



# Harris County Auditor's Office Newsletter



**Michael Post, CPA**  
County Auditor

**August  
2018**



## Auditor's Office

**Michael Post**  
County Auditor

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## Audit Division

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**Bobby Cato**  
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**C. Patrick Rodriguez**  
Director  
Continuous Auditing

**John Steen**  
Director  
Compliance Audit

## *Harris County STARS Update!*

We know it has been a while since we've communicated to all County employees about the STARS/PeopleSoft project, but rest assured, the project team has been steadily at work aligning the stars!



**Merle Ray**  
ERP OCM  
Project Team

As a reminder, the Shared Technology & Reporting System (STARS) is our new Enterprise Resource Planning system using the PeopleSoft platform, replacing IFAS. The project team has been reaching out to various subject matter experts in the County, working together as we prepare for the implementation.

### **New Rollout Dates**

We continue to take a phased approach, launching Payroll and Human Resources functionality first, followed by Accounting, Finance and Purchasing. The new proposed rollout dates are as follows:

- January 2019: Payroll and Human Resources; to correspond with the payroll year end.
- March 2019: Accounting, Finance and Purchasing; to correspond with the County's fiscal year.

In addition to corresponding to the payroll and fiscal years, these new dates will provide more time for in-depth testing.

## **Communication and Training**

With the understanding that communication and training is important, the project team will utilize many communication channels including working with key contacts in each department to filter communications to employees in their department.

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Communications will also be posted on our new STARS website, which includes a place to submit any questions you may have. For easy access to the STARS site, use the following url: <https://stars.webhc.hctx.net/SitePages/Home.aspx>.

We also understand that training is critical for an implementation of this size. A train-the-trainer approach will be utilized in which the project team provides training and resources necessary for select individuals within the various departments to then be able to train employees within their department.

### **Opportunity Knocks**

Because one of the primary goals of implementing STARS is to replace IFAS, if you currently perform functions within IFAS, those functions will be performed in STARS instead. However, replacing IFAS is not our only goal. We are also taking the opportunity to review our current processes, make improvements, and implement best practices.

### **Notable Payroll and Human Resources Changes**

Following is a summary of some of the more notable Payroll and Human Resources changes. Depending on your department's operation, some of these changes may not be relevant to your department. Check with your organization's HR representative or your Department Manager if you have questions about a particular change item, and watch for more information about changes as we get closer to rollout.

#### **Time Entry**

- Employees enter their time in an online timesheet instead of completing a paper timesheet for timekeepers to enter; no more paper timesheets requiring employee signature.
- Times entered as 'in' and 'out' wall clock times; not elapsed time. This also eliminates the need for timekeepers to round time to the tenths when entering time.
- Employees indicate on timesheet if time is charged to a project or grant.
- Managers approve time online and time editors and managers can enter or correct employee time.
- Employees will no longer need to enter holiday hours; they will be automatically added.
- Per existing policy, the work week begins at 12:01 am on Saturday and ends at 12:00 am the following Saturday.
- Employees will no longer need to record special hour types such as T, U, Z and K on their timecards. This information will be automated. In addition, employees will record Disaster (D) time using project codes, instead of a separate hour type on their timesheet. All hours will be entered as worked.
- Online timesheets enable employees to submit timesheets as late as the Monday following the pay period, eliminating the need to estimate time and turn in timesheets early for time entry clerks to enter. Time entry clerks will have the ability to enter time for an employee if necessary.
- Corrections will be made online and picked up on next payroll; supplemental payroll correction form and supplemental payrolls for corrections are no longer needed.
- Accrual balances will be displayed on timesheet and validated immediately.

#### **Vacation, Sick and Floating Holiday**

- Employees can take Floating Holiday in any increment instead of 8 hour increments only.
- Employees can take Sick leave as soon as it is earned instead of waiting until after 2 full months of employment. Sick time will be accrued at 3 hours per pay period; no more pro-rating based on paid hours.
- Vacation accrual rate will be the same for each pay period, instead of having an additional amount accrue on an extra pay period. The yearly amount is not changing; it is simply being divided evenly among all 26 pay periods.
- Vacation and Floating Holiday maximum balances will be enforced. Employees will not be able to make changes to a previous payroll if they realize after the fact that they have exceeded their maximum.

