



September 14, 2016

Members of the House Committee on General Investigating and Ethics

The Honorable John Kuempel, Chair  
The Honorable Nicole Collier, Vice Chair  
The Honorable Sarah Davis  
The Honorable Todd Hunter  
The Honorable Lyle Larson  
The Honorable Joe Moody  
The Honorable Chris Turner

During the State Auditor's Office's testimony before the House Committee on General Investigating and Ethics on July 12, 2016, the members of the committee requested information regarding certain state agencies' use of separation agreements. There is no statutory definition of the phrase "separation agreement" in the context of state employment. Therefore, for the purposes of this analysis, the State Auditor's Office defined a separation agreement as a documented arrangement through which an employee receives a benefit from the separation of employment, including (1) a one-time, lump-sum payment (for example, a retirement incentive) or (2) remaining on the payroll between the employee's last day in the office and the employee's effective termination date, notwithstanding the exhaustion of accrued vacation leave as permitted by Texas Government Code, Section 661.067. The agencies included in our analysis advised the State Auditor's Office that they characterized those agreements in a variety of ways, including reductions in force and settlements of legal claims.

The State Auditor's Office asked seven agencies to provide information on their use of separation agreements during the time period between September 1, 2014, and July 18, 2016. The information the agencies provided is summarized in the attachment to this letter. It is important to note that the agencies self-reported that information; the State Auditor's Office did not subject that information to the tests and confirmations that would be performed in an audit. However, the State Auditor's Office reviewed (1) electronic copies of the signed separation agreements and (2) data in the agencies' internal leave accounting systems. In addition, the State Auditor's Office used leave and payroll data in the Uniform Statewide Payroll/Personnel System or the Standardized Payroll/Personnel Reporting System to calculate the cost of the separation agreements. The compensation for all agreements at the seven agencies, based on the costs presented in the attachment to this letter, totaled \$1,569,042.28.

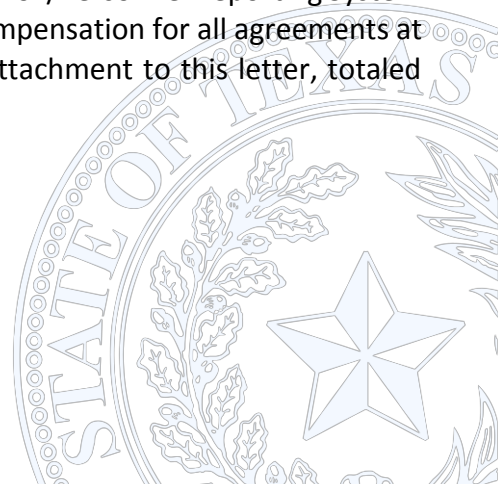
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Please consult with the respective agencies for their determinations as to the legal foundation for the use of separation agreements or any possible benefits the State may have received in association with separation agreements.

The State Auditor's Office also is conducting a survey of all state agencies regarding their use of emergency and administrative leave. After completing that survey, we plan to issue a report summarizing the survey results.

If you have any questions, please contact John Young, Audit Manager, or me at (512) 936-9500.

Sincerely,

*Lisa R. Collier*

Lisa R. Collier, CPA, CFE, CIDA  
First Assistant State Auditor

Attachment

cc: The Honorable Sid Miller, Commissioner, Department of Agriculture  
The Honorable Ken Paxton, Attorney General, Office of the Attorney General  
Mr. Henry "Hank" Whitman, Jr., Commissioner, Department of Family and  
Protective Services  
The Honorable George P. Bush, Commissioner, General Land Office  
Mr. Charles Smith, Executive Commissioner, Health and Human Services  
Commission  
Mr. Carter Smith, Executive Director, Parks and Wildlife Department  
Mr. Brian Guthrie, Executive Director, Teacher Retirement System  
Mr. Jeff Walker, Executive Administrator, Water Development Board

# Attachment

## Texas Department of Agriculture

The Texas Department of Agriculture (TDA) asserted that it entered into separation agreements with four employees between September 1, 2014, and July 18, 2016. According to the separation agreements, all four of those employees were compensated by remaining on the payroll from their last day in the office until the effective dates of their terminations. The amount of emergency leave for which TDA compensated those four employees ranged from 60 days (480 hours) to 19 days (152 hours).

