



Harris County Auditor's Office Newsletter



Michael Post, CPA
County Auditor

August
2019



Auditor's Office

Michael Post
County Auditor

Accounting Division

Leslie Wilks Garcia
First Assistant

Jenny Ly
Director Payroll

Reginald Yancey
Director
Accounts Payable

Brandy Shaw
Director
Financial Accounting

Jolanda Smith
Director
Revenue & Financial Controls

Michelle Ramsey
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Grants & Accounts Receivable

Steve Hoza
Director
Systems & Procedures

Justin Alexander
Assistant Director
ERP Support Team

Executive Division

Dan Baumel
Director
Budget & Special Projects

Audit Division

Errika Perkins
Chief Assistant

Bobby Cato
Director Audit Services

C. Patrick Rodriguez
Director Information Systems
Audit

John Steen
Director Compliance Audit

STARS Preparations Continue

Preparation for the upcoming migration to the County's new STARS PeopleSoft Enterprise Resource Planning (ERP) system continues to move forward. Testing of the Payroll and Human Resources modules is underway. The module will not go live until the County is confident that payroll will both properly process individual paychecks and also allocate expenses to their proper function and/or grant for budget purposes.



Merle Ray, SPHR,
IPMA-SCP, CCP
ERP Support
Specialist

In addition, the accounting, finance, and purchasing modules are on track for a March 1, 2020 go-live date.

As a reminder, STARS is the County branded name of our new PeopleSoft ERP system that includes fully integrated accounting, finance, purchasing, human resources, and a self-service portal for employees and managers. The primary goal is to retire/decommission IFAS, which is near end of life. Additional goals include improved functionality, efficiency gains, better reporting, and access to information.

To assist in the implementation, the Executive Steering Committee (ESC) has been meeting weekly and includes representation from the Budget Management Department, the County Treasurer's Office, the Purchasing Department, Universal Services, and the County Auditor's Office. Members include Bill Jackson, Chief Budget

Officer, Dylan Osborne, County Treasurer, DeWight Dopslauf, County Purchasing Agent, Bruce High, Chief Technology Officer, and Mike Post, County Auditor. The primary function of the ESC is to take responsibility for the feasibility, business case, and achievement of outcomes of the PeopleSoft implementation project. Members of the ESC ensure business objectives are being adequately addressed and the project remains under control.

INSIDE THIS ISSUE:

- **STARS Preparations Continue**
- **Auditor's Office ERP Support Team Reorganized**
- **Why Should We F.E.A.R.?**
- **Formation of Harris County Audit Review Committee**
- **Auditor's Office Role in Hurricane Harvey Recovery Efforts**
- **Welcome Sharon Brantley Smith, Assistant Director, Harris Health Audit**
- **Auditor's Office Occupying Sweeney Building**
- **What Does the County Auditor Do?**
- **GASB 87 Brings Major Change to the Reporting of Leases**
- **The 86th Legislature Regular Session has Adjourned**

As follows, the new Auditor's Office ERP Support Team shares with you some of our most current knowledge and information as it relates to the STARS rollout and implementation.

PHASED ROLLOUT OF TIMESHEETS

Departmental Timekeepers

During the first rollout period, departmental timekeepers will continue entering all employees' time-sheets for payroll. This time entry will be performed in STARS. Employees will continue to report their time via paper timesheets to their departments until such time as each department's gradual rollout has taken place.

There are multiple benefits of this approach. First, it gives all departmental timekeepers an opportunity to learn the system and become subject matter experts. Second, it helps the County to identify types of questions employees may have, and enables the project team to address any issues or concerns.

Employees

The ability for employees to enter their own timesheets will gradually be rolled out to each department. The core project team will work closely with each department to ensure a successful rollout.

TRAINING UPDATE

Training officially began June 10 with training simulations and lectures presented to timekeepers and departmental HR employees. Kudos goes out to ALL County Departments! Each department ensured that their Departmental Timekeepers and HR staff were represented and participated in these initial training sessions. A total of 15 Time Entry sessions were held and included a total of 340 attendees. There were also 8 Human Resources sessions held with a total of 179 attendees.

COUNTY DEPTS REPRESENTED 

- ★ 1st and 14th Court of Appeals
- ★ Auditor's Office
- ★ Budget Management
- ★ Children's Assessment Center
- ★ Commissioner Precincts 1 - 4
- ★ Community Services
- ★ Community Supervision & Corrections
- ★ Constable Precincts 1 - 8
- ★ County Attorney's Office
- ★ County Clerk
- ★ County Criminal Courts at Law
- ★ County Judge
- ★ District Attorney's Office
- ★ District Clerk
- ★ Domestic Relations
- ★ Engineering
- ★ Fire Marshal's Office
- ★ Flood Control
- ★ Harris County Protective Services
- ★ Harris County Public Library
- ★ Institute of Forensic Science
- ★ Justices of the Peace (16)
- ★ Juvenile Probation
- ★ Office of Legislative Relations
- ★ Pollution Control
- ★ Pretrial Services
- ★ Probate Courts 1 - 2
- ★ Purchasing
- ★ Sheriff's Office
- ★ Sheriff's Civil Services
- ★ Tax Office
- ★ Texas A&M AgriLife Extension
- ★ Toll Road Authority
- ★ Universal Services

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Additional hands-on opportunities to go into the system prior to go-live are planned for individuals who currently have time entry and departmental HR security access.