**Overtime and Comp Time**

- Employees scheduled to work less than 40 hours a week will receive pay instead of Comp time for hours worked up to 40 hours.
- Comp time will only be earned when employee paid hours are over 40 hours in a week.
- The system will no longer assume Comp time if not enough hours are posted; Dock time will be used. If an employee wants to use Comp time, they must enter it on their timesheet.
- Comp time will be reflected in balance at the end of the week and can be taken the following week. No need to record and take Comp time within the same week as long as hours for the week equal 40. Please note, this is just a change to how Comp time is recorded.
- Overtime when a non-exempt employee exceeds 240 hours of Comp time will be paid in the period it is earned instead of the following pay period.

**Employee Information Online**

- Employee self-service tasks (such as, but not limited to, viewing paystubs and updating emergency contacts) will only be accessible from within the County network (behind firewall). Eliminating the ability to access this information outside of the County's network provides increased security of employee information.

**Benefits**

- Deduction amount for benefits will be spread out evenly over all 26 paychecks instead of 24 paychecks. Please note, the yearly total amount is not changing.
- Employees will enter enrollment changes online instead of using a paper form given to a benefits coordinator.
- Benefits for new employees are effective at beginning of a pay period, following 75 days of employment, instead of beginning of calendar month following 2 months of employment.
- Benefits Coverage will be based on a 2-week period versus semi-monthly period.
- Benefit changes will be effective on the first day of a pay period instead of the 1st or 16th of a month.
- Employees will need to enter Life and Optional Life beneficiary information.

**Car Allowance**

- Car allowances will be given on a monthly basis, eliminating the need to code a C on a timesheet.
- For vehicle usage, employees will enter their non-vehicle usage days on their timesheet.

**Other**

- All employees will have an Active Directory account.
- If an employee transfers to a new department, their County employment history transfers with them.
- New "Reports To" feature provides functionality, such as approval routing, manager self-service functions, and organization charts.
- Position numbers are changing.
- Employee IDs that begin with a letter will have the letter removed. This only applies to CSCD, Flood Control, and E911.
- Employee IDs that are only 5 digits in length will have a leading 0 added.

**Questions or Comments**

1. Use the Got Questions or Feedback link on the STARS website.
2. Email: [ERPCommunications@hctx.net](mailto:ERPCommunications@hctx.net)

## County Recovers \$268K in Unclaimed Property

In May 2018, The Harris County Auditor's Office received \$268,473.52 from the Texas Comptroller of Public Accounts Unclaimed Property Division for the recovery of unclaimed property due to Harris County. The claim was initiated in March 2018 and included 1227 individual amounts that comprised the total claim.



**Dan Baumele, CPA**  
Director  
Budget & Special  
Projects

The Auditor's Office worked with the State Comptroller to initially identify a population of potential unclaimed properties. Once received, the Auditor's Office analyzed the list to determine which properties did indeed belong to the county and worked to obtain supporting documentation. This included support that the addresses listed were owned by Harris County and/or that amounts were due to current or past County Tax-Assessor Collectors or County Clerks.

### What is Unclaimed Property?

Per the Texas Official Unclaimed Property website at [claimit.texas.org](http://claimit.texas.org), "Since 1963, Texas has required institutions, businesses and governmental entities to report to the state any personal property that has been unclaimed for up to five years, depending on the property in question.

Unclaimed property does not include real estate or vehicles. However, it can be in the form of abandoned assets such as:

- Dividend, payroll or cashier's checks
- Stocks, bonds or mutual fund accounts
- Utility deposits and other refunds
- Bank accounts and safe deposit box contents
- Insurance proceeds
- Mineral interest or royalty payments
- Court deposits, trust funds or escrow accounts
- Overpayments on insurance, utilities and other bills

Companies often use the term "escheat" when they have transferred abandoned funds to the state. The company has simply "reported" those funds. The state holds those funds until the rightful owner comes forward and is able to prove ownership. There is no statute of limitations for unclaimed property. Funds reported remain with the State Comptroller indefinitely until returned to their rightful owner."

The Auditor's Office plans to perform a search for unclaimed property on an annual basis going forward.

## Grants to Aid Hurricane Harvey Recovery Efforts

From August 23 - September 15, 2017, Harris County sustained significant damage from major flooding that resulted from torrential rainfall associated with the landfall and slow movement of Hurricane Harvey. As a result, a Presidential Disaster Declaration was declared on August 25, 2017, (FEMA DR-4332) that included Harris County.



**Paul Wilden, MBA**  
Manager  
Grants Accounting

A total of 1 trillion gallons of water fell across Harris County over a 4-day period. This amount of water would cover Harris County's 1,777 square miles with an average of 33.7 inches of water. More than two dozen rainfall gages registered seven-day readings topping 40 inches, with a maximum rainfall of 47.4 inches near Clear Creek at Interstate 45. (Keep in mind that Harris County generally receives an annual rainfall of about 50 inches per year, and our county received this much rainfall in just a few days.) This unprecedented storm event impacted the residents of each of Harris County's 22 watersheds and it is estimated that more than 150,000 structures were flooded in Harris County alone. The resulting devastation of Hurricane Harvey left the County with an unmet need of over \$12.5 billion in housing and infrastructure damage or failure to function.