While they were on paid leave, those employees received their current salary. The total cost of the emergency leave was \$60,591.74.

TDA reports employee leave information to the Uniform Statewide Payroll/Personnel System (USPS). TDA coded the paid leave associated with the four employees' separation agreements as "Emergency Leave – Other" in USPS.

TDA does not have documented policies or procedures for providing compensation as part of separation agreements.

Table 1 on the next page summarizes TDA's separation agreements between September 1, 2014, and July 18, 2016. Auditors also reviewed leave and payroll information from USPS. Any vacation leave taken after the start date of the employees' separation agreements is not included in Table 1 because employees are permitted to receive that earned leave, as established in Texas Government Code, Section 661.067. In addition, earned compensatory leave is not included in Table 1. It is important to note that the information in Table 1 was not audited, and most of the information was self-reported by TDA.

Table 1

Summary of TDA Separation Agreements between September 1, 2014, and July 18, 2016 <sup>a</sup>							
Classification Title	Annual Salary <sup>b</sup>	Lump-sum Payment Received	Emergency Leave - Number of Hours	Emergency Leave - Dollar Amount	Administrative Leave - Number of Hours	Administrative Leave - Dollar Amount	Total Cost of Separation Agreement
Human Resources Specialist IV	\$42,840.00	\$0.00	480.00	\$10,044.68	0.00	\$0.00	\$10,044.68
Director II	\$101,247.96	0.00	480.00	23,739.58	0.00	0.00	23,739.58
Director V	\$138,586.20	0.00	320.00	21,497.86	0.00	0.00	21,497.86
Budget Analyst IV	\$71,884.08	0.00	152.00	5,309.62	0.00	0.00	5,309.62
Totals		\$0.00	1,432.00	\$60,591.74	0.00	\$0.00	\$60,591.74

<sup>a</sup> Table does not include compensation for state holidays that occurred during the span of the separation agreements.

<sup>b</sup> Annual salary was calculated based on the employees' annualized monthly base salary. Base salary is a fixed amount of pay and does not include benefits, one-time merits, longevity pay, or bonus pay.

Sources: Unaudited information from TDA and USPS.

## Office of the Attorney General

The Office of the Attorney General (OAG) asserted that it entered into separation agreements with 27 employees between September 1, 2014, and July 18, 2016.<sup>1</sup> The separation agreements allowed the employees to remain on the payroll until the effective dates of their terminations. The amount of emergency leave for which the OAG compensated those 27 employees ranged from 107 days (856 hours) to less than 1 day (6.5 hours).

While they were on paid leave, those employees received their current salary. The total cost of the emergency leave for all 27 employees was \$121,631.14. In addition, the OAG awarded 1 of those 27 employees a one-time, lump-sum payment of \$99,000, according to that employee's separation agreement. Therefore, the total compensation for the 27 separation agreements was \$220,631.14.

The OAG does not report employee leave information to the Uniform Statewide Payroll/Personnel System (USPS). The OAG coded the paid leave associated with the 27 employees' separation agreements as "AL" in its internal leave accounting system. According to the documentation the OAG provided, the "AL" reason code is used for "Emergency Leave for All Other Reasons."

The OAG has a documented reduction in force policy that allowed employees to be placed on paid leave for up to 30 days after being notified that their positions would be eliminated. However, the OAG does not have documented policies or procedures for providing compensation as part of other types of separation agreements.

Table 2 on the next page summarizes the OAG's separation agreements between September 1, 2014, and July 18, 2016. Auditors also reviewed payroll information from USPS. Any vacation leave taken after the start date of the employees' separation agreements is not included in Table 2 because employees are permitted to receive that earned leave, as established in Texas Government Code, Section 661.067. In addition, earned compensatory leave is not included in Table 2. It is important to note that the information in Table 2 was not audited, and most of the information was self-reported by the OAG.

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<sup>1</sup> Five separation agreements were related to a reduction in force, and 20 separation agreements were resignation letters describing the arrangements between the employee and the OAG.

