a JIMS application and sends the Auditor a Check Issued file for reconciling and recording purposes, and
6. the disbursement ZBA account used by the County's Fee Officers (**Fee Officer Account**) to distribute fee collections to the Treasurer, process refunds to customers, and refund escrowed items and bonds to customers. This is the only distribution account that does not need Commissioners Court approval in distributing checks.

The majority of the remaining bank accounts have little volume and can easily be reconciled manually without extensive reconciliation tools.

Bank reconciliations are prepared after receiving the bank statements every month. This is a very important part of cash control procedures. There are many reasons to perform a timely bank reconciliation, one of which is to verify the accuracy of the Bank's records, as well as our own internal records on the General Ledger.

In a perfect world, without any timing issues, the Bank Statement ending balance would equal the General Ledger ending balance (for that cash account). However, as this is not the case, there may be some differences between the

two statements. To oversimplify, the reconciliation process is nothing more than comparing the Bank transactions with the General Ledger transactions and identifying the items which do not match.

Note: Pay careful attention to debits versus credits. A Bank's Debit decreases the balance, and a Credit increases the balance. This is opposite to the General Ledger.

Custodial Bank Reconciliations

All departments send their custodial bank reconciliations, **Monthly Reconciliation Report (Auditor's Form #324 A)** to the Bank Reconciliation Section of Revenue Accounting by the 20th day of the following month as is outlined in Harris County Accounting Procedure C.8.

The **Monthly Summary Report (Auditor's Form #324 C)** is due to Financial Accounting and Revenue Accounting by the 5th day of the following month.

If a department is 30 days late in any compliance issue, the Bank Reconciliation Section will contact the department to determine if there is a problem.

The review of Custodial Reconciliations shall be from an audit perspective rather than an accounting perspective. In other words, we will not prepare the reconciliation over again, but review it for accuracy and determine if reconciliation errors need to be recorded.

The custodial bank statements will, however, be further reconciled to the General Ledger by the Bank Reconciliation Section. All unrecorded receipts and disbursements will be indicated and forwarded to the appropriate department for recording.

How Do I Identify Risk that Threaten My Department's Success?

Today's economy is volatile, unpredictable and gets more complex every day. This constant change and unpredictability makes today's economy fraught with risk. One of the most troubling tasks is identifying the potential risk or exposures that could jeopardize the achievement of a county office, agency, or department's (Department) objectives. Such exposures may relate to activities inherent to the external environment for which a Department has limited or no ability to control exists (e.g., economic trends, regulatory landscape, and real property appraisals) or within a Department's internal environment for which management establishes internal controls through its policies, procedures, and risk management guidelines (e.g., people, processes, and infrastructure). To identify these risks, management must first have an understanding of the types of risks that may be faced.



David Clark,
Senior Auditor

Inherent vs. Residual Risk

Inherent and Residual Risk are commonly used terms within the accounting community when discussing potential exposures. Inherent risks are defined by the Institute of Internal Auditors (IIA) as "the susceptibility of information or data to a material misstatement, assuming that there are no related mitigating controls." When assessing inherent risk, management must evaluate how susceptible the financial activity (transactions, account balances, statements, and reports) assertions are to misstatement given the nature of the Department's operations. A few key factors that can increase inherent risk include:

- **Environment & External Factors** – State of the Local Economy, Availability of Financing, Political, or Statutory Changes.
- **Susceptibility to Theft or Fraud** - If a certain asset is susceptible to theft or fraud, the account may be considered inherently risky.

Residual risks are defined by the IIA as "the risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk." This is considered a

Department's "Risk Appetite" or the risk that a Department is willing to accept.

Identifying Risk & Risk Management

The risk management process begins with identifying the key risk categories. Under most situations, several risk categories must be analyzed to identify risks that require consideration. Examples of risk categories include:

- **Technical or IT risks** – risk associated with the operation of applications or programs including computers or perimeter security devices (e.g., a computer that connects directly to the Internet could be at risk if it does not have or improperly maintained antivirus software and firewalls).
- **Organizational risks** – risk associated with how the Department's organization and infrastructure relates to its operations and the protection of its assets (e.g., the Department does not have clear segregation of duties within their cash management process or compensating controls).
- **Financial risks** – risk associated with events that will have a financial impact on the Department (e.g., self-insurance programs).
- **External risks** – risk associated with events that affect the Department but occur outside of its control (e.g., political changes, fluctuations in property appraisals, or natural disasters such as hurricanes and floods).
- **Compliance risks** – risk associated with statutory, environmental, or federal regulations, which often results in fines or legal sanctions.