### Homeowners, the Rental Market, and Infrastructure Support for Harvey Affected Areas

Harris County's Community Services Department has been working with HUD and the State of Texas General Land Office (GLO) over the past year and the County has been allocated \$1.115

billion out of a \$5.024 billion HUD Community Development Block Grant Disaster Recover (CDBG-DR) allocation to the GLO. Residents and projects within Harris County, but outside of the Houston city limits, are potentially eligible for this funding. The \$1.115 billion CDBG-DR grant funds will be primarily allocated and spent on "Housing" and "Non-Housing" (also known as "infrastructure projects").

Expenses for housing projects from this grant are planned to be approximately \$837 million and will consist of home repairs, new construction, buyouts, relocation assistance and restocking lost affordable rental housing by providing funds to purchase and rehabilitate Harvey impacted rental properties and to fund the new construction of affordable multi-family housing projects.

Non-housing or "infrastructure" projects from this grant will be approximately \$209 million and will consist of a Commercial Buyout Program and provide disaster relief, long-term recovery, and restoration of infrastructure for Harris County communities impacted by Hurricane Harvey.

### **Preparing Harris County for Future Storms**

The Flood Control District team of engineers, scientists, surveyors, maintenance and construction crews, and technical experts has been working continuously since the storm to address immediate needs, infrastructure repairs, maintenance activities, and debris removal as a result of Hurricane Harvey. They will also continue to accomplish their mission by devising and implementing flood damage reduction plans in anticipation of new information collected during Harvey to apply to future storm events. These flood damage plans could include the implementation of channel modifications, detention basins, and potential nonstructural flood mitigation tools (floodplain preservation, voluntary home buyouts, etc.) to improve our region's resiliency.

The Flood Control District considers a number of factors in prioritizing drainage infrastructure repair projects, including whether the damage poses an immediate and severe threat to residential or commercial areas, or to public infrastructure such as utilities or schools. Repairs such as sinkholes and slope failures, failed outfall pipes and concrete voids also are prioritized according to severity.

The Flood Control District has been awarded over \$90 million and applied for another \$90+million in grant funds from the Natural Resources Conservation Service, FEMA and other agencies for making these Harvey flood repairs and mitigation. While the focus is on areas that

qualify for federal disaster funding, other areas requiring maintenance repairs have been added to the projects in some cases, and will be constructed using available local funding.

### **Public Assistance Grant to Harris County**

Public Assistance (PA) is aid from FEMA to state or local governments to pay part of the costs of rebuilding a community's damaged infrastructure, which may include debris removal, emergency protective measures and public services, repair of damaged public property, loans needed by communities for essential government functions and grants for public schools.

At least 120,000 homes were flooded or damaged by the massive amount of flooding which resulted in massive amounts of debris being removed. There were over 3 million cubic yards of debris picked up and disposed of at a cost of over \$50 million. Harris County also had significant amounts of damage to its facilities, vehicles and equipment as a result of the flooding.

Harris County has applied for over \$219 million in Public Assistance funds from FEMA through the Texas Department of Emergency Management (TDEM) to cover 407 identified Harvey related projects within the county.

In total, Harris County and the Flood Control District have received or applied for over \$1.5 billion in grant funds to help Harris County and its residents recover from Hurricane Harvey and to help prevent future flooding within the county and surrounding areas.

For additional information on these grants please contact Paul Wilden, at (832) 927-4625.

## Auditor's Office Creates New Vendor Verification Team

It was deja vu for the Harris County Auditor's Office upon reading the June 2018 news headline, "GALVESTON COUNTY TREASURER: COUNTY TREASURER SENDS \$500,000 TO SCAM BANK ACCOUNT." Only 8 months prior, in October 2017, the same fraudulent attempts were made on the Harris County Auditor's Office. Someone posing as an accountant with a local construction company submitted a fraudulent form and voided check via email to change the company's bank settlement instructions and Harris County sent an electronic payment to the false bank account.



**Derryle Simpson,**  
MBA  
Manager  
Revenue Accounting

The construction company contacted the County Auditor's office about not receiving the payment and the County Treasurer's Office, working with the depository's bank, was able to recoup the payment.