Table 2

Summary of OAG Separation Agreements between September 1, 2014, and July 18, 2016 <sup>a</sup>							
Classification Title	Annual Salary <sup>b</sup>	Lump-sum Payment Received	Emergency Leave - Number of Hours	Emergency Leave - Dollar Amount	Administrative Leave - Number of Hours	Administrative Leave - Dollar Amount	Total Cost of Separation Agreement
Assistant Attorney General VI	\$112,754.04	\$0.00	856.00	\$46,261.94	0.00	\$0.00	\$46,261.94
Assistant Attorney General V	\$81,381.60	99,000.00	456.00	17,481.68	0.00	0.00	116,481.68
Director IV	\$103,445.28	0.00	184.00	9,124.23	0.00	0.00	9,124.23
Executive Assistant I	\$37,638.00	0.00	184.00	3,319.80	0.00	0.00	3,319.80
Assistant Attorney General III	\$57,732.00	0.00	176.00	4,633.20	0.00	0.00	4,633.20
Administrative Assistant V	\$37,901.40	0.00	176.00	3,060.36	0.00	0.00	3,060.36
Assistant Attorney General IV	\$78,805.20	0.00	152.00	5,767.63	0.00	0.00	5,767.63
Director III	\$97,621.32	0.00	136.00	6,286.22	0.00	0.00	6,286.22
Assistant Attorney General III	\$79,844.28	0.00	100.00	3,917.32	0.00	0.00	3,917.32
Assistant Attorney General I	\$52,275.00	0.00	88.00	2,263.81	0.00	0.00	2,263.81
Director VI	\$153,900.00	0.00	82.00	5,975.28	0.00	0.00	5,975.28
Administrative Assistant I	\$25,000.08	0.00	47.25	585.94	0.00	0.00	585.94
Web Administrator III	\$75,462.84	0.00	40.00	1,429.22	0.00	0.00	1,429.22
Executive Assistant I	\$43,128.60	0.00	39.25	817.85	0.00	0.00	817.85
Assistant Attorney General IV	\$76,356.24	0.00	30.00	1,171.37	0.00	0.00	1,171.37
Human Resources Specialist IV	\$50,612.40	0.00	24.00	632.66	0.00	0.00	632.66

**Summary of OAG Separation Agreements  
between September 1, 2014, and July 18, 2016 <sup>a</sup>**

<b>Classification Title</b>	<b>Annual Salary <sup>b</sup></b>	<b>Lump-sum Payment Received</b>	<b>Emergency Leave - Number of Hours</b>	<b>Emergency Leave - Dollar Amount</b>	<b>Administrative Leave - Number of Hours</b>	<b>Administrative Leave - Dollar Amount</b>	<b>Total Cost of Separation Agreement</b>
Director I	\$83,718.00	0.00	23.00	955.12	0.00	0.00	955.12
Accountant I	\$34,501.44	0.00	22.25	347.67	0.00	0.00	347.67
Assistant Attorney General II	\$52,632.00	0.00	22.00	548.25	0.00	0.00	548.25
Legal Secretary III	\$39,769.56	0.00	19.25	379.74	0.00	0.00	379.74
Assistant Attorney General VI	\$97,490.52	0.00	15.25	673.34	0.00	0.00	673.34
Legal Assistant I	\$33,660.00	0.00	15.00	228.67	0.00	0.00	228.67
Legal Assistant III	\$45,304.32	0.00	8.00	179.78	0.00	0.00	179.78
Legal Secretary II	\$34,680.00	0.00	280.00	4,532.05	0.00	0.00	4,532.05
Budget Analyst III	\$53,733.60	0.00	7.75	188.60	0.00	0.00	188.60
Investigator IV	\$49,964.40	0.00	28.75	680.15	0.00	0.00	680.15
Contract Specialist IV	\$58,698.36	0.00	6.50	189.26	0.00	0.00	189.26
<b>Totals</b>		<b>\$99,000.00</b>	<b>3,218.25</b>	<b>\$121,631.14</b>	<b>0.00</b>	<b>\$0.00</b>	<b>\$220,631.14</b>

<sup>a</sup> Table does not include compensation for state holidays that occurred during the span of the separation agreements.

<sup>b</sup> Annual salary was calculated based on the employees' annualized monthly base salary. Base salary is a fixed amount of pay and does not include benefits, one-time merits, longevity pay, or bonus pay.

Sources: Unaudited information from the OAG and USPS.

