

# **AUDITOR'S REPORT**

## **HARRIS COUNTY PAYROLL CONSTABLE PRECINCT 2**



**December 14, 2018**

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**MICHAEL POST, C.P.A., M.B.A.**  
**HARRIS COUNTY AUDITOR**

December 14, 2018

Constable Christopher E. Diaz  
Harris County Constable Precinct 2  
101 S. Richey St, Suite C  
Pasadena, Texas 77506

RE: Procedures applicable to the evaluation of Harris County Constable Precinct 2 time reporting and process practices for the six months ended February 28, 2018

As required by both Harris County Personnel Policies and Procedures Section 8, *Payroll Procedures and Compensation*, and the County's Accounting Procedure O.1, *Preparation of Time Record*, the Compliance Audit Department examined time reporting and process practices of the Harris County Constable Precinct 2 (Constable Precinct 2) for the six months ended February 28, 2018.

We performed procedures to determine whether:

- Selectively tested County personnel paid by Constable Precinct 2 exist.
- Selectively tested Time and Attendance Records (time records) were prepared in compliance with Harris County Personnel Policies and Procedures Section 8, *Payroll Procedures and Compensation*, County's Accounting Procedure O.1, *Preparation of Time Record*, and supported the time entered into the County's Daily Time and Attendance System.

The enclosed Auditor's Report presents issues identified during our procedures and recommendations developed in conjunction with your staff.

We appreciate the time and attention provided by you and your staff during our procedures.

Sincerely,

A handwritten signature in blue ink that reads "Michael Post".

Michael Post  
County Auditor

cc: District Judges

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## OVERVIEW

The objective of this engagement was to perform procedures in accordance with Harris County Personnel Policies and Procedures Section 8, *Payroll Procedures and Compensation*, and the County's Accounting Procedure O.1, *Preparation of Time Record*, which requires the Compliance Audit Department to audit time records and supporting documentation during employee verification audits in accordance with internal procedures and an approved audit program; and report audit findings, if applicable.

## RESULTS

Based on procedures performed in accordance with Harris County Personnel Policies and Procedures Section 8, *Payroll Procedures and Compensation*, and the County's Accounting Procedures O.1, *Preparation of Time Record*, for the item tested Constable Precinct 2 complied with the County's policies and procedures for the following item:

- Selectively tested County personnel paid by Constable Precinct 2 exist.

However, our procedures identified the following opportunities for improvement:

- Constable Precinct 2 Management and personnel should completely document Exempt or Non-Exempt status, pay period dates, employee signatures, employee attestation dates, employee approval initials for revisions, supervisor approvals, and approval dates on time records.
- Constable Precinct 2 Management and personnel should use one of the three approved forms, County Auditor's Form 1084B-1, *Time and Attendance Record (lunch in minutes)*, County Auditor's Form 1084B-2, *Time and Attendance Record (lunch from/to)* or County Auditor's Form 1084B-3, *Time and Attendance Record – Capital Project/Grant/Disaster Allocation*, dated May 23, 2018 for reporting employee time and attendance.
- Constable Precinct 2 Management should submit County Auditor's Form 3418-1-C, *Change in Status of Employee*, with the authorized department official's approval when a change of status is justified.
- Constable Precinct 2 Management should comply with County's Accounting Procedure O.1, *Preparation of Time Record*, and require signed and dated time records at least bi-weekly as attestations to the accuracy of the reported time. The direct supervisor should review, approve and date an employee's time record.

These matters are discussed in more detail within the Issues and Recommendations section.

## ISSUES AND RECOMMENDATIONS

### Time Record Completeness

#### Background

All employees except Elected Officials and certain individuals designated by Commissioners Court must prepare time records in accordance with procedures prescribed by Harris County Personnel Policies and Procedures Section 8, *Payroll Procedures and Compensation*, and the County's Accounting Procedure O.1, *Preparation of Time Record*.

Employees must complete an approved County Auditor time record at least bi-weekly, including a signature, date and Exempt or Non-Exempt status attesting to the accuracy of the reported time. Time records must also be signed, initialed and dated by the appropriate supervisor. In addition, each change and correction to time records, including each strike-through or white-out, must be initialed by the employee as indication of their approval.

#### Issue

Thirty eight of 60 (63%) time records selectively tested were incomplete and had exceptions with the documentation of Exempt or Non-Exempt status, pay period dates, signatures and/or signature dates, and initialing of manual modifications to time records indicating the employee's approval.

Incomplete time records are out of compliance with the County's Accounting Procedure O.1, *Preparation of Time Record* and result in incomplete payroll records.

#### Recommendation

Constable Precinct 2 Management and personnel should comply with the County's Accounting Procedure O.1, *Preparation of Time Record*, when preparing and approving time records. Submitted time records should be complete with the properly identified status, pay period dates, employee signatures, employee attestation dates, employee approval initials for revisions, and documented supervisor approvals with approval dates.