**JoAnn Lloyd,**  
CPA  
Lead Accountant

In order to improve internal controls and security related to vendor payments, the Auditor's Office formed a Vendor Verification Team (VVT).

The VVT's primary responsibility is to independently authenticate the vendor master file changes, including changes in bank routing instructions for payments. The VVT utilizes a combination of verbal confirmations and independent research to validate changes to a vendor's bank settlement instructions and/or address information. For authentication purposes, the team does not utilize the information provided in the vendor's request but instead utilizes independent verification tools such as Bloomberg, the Texas Secretary of State, WhitePages Pro, the Texas State Bar, Google, existing IFAS information, county property records, and various governmental licensing agencies. Most importantly, the VVT calls each vendor to verbally confirm their bank settlement instructions and addresses. Also, vendors who conduct business with Harris County

must provide a valid W-9 Form, which is validated via the Internal Revenue Service (IRS) Tax Identification Numbers Database.

Another type of attempted financial cyber fraud experienced by Harris County involves the attacker actually gaining access to a vendor email account and then using this legitimate account to spoof the owner's identity, asking for a change in bank settlement instructions. These types of cyber threats are classified as Business Email Compromises (BECs) by the Federal Bureau of Investigations and the United States Secret Service. BEC crimes rely on deception whereby scammers impersonate authorized vendor personnel. The scammers then target employees with access to company financial records and trick them into making wire transfers to fraudulent bank accounts. In 2017, the FBI's Internet Crime Complaint Center (IC3) received 15,690 BEC complaints with adjusted losses of over \$675 million. Comparatively, in 2016, the IC3 received 12,005 BEC complaints with adjusted losses of over \$360 million. This 87 percent increase in financial losses confirms that cyber-enabled financial fraud is on the rise globally. In addition to utilizing multi-layer intrusion methodologies, scammers are increasingly more sophisticated and technically resourceful. Although scammers work consistently, the FBI reports that scammers are even more active during periods of natural disasters, holiday seasons and internal management changes.

The VVT has also ventured into the world of Cadence Bank wire transfers. Texas Local Government Code, Section 113.043 reflects that, "the county treasurer and the county depository may not pay a check or order unless it is countersigned by the county auditor to validate it as a proper and budgeted item of expense." Funds Transfer Requests are approved by designated Auditor's Office personnel. The Treasurer's Office is responsible for analyzing all Funds Transfer Requests to ensure proper departmental approvals before entering the wire instructions into the Cadence Bank system. Once wires are submitted via Cadence, the VVT independently reviews and approves each wire. Budget Management provides a secondary approval before the wires are finally released by the Treasurer's Office. The objective of this independent review is to ensure compliance with the Texas Local Government statutes, increase oversight and minimize errors.

In summary, the addition of the VVT allows the Harris County Auditor's Office to utilize best practices to prevent vendor fraud on a daily basis. In anticipation of the upcoming ERP implementation, the VVT looks forward to

incorporating PeopleSoft's capabilities and features, which will enhance the team's overall workflow. The Harris County VVT, in conjunction with the PeopleSoft suite, is a definite step in the right direction for the future fight against fraud.



**Vendor Verification Team:** (Standing L-R) Derryle Simpson, JoAnn Lloyd, and Reagan Sharkey. (Seated) Alina Valtierra and Janice Butera.

## *Is the County Required to Escheat Unclaimed Property?*

For a seemingly simple question, the answer is somewhat complex, but holding true to form in the accounting world, the short answer is, "it depends."



### **Background**

In 1996, the State of Texas, at the request of the state treasurer, brought action against the treasurer and county clerk of Dallas County seeking to compel them to deliver to the State reports of certain unclaimed or abandoned property in their possession, as well as the property itself. The trial court held that the uncashed checks were not abandoned property subject to unclaimed property statutes. The State appealed the trial court's decision and ultimately the case ended up before the Supreme Court of Texas, who upheld the lower court's decision.

**Leslie Wilks Garcia, CPA**  
Chief Assistant  
Audit Division

Unclaimed property is defined as a financial asset that has been abandoned by the owner for periods of one to fifteen years. The abandonment period is the number of years that you hold the property before sending it to the Texas Comptroller of Public Accounts (Comptroller). The amount of time the abandoned property is held by the holder depends on the source of funds from which the abandoned property originated.

Escheating is the vesting of title (ownership) of property to the State or County. There are certain statutes in the Texas Property Code (TPC) – Title 6, Chapters 72 through 77, as well as the Texas Local Government Code (LGC) that govern the requirements of when unclaimed property must be escheated. There are statutes that govern when property is presumed abandoned, what type of property is applicable, which types of funds are exempt and for those funds that are exempt, there are statutes that prescribe where the unclaimed property is eventually transferred.