## Department of Family and Protective Services

The Department of Family and Protective Services (DFPS) asserted that it entered into separation agreements with four employees between September 1, 2014, and July 18, 2016.

For three of those four employees:

- The separation agreements stated that DFPS placed those three employees on paid leave until the effective dates of their terminations. The amount of emergency leave for which DFPS compensated those three employees ranged from 62 days (496 hours) to 38 days (304 hours).
- While they were on paid leave, those three employees received their current salary. The total cost of the emergency leave for those three employees was \$21,202.36. In addition, DFPS awarded one of those three employees a one-time, lump-sum bonus totaling \$3,000, and that employee remained on the payroll through the employee's effective termination date.

DFPS provided the fourth employee a one-time, lump-sum bonus of \$19,009.13, but that employee did not remain on the payroll.

The total compensation for all four separation agreements was \$43,211.49.

DFPS does not report leave information to the Uniform Statewide Payroll/Personnel System (USPS); therefore, auditors reviewed leave information from DFPS's internal leave accounting system. DFPS coded the paid leave associated with the three employees' separation agreements as "Emergency Leave – Other" in its leave accounting system. DFPS paid one lump-sum bonus as salary back pay and the other lump-sum bonus with a purchase voucher coded as a "Settlement and Judgment."

DFPS does not have documented policies or procedures for providing compensation as part of separation agreements.

Table 3 on the next page summarizes DFPS's separation agreements between September 1, 2014, and July 18, 2016. Auditors also reviewed payroll information from the Statewide Payroll/Personnel Reporting System (SPRS). Any vacation leave taken after the start date of the employees' separation agreements is not included in Table 3 because employees are permitted to receive that earned leave, as established in Texas Government Code, Section 661.067. In addition, earned compensatory leave is not included in Table 3. It is important to note that the information in Table 3 was not audited, and most of the information was self-reported by DFPS.



Table 3

**Summary of DFPS Separation Agreements  
between September 1, 2014, and July 18, 2016 <sup>a</sup>**

<b>Classification Title</b>	<b>Annual Salary <sup>b</sup></b>	<b>Lump-sum Payment Received</b>	<b>Emergency Leave - Number of Hours</b>	<b>Emergency Leave - Dollar Amount</b>	<b>Administrative Leave - Number of Hours</b>	<b>Administrative Leave - Dollar Amount</b>	<b>Total Cost of Separation Agreement</b>
Child Protective Services Specialist II	\$35,769.00	\$ 0.00	496.00	\$ 8,571.92	0.00	\$0.00	\$ 8,571.92
Inspector IV	\$33,800.40	0.00	472.00	7,546.72	0.00	0.00	7,546.72
Child Protective Services Specialist II	\$37,179.72	3,000.00 <sup>c</sup>	304.00	5,083.72	0.00	0.00	8,083.72
Manager III	\$74,418.72	19,009.13 <sup>d</sup>	0.00	0.00	0.00	0.00	19,009.13
<b>Totals</b>		\$22,009.13	1,272.00	\$21,202.36	0.00	\$0.00	\$43,211.49

<sup>a</sup> Table does not include compensation for state holidays that occurred during the span of the separation agreements.

<sup>b</sup> Annual salary was calculated based on the employees' annualized monthly base salary. Base salary is a fixed amount of pay and does not include benefits, one-time merits, longevity pay, or bonus pay.

<sup>c</sup> Paid as a settlement and judgment.

<sup>d</sup> Paid for three months of salary back pay.

Sources: Unaudited information from DFPS and SPRS.

## General Land Office

The General Land Office (GLO) asserted that it entered into separation agreements with 69 employees between September 1, 2014, and July 18, 2016.

For 43 of those employees:

- The separation agreements stated that GLO would place those 43 employees on leave with pay. However, GLO did not use emergency leave for those 43 employees; instead, it kept those employees on its payroll and paid them their current salary.
- The amount of time for which the GLO compensated those 43 employees ranged from 47 days (376 hours) to 24 days (192 hours). GLO compensated the 43 employees who remained on the payroll a total of \$615,355.17 in salaries and wages.

GLO awarded 26 additional employees one-time, lump-sum payments of \$15,000 each as part of a retirement incentive program<sup>2</sup>; those payments totaled \$390,000.