TRAINING METHODS & OPPORTUNITIES

As promised, a variety of training methods are being utilized. For example, the County's training staff are in the process of completing a special Sneak Peek video to provide employees with a preview of the new paycheck stub.

PAYCHECK STUB SNEAK PEEK

HARRIS COUNTY 1117 Pumphrey Street, 4th Floor Houston, TX 77002 713.724.3000		Pay Owner: HCT HCT HOURLY Pay Begin Date: 08/15/2018 Pay End Date: 08/14/2018	Business Unit: 2030 Address: 400000007054221 Address Date: 08/12/2018
Leida Kuege 123 Pumphrey Blvd Houston, TX 77007	Employee ID: 131836 Department: 2030386-CYS ENTERPRISE SUPPORT SVCS Location: ANNEK 18 CTC BUILDING Specialty: J Job Title: X3181 Hourly	TAX STATUS: Federal Single TX State 0 Tax Status: 0 Allowances: 3 A.M.E. Payment: 0 A.M.E. Amount: 0	

HOURS AND EARNINGS				TAXES			
Description	Current	Earnings	Hours	YTD Earnings	Description	Current	YTD
REGULAR PAY	71.0	1,832.71	71.0	39,106.08	Fed MEDICAL	29.81	170.89
REGULAR OVERTIME PAY	3.0	206.48	3.0	206.48	Fed GAS/STATE	127.80	2,461.84
OVERTIME PAY	3.0	129.31	3.0	2,139.99			
TOTAL:	81.00	2,172.90	81.00	41,452.55		157.61	2,632.73

BEFORE TAX DEDUCTIONS		AFTER TAX DEDUCTIONS		EMPLOYER PAID BENEFITS	
Description	Current	YTD	Description	Current	YTD
BASE MEDICAL BY	109.34	2,140.49	R/C FED/CR UNION	500.00	1,800.00
DPHO BY	2.40	91.36	OPPOL/AL LTD	0.00	102.75
VISION BY	2.40	8.86			
YCERS RETIREMENT CONTRIBUTION	172.11	2,901.84			
NATIONWIDE DEFERRED COMP	23.00	400.00			
TOTAL:	312.25	5,663.55	500.00	1,902.75	

TOTAL GROSS	FED TAXABLE GROSS	TOTAL TAXES	TOTAL DEDUCTIONS	NET PAY
Current: 2172.90	1672.65	103.75	740.96	1,828.94
YTD: 41,452.55	30,019.39	1,811.28	7,581.96	26,206.15

NET PAY DISTRIBUTION	
Account Line	Amount/Percent
Account Line: XXXXXXXXXX	Amount: 1,828.94
TOTAL:	1,828.94

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Hours and Earnings shows amounts taken or applied for the pay period

Taxes

Before tax deductions and after tax deductions listed separately

Benefits paid by Harris County

Totals and Net Pay Distribution

The trainers have also been creating short online video presentations highlighting some of the Employee Self-Service functionality. One such video shows Time Reporting processes and how employees may be able to enter the system to report their time.

Another upcoming training video shows all employees how to access and use STARS Employee Self-Service, including routine tasks and employee processes such as:

- Name and address changes
- Benefits enrollment
- Life events
- Direct deposit changes
- W-4

The Departmental HR and Time Reporting power points are now posted on STARS website. As the other training materials are completed, employees may continue to access this information from the STARS website located at: <https://stars.webhc.hctx.net/training/SitePages/Home.aspx>.

Page 3

STARS Shared Technology & Reporting System > Stars Training

ABOUT STARS TRAINING

We understand that training is important to each Harris County employee (you). We want everyone to have the information and skills necessary to perform their job efficiently and effectively. Therefore, we will be providing training in a timely manner before new functionality is rolled out. How much training and the type of training for each employee depends on how each employee will utilize the new system. Some employees will utilize it daily to perform their primary job functions, while others might only access the system a few times a month.

Various methods of training will be used and may include methods such as instructor-led hands-on training, instructor-led presentations, online training and handouts.

More information about training will be provided as we get closer to rolling out STARS.