### **Applicability**

Before diving into the rules around who is required to escheat unclaimed property, we will first look at the exceptions.

LGC §116.116 (c) states, "An order for payment or check...issued by the county treasurer in settlement of a claim against a county that is not presented for payment before the 366<sup>th</sup> day following the date of issuance is overdue and nonnegotiable. The sum of the overdue order or check shall be credited as revenue to the county if delivery to the payees was attempted or occurred within a reasonable time following the issuance of the order or check. No right to full settlement of a proper unpaid claim is extinguished by this subsection." This means that rather than escheat the funds, the County recognizes certain unclaimed checks as defined by LGC §116.116 (c) as revenue. However, if the owner later claims the property, the County must reissue payment.

One of the key factors in determining when unclaimed property can be recognized as revenue of the County is that the payments must be issued by the County Treasurer. County Auditor's Procedure, D.14, *Unclaimed Property*, identifies property not subject to abandonment procedures based on this subsection, which includes outstanding central disbursing vendor payment checks, payroll checks, and jury checks. The exception to this provision is checks valued at \$100 or less which, in accordance with TPC Chapter 76, shall be delivered to the County Treasurer and held in an unclaimed money fund. The Harris County Treasurer's Office maintains an unclaimed property list for these items on their website at <https://treasurer.harriscountytexas.gov/pages/unclaimedproperty.aspx>.

Now that we have identified some exceptions, we'll take a look at the rules (and another applicable exception). LGC §117.002 provides that any registry funds and other trust funds (including guardianship trust accounts) be reported and delivered by the County or District Clerk to the Comptroller without further action by any court. An exception to this requirement, as upheld by the Supreme Court of Texas, is cash bail bonds, which require reporting but not release to state or local treasurer without order.

Harris County's Fee Officer Fund falls under LGC §117.002. During the 2018 reporting period, \$43,672.68 of uncashed checks were remitted to the Comptroller.

### Complexities

One level of complexity is identifying departments that have specific rules that only apply to them. As previously noted, cash bail bonds is an example of this. Another example is TPC Chapter 77, which applies specifically to unclaimed crime victims restitution payments held and reported by county probation departments. House Bill

1866 relating to crime victims restitution payments became effective September 1, 2017, requiring County and probation departments to file all historical data by March 1, 2018, and begin filing annual reports electronically by July 1 of each year, with the first report due July 1, 2018. Each holder who on March 1 holds an unclaimed restitution payment that is presumed abandoned under LGC 76.013 or 508.322 shall deliver the property to the Comptroller on or before the following July 1, accompanied by the annual report. For County and probation departments, if there is no property to report for crime victim's restitution, a negative report is required. Whereas other organizations that have determined they are not holding abandoned property are not required to file a negative report.

Another element of complexity is that different rules may apply to unclaimed property that result from a single business process. For example, property tax refunds due to duplicate payments and unclaimed refunds due to change in the tax roll are subject to escheatment whereas property tax refunds caused by erroneous and overpayments become revenue of the collecting county and may be deposited to its general fund after a stated period of time.

If a County department is uncertain as to the applicability of unclaimed property statutes related to any of their funds, we encourage them to contact the Harris County Auditor's Office for further guidance.

For additional information, the Texas State Comptroller provides user-friendly instructions in their publication, *Unclaimed Property Reporting Instructions 2018*, which is available online at <https://claimit.texas.org/docs/96-478.pdf>.



## *What is a 1099 and Why Would I Ever Receive One?*

The IRS Form 1099 is an "information return" form issued to tax payers (i.e. vendors) for income they receive during a given year in connection with the payer's (i.e. Harris County) trade or business.



**Reginald Yancey, CPA**  
Director  
Accounts Payable

While most of us are familiar with employee income (wages, salaries, and tips) and know that those get reported on the IRS Form W-2, the Form 1099 is used to report other kinds of income received by tax payers throughout the course of the year. There are 19 different types of Form 1099's, however, Harris County typically deals with only the Form 1099-MISC, Form 1099-R, and the Form 1099-INT as discussed below.

### **1099-MISC Form**

The Form 1099-MISC is an IRS tax return form used to report miscellaneous payments made to nonemployee individuals, such as independent contractors, during the calendar year. These are filed for each person to whom an employer has paid at least \$600 in services, rents, prizes or awards and other income payments or at least \$10 in royalties or broker payments in lieu of dividends or tax-exempt interest.