The total compensation for all 69 separation agreements was \$1,005,355.17.

GLO reports employee leave information to the Uniform Statewide Payroll/Personnel System (USPS). GLO coded the retirement incentive program payments as “One-time Merit Increases” in USPS.

GLO documented its intention to use lump-sum payments as part of its retirement incentive program. In addition, GLO documented a policy for employees subject to a reduction in force or termination for cultural fit as a result of the GLO reorganization. Those employees were offered the benefit of remaining on the payroll if they signed a separation agreement and release of claims.

Table 4 on the next page summarizes GLO’s separation agreements between September 1, 2014, and July 18, 2016. Auditors also reviewed payroll information from USPS. Any vacation leave taken after the start date of the employees’ separation agreements is not included in Table 4 because employees are permitted to receive that earned leave, as established in Texas Government Code, Section 661.067. In addition, earned compensatory leave is not included in Table 4. Paid holidays are included in Table 4 because employees remained on GLO’s payroll during those holidays. It is important to note that the information in Table 4 was not audited, and most of the information was self-reported by GLO.

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<sup>2</sup> The retirement incentive program was a financial incentive program that GLO offered to employees who were willing and eligible to retire from GLO; the retirement incentive program was not established by statute or rule.

Table 4

Summary of GLO Separation Agreements between September 1, 2014, and July 18, 2016					
Classification Title	Annual Salary <sup>a</sup>	Lump-sum Payment Received	Number of Hours Employee Remained on Payroll	Dollar Amount Associated with Hours Employee Remained on Payroll	Total Cost of Separation Agreement
Director II	\$124,739.64	\$15,000.00	0.00	\$ 0.00	\$15,000.00
Portfolio Manager II	\$122,083.80	15,000.00	0.00	0.00	15,000.00
Project Manager IV	\$100,371.36	15,000.00	0.00	0.00	15,000.00
Program Specialist VII	\$96,700.08	15,000.00	0.00	0.00	15,000.00
Programmer V	\$93,599.76	15,000.00	0.00	0.00	15,000.00
Budget Analyst V	\$92,989.56	15,000.00	0.00	0.00	15,000.00
Manager III	\$92,903.04	15,000.00	0.00	0.00	15,000.00
Auditor VI	\$91,322.88	15,000.00	0.00	0.00	15,000.00
Accountant VII	\$90,837.72	15,000.00	0.00	0.00	15,000.00
Accountant VII	\$79,667.04	15,000.00	0.00	0.00	15,000.00
Human Resources Specialist VI	\$79,657.68	15,000.00	0.00	0.00	15,000.00
Accounts Examiner V	\$77,985.36	15,000.00	0.00	0.00	15,000.00
Program Specialist VI	\$77,745.48	15,000.00	0.00	0.00	15,000.00
Natural Resources Specialist V	\$69,149.04	15,000.00	0.00	0.00	15,000.00
Program Specialist IV	\$65,366.04	15,000.00	0.00	0.00	15,000.00
Accountant IV	\$60,797.88	15,000.00	0.00	0.00	15,000.00
Program Specialist II	\$60,560.40	15,000.00	0.00	0.00	15,000.00
Accounts Examiner III	\$54,787.08	15,000.00	0.00	0.00	15,000.00
Administrative Assistant V	\$54,154.56	15,000.00	0.00	0.00	15,000.00
Administrative Assistant IV	\$49,634.28	15,000.00	0.00	0.00	15,000.00
Administrative Assistant IV	\$47,883.84	15,000.00	0.00	0.00	15,000.00
Administrative Assistant IV	\$47,686.20	15,000.00	0.00	0.00	15,000.00
Administrative Assistant IV	\$44,538.24	15,000.00	0.00	0.00	15,000.00
Natural Resources Specialist III	\$44,302.68	15,000.00	0.00	0.00	15,000.00
Administrative Assistant IV	\$43,448.28	15,000.00	0.00	0.00	15,000.00
Natural Resources Specialist II	\$41,077.56	15,000.00	0.00	0.00	15,000.00