STARS RESOURCES

Training Resources for All Employees	Training Resources for Managers	HCM Department Reps & Subject Matter Experts	FSCM Department Reps & Subject Matter Experts
Stars Fundamentals	Stars Fundamentals	Human Resources	Finance/Accounting
Time Reporting	Manager Self - Service	Payroll	Purchasing & Supply Chain Management
Employee Self Service		Benefits Central	

SUMMARY LINKS

- Questions or Feedback: You may contact us anytime at ERPCommunications@CTS.hcbunet. We love communication!
- STARS Training FAQs: Find answers to commonly asked STARS training questions.

STARS TRAINING PLAN

- STARS Training Calendar: Browse Event Dates & Timelines
- Train - the - Trainer: STARS will use a "Train the Trainer" approach for business units and departments training on STARS.
- Variety of Training Methods: STARS will use a "Train the Trainer" approach for business units and departments training on STARS.
- Simulations (UPK): See It! Try It! Print It: Users logged into the STARS PeopleSoft system may engage in course exercises using Oracle's web based program. It allows you to interact with the system in a training mode.

Other methods of training include, but are not limited to:

- Job aids and reference materials,
- Classroom style train-the-trainer sessions (in which select individuals within each department are provided training and teaching materials to go back and train others in their department),
- Knowledge transfer sessions, and
- Updates on these tools and training methods are also posted to the STARS training website.

TRAINING FOR FINANCIALS IMPLEMENTATION

A 'sneak peek' at the requisition process is planned for late August for individuals who have been identified by their departments as requesters and approvers. The project team has also began reaching out to select departments to provide a look at payment requests functionality.

Universal Services and the Auditor's Office will be working with departments to train designated staff on how to utilize STARS PeopleSoft in the applicable financial areas.

More information and details are to come as we get closer to the financials implementation.

COMMUNICATIONS UPDATE

The STARS Organizational Change Management (OCM) team will continue to communicate with each department as this project moves ahead.

We understand that communication is critical to ensure that employees are fully able to embrace and utilize the new system and processes. Therefore, the STARS website continues to be refreshed with information for employees as we receive it. Continue to visit this website to learn more about STARS and submit questions.

To access the website:

- Go to the Harris County Employee Home page, select Enterprise Services and then select STARS site.
- OR Enter the following URL in your browser (<https://stars.webhc.hctx.net/SitePages/Home.aspx>)

The screenshot shows the STARS website interface. At the top, there is a navigation menu with links for ABOUT STARS, HUMAN RESOURCES, PAYROLL, FINANCE, PURCHASING, STARS TRAINING, and FAQs. The main header reads "STARS WEBSITE" and "STARS Shared Technology & Reporting System". The main content area is divided into sections: ANNOUNCEMENTS, MEET THE STARS LEADERSHIP TEAM, WHAT'S NEW, and DOCUMENTS. Red callout boxes are overlaid on the screenshot with the following text:

- Look for announcements to be added throughout the project** (pointing to the ANNOUNCEMENTS section)
- Click on the links to learn more about specific areas of STARS and Frequently Asked Questions** (pointing to the navigation menu)
- Meet the leadership team** (pointing to the MEET THE STARS LEADERSHIP TEAM section)
- We encourage your questions and feedback** (pointing to the WHAT'S NEW section)
- Review important documents** (pointing to the DOCUMENTS section)

At the bottom of the screenshot, the URL <https://stars.webhc.hctx.net> is displayed, along with the tagline "ONE COUNTY. SHARED TECHNOLOGY. GREATER EFFICIENCY."

DEPARTMENTAL OVERALL PROJECT CONTACTS

The OCM continues to utilize those identified key subject matter experts within each department to help distribute information. These individuals have remained essential to ensuring that all employees are kept informed. A list of the subject matter experts for each department is being posted to the STARS website.

EMPLOYEE QUESTIONS & CONCERNS

As always, we value your feedback, and your questions help populate the FAQ section of the website, so keep your questions coming by sending them along with any concerns to the ERPcommunications@hctx.net mailbox.



NOTABLE PAYROLL AND HR CHANGES SUMMARY

TIME ENTRY

- Employees enter time in an online timesheet
- Time entered as 'in' and 'out' wall clock times; not elapsed time
- Accrual balances displayed on timesheet and validated immediately
- Employees indicate on timesheet if time is charged to a project or grant
- Managers approve time online
- Time editors and managers can enter or correct employee time
- 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
- Corrections made online and picked up on next payroll; supplemental payroll correction form and supplemental payrolls for corrections no longer needed

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 required security of employee information.

BENEFITS

- Deduction amount for benefits spread out evenly over all 26 paychecks instead of 24 paychecks
- Employees enter enrollment changes online instead of using a paper form given to a benefits coordinator
- Benefits for new employees are effective at beginning of pay period, following 75 days of employment, instead of beginning of calendar month following 2 months of employment

OVERTIME, COMP TIME AND VACATION

- 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 an employee paid hours are over 40 hours in a week

VACATION, SICK AND FLOATING HOLIDAY

- 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
- All regular employees may accrue vacation up to a maximum balance of 280 hours.