Often, first line management is better suited to identify risk because of the understanding of the financial operations, financial position, and areas of potential risks and exposures. However, every employee in a Department can contribute to the risk management process. A few effective measures in identifying risk include the following:

- **Government Associations** – provide an excellent source of information on potential risks (e.g. GFOA, IIA).
- **Employee Feedback** - should never be underestimated and should be sought regularly. Often the person performing the task knows where the process can be exploited.
- **Legal Precedents** - losses and legal precedents experienced by other counties or Departments. Learn from other's mistakes.

- **Control Self-Assessments** – aid in making a department's employees think about risks and risk mitigation.
- **Internal Audit Department** – The County Auditor can provide consulting services such as risk assessments.

Once a Department identifies the potential exposures or risks, a ranking of the risks based on impact and likelihood helps determine what areas need the most attention. Impact evaluates the magnitude or effect resulting from a breakdown in the processes and/or controls. Likelihood is used to evaluate the probability that an event will occur.

Several factors should be considered when evaluating the likelihood that an event will occur. First, management needs to consider the source of the threat, the motivation behind the threat, and the capability of the source. Next, management needs to determine the nature of the vulnerability and, finally, the existence and effectiveness of current controls to deter or mitigate the vulnerability. A simple scale such as high, medium, and low can be used to describe the likelihood that a potential vulnerability could be exploited.

- **High** - The threat's source is highly motivated and sufficiently capable, and controls that prevent the vulnerability from being exercised are ineffective.
- **Medium** - The threat's source is motivated and capable, but controls are in place that may impede a successful exercise of the vulnerability.
- **Low** - The threat's source lacks motivation or capability, and controls are in place to prevent or significantly impede the vulnerability from being exercised.

When assessing impact, it is important to understand that not all threats will have the same impact. This is because each process in a Department will likely have a different impact depending on the nature of the process (i.e., not all processes in a Department impact the financials the same way). For instance, to evaluate the value of an automated system, management should identify the processes performed by the system, the system's importance to the financial activities, and the value or sensitivity of the data in the system. A system that handles the Department's payroll will have more value (impact) than the system that is used to keep the lunchroom menu database. The magnitude of impact also can be categorized as high, medium, or low as shown below:

- **High** – results in **high** costly loss of assets; risks that **significantly** violate, harm, or impede operations; or risks that cause human death or serious injury.

- **Medium** - result in the costly loss of assets; risks that violate, harm, or impede operations; or risks that cause human injury.
- **Low** - result in the loss of **some** assets or may noticeably affect operations.

Risk management should always be an ongoing process with continuous review and evaluation. Investing time upfront on identification does not mean that the process is finished after the plan has been approved for implementation. Knowing the risks early on in the process helps when the time comes to re-evaluate changes to processes and the plan as a whole, with attention focusing on further improving the plan and risk mitigation.

Cash Receipting

A few years ago when I was in high school (OK, more than a few years ago) I worked in a department store where one of my duties was to operate a cash register. Other than ringing up sales, there were two functions that could be performed on the register. One was the "X" key. That key gave you the amount of sales that had been processed on the register since the last close-out. The other was the "Z" key. That key "closed out" the register by not only giving you the amount of sales that had been processed, but it set the count back to zero for the next person to take over.



Wayne Comeaux,
Manager of
Compliance Audit

Those simple features exist today in the County's Financial System, IFAS. Today we call those features a Batch Proof and a Batch Post. And if you are a cashier at a county department using IFAS, you may be very familiar with those two functions. However, as there has been an increase in the number of issues with cash receipt batches, the New Year is a good time for a refresher on how to read the reports associated with those two functions which may help reduce some of those problems.

Before any cash receipting is done at the department level, it is important to check to see if you are in the correct "ledger." To perform this function from the main IFAS Insight screen, click Edit then Options then the Ledger tab. Generally, most Departments should have "HC—Harris County" highlighted as the Ledger to create receipts. A large portion of our cash receipt problems are

because users are in "GL--General Ledger" and not "HC--Harris County." Checking the Ledger is especially important if you recently received a new computer or the IFAS software was recently reinstalled on your existing computer.

In IFAS Lonesome Cash Receipting (so called because a receipt is created without a corresponding accounts receivable invoice—therefore it's "lonesome"), a cashier creates a "batch" to enter receipts. The system allows the user to create a batch name. While each department has specific naming conventions for a batch, generally the eight characters of a batch name begin with the letter "L" followed by the three digit department number.