**Summary of GLO Separation Agreements  
between September 1, 2014, and July 18, 2016**

<b>Classification Title</b>	<b>Annual Salary <sup>a</sup></b>	<b>Lump-sum Payment Received</b>	<b>Number of Hours Employee Remained on Payroll</b>	<b>Dollar Amount Associated with Hours Employee Remained on Payroll</b>	<b>Total Cost of Separation Agreement</b>
Contract Administration Manager I	\$84,991.44	0.00	376.00	15,438.99	15,438.99
Attorney V	\$105,080.40	0.00	368.00	18,690.19	18,690.19
Program Specialist V	\$66,967.08	0.00	352.00	11,389.48	11,389.48
Deputy Director I	\$189,624.84	0.00	352.00	32,228.73	32,228.73
Director VI	\$165,607.56	0.00	352.00	28,146.74	28,146.74
Deputy Director I	\$211,188.12	0.00	352.00	35,893.63	35,893.63
Project Manager IV	\$75,054.48	0.00	344.00	12,509.08	12,509.08
Program Specialist VI	\$73,200.00	0.00	344.00	11,934.78	11,934.78
Program Specialist VII	\$93,959.88	0.00	344.00	15,422.71	15,422.71
Geographic Information Specialist III	\$59,593.44	0.00	344.00	9,781.75	9,781.75
Program Specialist VI	\$87,867.72	0.00	344.00	14,422.73	14,422.73
Geographic Information Specialist II	\$63,440.28	0.00	344.00	10,413.18	10,413.18
Director II	\$128,664.96	0.00	344.00	21,119.25	21,119.25
Programmer III	\$76,875.00	0.00	344.00	12,618.37	12,618.37
Programmer IV	\$76,028.76	0.00	344.00	12,479.47	12,479.47
Systems Analyst II	\$50,752.68	0.00	344.00	8,330.62	8,330.62
Information Specialist III	\$57,564.24	0.00	344.00	9,448.68	9,448.68
Program Specialist II	\$54,738.12	0.00	344.00	8,984.79	8,984.79
Information Specialist IV	\$71,121.36	0.00	344.00	11,673.96	11,673.96
Program Specialist VI	\$85,169.04	0.00	344.00	13,979.77	13,979.77
Program Specialist VII	\$8,826.72	0.00	344.00	1,448.83	1,448.83
Government Relations Specialist II	\$92,164.80	0.00	344.00	15,161.31	15,161.31
Administrative Assistant IV	\$50,811.24	0.00	344.00	8,424.71	8,424.71
Administrative Assistant III	\$43,283.64	0.00	336.00	6,979.72	6,979.72
Program Specialist VII	\$102,558.36	0.00	336.00	16,538.09	16,538.09
Director IV	\$152,445.00	0.00	320.00	22,728.67	22,728.67
Program Specialist VI	\$88,188.00	0.00	320.00	13,148.32	13,148.32
Information Specialist I	\$42,228.00	0.00	320.00	6,295.95	6,295.95

**Summary of GLO Separation Agreements  
between September 1, 2014, and July 18, 2016**

<b>Classification Title</b>	<b>Annual Salary <sup>a</sup></b>	<b>Lump-sum Payment Received</b>	<b>Number of Hours Employee Remained on Payroll</b>	<b>Dollar Amount Associated with Hours Employee Remained on Payroll</b>	<b>Total Cost of Separation Agreement</b>
Program Specialist V	\$74,174.40	0.00	320.00	11,058.97	11,058.97
Director III	\$114,198.00	0.00	320.00	17,026.26	17,026.26
Web Administrator I	\$42,000.00	0.00	320.00	6,261.96	6,261.96
Director V	\$161,568.36	0.00	320.00	24,684.06	24,684.06
Director V	\$159,880.08	0.00	312.00	23,860.89	23,860.89
Program Specialist III	\$64,068.00	0.00	280.00	8,493.86	8,493.86
Project Manager IV	\$91,945.20	0.00	280.00	12,189.70	12,189.70
Director I	\$91,974.36	0.00	280.00	12,046.64	12,046.64
Director IV	\$116,354.88	0.00	280.00	15,239.96	15,239.96
Director II	\$111,288.48	0.00	264.00	14,754.15	14,754.15
Management Analyst II	\$51,840.60	0.00	264.00	6,872.81	6,872.81
Director V	\$160,809.84	0.00	232.00	17,299.24	17,299.24
Director IV	\$129,150.00	0.00	232.00	14,303.41	14,303.41
Attorney IV	\$92,250.00	0.00	232.00	10,216.72	10,216.72
Director V	\$176,592.60	0.00	192.00	15,414.04	15,414.04
<b>Totals</b>		<b>\$390,000.00</b>	<b>13,760.00</b>	<b>\$615,355.17</b>	<b>\$1,005,355.17</b>

<sup>a</sup> Annual salary was calculated based on the employees' annualized monthly base salary. Base salary is a fixed amount of pay and does not include benefits, one-time merits, longevity pay, or bonus pay.