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
- Car Allowance given on a monthly basis, eliminating the need to code a C to timesheet

** Depending on your department's operations, some of these changes may not be relevant to your department.*

Auditor's Office ERP Support Team Reorganized

The Harris County Auditor's Office has reorganized its core ERP Support Team reporting to Leslie Wilks Garcia, First Assistant County Auditor. Justin Alexander, formerly of the Audit Division, is the newly assigned Assistant Director. The team is assisted by Carol Market, a Senior Consultant, who has been instrumental in working with Universal Services to configure the County's general ledger in STARS, the new PeopleSoft financial system.



Merle Ray, SPHR, IPMA-SCP, CCP
ERP Support Specialist

The Auditor's ERP Support Team has gained another new member, Marie Xefteris, also from the Audit Division, who is now dedicated to the Auditor's ERP Support Team and brings the total staff of the ERP Support Team to six. Four additional Auditor's Office staff further support the ERP Support Team as follows: Ron Foster, Accounts Receivable, Tom Ngo, Grants, Mary Drugovich, Accounts Payable, and Sharonda Cato, Payroll.

As part of the preparation for the rollout of the STARS PeopleSoft Payroll and Human Resources modules, the team is working with Universal Services and other stakeholders to set up and test a STARS "war room" to service employees' immediate concerns with payroll and other issues upon go-live. Employees will be able to call the Help Line at 713-274-4444 and enter a prompt that will direct them to the war room where they can ask questions related to paychecks processed in PeopleSoft, time entered, reading their paystub, and other related questions.

Following is a brief description of each ERP Support Team member's role:

Justin Alexander, CPA, CIA, Assistant Director, provides general supervision to the ERP Support Team. Justin works with all of the various County stakeholders to ensure compliance with Auditor's Office statutory guidelines. In carrying out this responsibility, Justin partners with the Audit Division to ensure that proper controls are set up and maintained before, during, and after go-live.

Robert Hayner, MBA, ERP Support Specialist, primarily focuses on the PeopleSoft Payroll module.

Marie Xefteris, CRISC, ERP Support Specialist, primarily focuses on PeopleSoft controls to help ensure that users have the appropriate system access and the controls needed to complement their departmental internal controls.

Richard Pena, ERP Support Specialist, primarily focuses on Asset Management.

Tammie Sonnier, ERP Support Specialist, focuses on Revenue, Revenue Budget, Cash Receipting, and Bank Reconciliation - Cash Management.

Merle Ray, ERP Support Specialist, manages organizational change activities and training for the Auditor's Office on the new PeopleSoft system. She often works closely with the Universal Services Department's Organizational Change Management team.



ERP Support Team: (Standing L-R) Robert Hayner, Marie, Xefteris, Richard Pena. (Seated) Tammie Sonnier, Justin Alexander, Merle Ray



Carol Market, CPA, MBA
Senior ERP Support Consultant

Why Should We F.E.A.R.?

The **F**inal **E**stimate of **A**vailable **R**esources, also known as the F.E.A.R., is a financial document used in developing the Fiscal Year Appropriations Budget for both Harris County and the Harris County Flood Control District. The F.E.A.R. is a compilation of the available cash and estimated revenues for each fund. The total amount of expense appropriations for each fund cannot exceed the total amount provided in the F.E.A.R. for each fund. The F.E.A.R. is produced annually by the Revenue Accounting and Financial Controls (Revenue Accounting) department under the guidance of the County Auditor. Texas Local Government Code (LGC) §111.063 requires the County Auditor to prepare an estimate of available resources that is comprised of:



Derryle Simpson,
MBA
Assistant Director
Revenue Accounting

- Outstanding obligations of the County.
- Cash on hand to the credit of each fund.
- Funds received from all sources during the preceding fiscal year.
- Funds and revenues estimated to be received from all sources during the preceding fiscal year.
- Funds and revenues estimated to be received during the ensuing fiscal year.
- A statement of all accounts and contracts on which sums are due to or owed by the County as of the last day of the preceding fiscal year, except for taxes or court costs.

To ensure that required data is captured, collected, analyzed, and presented to Commissioners Court for approval and budget adoption, Revenue Accounting utilizes an assortment of financial and reporting tools including IFAS (Harris County's current accounting system), Prophix (a financial reporting tool), WebFocus (a web-based data collection and analytical dashboard), and the monthly Projected Cash Flows for each Harris County and Flood Control fund. Revenue Accounting also works closely with each County department to exchange information relating to funds and revenues that

are expected to be received during the preceding and ensuing fiscal years. The departments also provide details in regard to new revenue sources, decreases or increases in fines & fees, and/or if an existing revenue source is expected to cease. For example, Revenue Accounting will coordinate a meeting with the County Auditor, Tax Office, Harris County Appraisal District, and Budget Management to discuss property tax revenue. This collaborative meeting has proven to be effective in predicting the proposed receipt of property tax revenue.

