



Hurricane Harvey Payroll

Payroll Internal Audit

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CHAMBERS COUNTY AUDITOR

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Executive Summary

The Chambers County Auditor's office has completed an internal audit of the payroll records related to Hurricane Harvey. This audit included the timeframe from August 25, 2017 through September 9, 2017 and the payroll dated 10/20/2017.

The overall objective of this audit was:

To verify that each employee who worked during the Declared Disaster was paid correct and in accordance to the Chambers County Emergency Conditions Pay Policy and the Collective Bargaining Labor Agreement (CBA).

Specific audit objectives were:

1. Determine if the employee was paid for every physical hour worked.
2. Determine if the physical hours worked and paid time off (i.e. holiday, vacation, sick, compensatory time) were calculated at the correct rate of pay.
3. Identify any discrepancies in the actual paid amount versus what should have been paid.

Audit Scope and Procedures

The audit performed was to validate that payroll was in compliance with requirements set out in the Emergency Conditions Pay Policy under the declaration of the County Judge, Jimmy Sylvia. The following procedures were used to complete the examination:

- Determine how many hours each employee worked related to the pre and post aftermath of Hurricane Harvey, based off timesheets and Daily Activity Logs.
- Verified each employees correct hourly and overtime rate based off of 2080 hours or 2184 hours (Collective Bargaining Labor Agreement)
- Confirmed the amount paid to each employee for the above stated pay periods.
- Calculated what should have been paid for the days leading up to Hurricane Harvey (8/25/2017-8/26/2017) and during Hurricane Harvey (8/27/2017-9/9/2017).
- Compared payroll to the amounts calculated based off the requirements of the Chambers County Personnel Policy, Section 6.04 Exempt and Non-Exempt Employees, Emergency Conditions Pay Policy and the Collective Bargaining Labor Agreement (CBA) Article 12, Overtime Pay.



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- Computed the amount that was overpaid and underpaid for the payrolls related to Hurricane Harvey.
- Calculated the amount due to employees after the recalculation adjustment pay on 10/20/2017, due to the Emergency Conditions Pay Policy.

Observations and Findings with Related Recommendations

During the audit, the following observations were noted:

1. The Declaration of Disaster for Chambers County:
 - a. The County Judge ordered a Declaration of Disaster for Chambers County on Thursday, August 24, 2017. However, all employees were still working their normal duties through the 24th. An email was sent to all County employees on Friday, August 25th, 2017 from the County Judge stating that “The County will be operating as usual until 5:00 p.m. today”. This is in contrast due to the fact the Declaration was made on the 24th. Therefore, it was our interpretation that those who were directed to do “Harvey” related activities to prepare for a potential disaster should be paid in accordance to the agreed upon policy. We compared timesheets to Daily Activity Logs submitted for Friday, the 25th to verify the number of hours an employee worked related to Hurricane Harvey.
 - i. Finding:
 1. When reviewing timesheets for August 13, 2017 to August 26, 2017 and the related payroll (9/1/2017), we found that numerous employees were not able to submit their timesheet for the stated pay period due to the County being closed that following week. Therefore, the employees who did have hours related to Harvey were not compensated on the corresponding payroll. The Treasurer’s Office paid those who did not submit timesheets, their full bi-weekly paycheck (80/84 hours). Due to this, employees who worked hours related to Harvey still needed to be compensated for those hours worked.
 - ii. Recommendations: Utilize Incode to its full potential. The program has the option to allow departments to manually enter time worked and paid time off. This would have allowed the Treasurer’s Office to have the correct amount of hours for payroll.
2. Exempt Employees:
 - a. For the pay period of 9/1, it was understood by verbal authorization from the County Judge, that all hours worked related to Hurricane Harvey would be paid



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at overtime. This verbal authorization created confusion on how to calculate overtime for all employees (exempt and non-exempt).