Sources: Unaudited information from GLO and USPS.

## Texas Parks and Wildlife Department

The Texas Parks and Wildlife Department (TPWD) asserted that it entered into separation agreements with four employees between September 1, 2014, and July 18, 2016. The separation agreements stated that TPWD placed the employees on paid leave until the effective dates of their terminations. The amount of emergency leave for which TPWD compensated those four employees ranged from 54 days (432 hours) to 52.87 days (423 hours).

While they were on paid leave, those employees received their current salary. The total cost of the emergency leave for all four employees was \$51,895.07.

TPWD does not report employee leave information to the Uniform Statewide Payroll/Personnel System (USPS); therefore, auditors reviewed leave information from TPWD's leave accounting system. TPWD coded the paid leave associated with those four employees' separation agreements as "Emergency – Regular" in its leave accounting system.

TPWD does not have documented policies or procedures for providing compensation as part of a separation agreement. TPWD has a reduction in force policy, but that policy does not address providing compensation.

Table 5 on the next page summarizes TPWD's separation agreements between September 1, 2014, and July 18, 2016. Auditors also reviewed payroll information from USPS. Any vacation leave taken after the start date of the employees' separation agreements is not included in Table 5 because employees are permitted to receive that earned leave, as established in Texas Government Code, Section 661.067. In addition, earned compensatory leave is not included in Table 5. It is important to note that the information in Table 5 was not audited, and most of the information was self-reported by TPWD.

Table 5

Summary of TPWD Separation Agreements between September 1, 2014, and July 18, 2016 <sup>a</sup>							
Classification Title	Annual Salary <sup>b</sup>	Lump-sum Payment Received	Emergency Leave - Number of Hours	Emergency Leave - Dollar Amount	Administrative Leave - Number of Hours	Administrative Leave - Dollar Amount	Total Cost of Separation Agreement
Engineering Specialist IV	\$64,885.44	\$0.00	432.00	\$13,260.32	0.00	\$0.00	\$13,260.32
Engineering Specialist III	\$60,096.24	0.00	432.00	12,281.57	0.00	0.00	12,281.57
Architect III	\$77,933.52	0.00	424.00	15,644.52	0.00	0.00	15,644.52
Engineering Specialist III	\$53,471.52	0.00	423.00	10,708.66	0.00	0.00	10,708.66
Totals		\$0.00	1,711.00	\$51,895.07	0.00	\$0.00	\$51,895.07
<sup>a</sup> Table does not include compensation for state holidays that occurred during the span of the separation agreements. <sup>b</sup> Annual salary was calculated based on the employees' annualized monthly base salary. Base salary is a fixed amount of pay and does not include benefits, one-time merits, longevity pay, or bonus pay.							

Sources: Unaudited information from TPWD and USPS.

## Teacher Retirement System

The Teacher Retirement System (TRS) asserted that it entered into separation agreements with five employees between September 1, 2014, and July 18, 2016. The separation agreements stated that TRS placed the employees on paid leave until the effective dates of their terminations. The amount of emergency leave for which TRS compensated those five employees ranged from 130 days (1,040 hours) to 55 days (440 hours).

While they were on paid leave, those employees received their current salary. The total cost of the emergency leave for all five employees was \$163,845.78. In addition, TRS awarded one of the five employees a one-time, lump-sum merit bonus of \$10,000, according to that employee's separation agreement. Therefore, the total compensation for the five separation agreements was \$173,845.78.

TRS reports employee leave information to the Uniform Statewide Payroll/Personnel System (USPS). TRS coded the paid leave associated with the five employees' separation agreements as "Emergency Leave – Other" in USPS. TRS coded the lump-sum payment as a one-time merit increase in USPS.

