



# County of Allegheny

## Office of the Controller

Allegheny County  
Court of Common Pleas  
Report on Internal Controls Over  
Off-Book Cash Accounts  
For the Period  
January 1, 2012 through June 30, 2013  
*(Non-Audit Service)*

February 3, 2014

**Chelsa Wagner**  
Controller

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CHELSEA WAGNER  
CONTROLLER

# COUNTY OF ALLEGHENY

## OFFICE OF THE CONTROLLER

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January 17, 2014

Ms. Claire Capristo  
Court Administrator  
Fifth Judicial District of Pennsylvania  
County of Allegheny  
300 Frick Building  
437 Grant Street  
Pittsburgh, PA 15219

Allegheny County Court of Common Pleas  
Report on Internal Controls Over Off-Book Cash Accounts  
for the Period January 1, 2012 through June 30, 2013

Dear Ms. Capristo:

The Allegheny County Controller's Office performed procedures to identify and assess the effectiveness of the implementation of internal controls currently in place over the Court of Common Pleas' administration of off-book cash accounts. Our procedures covered the period from January 1, 2012 to June 30, 2013. Our engagement was performed as a non-audit service. Therefore, our engagement was not performed in accordance with *Government Auditing Standards*.

The procedures we performed resulted in the identification of performance improvement opportunities for the Court of Common Pleas. The results of our procedures are included in the attached report.

Ms. Claire Capristo  
January 17, 2014

We would like to thank the management and staff of the Allegheny County Court of Common Pleas for their courtesy and cooperation during our engagement.

Kind regards,



Chelsa Wagner  
Controller



Lori A. Churilla  
Assistant Deputy Controller, Auditing

cc: Honorable John DeFazio, President, County Council  
Honorable Nicholas Futules, Vice-President, County Council  
Honorable Rich Fitzgerald, Allegheny County Executive  
Mr. William McKain, County Manager, Allegheny County  
Ms. Jennifer Liptak, Chief of Staff, County Executive  
Mr. Warren Finkel, Budget Director, Allegheny County  
Mr. Joseph Catanese, Director of Constituent Services, County Council  
Mr. Walter Szymanski, Budget Director, County Council

## *Executive Summary*

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### **Purpose**

The Controller's Office has identified bank accounts and petty cash accounts that are maintained by certain County Departments for which the cash transactions that occur are not recorded in the County's JD Edwards (JDE) accounting software package (off-book accounts). For the year ended December 31, 2012, the Controller's Office identified a total of 191 such off-book accounts, comprised of 167 bank accounts and 24 petty cash funds. The aggregate bank balance of these off-book accounts at December 31, 2012 was \$21,329,967. Having the transaction activity in most of these cash accounts recorded in JDE and having as many of these accounts administered by the County Treasurer as possible would be beneficial to the County. In addition to providing for greater transparency and reducing the risks of fraud and abuse, such a transition would facilitate timely and accurate County financial reporting.

The objectives of our engagement included accumulating and reporting information that will enable those charged with governance to determine whether the off-book cash accounts administered by the Court of Common Pleas can and should be brought "on-book", which would entail the recording of the transaction activity in JDE and the cash accounts being administered by the County Treasurer. We identified the purposes of the off-book cash accounts, and assessed the effectiveness of the internal controls currently in place over the Court of Common Pleas' administration of the off-book cash accounts. We also considered any other advantages or disadvantages of bringing those accounts on-book that came to our attention.

### **Background**

The Court of Common Pleas (Courts), located in downtown Pittsburgh, is a trial court of general jurisdiction and has original jurisdiction over all cases not exclusively assigned to another court. The four divisions of the Court, Criminal, Civil, Family, and Orphans', adjudicate a wide array of matters including criminal prosecutions, civil disputes involving money or property, child support, custody, dependency, adoptions, guardianships, appeals from judgments of the minor judiciary, and appeals from final orders of certain state and local government agencies. The Court has a complement of 41 commissioned judges who comprise the board of judges, and 7 senior judges assigned among the court divisions.

The Court of Common Pleas utilized five off-book accounts during the period to which we applied our procedures. However, one account was closed during the period. The four remaining off-book accounts had an aggregate balance of \$401,917.18 at June 30, 2013.