Since the IRS considers all 1099 payments taxable income, recipients of 1099 payments are required to report them on their tax return. Even if as an independent contractor you earned less than \$600 and the payer was not required to send you a 1099-MISC, you still should report the amount as self-employment income. That's right, Uncle Sam always gets his fair share.

Prior to issuing the 1099-MISC forms, information stored in the County vendor master file gets compared electronically to what the IRS has on file to ensure that the information matches. In cases where information in the County vendor master does not agree with the information on file with the IRS, those particular vendors are contacted and new W-9 forms are requested from each. Wait a minute, aren't we talking about the 1099-MISC? What is this W-9 form about? The answer is simple. The W-9 form (also known as a Request for Taxpayer Identification Number and Certification form) is

an IRS form provided by the taxpayers (vendors) that contains their taxpayer identification number (TIN) or social security number along with their correct name and mailing address. It is used to confirm the vendor's TIN and helps to ensure that information reported by Harris County on the 1099-MISC is correct.

Before doing business with most vendors, Harris County receives from the vendor a valid W-9. All throughout the year, the Auditor's Office (HCAO) personnel work to ensure that select vendors in the County vendor master have valid W-9's on file and the information (name and TIN) matches that on file with the IRS.

Each year the HCAO sends out over 2,500 IRS 1099-MISC forms to the various vendors it does business with. Most are issued in connection with payments made to court appointed attorneys and other independent contractors that rendered their services to multiple county departments throughout the past year.

Below are some of the payment types made to select vendors in the course of business that are included for 1099-MISC reporting are:

- Rent Payments
- Other income payments
- Payment for services performed by someone who is not an employee
- Medical and health care payments
- Payments to an attorney

Payments made in the course of business that are excluded from 1099-MISC reporting:\*

- Payments made to a corporation (including an LLC that is treated as a C or S corporation) are not reported on the 1099-MISC unless the payment is to a corporation for:
  - Medical and health care payments
  - Attorneys' fees (reported in box 7)
  - Gross proceeds paid to an attorney (reported in box 14)
- Wages paid to employees
- Business travel allowances paid to employees
- Payments to tax exempt organizations
- Payments made to or for homeowners from the HFA Hardest Hit Fund or similar state program
- Fees paid to informers
- Scholarships

*\*Of the payments that are not reportable on the 1099-MISC, some may be taxable to the recipient and reported on other IRS forms. For a comprehensive listing of exceptions and a detailed explanation of what is taxable, see IRS Instructions for Form 1099-MISC.*

Even after the verification process is complete and the 1099-MISC forms have been mailed to recipients, some items are returned due to invalid addresses. When this occurs the vendors are contacted and updated W-9s are requested at that time. Copies of the 1099-MISC forms are kept on site in a secure area with access restricted to select Accounts Payable personnel. This allows Accounts Payable to provide copies to payees that may have misplaced or simply not received their 1099-MISC in the mail.

**1099-R Form**

IRS Form 1099-R is used to report distributions from pensions, annuities, retirement or profit-sharing plans, IRAs, insurance Contracts, etc. The Internal Revenue Code places a limit on the annual level of annuity that the Texas County and District Retirement System (TCDRS) can pay to retirees. In order to assure that former Harris County employees receive their full annuity, a "qualified replacement benefit arrangement" (arrangement) that is funded solely by Harris County was created. This arrangement takes care of any annuity shortfalls created by the limits and is paid out at the time the retiree reaches the shortfall benefit as determined by TCDRS and IRS regulations. Each year a small number of employees receive 1099-R Forms which show the amount of the short fall paid as well as the amount of federal taxes that were withheld. Historically these payments are not incurred until the last quarter of the calendar year. It is worth noting that the County's participation in this arrangement is voluntary and can be terminated at any time with the consent of TCDRS. As is the case with the 1099-MISC Forms, 1099-Rs are mailed to the recipients each year with copies maintained in the Accounts Payable Department for future reference.

**1099-INT Form**

Last on the list are payments made on IRS Form 1099-INT. This form is filed for each person/entity in which payments of at least \$10 were made for interest, interest on U.S. Savings Bonds and Treasury Obligations, or Tax-exempt interest. It is also used to report any foreign taxes withheld and paid on interest as well as federal income tax withheld (and not refunded) under the backup withholding rules regardless of the payment amount.

Each year the Harris County Treasurer and the District Clerk's Office issue 1099-INT Forms for interest payments made on Bail Bond Accounts and Court Registry Accounts respectively. Both the Treasurer's Office and the District Clerk's Office take the steps necessary to ensure 1099-INT reporting is done as accurately and timely as possible.