At any time during the receipting process, the cashier or (depending on security setup) the cashier's supervisor can run a "Batch Proof." This report, generated by using the IFAS process called ARBTRBP (also referred to as the ARBTRBP mask), will run a report of the receipts that were written in the batch. The best way to review the batch proof is to have a copy of the receipts in hand and compare them to the items listed on the proof.

Here are a few things to look for on the batch proof (my "X" key) to ensure that it is OK:

- It should be headed "Harris County Production PROOF."
- The batch name should be on top of the report.
- In the body of the report, you should see "BLOCK: Deposit Slip Required." This error message is normal at this stage of the process.
- There should be no other error messages (labeled either BLOCK or WARNING) in the body.
- There will be a row for each line item of the receipt. For example, if the receipt written had two transactions on it, each transaction is listed separately on the proof.
- With receipts in hand, compare the dollar amount, payee name, description and receipt number to the proof.
- At the end of the report will be pages we refer to as "tail sheets." Those sheets may not mean much to you, but are very helpful to programmers if there is a problem with the batch. You should scan those sheets to see if there are any BLOCK or WARNING error messages other than the one associated with the Deposit Slip Number.

Once the batch has been reviewed, the designated person enters the deposit slip number for the batch using the

ARBTRPD mask. The batch is then ready for "distribution" or "posting." The mask ARBTRDS is used to post the transactions to the General Ledger.

Once the batch is distributed, seven reports should automatically print. If any one does not, that could be a sign there was a problem with the distribution.

Here, by report name, are the things you should look for on the post reports (my "Z" key):

- C/R BATCH PROOF—Looks just like the batch proof except it says POST and not PROOF. Also the BLOCK deposit slip message should be gone.
- DISTRIBUTION REPORT—Detail total should be the amount of receipts that were written.
- A/R DATA BASE C/R POST—Grand Total should be zero.
- C/R POSTINGS—Grand total is double the amount of the receipts.
- C/R POSTINGS AUDIT REPORT—Total debits and credits are double the amount of the receipts.
- BANK DEPOSIT POSTING—Grand Total should be the amount of the receipts.
- TAIL SHEETS—No BLOCK or WARNING messages.

For more details on how to write receipts in IFAS, please refer to Harris County Accounting Procedure F.1-1-1. Reviewing the posting reports is no guarantee a problem will not arise later, but a clean proof and post will reduce that possibility. And with the batch posted, your office is ready to create a new batch and write more receipts. Just don't ask me to write them. Those who can't do--teach.

Legislation and the Auditor's Office

The Harris County Auditor's Office - Systems & Procedures Department (Systems & Procedures) reviews and monitors House and Senate Bills introduced into the Texas Legislature each session for potential impact to the County and/or County Auditor's Office. Regular legislative sessions occur every two years. Bills are reviewed for items such as new/increased fees, fines, audit responsibilities, etc. The Texas Legislature will convene for the 83rd Regular Session on January 8, 2013, but pre-filing actually began on November 12, 2012. To learn more about the legislative process, please visit <http://www.tlc.state.tx.us/gtli/legproc/process.html>



Nicholas McGee,
Senior Analyst,
Systems &
Procedures

Systems & Procedures subscribes to the Texas Legislative Service's system (Telicon), which provides copies or online access to each individual bill filed and online access to the status of each bill. Also, as part of the Telicon package, Systems & Procedures receives:

- Utilization of a tracking report
- Calendar information
- NIGHTWriter services
- Search capabilities
- Meeting notifications
- Progress of bills
- Public meeting notices
- Executive appointments

Systems & Procedures also receives notification of Texas Attorney General Opinions and Request for Opinions from the Texas Attorney General directly from the Texas Attorney General's Office. When needed, Systems & Procedures obtains copies of Texas Attorney General Opinions online. These are the ones that are believed to affect the County and/or the County Auditor's Office.

Common Questions Regarding Your W-2

Wages on my W-2 do not match my final check stub of the year. Why not?

The W-2 reflects taxable earnings while the check stubs reflect total earnings. See example to the right. You need to know your base salary, longevity amount, any allowances, incentives and imputed income from group term life insurance. This total is gross wages. Then you subtract pretaxed deductions, dependent care, deferred comp and TCDRS deduction. In this example, gross wages is \$74,416.93 and total wages subject to federal withholding tax is \$58,551.67.



Linda Dougherty,
Assistant Director of
Payroll Audit

What impact do pre-tax deductions have on the Wages reported on the W-2?

For tax purposes, your wages are reduced by non-taxable items such as medical, dental, vision, flexible spending account, dependent care, TCDRS deductions, and deferred comp.

Where is dependent care listed on the W-2?

See Box 10

What is Imputed Income?