### **Results in Brief**

The following is a listing of our findings and recommendations that resulted from the performance of our procedures:

#### **Finding #1: The Family Division Emergency Account Should Be Closed**

We noted that five off-book cash accounts have been utilized by the Court of Common Pleas during the period to which we applied our procedures. This has resulted in a lack of

## *Executive Summary*

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transparency and increased risks of fraud and abuse. It also resulted in more time being consumed in accumulating the accounting data necessary to generate complete and accurate County financial reports.

**Recommendation:** We recommend that the Court of Common Pleas:

- Close the Family Division Emergency Account and take steps to determine the origin of the funds in the account and whether the funds should be remitted to the Treasurer or escheated to the Commonwealth of Pennsylvania.
- Provide copies of documentation supporting disbursements made from the CISP Recreation Fund to the Accounting Division when submitting requests for replenishment of the Fund. The use of the CISP Recreation Fund should also be limited to issue payments when the Court has less than a week's notice about a cost to be incurred. When the Court has advance notice, the County's standard procurement policies and procedures should be adhered to.
- Provide to the Accounting Division on an annual basis a summary of the Pittsburgh Foundation Fund off-book account activity. The summary should include the beginning account balance, total receipts, total disbursements, and the ending account balance.
- Continue to maintain proper segregation of duties and adequate safeguards over the CISP Recreation Fund and Pittsburgh Foundation Fund.



## I. Introduction

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For Allegheny County (County) bank accounts maintained by the County Treasurer, cash transactions that occur are recorded in the County's JD Edwards accounting software package (JDE). However, the County Controller's Office has identified bank accounts and petty cash accounts that are maintained by certain County Departments for which the cash transactions that occur are not recorded in JDE. Since the transactions that occur in these accounts are not recorded in JDE, these accounts maintained by County Departments are often referred to as "off-book" accounts.

The transaction activity that occurs in off-book accounts must be included in the County's Comprehensive Annual Financial Report (CAFR). To facilitate the inclusion of the transaction activity in the CAFR, the County Controller's Office requests information about the off-book accounts annually from every County Department. The County Controller's Office summarizes the account activity by reviewing the account statements, reconciliations, details of corresponding liabilities, and summaries of the monthly receipts and disbursements for the year.

For the year ended December 31, 2012, the Controller's Office identified a total of 191 such off-book accounts, comprised of 167 bank accounts and 24 petty cash funds. The aggregate bank balance of these off-book accounts at December 31, 2012 was \$21,329,967. The Court of Common Pleas maintained four of those off-book accounts with an aggregate bank balance of \$325,706 at December 31, 2012.

The Court of Common Pleas (Courts), located in downtown Pittsburgh, is a trial court of general jurisdiction and has original jurisdiction over all cases not exclusively assigned to another court. The four divisions of the Court, Criminal, Civil, Family, and Orphans', adjudicate a wide array of matters including criminal prosecutions, civil disputes involving money or property, child support, custody, dependency, adoptions, guardianships, appeals from judgments of the minor judiciary, and appeals from final orders of certain state and local government agencies. The court has a complement of 41 commissioned judges who comprise the board of judges, and 7 senior judges assigned among the court divisions.

The Court of Common Pleas utilized five off-book accounts during the period to which we applied our procedures. The Secure ID Program account, used for deposit of fees paid by attorneys for ID cards enabling easier access to the County Courthouse, was closed during the period. The following table summarizes the remaining off-book accounts at June 30, 2013:

<u>Off-Book Account</u>	<u>Bank Balance @ 6/30/13</u>
CISP Recreation Fund	\$4,312.59
PGH Foundation Fund	4,094.95
Family Division Main Account	387,193.26
Family Division Emergency Fund	<u>6,316.38</u>
Total	<u>\$401,917.18</u>

The CISP Recreation Fund account and the Pittsburgh Foundation account are used to pay certain costs associated with juveniles that reside in County facilities per court order. The CISP

## **I. Introduction**

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Recreation Fund account is used to pay recreation-related expenses for the juveniles when payments must be made in cash or when utilization of the County's normal disbursement process will not enable the payments to be issued in time. The account is funded by the County, but expenditures are 80% reimbursable by the state. There are typically only a few CISP Recreation Fund account receipt transactions each year, and approximately 5 disbursements made each month.

The Pittsburgh Foundation Fund account, which has historically been funded by the Pittsburgh Foundation on an annual basis, can be used to pay certain costs for the juveniles for which governmental funds are not permitted to be used. There are typically only a few Pittsburgh Foundation Fund account receipt transactions each year, and one or two disbursements each month. For both of these off-book juvenile accounts, paper documentation supporting the transactions that have occurred in the accounts is maintained in file folders.