*To read more about the forms discussed in this article, please visit the IRS website at IRS.GOV.*

*The information discussed in this article is not intended and should not be taken as tax or legal advice. It is for informational purposes only. Consult with an attorney or tax accountant regarding the most current legal and tax developments.*

Form	Income Description
1099-A	Acquisition or Abandonment of Secured Property
1099-B	Proceeds From Broker and Barter Exchange Transactions
1099-C	Cancellation of Debt
1099-CAP	Changes in Corporate Control and Capital Structure
1099-DIV	Dividends and Distributions
1099-G	Certain Government Payments
1099-H	Health Coverage Tax Credit (HCTC) Advance Payments
1099-INT	Interest Income
1099-K	Merchant Card and Third Party Network Payments
1099-LTC	Long-Term Care and Accelerated Death Benefits
1099-MISC	Miscellaneous Income
1099-OID	Original Issue Discount
1099-PATR	Taxable Distributions Received From Cooperatives
1099-Q	Payments From Qualified Education Programs
1099-R	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
1099-S	Proceeds From Real Estate Transactions
1099-SA	Distributions From an HSA, Archer MSA, or Medicare Advantage MSA
RRB-1099	Railroad Retirement Board Statement
SSA- 1099	Social Security Benefit Statement

## *The Ins and Outs of Public Information Requests*

The Texas Public Information Act (TPIA) was approved by the Legislature in 1973. It can be found in [Chapter 552 of the Texas Government Code](#). The TPIA applies to all governmental bodies, including all boards, commissions, and committees created by the executive or legislative branch. It also may apply to a body that is supported by public funds or that spends public funds. Private organizations that hold records for governmental bodies are also covered, however, private individuals and businesses are not covered even though they supply goods or services through a government contract.



**Angie Moore**  
Sr. Procedure Analyst  
Systems & Procedures

Public information refers to information collected, assembled, produced, or maintained in the course of transacting public business. It may be on paper or film or in electronic communications such as emails, internet postings, attorneys' fees paid by a governmental body, or the front page of a police report. Some exceptions to disclosure include certain information in personnel records, pending litigation, competitive bids, trade secrets, real estate deals, and certain legal matters involving attorney-client privilege. Records that would hinder the investigation or prosecution of a crime if they were released are also exempt from disclosure.

To request a record under the TPIA, it must be in writing by letter or via email or fax. A governmental body or agency can charge for copies of the information, but the fee cannot be used to discourage someone from asking for information. A governmental entity can also waive copying charges. To avoid charges, the requester can ask to view the records in person on the premises of the governmental body.

Public information is supposed to be released "promptly." There is a misconception that a governmental body or agency has 10 days to release information. The 10-day mark is the deadline for a governmental body to either provide the information, notify the requester

that it is still compiling the information and provide an estimated completion date (continuous communication is key), or if it contends that all or part of the information is not public; to ask for an Attorney General's decision (generally working with and through the County Attorney's Office) allowing it to withhold the records. After a ruling is sought, the Attorney General then decides within 45 days. The person making the original request can also offer written comments to the Attorney General. If a governmental body fails to seek an Attorney General decision in time, the information is presumed to be public. When the Attorney General's Office agrees with a governmental body that information can be withheld from the public, the person making the original request has the option of filing a lawsuit in state district court to attempt to have the information released.

The processing of public information requests in Harris County is generally decentralized. That is, each department receives and processes their own requests, although departments often involve the County Attorney. All public information requests coming into the Auditor's Office are directed through the Systems & Procedures Department. Systems & Procedures processes about 35 requests per month related to information including vendor payments, financial and audit reports, pay records, as well as those we refer to other departments or agencies/entities. Upon receipt, a determination is made as to whether the Auditor's Office maintains the information that has been requested. If so, the request is sent to the respective Auditor's Office department for further processing. Once the information is gathered, it is returned to Systems & Procedures where it is reviewed for any information that is not covered under the TPIA, such as social security numbers.

Once the information has been approved for release, it is sent to the requester, usually via email. If the information that is requested is not maintained by the Auditor's Office, an email is generally sent to the requester with other department or agency contact suggestions. Timely and open communication with requesters is key to the Auditor's Office's success in processing public records requests.

As a courtesy to other departments within Harris County, when deemed appropriate and necessary, Systems & Procedures sends an email to other departments making them aware of public information requests that were received and are being processed if it has some relation to the respective department.

If a public information request is unclear or could be too voluminous, Systems & Procedures may reach out to the requester to gather more specifics. Sometimes, a specific timeframe is needed, or the correct spelling of a name will need to be verified.

