

AUDITOR'S REPORT

AUDITOR'S OFFICE PAYROLL 2019 TAX TABLE UPDATE



February 1, 2019

**Michael Post, C.P.A., M.B.A.
Harris County Auditor**

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HARRIS COUNTY AUDITOR

February 1, 2019

Ms. Leslie Wilks Garcia
First Assistant County Auditor
Auditor's Office
1001 Preston, 8th Floor
Houston, Texas 77002

RE: Auditor's Office Payroll 2019 Tax Table Update – as of January 11, 2019

The Audit Services Department performed procedures relative to the Auditor's Office Payroll 2019 Tax Table Update. The purpose of the engagement was to determine whether acceptance testing by the Harris County (County) Auditor's Office-Payroll Department (Payroll) provided reasonable assurance that the Payroll Tax Table was properly updated in the County's financial system (IFAS).

Our procedures included the following:

- Determined whether the Payroll Tax Table Update was in compliance with the County's Accounting Procedures O.9, *IFAS Program Changes*, and O.12, *Financial System Testing Guidelines*, by determining if the implementation plan contained the following:
 - A completed County Auditor's Form 25, *IFAS Program Change Request*
 - An adequate test plan of procedures for testing the proposed program changes
 - Problem logging and/or error tracking and resolutions
 - Completed user acceptance testing and results with required approvals
- On a sample basis, reviewed the completed acceptance testing to evaluate whether Payroll's testing concluded that withholding calculations utilized the 2019 tax brackets and rates.
- On a sample basis, independently calculated selected bi-weekly employees' tax withholding amounts and net pay for their first paychecks in 2019 and verified that the results matched the tax withholding amounts calculated by IFAS.

Prior to the engagement we provided you with a combined engagement and scope letter in order to describe the procedures to be performed. A draft report was provided to you and your personnel for review.

Ms. Leslie Wilks Garcia
First Assistant County Auditor

The work performed required our staff to exercise professional judgment in completing the scope procedures. As the procedures were not a detailed examination of all transactions, there is a risk that fraud, errors, or omissions were not detected during this engagement. The official, therefore, retains the responsibility for the accuracy and completeness of their financial records and for ensuring sufficient controls are in place to detect and prevent fraud, errors, or omissions.

The enclosed Auditor's Report does not include any issues or recommendations as none were identified during our procedures. We appreciate the time and attention provided by you and your staff during this engagement.

Sincerely,



Michael Post
County Auditor

cc: District Judges
County Judge Lina Hidalgo
Commissioners:
 R. Jack Cagle
 Rodney Ellis
 Adrian Garcia
 Steve Radack
Kim Ogg
Vince Ryan
William J. Jackson

TABLE OF CONTENTS

OVERVIEW	4
RESULTS	4

OVERVIEW

Compensation information originates in each County department. The Payroll department verifies and processes payroll disbursements each pay period by using information such as salaries, hourly rates, changes of employee's status, deductions, etc., already stored in IFAS. System-generated payroll reports, deduction and contribution registers, as well as exception reports are reviewed by Payroll before funds are disbursed by the County Treasurer's Office. Payroll is also responsible for preparing the federal payroll tax deposits and related payroll reports.

As part of the payroll process, federal income taxes are withheld for each employee based on the Annual Percentage Method Table for Income Tax Withholding (Tax Table) updated and published by the Internal Revenue Service each year. Central Technology Services (CTS) receives the updated Tax Table from the developer of IFAS. The updated tax brackets and rates, including withholding allowance, are applied to the test environment and calculation of tax withholding amounts on selected employees are verified by Payroll before they are moved to the production environment. The updated Tax Table must be moved to production prior to the first payroll run of the year or adjustments may have to be made.

RESULTS

Based upon the procedures performed, the Payroll Tax Table Update was in compliance with the County's Accounting Procedures O.9, *IFAS Program Changes*, and O.12, *Financial System Testing Guidelines*. The test plan was reasonable and the test results were supported. The acceptance testing performed by Payroll verified that the tax withholding calculations were based on the 2019 tax brackets and rates published by the Internal Revenue Services (IRS). The tax withholding amounts and net pay calculated by IFAS were accurate. No issues were identified.