#### Management Response

Constable Precinct 2 has conducted command and staff meetings to ensure that all Harris County policies related to personnel are consistently followed. This includes, but is not limited to, issues related to exempt or non-exempt status, pay period dates, employee signatures, employee attestation dates, employee approval initials for revisions, supervisor approvals, and approval times on time records. Furthermore, on or about April 2018, and in consultation with the Harris County Attorney's Office, Constable Precinct 2 has personally reviewed and approved all current employee status forms on file for both command and supervisory staff.

# ISSUES AND RECOMMENDATIONS

## Time Record Approvals

### Background

Pursuant to the County's Accounting Procedures O.1, *Preparation of Time Record*, supervisors review time records to ensure that the employee's time is accurately recorded. They approve and date each employee's original, revised, and "changes only" time record certifying that they have no reason to believe the employee worked fewer or more hours than reported.

Department supervisors forward approved original, revised or "changes only" time records, as applicable, to the County Auditor's Payroll Department for the issuance of corresponding payroll.

### Issue

Eighteen of 60 (30%) time records selectively tested lacked evidence of proper Management review and approval and/or timely approval.

- 13 time records did not have a supervisor's approval and a date of approval.
- 5 time records were submitted and approved 5 months after the payroll period, of which 1 supervisor approved his own time record and 1 supervisor's time record was approved by his staff employee.

*Payroll payments for these 19 time records were made timely for the corresponding pay period.*

The lack of timely proper Management review and approval of time records is out of compliance with County Accounting Procedures Manual O.1, *Preparation of Time Record*, and may result in unjustified payroll payments.

### Recommendation

Constable Precinct 2 Management should timely review and approve each time record before it is processed for payroll payment in compliance with County Accounting Procedures Manual O.1, *Preparation of Time Record*. Constable Precinct 2 Management should also not permit staff to approve their own time records or those of their supervisors.

### Management Response

Constable Precinct 2 has reiterated to all command and supervisory staff that time records shall be reviewed and approved in a timely manner each time before a record is processed for payroll. Furthermore, Constable Precinct 2 also noted to both command and supervisory staff that the prohibition of signing one's own time sheet, and or instances where a subordinate has approved a supervisor's time sheet, are both practices that are in direct contravention to Harris County policy and will not be tolerated.

## ISSUES AND RECOMMENDATIONS

### Time and Attendance Form

#### Background

The County's Accounting Procedure O.1, *Preparation of Time Record*, lists specific completion instructions for County Auditor's Form 1084B-1, *Time and Attendance Record (lunch in minutes)*, County Auditor's Form 1084B-2, *Time and Attendance Record (lunch from/to)*, or County Auditor's Form 1084B-3, *Time and Attendance Record – Capital Project/Grant/Disaster Allocation*. These forms were updated during April 2014 and on May 23, 2018, and are required for reporting employee time and attendance.

#### Issue

Eight of 60 (13%) time records selectively tested were prepared on expired County Auditor's Form 1084B-1, *Time and Attendance Record (lunch in minutes)* dated July 2012.

Not reporting employee time and attendance on the effective County Auditor's Form 1084B-1, *Time and Attendance Record (lunch in minutes)*, County Auditor's Form 1084B-2, *Time and Attendance Record (lunch from/to)*, or County Auditor's Form 1084B-3, *Time and Attendance Record - Capital Project/Grant/Disaster Allocation*, updated on May 23, 2018, may result in inaccurate or incomplete payroll information.

#### Recommendation

Constable Precinct 2 Management and personnel should comply with the County's Accounting Procedure O.1, *Preparation of Time Record* and use one of the three approved forms, County Auditor's Form 1084B-1, *Time and Attendance Record (lunch in minutes)*, County Auditor's Form 1084B-2, *Time and Attendance Record (lunch from/to)*, or County Auditor's Form 1084B-3, *Time and Attendance Record - Capital Project/Grant/Disaster Allocation* dated May 23, 2018 for reporting employee time and attendance.

#### Management Response

Constable Precinct 2 has conducted command and staff meetings, as well as circulated department-wide correspondence to advise all staff members that County Auditor's Form 1084-8-1, County Auditor's Form 1084-8-2, or, as applicable, County Auditor's Form 1084-B-3 must be utilized to properly report employee time and attendance.

## ISSUES AND RECOMMENDATIONS

### Change of Status

#### Background

The County's Accounting Procedure L.2.1, *Change of Status of Employee*, requires employees making Exempt or Non-Exempt status changes to use County Auditor's Form 3418-1-C, *Change in Status of Employee*. This form must be completed, signed by the employee, and approved by the authorized department official. The status change request is then forwarded to the County Payroll Department to implement the applicable payroll changes.