One of the goals of the Auditor's Office is to provide open transparency regarding public information that is maintained by the County Auditor, and success in processing public information requests helps to meet that goal.

## *Differences Between Exempt & Non-Exempt Employees*

Employees whose jobs are governed by the Fair Labor Standards Act (FLSA) are classified as either exempt or non-exempt. Non-exempt employees are paid at least the federal minimum wage for all hours worked and overtime pay at a time and one-half the regular rate of pay for all hours worked over 40 hours in a work-week. Bona fide administrative, executive, professional, and computer-related professional employees are considered exempt "white collar" employees under the FLSA. This means they are not covered by the minimum wage, overtime and certain recordkeeping requirements of the law. The tests for determining exempt status measure the actual job duties and responsibilities of the employee, not the job title.



**Linda Dougherty**  
Assistant Director  
Payroll

County Auditor's Form 130, *Determination of Wage/Hour Law Exemption*, is used to determine whether an employee qualifies for one of the exemptions defined. To qualify for any of the "white collar" exemptions, employees generally must meet the salary basis test and the job duties test. Whether an employee qualifies for one of the exemptions defined on the form cannot be determined by the job title or job description. The department must base the determination on an accurate analysis of what the employee actually does on a day-to-day basis.

Determination of Wage/Hour Law Exemption is divided into categories based upon type of primary duty performed. Primary duty is defined as the principal, main, major or most important duty that the employee performs. Factors considered when determining an employee's primary duty include but are not limited to:

- The relative importance of the exempt duties as compared with other types of duties;
- The amount of time spent performing exempt work;
- The employee's relative freedom from direct supervision;
- The relationship between the employee's salary and the wages paid to other employees for the kind of non-exempt work performed by the employee.

Generally, employees who spend more than 50% of their time performing exempt work will satisfy the primary duty requirement.

Each of the following categories state factors to be considered in determining exempt status:

- Personal Staff/Polycymaker
- Executive Employee
- Professional Employee
- Computer Employee
- Administrative Employee

The final section asks the question: "*Is this employee exempt?*" If the answer is "yes," the form must be signed by the employee, supervisor and Department Head or designee. This form should be sent to the Auditor's Office – Payroll Department as soon as possible and the FLSA status will be amended from non-exempt to exempt. Any questions about whether an employee is exempt should be directed to the Harris County Attorney's office. Exempt status will have an effective date of the first day of the next pay period.

## *Harris County Awarded 3rd Transparency Star from Texas Comptroller*

Texas Comptroller Glenn Hegar announced Harris County as the latest local government to achieve specific transparency goals related to both debt obligations and public pensions through the Comptroller's Transparency Stars program. In April 2018, Harris County received a Transparency Star in the area of debt obligations, which recognizes entities whose websites show visual and narrative detail on outstanding debt, tax-supported debt obligations, historical bond elections and more.

In July, 2018, Harris County received a separate Transparency Star in the area of public pensions, awarded to local governments whose websites provide visual and narrative explanations of actuarial valuations, contribution rates and benchmark comparisons and meet other criteria.

Transparency Stars recognizes local governments that provide easy online access to important financial data.

"Harris County should be congratulated for its ongoing commitment to greater public trust. This effort achieves the goals set by our Transparency Stars program," Hegar said. "Transparency is increasingly important to Texas taxpayers. With this achievement, Harris County has shown itself to be a leader in responsible fiscal management."

The Comptroller's office launched the Transparency Stars program in March 2016 to recognize cities, counties, school districts and special purpose districts making important strides toward greater government transparency. After receiving a Traditional Finances Star, local entities can go on to apply in other areas, for up to five stars in the areas of:

- Traditional Finances
- Debt Obligations
- Public Pensions
- Contracts and Procurement
- Economic Development



*Awards and Honors*

## Transparency Stars

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The Texas Comptroller of Public Accounts  
awards the **Harris County** the  
**Debt Obligations Star**

for exemplary efforts in creating financial transparency around public debt. The Transparency Stars program recognizes local governments across Texas that are striving to meet a high standard for financial transparency online. These efforts provide citizens with clear, consistent information about public spending in user-friendly formats.



April 4, 2018

*Awards and Honors*



## Transparency Stars

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The Texas Comptroller of Public Accounts  
awards the **Harris County** the  
**Public Pensions Star**

for exemplary efforts in creating financial transparency around public pension plans. The Transparency Stars program recognizes local governments across Texas that are striving to meet a high standard for financial transparency online. These efforts provide citizens with clear, consistent information about public spending in user-friendly formats.



July 17, 2018



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