



County of Allegheny

Office of the Controller

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

April 29, 2014

Chelsa Wagner
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CHELSA WAGNER
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OFFICE OF THE CONTROLLER

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December 17, 2013

Ms. Kate Barkman
Director
Department of Court Records
City-County Building
414 Grant Street, First Floor
Pittsburgh, PA 15219

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

Dear Ms. Barkman:

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 Department of Court Records' administration of off-book cash accounts. We also determined if these off book cash accounts could be recorded on the County's JD Edwards system (JDE). 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 Department of Court Records. Our recommendations focus on strengthening internal controls, the transitioning of the accounting records for its off-book accounts to JDE and timelier financial reporting. The results of our procedures are included in the attached report.



Ms. Kate Barkman
December 17, 2013

We would like to thank the management and staff of the Allegheny County Department of Court Records 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

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 Department of Court Records 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 Department's 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 Department of Court Records currently maintains the vast majority of off-book accounts, a total of 151 accounts with an aggregate bank balance of \$9,562,999 at December 31, 2012. The Department of Court records is comprised of three Divisions: Criminal, Civil/Family, and Wills/Orphans Court. These Divisions were formerly run by independently elected officials. We focused our efforts on the Civil/Family and Wills/Orphans Court Divisions since those Divisions have the greatest number of off-book cash accounts and the Administrative Office of Pennsylvania Courts has significant oversight over the Criminal Division.

The Criminal Division (formerly the Office of the Clerk of Courts) handles all records related to a criminal case in Allegheny County and serves many different parties including the District Attorney's Office, private attorneys, public defenders, notaries, constables, private investigators, bail bond agents and the public at large. Motions are filed, dockets are maintained, expungements are processed, summary appeals are filed, bail bonds are processed, case records are maintained and archived, court-ordered fines and costs are collected and court ordered restitution is paid to victims. Other services include case intake, constable services, DUI procedures, driver's license reinstatement and prisoner's correspondence.

The Civil/Family Division (formerly the Office of the Prothonotary) accepts documents for filing, issues writs, initiates execution proceedings, takes bonds in civil cases; and processes appeals from the minor judiciary, Board of Viewers and administrative agencies to the Court of Common Pleas and from the Court of Common Pleas to the appellate courts. The Civil/Family

Executive Summary

Division has miscellaneous record keeping duties such as the recording of notary public signatures, mechanics' liens, municipal claims and tax liens.

The Wills/Orphans Court Division (formerly the Office of the Register of Wills) consists of wills for inheritance, tax and probate fees, marriage licenses and Orphans Court as well as accepts U.S. passport applications.

Results in Brief

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

Finding #1: The Accounting for Off-Book Cash Account Transactions Should Be Transitioned to JD Edwards

We noted that three off-book cash accounts at different banks have been utilized by Court Records' Civil/Family Division to accomplish the same purpose. The Civil/Family Division has already closed one of these accounts. Utilizing off-book accounts has resulted in a lack of 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 Department of Court Records work with the Controller's Office to transition the accounting for its Civil/Family and Wills/Orphans Court Division off-book accounts to the County's JD Edwards accounting software.

Finding #2: Review Procedures Should Be Strengthened

During our Wills/Orphans Division fieldwork, we observed that formal monthly cash account reconciliations are not prepared, and the reconciling of the main account is not reviewed by a supervisor. We also noted that the Cashier Supervisor's closure of escrow accounts is not reviewed by one of her supervisors. Upon receipt of a court order to distribute funds held in escrow, the Cashier Supervisor prepares and issues a letter to the bank with a copy of the court order enclosed requesting the bank to issue the checks to close the account. It appears that management is relying to a certain extent upon the bank's controls (external controls) intended to prevent the issuance of unauthorized disbursements. During our Civil/Family Division fieldwork, we observed similar conditions. While formal monthly cash account reconciliations are prepared by a Fiscal Officer, the reconciliations are not reviewed for accuracy by another employee. We also noted that the Fiscal Officer's closure of escrow accounts is not reviewed by one of her supervisors, although documentation supporting any subsequent disbursements is reviewed.

Recommendations: We recommend that until such time that the Department of Court Records is no longer involved in the administration of off-book accounts, the Department should:

Executive Summary

- Minimize the risk of fraud or abuse by requiring that formal cash account reconciliations be prepared. These reconciliations should be reviewed for accuracy by an employee other than the preparer.
- Require that all communications to the bank pertaining to the closure of escrow accounts be reviewed and signed by a supervisor. A review of the status of the escrow accounts that have been opened (by an employee other than the employee initiating closure requests) should also occur periodically as a deterrent to the issuance of unauthorized disbursements and to identify any such disbursements that may have occurred.