The IRS requires that certain employer provided benefits be reported as taxable income, and therefore, group term life costs are added to wages. The cost of employer provided group term life insurance in excess of \$50,000.00 for employee, spouse and dependents, minus any after tax deductions is the imputed value. This amount is included in Boxes 1, 3, and 5.

How are taxes calculated?

Taxes are figured using tax tables provided by the federal government. The calculations are based on the amount of pay, the pay period, and the allowances you claimed on your W-4. If you receive more money than usual during a particular pay period this could move you to a higher tax table causing more taxes to be withheld for a pay period. You should seek professional tax guidance to help you make the best taxing decisions.

22222		Void <input type="checkbox"/>	a Employee's social security number 123-45-6789		For Official Use Only ▶ OMB No. 1545-0008		
b Employer identification number (EIN)			1 Wages, tips, other compensation 58,551.67*		2 Federal income tax withheld 6,726.40		
c Employer's name, address, and ZIP code: Harris County 1310 Prairie, 14th Floor Houston, TX 77002			3 Social security wages 64,808.17		4 Social security tax withheld 2,721.95		
			5 Medicare wages and tips 64,808.17		6 Medicare tax withheld 939.72		
			7 Social security tips		8 Allocated tips		
d Control number			9		10 Dependent care benefits 4,992.00		
e Employee's first name and initial John		Last name Doe		Suff.		11 Nonqualified plans	
1234 Thread St, Houston, TX 77002			13 Statutory employee <input type="checkbox"/> Pensioner <input checked="" type="checkbox"/> Third-party act. pay <input type="checkbox"/>		12a See instructions for box 12 C 142.55		
			14 Other *EXCL RETIRE 4,456.50		12b G 1800.00		
					12c DD 14,359.20		
f Employee's address and ZIP code					12d		
15 State Employer's state ID number		16 State wages, tips, etc.		17 State income tax		18 Local wages, tips, etc.	
						19 Local income tax	
						20 Locality name	

Form **W-2 Wage and Tax Statement** **2012** Department of the Treasury—Internal Revenue Service
Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable. **For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.**
 Cat. No. 10134D
Do Not Cut, Fold, or Staple Forms on This Page

Why were no federal taxes taken out?

Depending on how much you are paid and the exemptions you claim on your W-4, your federal taxable earnings for a pay period may not be enough to put you in the lowest tax table. When this happens, you may not pay enough or any federal taxes. For this example, tax would be calculated on \$58,551.67.

How can I change my W-4?

Go to the employee self serve website and complete a new form. The website will tell you what pay date the change is effective.

The wages in Box 3 (FICA) and Box 5 (Medicare) are the same. Why are the wages in Box 1 different?

Section 125 deductions (pretax) are exempt from FICA, Medicare and Federal Withholding taxes including dependent care. Deferred comp and TCDRS deductions are taxable for FICA and Medicare. The maximum FICA wage base for 2012 is \$110, 100.00 The maximum FICA wage base for 2012 will be \$113,700.00.

How is FICA tax calculated?

For 2012, the FICA tax is 4.2% on the first \$110,100.00 of FICA wages. In this example, FICA wages multiplied by 4.2% = \$2,721.95. For 2013, the anticipated tax rate will increase from 4.2% to 6.2%.

How is Medicare wages calculated?

Using gross wages from the Box 1 calculation, subtract all pretaxed deductions, including dependent care. Deferred comp and TCDRS deductions are not part of this calculation.

How is Medicare tax calculated?

The Medicare tax rate is 1.45%. There is not a maximum wage limit. All Medicare wages are taxable.

What do the codes mean in Boxes 12 and 14?

Box 12a—Code C—Cost of employer provided group term life insurance coverage over \$50,000.00 for

employee, spouse and dependents, minus any after tax deductions. This amount is included in boxes 1, 3, and 5. This is considered imputed income.

Box 12b—Code G—Elected Deferral to 457(B)—This is Deferred Comp (ING, Nationwide, AIG).

Box 12c—Code DD—Cost of Employer sponsored Health coverage—Not Taxable. (This is the employee deductions and employer costs of medical insurance only).

Box 14—Other—Auto...Imputed taxable fringe benefit. This is the value of your personal commuting use of an employer-provided vehicle.

Box 14—Other—*EXCL RETIRE—TCDRS deductions.

Additional W-2 help:

I LOST MY W-2. HOW CAN I GET ANOTHER COPY?

Employees who lose their W-2 will be referred to the Harris County Employee Information Website where they can print out their own replacement W-2. The web page address is: <http://www.harriscountytexas.gov/employeeelinks.aspx>

HOW CAN I RECEIVE MY W-2 ELECTRONICALLY?