- b. Due to only verbal instruction by the County Judge on how to handle “Harvey Pay”, on October 10, 2017 Commissioners Court approved Section 6.04A, Emergency Conditions Pay Policy. Within this Policy, it states that “All FLSA Exempt, Full-time employees who are actually working (sweat hours) during the declared disaster or emergency period, who exceed 40 hours of actual work time (sweat hours) during their work week, shall receive overtime pay at the rate of 1.5 times their normal hourly rate, for all hours in excess of 40.”
 - i. Finding:
 1. Exempt employees were not paid off of their total physical hours worked, during the week of August 20, 2017 to August 26, 2017. The employees were only compensated for hours that were submitted on Daily Activity Logs.
 - ii. Recommendation: Due to Hurricane Harvey, Chambers County approved Section 6.04A, Emergency Conditions Pay Policy to clarify how pay should be handled. The Chambers County Personnel Policy needs to be amended to include this new Emergency Conditions Pay Policy. When a disaster is declared, the County should follow this policy until the County Judge and Commissioner’s Court pass the Termination of Disaster. The Termination of Disaster was ordered on November 28, 2017. This order should be approved by Commissioner’s Court in a timely manner related to the disaster.
3. August 27, 2017 – September 2, 2017 County Closure:
 - a. The week of August 27, 2017 to September 2, 2017, normal County operations and offices were closed due to Hurricane Harvey. This week started a new pay period that was paid out on September 15, 2017.
 - i. Findings:
 1. The Treasurer’s Office paid all employees that physically worked during the closure, time and a half for every hour worked. For employees who did not report into work during the closure, they were paid 40 hours at their regular rate of pay. i.e, if an employee worked during the closure, they only were paid at time and a half for every hour worked not including the normal 40 hour pay that employees received if they did not come to work. If you did not work the closure, you received your normal 40 hour work week pay at straight time.



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2. We compared each employee's timesheet to the spreadsheet created by the Treasurer's Office that showed how the pay was calculated. Once the Emergency Conditions Pay Policy was approved, the Treasurer's Office adjusted the pay that was owed to employees. Employees were owed money due to the fact that if they worked during the closure, they should have received 40 hours at their straight pay plus straight pay for every physical hour worked up to 40 hours and overtime pay for anything in excess of 40 hours. This adjustment pay was paid on 10/20/2017.
- b. Certified law enforcement officers and certified jailers have the option to join the Chambers County Officer's Association. The Collective Bargaining Labor Agreement (CBA) covers these employee's and outlines how their pay is calculated based on an 84 hour pay period, a total of 2184 hours for the year.
 - i. Findings:
 1. During the week of the County being closed, the Treasurer's Office paid all employees who are covered under the CBA, 40 hours based on the wording of the Emergency Conditions Pay Policy. The Policy states that employees should be paid "their normal 40 hour work week" at their "normal hourly pay rate (straight time at annual pay/2080)". However, employees who are covered by the CBA are required to work more than 2080 hours a year. Their hourly rate is based off their salary/2184. Therefore, they are required to work 42 hours a work week, an 84 hour pay period. This created a 2 hour shortage of pay to all CBA employees.
 - ii. Recommendation: The Emergency Conditions Pay Policy should have reflected the correct hourly equation for all employees who are covered the CBA. The CBA that was in effect during this time period states that the employee's salary is "intended to compensate for 84 hours of work in each 14-day work period (2184 hours per year). Our recommendation is to pay these additional 2 hours to all CBA employees for the first week of the County closure.
4. September 3, 2017 – September 9, 2017:
 - a. During the second week of this pay period (9/15/2017), the County remained closed on Sunday and Monday, therefore the Emergency Conditions Pay remained in effect. Please note that Monday was a scheduled holiday. The



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County reopened on Tuesday and most employees went back to their normal job duties.

i. Findings:

1. If employees worked on either Sunday or Monday, they should have received straight pay for every hour worked. The Treasurer's Office originally paid the employee their overtime rate of pay for these hours but corrected the rate to straight pay on the adjustment payroll 10/20/2017.
2. Staying consistent with the prior week and the Emergency Conditions Pay Policy, Sunday and Monday should be treated the same as the prior week due to the County being closed. Therefore, Sunday and Monday are given at straight time as well as included in the total amount of hours when overtime goes into effect.

5. Paid Leave Time:

- a. Employees who used any type of paid leave time (i.e., vacation leave, sick time, comp time, or holiday) on their timesheet should have been compensated for every hour taken. According to the Chambers County Personnel Policy, Section 6.08 Leave or Holiday Taken and Overtime, if any employee uses any type of paid time off "and the total hours worked do not exceed 40, the employee will be given either hour-for-hour time off during the same work week or pay for the extra hours at the employee's regular straight-time rate of pay. However, if the total hours worked during the work week exceed 40, the employee will be compensated at one and one-half times the regular rate of pay for the number of overtime hours worked". During the Declared Disaster timeframe, no employees earned comp time. All time was paid out as overtime. Sheriff's Office employees who fall under the CBA begin earning overtime once they reach 84 hours. Paid time off is not considered as time worked for the purpose of determining when an employee is entitled to overtime pay.

i. Findings:

1. When time is input into the payroll system, the amount of hours that are entered to calculate the employee's bi-weekly salary is "1". The system was set up to automatically give the employee's bi-weekly salary with this "unit number". This "1" does not accurately show the amount of hours physically worked during the pay period, nor does it calculate any leave time taken or the hours and rate related to any potential



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- overtime. Therefore, the pay stubs are not transparent to the employee for them to verify any potential discrepancies.
2. Since there was a holiday (Monday, Labor Day) included in the County closure, some employees took this “paid day off” while others were reporting to work for Harvey related activities. Those employees who physically worked on this scheduled holiday were not compensated for that paid time off. They were only compensated for the physical hours worked.
 - ii. Recommendation: These hours should be compensated to the employee at straight time per the Chambers County Personnel Policy.

Overall Conclusion

The timeframe of this audit included two consistent pay periods during the Declared Disaster as well as the adjustment 10/20/2017 payroll. While the County was closed due to Hurricane Harvey, many employees were requested to report to work to perform duties outside of their normal job responsibilities. Because of this, there were multiple situations and circumstances that varied by each employee which created processing payroll problematic.

To better serve the employees and help alleviate future potential issues, Incode should be utilized to its full potential by allowing departments to manually enter employee work hours and leave time. Also, the total number of physical hours worked and input into Incode should be directly related to the total number of hours worked shown on the timesheet. Any paid leave time should be calculated into the employee’s bi-weekly salary. This will reflect all hours paid at the correct rate and will be easily understood by the employee reviewing their pay stub.

- Incode should be utilized to its full potential as intended, especially for employee time entry and employee pay rates. Underutilization and short cuts, resulted in numerous costly errors in excess of \$59,000.

Prior to the Declared Disaster, the Personnel Policy included emergency pay provisions for exempt and non-exempt employees. It currently states during an emergency “exempt employees may be paid for additional hours worked in excess of their normal work schedule, at their straight time rate of pay (salary/2080 hrs).” “As for all other non-exempt employee, the policy of the County is to allow overtime for additional work hours only when required by the County in cases of emergencies”. The Personnel Policy was not followed and the County Judge gave verbal instructions on how payroll would be processed. This existing policy did not specify how to handle the relationship between the County being closed and additional



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hours worked. This created confusion between the County Judge's intentions and what the employees understood. Now that the Emergency Conditions Pay Policy is in effect, this should alleviate any future confusion as to how pay is calculated during emergencies. Because the Emergency Conditions Pay Policy was not in effect, nor was the existing policy followed, the Treasurer's Office overpaid nearly \$7,000.00 direct pay to employees.

- Policies and procedures should be properly documented. Verbal agreements caused significant and costly issues.

The 10/20/2017 adjustment pay was intended to correct all the errors. Unfortunately, multiple errors still need correcting. The majority of the errors were related to paid time off and the employees who were shorted hours on their "normal work week" pay. These outstanding, unpaid hours combine to a total of around \$52,000.00 direct pay due to employees.

Considering these expenses arose and are related to 2017, this creates an issue related to payroll taxes and deductions, gross and net income earned in 2017, and backdating salaries into the 2017 budget year.

- Pay errors still exist that need correcting immediately, as the pay relates to fiscal year 2017 payroll.



February 13, 2018

To: County Auditor
From: County Treasurer, Nicole Whittington

Response to “Hurricane Harvey Payroll – Payroll Internal Audit”

Observations and Findings:

1. The Declaration of Disaster for Chambers County:

Findings:

The week of 8/28/2017 (for payroll dated 9/1/2017), I made every effort (even called secretaries at home) to receive the appropriate work hours for each employee, for whom a timesheet was not submitted.

If there wasn't a timesheet received for an employee, for payroll dated 9/1/2017, the timesheet was later received and the employees were compensated accordingly for their hurricane Harvey related work hours (8/25/2017 – 8/26/2017) with payroll dated 9/15/2017.

Every effort was made to receive the timesheets (and all related daily activity logs), and I am not aware of any employees, whom were not compensated for this specific time period.

If it is determined any employees didn't submit a timesheet, and should have been paid, with payroll dated 9/1/2017, due to hurricane Harvey related work hours; employees will be compensated after this determination is made.

Recommendation:

Yes, Incode does have the capability to allow departments to manually enter time worked and leave time taken. Since the conversion to Tyler Technologies/Incode in December 2015, me and my staff member have learned and mastered the payroll system. We always knew of the option to implement this feature, but we wanted to have time to be comfortable enough with the payroll system, to assist our departments with input. Prior to Hurricane Harvey, I started the initial process to implement this feature. Since then, this project was put on hold, to complete other time sensitive projects. I will now proceed with the final phases to implement this feature. I will then make sure me and my staff member have the proper training and understand all the “ins and outs” before

allowing our departments to enter their timesheets. We have to understand the process, to ensure proper input and balancing of each payroll.