The Family Division Main account is utilized for deposit of first-time court-ordered child support payments and "purge payments". Purge payments are child support payments made on site by the responsible parties to avoid incarceration for non-payment. Once responsible parties make their first child support payments, they are instructed to send future payments to the Pennsylvania State Collections and Disbursements Unit (PA SCDU). Child support payments are collected on site and at satellite offices (there is currently only one satellite office in the South Hills). Hundreds of Family Division Main Account receipt transactions occur each month. Funds deposited in the Family Division Main Account are remitted via electronic funds transfer to the PA SCDU. The PA SCDU distributes child support payments to the designated recipients.

The Family Division Emergency Account was established to help ensure that funds would be available if needed as a result of an incorrect posting of a Family Division Main Account transaction. There were no transactions in the Family Division Emergency Account during the period to which we applied our procedures.



## **II. Scope and Methodology**

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We performed procedures to identify and assess the effectiveness of the implementation of internal controls currently in place over the Court of Common Pleas' administration of off-book cash accounts. Our procedures covered the period from January 1, 2012 through June 30, 2013.

Specifically, we performed the following procedures:

- Obtained a listing of all off-book cash accounts and documented the purpose of each account.
- Interviewed Court of Common Pleas personnel to gain an understanding of and document the internal control policies and procedures pertaining to the administration of the off-book cash accounts. This included an analysis of the segregation of duties.
- Reviewed supporting documentation relating to the custodians, authorized signers, reconcilers, and authorized amounts for each of the off-book accounts.
- Tested samples of receipts that were deposited in the bank accounts for validity and proper supporting documentation.
- Tested samples of disbursements that cleared the bank for authorization and proper supporting documentation.
- Tested samples of bank reconciliations for accuracy.
- Verified that checks were being properly secured when not in use and that the checks were not pre-signed or pre-stamped.
- Considered whether the off-book accounts should be brought on-book based on the results of our other procedures and other information that may have come to our attention.

We performed these procedures during December 2013. We provided a draft copy of this report to the Court Administrator of the Court of Common Pleas. Her response to the findings and recommendations begins on page 10.

### **III. Observations and Recommendations**

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#### ***Finding #1***

### **The Family Division Emergency Account Should be Closed**

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Having the transaction activity in most of the County's cash accounts recorded in JDE and having as many of those accounts administered by the County Treasurer as possible would be beneficial to the County. In addition to providing for greater transparency and reducing the risks of fraud and abuse, such a transition would facilitate timely and accurate County financial reporting.

The Court of Common Pleas utilized five off-book cash accounts during the period to which we applied our procedures, although one of the off-book accounts (Secure ID Program account) was closed during the period.

The Family Division Main Account has been administered off-book to facilitate the Court of Common Pleas' compliance with federal regulations, specifically Title IV of the Social Security Act. The Allegheny County Treasurer is not a signatory to the Title IV Cooperative Agreement, and therefore is not permitted to administer the Family Division Main Account which serves as a conduit for federally-mandated SCDU processing of child support payments. It appears that federal regulations may prohibit the transition of the Family Division Main Account to JDEdwards.

There were no Family Division Emergency Account transactions during the period to which we applied our procedures. A separate bank account to adjust for mispostings should not be needed. The Family Division Emergency Account appears to be unnecessary and should be closed. The Court of Common Pleas should take steps to determine the origin of the funds in the account and whether the funds should be remitted to the Treasurer or escheated to the Commonwealth of Pennsylvania.

The transaction activity in the Pittsburgh Foundation Fund account is limited. The County's normal disbursement process, which involves the recording of transaction activity in JD Edwards, has not been utilized for this account since the funds in the account are not County funds. The funds in the account are typically used to finance expenditures for juveniles for which County funds cannot be used, such as GED application fees, bus passes, prom attire, or music lessons.

The transaction activity in the CISP Recreation Fund account is limited. The County's normal disbursement process, which involves the recording of transaction activity in JD Edwards, has not been utilized for this account due to spontaneous needs for cash. We were told by Court personnel that the timeframe needed for the normal processing of County cash disbursements would not enable certain payments currently made via this account to be made timely. This checking account should only be used to issue payments when the Court has less than a week's notice about a cost to be incurred. When the Court has advance notice, the County's standard procurement policies and procedures should be adhered to. Currently, documentation supporting disbursements made from the account is not provided to the Accounting Division. We

### **III. Observations and Recommendations**

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considered whether the use of an imprest petty cash fund would be preferable to the use of a bank account, and noted that the use of checks provides a better audit trail than the use of petty cash.