Go to <http://harriscountytexas.gov/employeeelinks.aspx> and click on Employee Payroll Information. Enter your User ID and password. See section called On Line Form W-2. Enroll here to go paperless.

Audit Services Role in Pre-Implementation Engagements and What Departments May Want To Consider During The Development Stages of A New System To Build In Internal Controls

Information System Technology is constantly changing and evolving. With all of this change many organizations plan and budget for information technology obsolescence. This is the practice of planning for future advancements in hardware capability, software flexibility, version upgrades, etc. In some cases, significant changes need to be made to business processes. Evaluating existing business processes is very good and actually very healthy for an organization as one would not want to build antiquated processes into the new information system or system upgrade.



Mark Ledman,
Director of Audit
Services

With the technology enhancements, it may be helpful for one to be aware of the kinds of things the Audit Services Department would be thinking about should they be involved in reviewing a new information system for an area or the implementation of a significant system upgrade. Audit Services should always be involved if the new system is financial or if there is a new interface to IFAS (the County's financial system).

Although the specific objectives and procedures used on pre-implementation reviews can vary from engagement to engagement based on the needs of the Department and the County, the primary objective is to evaluate whether controls are adequate for processing and recording information in the County's financial records.

Presented below are some guidelines that Audit Services would consider as part of a pre-implementation audit and may assist you in understanding potential concerns with implementing a new information system.

1. Systems development audits are performed to evaluate the controls for authorization, development,

and implementation of new computerized applications and review the design of the computerized controls/audit trails over the proposed system.

2. The major accountabilities included within these engagements are New Systems Development and Installation Projects and Application Change Management.
3. The scope of these audits could include an evaluation of the:
 - Controls over the project (e.g., feasibility results, staffing, budgeting, assignment of responsibilities, project plans, and status reports, etc.)
 - Quality of the deliverables from each system

development and implementation phase (e.g., an evaluation of the controls design and audit trails, system test plan and results, user training, system and program documentation, etc.).

- Controls that are provided within the system.
4. The objective of a systems development audit is to provide an early identification of those issues that may hinder an on-time, within-budget implementation of a computerized system that is controlled, documented and able to be operated by an adequately trained user community. The objectives presented below are typically included in a pre-implementation engagement:
 - Determining whether new information systems,

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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.

September	<u>Length of Service</u>	October	<u>Length of Service</u>	November	<u>Length of Service</u>
Lula Bookman	27	Janice Mitchell	32	Donald McGee	35
Nadine Schaefer	23	Richard Rhoads	22	Julie Weller	28
Synithia Jacquet	20	Ronald Hamilton	19	Wanda Dewald-Green	23
Kimberly Lewis	16	Erma Warner	13	Tamara Fuselier	20
Toya Edwards	12	Minal Kanvinde	12	Connie Kirkpatrick	16
Martha Abdullahad	9	Jimmie Young	10	Paul Wilden	12
Gary Salamone	8	Connie Sanders	9	June Davis	11
Valerie Robbins	6	Winfred Iles	7	Jennifer Pham	8
Maria Mares	4	Paul Broyles	4	She-Neese Spencer	5
John Garcia	3	Zanobia Rhodes	4	David Clark	4
Anita Williams	3	Robin Alewine	4	Latisha Shivers	4
Edna LaGrone	1	Jeff Jackson	3	Tera Thompson	4
		Scott Kozara	3	Denise Weaver	3
		Edgar Serrano	3	Todd Ruelas	1
		Bobby Cato	1		
				December	
				Steven Garner	27
				Joan Lora	22
				Susan Wheeler	11
				Lisa Harper	7
				Sonja Lewis	2

Congratulations to each of YOU!!!

whether developed internally or purchased, include an effective and efficient system of internal controls. The early identification and correction of control deficiencies minimizes both the cost of correcting the weakness and the exposure to the institution.

- Determining whether the data integrity of the old and new files is maintained.
- Determining whether reasonable systems development controls are followed during the development/acquisition and conversion processes. The methodology employed should result in new systems that meet the needs of the users and function as intended.
- Determining whether the users adequately tested the controls, approved the final testing plan and

accepted the system.

- Determining whether new systems include features that will support future audits of the user area, e.g., audit trail reports.
5. Recommendations from systems development audits might include additions to project plans, improvements in file reconciliation and balancing controls, or the need to document test plans and expected test results.

If you would like some additional information concerning the implementation of new information systems, feel free to contact Mark Ledman at 713-755-3441.



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