2. Exempt Employees:

Findings:

When it was determined exempt employees would be paid (due to special provisions) for their hurricane Harvey related work hours, they were paid accordingly beginning on 8/25/2017; there wasn't any determination made that the exempt employees would be compensated as non-exempt employees prior to 8/25/2017. The exempt employees were paid for every hour worked, at their overtime rate of pay, for hours worked on 8/25/2017 and 8/26/2017. The Emergency Conditions Pay Policy was approved on 10/10/2017, for the pay period 8/27/2017 through 9/9/2017. Therefore, there were no adjustments made to paid hurricane Harvey related work hours prior to this date.

Recommendation:

Yes, the Chambers County Personnel Policies needs to be amended to reflect the Emergency Conditions Pay Policy. When the policy was approved, we were reviewing other policies within the manual to possibly be updated. I had hoped to update and submit all together. However, that hasn't happened. The updated policies manual will be submitted to Commissioners Court on 2/27/2018.

We notified all existing employees about the new policy, as a payroll staffer, with payroll dated 10/20/2017. Since this time, new employees have received a copy of the Emergency Conditions Pay Policy, by mail.

3. August 27, 2017 – September 2, 2017 County Closure:

(A) Findings:

I agree.

(B) Findings:

Based on the current Emergency Conditions Pay Policy, all employees covered under the CBA, only received (40) hours of emergency pay, instead (42) hours of emergency pay, based on their required work week of (42) hours.

Recommendation:

If the Emergency Conditions Pay Policy is amended, to reflect "normal 40/42 work week"; eligible employees will be compensated an additional (2) hours accordingly.

4. September 3, 2017 – September 9, 2017:

Findings:

I agree.

5. Paid Leave Time:

Findings:

1) Prior to payroll dated 10/27/2017, salary for all full time employees was entered/displayed as “1” unit, denoting the full time employee’s biweekly salary.

All paycheck stubs also identify leave time taken by a full time employee.

Part time employee’s payroll check stubs has always identified their hours worked.

After processing payrolls, in regards to Hurricane Harvey, we realized the issue with time reporting/notations on our paycheck stubs.

As of payroll dated 10/27/2017, all exempt employee’s salaries are still identified by “1” unit. As exempt employees work hours are not tracked.

As of payroll dated 10/27/2017, all non-exempt employee’s specific hours being paid, during a pay period, are identified.

Overtime hours worked and compensation are also identified.

For reference, please see attached.

Recommendation:

When we initiate the implementation of departments entering their own timesheets, we will also determine how to enter/display paid time worked, paid leave time taken, and paid holiday taken on paycheck stubs; instead of combing all into hours worked.

Findings:

2) Holiday Pay –When the worksheets were created, to adjust employees pay on 10/20/2017, due to the approved Emergency Conditions Pay Policy, we were so focused on correcting pay for actual hours worked, we inadvertently did not also include holiday pay. This was just an oversight.

Recommendation:

After confirmation, non-exempt employees will be compensated for holiday pay.

Overall Conclusion:

When Hurricane Harvey blew into town, the Judge and Commissioners Court immediately took action to protect and serve the residents and employees of Chambers County.

And with this, there were decisions made which affected payroll and our employee's compensation during the noted period.

Although there may have been some errors made, the HR Department did their due diligence in processing all compensation to our employees. It was never our intention to make any errors, or under compensate any of our employees.

I don't feel as though the departments not being able to input their own timesheets had a direct effect, nor would their input have alleviated the issues.

As stated, we now have an Emergency Conditions Pay Policy in place, and this policy should eliminate these errors in the future.

After you have reviewed my findings and recommendations; I welcome reviewing your audit report, and determining where the discrepancies were made and how to correct accordingly.

However, although there may have been some errors made in 2017, which need to be corrected; all 2017 reports (payroll taxes, unemployment taxes, W2 filing, and etc.) have been finalized and reported.

Once we determine the employees who are due additional compensation, we could process a special payroll, and I recommend the following:

- Pay/post cash in 2018 (at the employee's 2017 rate of pay);
- The additional compensation would be included in the employee's 2018 salary total;
- When the special payroll is processed, the entries will be posted in 2017;
- So, the additional compensation would be reflected in the correct budget year/2017

Thank you,
Nikki