To ensure that data is securely transferred between Revenue Accounting and the various departments in an organized fashion, Revenue Accounting collaborates with Harris County's information technology department, Universal Services (US). US oversees and manages WebFocus, which is a user-friendly information retrieval tool. The departments are sent a link to WebFocus in order to review their projected revenue and to add any modifications and notes. Revenue estimates are developed using either a trend analysis, linear least squares regression analysis, or the averages of averages forecasting model. Once the estimates are compiled, a Preliminary Estimate of Available Resources (P.E.A.R.) is sent to the Budget Management Office and presented to Commissioners Court for discussion, as part of the Budget Book.

While Revenue Accounting is preparing the P.E.A.R., Budget Management is also working with departments to determine their expense appropriations for the ensuing fiscal year. Budget Management provides departments with the following key documents and works with them to assist in budgetary planning for the upcoming fiscal year:

- The Budget Allocation Worksheet which contains:
 - the preliminary allocation for the upcoming fiscal year;
 - a history of non-labor expenditures (e.g. materials and supplies); and
 - a projection of labor and benefits.
- The Position Budget Worksheet (PBW) – a tool that details salary by position and other employee attributes for future labor needs.

Detailed allocations and funds appropriations to the departments are guided by the P.E.A.R. A significant part of the budget process includes budget hearings. The budget hearing is a public

meeting that allows department heads to present their financial and operational concerns. Data presented in the budget hearings is based on a financial summary of the general fund as prepared by Budget Management. After the budget hearings are complete, information is gathered to begin the formulation of the Budget Book. There are two volumes of the Budget Book. One volume is based on the P.E.A.R. and issues identified during the budget hearings. The Budget Officer presents this volume of the Budget Book in Commissioners Court in January of each year. The second volume is based on the F.E.A.R. and is the final version of the Budget Book that is to be adopted by the Commissioners Court. The adoption of the budget typically occurs during the first Commissioners Court in February of every year.

We should "F.E.A.R." because it is the first step in the process of establishing the budget appropriations for Harris County and the Harris County Flood Control District.

Formation of Harris County Audit Review Committee

During the past year, the Auditor's Office worked with the Budget Management Office to create the Audit Review Committee. The Audit Review Committee meets quarterly and has met four times since its creation, with the most recent meeting in July 2019.



Errika Perkins, CPA, CIA, CFE
Chief Assistant
Audit Division

The purpose of this Committee is to allow the Auditor's Office Audit Division to independently report engagement results to County leadership, therefore remaining transparent and accountable for the audit work that's being conducted. Significant audit initiatives and other value added audit processes are also communicated during these meetings. In addition, the external auditors present the results of their annual financial statement audit to this Committee.

Representatives from each of the County Commissioner's offices, the County Treasurer's Office, the County Judge's office and the District Judges administrative leadership are invited to attend the Audit Review Committee meetings. The Committee has also facilitated discussions

with County leadership regarding auditable risks in addition to requesting special audit projects.

Traditional Audit Committees have served an important role in the governance structure of organizations. The International Standards for the Professional Practice of Internal Auditing has two standards that require internal auditors to report their performance, authority and responsibility to an independent board. Typically an Audit Committee is a subset of an organization's Board of Governance. These Committees are usually tasked with providing oversight to both the internal and external auditors, by providing objective and independent advice and accountability.

The Audit Division has five distinct teams that focus on certain specialized audit types: (1) Audit Services, (2) Information Services (IS), which consists of Continuous Audit and IS Audit, (3) Federal Programs - Construction and Disaster Recovery audits, (4) Compliance Audit, and (5) Harris Health System Audit. These teams have the opportunity to highlight their significant accomplishments to the Audit Review Committee. The Harris Health System audit results are not presented in detail because they are presented to an independent Compliance and Audit Committee that serves the Harris Health System's Board of Trustees on a quarterly basis.



International Professional Practices Framework



Auditor's Office Role in Hurricane Harvey Recovery Efforts

As we approach the second anniversary of Hurricane Harvey, many people wonder where we are in the recovery efforts. A brief background may help to explain the timing and processes with which the County has been faced.



Andrew Walters,
CIA, CPA, CFE
Manager
Audit

After a major disaster like Hurricane Harvey, many in the community and within the local government look to the federal government for disaster relief. The disaster relief that the public often hears about is through the Federal Emergency Management Agency (FEMA). While Harris County has received FEMA funds, these funds are primarily intended to help with future flood mitigation. So, you may ask yourself, how is the Federal Government helping the communities that were devastated with extreme home damage due to the flood? The branch of the Federal Government helping with the rebuilding of communities is the Department of Housing and

Urban Development (HUD).