#### **Recommendations**

We recommend that the Court of Common Pleas:

- Close the Family Division Emergency Account and take steps to determine the origin of the funds in the account and whether the funds should be remitted to the Treasurer or escheated to the Commonwealth of Pennsylvania.
- Provide copies of documentation supporting disbursements made from the CISP Recreation Fund to the Accounting Division when submitting requests for replenishment of the Fund. The use of the CISP Recreation Fund should also be limited to issue payments when the Court has less than a week's notice about a cost to be incurred. When the Court has advance notice, the County's standard procurement policies and procedures should be adhered to.
- Provide to the Accounting Division on an annual basis a summary of the Pittsburgh Foundation Fund off-book account activity. The summary should include the beginning account balance, total receipts, total disbursements, and the ending account balance.
- Continue to maintain proper segregation of duties and adequate safeguards over the CISP Recreation Fund and Pittsburgh Foundation Fund.

FIFTH JUDICIAL DISTRICT OF PENNSYLVANIA  
COUNTY OF ALLEGHENY



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January 31, 2014

Honorable Chelsa Wagner  
Allegheny County Controller  
104 Courthouse  
436 Grant Street  
Pittsburgh, PA 15219

Re: *Allegheny County Court of Common Pleas Report on Internal Controls Over  
Off-Book Cash Accounts for the Period of January 1, 2012 through June 30, 2013*

Dear Controller Wagner:

The Fifth Judicial District appreciates the stated goal of recording all cash accounts in the County's JD Edwards (JDE) accounting software and is committed to transparency in all of the Court's financial transactions. Thank you for providing an opportunity for Michele Poulos, Fiscal Manager for the Fifth Judicial District, to meet with your staff to discuss the findings of your draft report in the above matter with respect to the current four (4) off-book accounts maintained by the Courts.

1. *The Family Division Emergency Account.* This account was created in the rare event that a child support payment is misapplied via the Pennsylvania State Collections and Disbursements Unit. It appears that this account for this purpose was created in 1999 and funded by the Family Division Main Account. As you know, during your audit period, no transactions occurred in the Family Division Emergency Account.

If the Court were to close this account and utilize the routine procedures in place to disburse funds through JDE, it would take seven (7) to ten (10) days to allocate funds to the proper party. In such an instance, it is highly likely that a W-9 and vendor creation form will have to be obtained to create the vendor in JDE, which would add to the delay in payment.

This is an emergency account. Processing these infrequent, but critical, payments through JDE would create an untenable timeframe that could have a devastating effect on the provision of basic necessities to a child or children.

2. *The Family Division Main Account.* As noted in the report, this account exists for the Family Division of the Court of Common Pleas to administer its program of child support enforcement that meets the federal requirements of Title IV-D of the Social Security Act. The program of child support enforcement includes the location of absent parents, establishment of parentage, establishment and modification of child support orders and medical support orders,

enforcement of support orders, collection of support obligations, and all other actions appropriate to child support enforcement. As noted in the report, the Allegheny County Treasurer is not a signatory to the Title IV Cooperative Agreement, and consequently, is not permitted to administer the Family Division Main Account.

3. *Pittsburgh Foundation Account.* This account is comprised of funds provided by the Pittsburgh Foundation on behalf of juveniles active in the court system who are in need of miscellaneous funds that contribute to their welfare, but are not appropriate for the distribution of any County funds. Pursuant to the recommendation, the Fifth Judicial District agrees to annually provide a summary of all financial activity from the Pittsburgh Foundation Fund and to continue to maintain proper segregation of duties and adequate safeguards as to these funds.
4. *CISP Recreation Fund.* This account is available to pay for occasional recreational activities for juveniles in the Community Intensive Supervision Program. The account is replenished through appropriate JDE processes. However, the Fifth Judicial District agrees that when there is more than a week's notice of a need for such funds, County standard procurement policies and procedures will be followed. The fund will only be accessed directly by use of a check when less than a week's notice is available. The Fifth Judicial District agrees to continue to maintain proper segregation of duties and adequate safeguards as to these funds.

I appreciate the opportunity to respond to the report. Please do not hesitate to contact me if you are in need of additional information or exposition on these matters.

Sincerely,



Claire C. Capristo

CCC/mem