Finding #3: Bank Service Charges Can Likely Be Reduced

A bank utilized by the Department of Court Records has recently instituted service charges that significantly exceed the fees charged by the bank in the past, and likely exceed the fees that would be charged by other competing financial institutions. Management of the Department of Court Records has not yet successfully negotiated fee reductions with the bank, and has not taken steps to move the funds on deposit to any other financial institutions.

Recommendation: We recommend that the Department of Court Records work with the Controller's Office to transition the accounting for its off-book accounts to JDE. In addition to the benefits of greater transparency, reduced risks of fraud and abuse, and timelier financial reporting, the transition would enable the Treasurer to administer the deposit accounts associated with Court Records activities. This should improve the Treasurer's ability to negotiate for lower fees for all County deposit accounts.

I. Introduction

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 Department of Court Records maintained the vast majority of those off-book accounts, a total of 151 accounts with an aggregate bank balance of \$9,562,999 at December 31, 2012.

Criminal Division

The Criminal Division of the Department of Court Records (formerly the Office of the Clerk of Courts) handles all records related to a criminal case in Allegheny County and serves many different parties including the District Attorney's Office, private attorneys, public defenders, notaries, constables, private investigators, bail bond agents and the public at large. Motions are filed, dockets are maintained, expungements are processed, summary appeals are filed, bail bonds are processed, case records are maintained and archived, court-ordered fines and costs are collected and court ordered restitution is paid to victims. Other services include case intake, constable services, DUI procedures, driver's license reinstatement and prisoner's correspondence. The Criminal Division utilizes two off-book accounts:

- The Common Pleas Case Management System (CPCMS) account is the main operating account into which all defendants' payments are deposited and from which monies are disbursed pursuant to state laws, local rules and orders of court. The Administrative Office of Pennsylvania Courts has mandated the use of the CPCMS. Consequently, we have not considered whether the accounting for CPCMS account transactions could be transitioned to the County's JDE accounting software.
- The Cash Bond II account is used to hold old cash bond monies. This account was closed subsequent to June 30, 2013 but prior to the performance of our procedures. As a result, we had no need to consider whether the accounting for Cash Bond II account transactions could be transitioned to the County's JDE accounting software.

I. Introduction

Civil/Family Division

The Civil/Family Division of the Department of Court Records (formerly the Office of the Prothonotary) accepts documents for filing, issues writs, initiates execution proceedings, takes bonds in civil cases; and processes appeals from the minor judiciary, Board of Viewers and administrative agencies to the Court of Common Pleas and from the Court of Common Pleas to the appellate courts. The Civil/Family Division has miscellaneous record keeping duties such as the recording of notary public signatures, mechanics' liens, municipal claims and tax liens. The Civil/Family Division utilizes a variety of off-book accounts:

- Civil Division Fee Account is used to deposit all monies received as filing fees, rents, bonds and Court orders. After balancing and posting transactions to this account, rent payments and monies paid into the court are transferred from this account to their appropriate account.
- Civil Division Court Fund is used to deposit monies per the court order that are not required to be placed in an interest bearing account.
- Civil & Family Division Court Fund #2 is used to deposit rental payments for landlord and tenant disputes.
- Civil Division Court Fund is an account used to hold funds that are directed by court order.
- Civil Division Court Fund is another account used to deposit monies per the court order that are not required to be placed in an interest bearing account.
- Civil Division Fee Deposit Account is used to deposit all prepayments for drawdown accounts.
- PNC Bank and Dollar Bank Certificates of Deposit are established for monies that are required by Court order to be placed in interest bearing accounts.

The Civil/Family Division processes approximately 400 fee account receipt transactions per day, over 8,000 per month, and issues over 300 disbursements per month. A handful of the daily fee account receipts are subsequently deposited in the Division's other off-book accounts (rent, court funds, or drawdown) based on the source and intended use of the funds. The disbursements from the other off-book accounts approximate 100 in the aggregate. Escrow account transactions are infrequent, based solely on court orders.

Wills/Orphans Court Division

The Wills/Orphans Court Division of the Department of Court Records (formerly the Office of the Register of Wills) consists of wills for inheritance, tax and probate fees, marriage licenses and Orphans Court as well as accepts U.S. passport applications. The Wills/Orphans Court Division utilizes two off-book accounts:

- The Fee account is the operating account in which all monies received in payment of filing fees and costs are deposited to this account. The money is disbursed according to state laws, local rules of court and orders of court.
- The Escrow accounts are used to record monies that are court ordered to be deposited into interest bearing accounts.