Per the HUD Exchange website, HUD provides flexible grants to help cities, counties, and states recover from presidentially declared disasters, especially in low-income areas, subject to availability of supplemental appropriations. In response, Congress may appropriate additional funding for the Community Development Block Grant (CDBG) Program as Disaster Recovery grants to rebuild the affected areas and provide crucial seed money to start the recovery process. Since CDBG Disaster Recovery (CDBG-DR) assistance may fund a broad range of recovery activities, HUD can help communities and neighborhoods that otherwise might not recover due to limited resources.

HUD allocated \$5.024 billion in CDBG-DR funds to the state of Texas in response to Hurricane Harvey. In the Action Plan submitted to HUD on May 8, 2018, the State of Texas, under their program administrator, the Texas General Land Office (GLO), made a direct allocation of \$1,115,386,830, plus administrative funding for a total allocation of \$1,132,128,786 to Harris County. The Federal Register and the State's Action Plan set the requirement that 79 percent (\$881,155,596) will support housing activities and 21% (\$234,231,234) will support infrastructure/non-housing activities. It should be noted that per the January 18 2019 Agenda Letter to the Harris County Commissioners Court, all allocations of CDBG-DR must meet the 70% low-to moderate-income benefit requirement.

Program	HUD Activity Type	Total
Housing Assistance Program (HAP) (Rehab/Construction)	Rehabilitation/reconstruction of residential structures	\$237,777,778.00
Residential Buyout Program	Acquisition - buyout of residential properties	\$194,444,444.00
Single Family Affordable Housing Preservation Program	Acquisition General	\$27,777,778.00
Reimbursement Program	Compensation for disaster-related issues (Louisiana and Texas)	\$16,666,667.00
Affordable Rental Program (Multifamily)	Affordable Rental Housing	\$227,222,222.00
Single Family New Construction Program	Construction of new housing	\$133,208,927.00
Planning	Planning	\$55,769,342.00
Administration	Administration	\$16,741,956.00
Total		\$909,609,114.00

For Harris County, the Harris County Community Services Department (CSD) is charged with administering the programs within the CDBG-DR funding. This process of funding takes time. Not only is there a long process of designating funding, but there is also a long process of identifying rules and regulations to govern these funds.

The CDBG-DR funds can be used for a variety of activities to help with the recovery but these activities are closely monitored by HUD, GLO, and independent external auditors. The programs that CSD will administer for Round 1 are included in the accompanying table.

When a federal agency administers federal grant money, the recipients of these funds must abide by the Uniform Guidance set forth in 2 Code of Federal Regulations (CFR) 200. While 2 CFR 200 sets forth numerous compliance requirements that must be followed, it also focuses on internal controls. The lengthy definition of internal control outlines the non-federal entity's responsibilities for establishing and maintaining effective internal control over federal awards. To dive even further into the rules that must be followed while administering federal funds, each federal agency may impose more strict compliance requirements creating another level of difficulty.

Whew...Is your head spinning? The Auditor's Office hopes to help CSD be successful in administering these CDBG-DR funds. With the large amount of CDBG-DR funds that will flow into the County, the Audit Division has recognized the need to assist CSD by performing a consulting role during this process. While CSD has a high level of experience with administering federally funded grants, the large increase in Disaster Recovery Funds is unprecedented for the County.

The Audit Division has assumed the role of an independent consulting counterpart to help CSD identify areas of significant risk and what they can consider to mitigate these risks to stay in compliance with all the rules and regulations governing these funds.

Welcome Sharon Brantley Smith New Assistant Director Harris Health Audit

Sharon joined the Auditor's Office in July 2019. She brings 23 years of audit experience which began in State government with positions at the Texas State Auditor's Office, Texas Workforce Commission, and Teacher Retirement System of Texas. Sharon later transitioned into healthcare internal audit, where she has worked for the past 12 years.



**Sharon Brantley
Smith, CIA, CFE
CISA, CGA**
Assistant Director
Audit,
Harris Health

She has gained valuable healthcare knowledge and expertise through her lead audit roles at Texas Children's Hospital and MD Anderson Cancer Center.

Sharon earned a Bachelor of Business Administration in Accounting at Prairie View A&M University and is currently working on a Master of Business Administration with Management emphasis at Texas Woman's University. She is maintaining a 4.0 grade point average in the MBA program and expects to graduate in December 2019. Sharon also holds certifications as a Certified Internal Auditor, Certified Fraud Examiner, Certified Information System Auditor, and Certified Government Auditing Professional.

When not working or studying, Sharon enjoys spending time with her husband, fifteen year old daughter, four year old son, and Shih-Tzu "granddog" named Marley.