TRS does not have documented policies or procedures for providing compensation as part of separation agreements.

Table 6 on the next page summarizes TRS's separation agreements between September 1, 2014, and July 18, 2016. Auditors also reviewed leave and payroll information from USPS. Any vacation leave taken after the start date of the employees' separation agreements is not included in Table 6 because employees are permitted to receive that earned leave, as established in Texas Government Code, Section 661.067. In addition, earned compensatory leave is not included in Table 6. It is important to note that the information in Table 6 was not audited, and most of the information was self-reported by TRS.



Table 6

Summary of TRS Separation Agreements between September 1, 2014, and July 18, 2016 <sup>a</sup>							
Classification Title	Annual Salary <sup>b</sup>	Lump-sum Payment Received	Emergency Leave - Number of Hours	Emergency Leave - Dollar Amount	Administrative Leave - Number of Hours	Administrative Leave - Dollar Amount	Total Cost of Separation Agreement
General Counsel III	\$92,718.00	\$ 0.00	1,040.00	\$ 45,081.66	0.00	\$0.00	\$ 45,081.66
Investment Analyst II	\$66,300.00	10,000.00 <sup>c</sup>	970.50	30,625.18	0.00	0.00	40,625.18
Portfolio Manager IV	\$175,000.08	0.00	660.00	55,789.58	0.00	0.00	55,789.58
Network Specialist VI	\$97,661.16	0.00	509.75	23,735.30	0.00	0.00	23,735.30
Retirement System Benefits Specialist IV	\$41,077.08	0.00	440.00	8,614.06	0.00	0.00	8,614.06
Totals		\$10,000.00	3,620.25	\$163,845.78	0.00	\$0.00	\$173,845.78

<sup>a</sup> Table does not include compensation for state holidays that occurred during the span of the separation agreements.

<sup>b</sup> Annual salary was calculated based on the employees' annualized monthly base salary. Base salary is a fixed amount of pay and does not include benefits, one-time merits, longevity pay, or bonus pay.

<sup>c</sup> TRS coded the lump-sum payment as one-time merit bonus in USPS.

Sources: Unaudited information from TRS and USPS.

## Texas Water Development Board

The Texas Water Development Board (TWDB) asserted that it entered into a separation agreement with one employee between September 1, 2014, and July 18, 2016. The separation agreement stated that TWDB allowed the employee to remain on the payroll until the effective date of the employee’s termination. The amount of emergency leave for which TWDB compensated that employee was 32.25 days (258 hours).

While on paid leave, that employee received the employee’s current salary. The total cost of the emergency leave was \$13,511.89.

TWDB reports employee leave information to the Uniform Statewide Payroll/Personnel System (USPS). TWDB coded the paid leave associated with the employee’s separation agreement as “Emergency Leave – Other” in USPS.

TWDB does not have documented policies or procedures for providing compensation as part of separation agreements.

Table 7 summarizes TWDB’s separation agreement between September 1, 2014, and July 18, 2016. Auditors also reviewed leave and payroll information from USPS. Any vacation leave taken after the start date of the employee’s separation agreement is not included in Table 7 because employees are permitted to receive that earned leave, as established in Texas Government Code, Section 661.067. In addition, earned compensatory leave is not included in Table 7. It is important to note that the information in Table 7 was not audited, and most of the information was self-reported by TWDB.

Table 7

Summary of TWDB Separation Agreement between September 1, 2014, and July 18, 2016 <sup>a</sup>							
Classification Title	Annual Salary <sup>b</sup>	Lump-sum Payment Received	Emergency Leave - Number of Hours	Emergency Leave - Dollar Amount	Administrative Leave - Number of Hours	Administrative Leave - Dollar Amount	Total Cost of Separation Agreement
Director IV	\$109,187.76	\$0.00	258.00	\$13,511.89	0.00	\$0.00	\$13,511.89

<sup>a</sup> Table does not include compensation for state holidays that occurred during the span of the separation agreements.

<sup>b</sup> Annual salary was calculated based on the employees' annualized monthly base salary. Base salary is a fixed amount of pay and does not include benefits, one-time merits, longevity pay, or bonus pay.

Sources: Unaudited information from TWDB and USPS.