County Auditor Form 130, *Determination of Wage/Hour Law Exemption*, is used to determine the status of an employee.

#### Issue

In May 2017 a Lieutenant approved their own County Auditor's Form 3418-1-C, *Change in Status of Employee*, changing their qualified Exempt status to Non-Exempt and bypassing authorized department approval. As a result, the status change allowed them to enhance their compensation by approximately \$20,800 in overtime earnings as of December 31, 2017.

Part of the overtime compensation was related to time record claims of 24 hour workday periods over 8 consecutive days (*192 hour of non-stop work*) immediately following Hurricane Harvey, in a non-law enforcement capacity, without documented justification, and while allegedly working from a home environment. Other overtime compensation was generated after the Lieutenant and other staff were directed by command staff to terminate overtime and to resume regular work hours.

The Lieutenant's self-initiation and approval of their own status change from Exempt to Non-Exempt, which bypassed the required authorized department approval, is out of compliance with the County's Accounting Procedure L.2.1, *Change of Status of Employee* and County Auditor's Form 3418-1-C, *Change in Status of Employee*.

#### Recommendation

Constable Precinct 2 Management should evaluate the Lieutenant's status change, the related overtime compensation of approximately \$20,800, and comply with County's Accounting Procedure L.2.1, *Change of Status of Employee*, County Auditor's Form 3418-1-C, *Change in Status of Employee*, and County Auditor Form 130, *Determination of Wage/Hour Law Exemption*.

In order to comply with applicable labor laws, Constable Precinct 2 Management should also consult with the County Attorney for guidance regarding this matter.

## ISSUES AND RECOMMENDATIONS

### **Change of Status (Continued)**

#### **Management Response**

Although this matter arises out of one individual's potential misconduct, the subject of which is currently being reviewed by the Harris County District Attorney, in consultation with the Harris County Attorney's Office, Constable Precinct 2 has completed three (3) steps to ensure future policy compliance, specifically: 1) all personnel who are classified at the Lieutenant rank or above are now uniformly categorized as "Exempt," 2) as the elected official, Constable Precinct 2 has now reviewed and personally signed all documentation related to incumbent personnel classification or status, and 3) the one individual who engaged in this practice was immediately suspended, and remains suspended until both the Harris County Office of Inspector General and the Harris County District Attorney have made their respective, independent final decisions concerning this matter.

# ISSUES AND RECOMMENDATIONS

## Time Record Supervision

### Background

The County's Accounting Procedure O.1, *Preparation of Time Record*, requires employees to sign and date their time records at least bi-weekly as their attestation to the accuracy of the report time. In addition, the employee's supervisor is required to review, approve and date each employee's original, revised or "changes only" bi-weekly time record certifying that they have no reason to believe the employee worked fewer or more hours than reported.

### Issue

Twelve of 28 (43%) time records selectively tested for a Lieutenant did not comply with the County's Accounting Procedure O.1, *Preparation of Time Record*, bi-weekly time record certification requirement (*These counts were not part of the "Time Record Approvals" issue noted above*).

- 3 payroll payments were issued without time records.
- 4 payroll payments were issued on time records without supervisory review and approval.
- 7 payroll payments were issued on time records submitted for supervisory approval 26 to 151 days after the pay period. Of these, 4 time records for separate prior payroll periods were approved on the same date.

In addition, Constable Precinct 2 Management, who did not directly supervise the Lieutenant, was approving the Lieutenant's time records.

Not complying with County's Accounting Procedure O.1, *Preparation of Time Record*, and the approval of time records without direct supervisory review may result in unjustified payroll payments.

### Recommendation

Constable Precinct 2 Management should comply with County's Accounting Procedure O.1, *Preparation of Time Record*, and require the Lieutenant to submit signed and dated time records at least bi-weekly as their attestation to the accuracy of the reported time.

The direct supervisor should be required to review, approve and date an employee's time record. Those not directly supervising an employee should be removed from approving the said employee's time records.

### Management Response

Once again, although this matter arises out of one individual's potential misconduct, the subject of which is currently being reviewed by the Harris County District Attorney, in consultation with the Harris County Attorney's Office, Constable Precinct 2 has completed three (3) steps to ensure future policy compliance, specifically: 1) the one Lieutenant who engaged in this practice has been permanently removed from the supervision and management of any employee time records,

## ISSUES AND RECOMMENDATIONS

### **Time Record Supervision (Continued)**

#### **Management Response**

2) the one individual Lieutenant who engaged in this practice was immediately suspended, and remains suspended until both the Harris County Office of Inspector General and the Harris County District Attorney have made their respective, independent final decisions concerning this matter, and 3) all incumbent command and staff personnel have been instructed to follow Harris County Accounting Procedure O.1, *Preparation of Time Record*.