Auditor's Office Occupying Historic Sweeney Building

The Audit Division of the Auditor's Office is helping to bring new life to the historic Sweeney, Coombs & Fredericks (Sweeney) Building located at 301 Main St. During August 2019, the Information Systems Audit and Federal Programs Audit teams moved to the third floor of the Sweeney building while the County Attorney's Office will use the second floor. The first floor is leased as a retail location.



Patrick Rodriguez,
CIA, CFE, CISA
Director
Information Systems
Audit

The Sweeney building was added to the National Register of Historic Places on June 20, 1974, for its representation of late 19th century Victorian architecture. The placement on the register was a fight to save the building from demolition as there were original plans for the County Administration building to occupy the entire block. The building was privately owned until 2002, when the County purchased the building.

The Victorian era design was the work of architect George E. Dickey. The building's most striking feature is the 3-story corner turret and Eastlake decorative elements. The building was completed in 1889 on the site of another three-story brick building. While there is no way to be certain, there is some evidence that the current structure is a remade remnant of the Van Alstyne building that was actually three separate but connected buildings that all faced Main Street. An heir to Van Alstyne sold a 25' section at the corner of Main and Congress to JJ. Sweeney and E.L. Coombs who moved their jewelry business from across the street to this building. Sweeney and Coombs were prominent businessmen in Houston in the late nineteenth century. In 1889, they brought on another partner, Gus Fredericks, and it is these three names that are included on the building's façade. They operated the Sweeney, Coombs & Fredericks jewelry store on the first floor with work rooms on an upper floor until 1907. By 1912, Mistrot-Munn and Munn's Men's and Boys Store occupied the building, and they sub-leased the space in 1913 to the United Cigar Stores of America for use as a cigar store, which remained in place until at least 1921.



What Does the County Auditor Do?

The Office of the County Auditor in Texas was created by statute in 1905, to provide strict enforcement of the laws governing county finances. Initially, District Judges and the County Judge appointed an auditor for two year terms. In 1917, this was modified so that only the District Judges appoint the County Auditor.



Michael Post,
CPA, MBA
County Auditor

The name "County Auditor" is somewhat misleading since the County Auditor has significant accounting, budgeting, reporting, and claims processing responsibilities in addition to auditing responsibilities. These responsibilities include:

- Ensure county departments' expenses do not exceed the departments' budgets.
- Maintain the county's financial records.
- In a county with a population of 190,000 or more, prescribe the system of accounting for the county.
- Ensure monies are deposited in the proper funds and accounts.
- Ensure spending restrictions provided by law or contract are adhered to.
- Prepare annual revenue estimates. These estimates are significant, because the amounts budgeted for expenditures cannot exceed the amount of these estimates plus beginning fund balances.
- Countersign checks drawn against the County treasury.
- Examine and approve all claims and bills "before" they can be paid.
- In counties with a population of more than 225,000, provide a monthly financial report to Commissioners Court.

To fulfill these responsibilities, the Harris County Auditor's Office currently has 210 budgeted positions as follows: 146 in the Accounting Division; 52 in the Audit Division; and 12 in the Executive Division. When the County Auditor's budget was submitted for fiscal year 2020,

38 employees were Certified Public Accountants, 9 employees were Certified Internal Auditors, and 52 employees had earned graduate degrees.

Some unique aspects of the County Auditor's Office:

The County Auditor's budget is approved by the County's District Judges. However, if the budget request is greater than a 5% increase over the previous year, or if the increase for a position exceeds a 5% increase over the previous year, the increase also needs Commissioners Court approval.

Before setting the amount of annual compensation of the County Auditor and Assistant County Auditors, the statutes require the District Judges to hold a public hearing at which citizens have an opportunity to be heard. These public hearings occur in early January of each year.

County auditors are required to successfully complete at least 40 hours of continuing education during each full term of office. The courses must relate to county auditor duties and be accredited by the Texas State Board of Public Accountancy.

County Auditors for Harris County	
John B. Ashe	1905-1913
Harry L. Washburn	1913-1954
Samuel B. Bruce	1954-1969
S. Grady Fullerton	1969-1981
Joe Flack	1981-1991
Tommy J. Tompkins	1991-2003
Barbara J. Schott	2003-2017
Michael Post	2017-Present

GASB 87 Brings Major Change to the Reporting of Leases

Leasing an asset is a common practice in governments, and since the 1970's, accounting for leases has been under a two-model approach of recording leases as either operating or capital leases. After the accounting scandals of the 2000's, the SEC and the accounting standards boards believed the long-standing method of reporting operating leases decreased transparency into the true financial position of companies. Therefore, to follow in the footsteps of the Financial Accounting Standards Board, the Governmental Accounting Standards Board (GASB) recently issued Statement No. 87, *Leases*, which outlines new requirements for governmental entities when it comes to lease accounting.



