



THE COUNTY OF GALVESTON
COUNTY AUDITOR'S OFFICE
P.O. Box 1418
GALVESTON, TEXAS 77553

County Auditor
Randall Rice CPA
CITP CISA CIO CBM DABFA CGMA

Ron Chapa CPA
First Assistant, Director of Auditing

Jeff Modzelewski CPA
First Assistant, Director of Accounting

July 8, 2014

Honorable Judge Mark A. Henry and
Members of the Commissioners' Court

Honorable Judge and Members of the Court:

Attached for your consideration is the internal audit report of FY 2014 Second Quarter Payroll Review. The audit covered the following payrolls: biweekly #1, 2014 to biweekly #7, 2014.

Sincerely,

A handwritten signature in blue ink that reads "Rice CPA".

Randall Rice CPA
County Auditor

Attachment: FY 2014 Second Quarter Payroll Review Report



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Honorable Judge Mark A. Henry and
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Re: FY 2014 Second Quarter Payroll Review
Biweekly # 1, 2014 – Biweekly # 7, 2014

Honorable Judge and Members of the Court:

The Auditor's Office and Treasurer's Office have completed the regular biweekly audits of the Galveston County Payrolls. The offices work together to identify and correct all errors before the payroll is finalized. The audit included the following:

• Biweekly 1	1,282 employees	Payroll Total	\$3,048,480.86
• Biweekly 2	1,281 employees	Payroll Total	\$2,940,629.74
• Biweekly 3	1,327 employees	Payroll Total	\$2,893,038.64
• Biweekly 4	1,347 employees	Payroll Total	\$2,937,199.59
• Biweekly 5	1,276 employees	Payroll Total	\$3,154,077.26
• Biweekly 6	1,399 employees	Payroll Total	\$2,929,472.49
• Biweekly 7	1,276 employees	Payroll Total	\$2,882,790.52

Employee count varies due to checks issued for the Election Workers included with regular employee checks.

Our testing included verifying the accuracy of the following:

- All Personnel Actions were entered properly. Personnel Actions include new hires, terminations, promotions, transfers, reclassifications and salary increases/decreases.
- All changes to an individual's payroll record are supported by a Personnel Action.
- All changes to salary appear to be reasonable and in accordance with county policy.
- All benefit changes were authorized by the employee and entered correctly.
- All electronic fund transfers are directed as authorized by the employee.
- All salary adjustments or docked amounts are in accordance with FLSA rules and regulations.

During the fiscal period January 1, 2014 through March 31, 2014, the total errors found for each biweekly payroll is shown below:

- Biweekly # 1 24 Errors
- Biweekly # 2 22 Errors
- Biweekly # 3 20 Errors
- Biweekly # 4 16 Errors
- Biweekly # 5 13 Errors
- Biweekly # 6 19 Errors
- Biweekly # 7 17 Errors

The majority of the errors were caused by various departments entering incorrect information: such as charging vacation or sick leave hours when the benefit balance is zero; not entering regular worked hours for an hourly employee causing the employee to receive no pay; not authorizing the payment of a new employee in their department on the payroll claim sheet; not submitting a termination form to Human Resources but noting the employee should be terminated; also, entering overtime payments to an exempt employee.

All corrections were made by the payroll processing team before checks were issued.

Reviews performed by both the Treasurer's Office and Auditor's Office are critical in preventing/detecting fraud and minimizing incorrect payments. Since the review is not a detailed examination of all transactions, there is a risk errors and fraud may not always be detected. Each Official retains the responsibility for the accuracy and completeness of the financial information.

The Auditor's Office continues to work with Information Technology, the Treasurer's Office, and Human Resources to monitor each payroll, with the intent to reduce the number of payroll errors. We would like to thank the staff of all three offices for their cooperation.

Respectfully,



Randall Rice CPA
County Auditor

cc: Ron Chapa CPA, Director of Internal Audit
Lori McWhirter, Internal Audit Manager