Brandy Shaw, CPA
Director
Financial Accounting

GASB 87 will replace the current operating and capital lease categories with a single model for lease accounting based on the concept that leases are a means to finance the right to use an asset.

Under the new rules, a lessee government, which pays to use another entity's capital asset, is required under the new standard to recognize a lease liability and an intangible asset representing the lessee's right to use the leased asset.

Likewise, a lessor government, one that leases its capital assets to others, must now recognize a lease receivable and a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements.

A lessee also will report the following in its financial statements:

- Amortization expense for using the lease asset, which is similar to depreciation, over the shorter of the term of the lease or the useful life of the underlying asset.
- Interest expense on the lease liability.
- Note disclosures about the lease, including a general description of the leasing arrangement, the amount of lease assets recognized, and a schedule of future lease payments to be made.

A lessor also will report the following in its financial statements:

- Lease revenue, systematically recognized over the term of the lease, corresponding with the reduction of the deferred inflow.
- Interest revenue on the receivable.
- Note disclosures about the lease, including a general description of the leasing arrangement and the total amount of inflows of resources recognized from leases.

Limited exceptions to the single-approach guidance are provided for short-term leases (those lasting a maximum of 12 months at inception, including any options to extend); financed purchases; leases of assets that are investments; and certain regulated leases.

GASB 87 will not affect any Harris County department's budgets or fund level accounting. This accounting will be maintained at the full accrual government-wide accounting level.

However, this GASB is a major overhaul to how governments account and track their leases, and it is a large undertaking to wrap our arms around every lease the County is a part of. As such, the Auditor's Office will need every department's help in implementing this change by assisting us in creating an inventory of all potential leases as well as in the future informing the Auditor's Office when a new lease or lease renewal is executed.

GASB 87 must be implemented by the fiscal year ending February 28, 2021. Departments will begin to hear from the Auditor's Office in the upcoming months to help us in our endeavor to implement this new standard.

The 86th Legislature Regular Session has Adjourned

Pre-filing of legislation for the 86th Texas Legislature began on November 12, 2018, with the first day of the official session being January 8, 2019. Harris County's legislative team, led by Donna Warndof, Director of the Office of Legislative Relations, actually started working on any Harris County proposed bills back in early 2018, if not earlier. The last day of the Regular Session was May 27, 2019. The Governor then had until June 16, 2019 (the 20th day following final adjournment of the Regular Session) to sign or veto bills passed by the House and Senate during the 86th Legislature. The Governor can also allow a bill to become law without signing it, as long as the Governor does not veto the bill.



**Steve Hoza, CPA,
CGMA**
Director
Systems & Procedures

During this session, over 7,300 House and Senate bills were filed; however, only a fraction of those bills, about 1,400, became or will become law. Bills that become law generally become effective either immediately, in 90 days, on September 1 of the legislative year, or on January 1 of the following year (i.e., 2020). The Auditor's Office works jointly with other applicable County departments to assure that the proper fees/fines/court costs, procedures/forms, special fund setup, and any other changes needed are in place when new laws become effective.

Below is a listing of just some of the bills that passed that are of interest to the Auditor's Office and, possibly, your office too.

HB 435 Relates to the maintenance of information entered into a fee record. Allows courts to designate fees older than 15 years as uncollectible.

HB 803 Relates to financial reporting requirements for toll projects.

HB 1495 Relates to the ethics of certain public officials, including certain disclosure requirements.

HB 3598 Relates to certain unclaimed property that is presumed abandoned.

HB 3834 Relates to the requirement that certain state and local government employees and state contractors complete a cybersecurity training program certified by the state cybersecurity coordinator.

HB 3913 Relates to an exception from required disclosure under the public information law for certain personal information obtained by certain flood control districts.

SB 2 Relates to ad valorem taxation (*Property Tax Reform and Relief Act of 2019*), which includes a provision that requires many cities, counties and other taxing units to hold an election if they wish to raise property tax revenue by more than 3.5% from the previous year.

SB 7 Relates to flood control planning and the funding of flood planning, mitigation, and infrastructure projects.

SB 65 Relates to oversight of and requirements applicable to state agency contracting and procurement.

SB 346 Relates to the consolidation, allocation, classification, and repeal of certain criminal court costs and other court-related costs, fines, and fees; imposing certain court costs and fees and increasing and decreasing the amounts of certain other court costs and fees.

SB 494 Relates to certain procedures applicable to meetings under the open meetings law and the disclosure of public information under the public information law in the event of an emergency, urgent public necessity, or catastrophic event.

SB 563 Relates to the reporting of information about the use of federal money for flood research, planning, and mitigation projects.

SB 1720 Relating to the threshold contract amount at which a county is required to engage in a competitive purchasing procedure for certain purchases.

If you would like to view the exact wording of the above bills or other bills, go to <http://www.capitol.state.tx.us/>, and enter the applicable bill number in the search box.



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