I. Introduction

The volume of transaction activity experienced by the Wills/Orphans Court Division's six cashiers fluctuates. The Division typically processes approximately 250 fee account receipts per day, over 5,000 receipts per month, and issues more than 20 disbursements per month. Escrow account transactions are infrequent, based solely on court orders.

The following is a summary of the Court Records Division off-book cash accounts and balances:

<u>Court Records Division</u>	<u>Off-Book Account</u>	<u>Bank Balance @ 6/30/2013</u>
Wills/Orphans Court	Fee	\$134,002.41
Wills/Orphans Court	Certificates of Deposit (11)	313,486.13
Civil/Family	Fee	1,494,044.00
Civil/Family	Fee	44,626.60
Civil/Family	Rent	352,382.76
Civil/Family	Court Funds	496,116.05
Civil/Family	Court Funds	175,950.56
Civil/Family	Drawdown	427,118.01
Civil/Family	Certificates of Deposit (104)	3,254,936.19
Criminal Division	CPCMS	2,219,780.73
Criminal Division	Cash Bond II	<u>246,843.50</u>
Total		<u>\$9,159,286.94</u>

The Wills/Orphans Court Division and Civil/Family Division both utilize the Banner Case Management System for the initial recording of receipt and disbursement transactions. Transaction data is then exported daily to Passport Business Solutions Version 12, Court Records' general ledger software (instead of the County's JD Edwards software).

II. Scope and Methodology

We performed procedures to identify and assess the effectiveness of the implementation of internal controls currently in place over the Department of Court Records' administration of off-book cash accounts. We also determined if the Wills/Orphans Court Division and Civil/Family Division off book cash accounts could be recorded on the County's JD Edwards system. 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 Records 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.
- Gained an understanding of the systems used within each division to assess the feasibility of interfacing data from the off-book accounts with the County's JD Edwards accounting system.

We performed these procedures during August through September of 2013. We provided a draft copy of this report to the Director of Court Records for response. Her response to the findings and recommendations begins on page 15.

III. Findings and Recommendations

Finding #1

The Accounting for Off-Book Cash Account Transactions Should Be Transitioned to JD Edwards

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 Department of Court Records maintained the vast majority of off-book cash accounts, a total of 151 accounts with an aggregate bank balance of \$9,159,287 at June 30, 2013. We noted that several off-book cash accounts at different banks have been utilized by Court Records to accomplish the same purpose. Court Records has already closed one of these accounts. We also noted that the bank service charges associated with these accounts can likely be reduced (see Finding #3).

The Department of Court Records was formerly a number of Row Offices under the direction of elected officials, and as such, was not required to follow directives issued by the County's administration. This is likely the reason that JD Edwards has not been utilized to record the transactions that occur in the off-book accounts. Utilizing off-book accounts has resulted in a lack of transparency and increased risks of fraud and abuse. It has also resulted in more time being consumed in accumulating the accounting data necessary to generate complete and accurate County financial reports.

It appears that the Department of Court Records should be able to transition the accounting for the transactions in its off-book accounts to JDE without abandoning the Banner Case Management System it currently uses. The Department of Court Records could utilize the same process it currently uses for cash receipts, except for the actual deposit of daily receipts. An interface between the Banner Case Management System and JDE could be developed by the County's IT professionals. The interface developed could even eliminate the need for the Department of Court Records to prepare daily reports of collections for the Treasurer's Office. If reports of collections were still necessary, they could be prepared by a Court Records clerk based on the daily receipts. The daily reports of collections would enable the Treasurer's office to post the daily receipts in JDE and make the deposit. Similarly, the Department of Court Records could utilize the same process it currently uses for disbursements, except for the issuance of the disbursements. The Controller's Office Accounting Division could record the disbursements in JDE from the vouchers provided by the Department of Court Records, and if a Department of Court Records clerk provided the Accounting Division with disbursement instructions, the Treasurer's Office could issue the disbursements via check or wire.

Recommendation: We recommend that the Department of Court Records work with the Controller's Office to transition the accounting for its Civil/Family and Wills/Orphans Court Division off-book accounts to the County's JD Edwards accounting software.

III. Findings and Recommendations

Finding #2

Review Procedures Should Be Strengthened

Review procedures are an integral component of an entity's internal control system. Review procedures are intended to assist the entity in identifying during the normal course of business any errors or fraud that may have occurred. While external controls are often effective, a system of internal control that incorporates review procedures provides an entity with the greatest opportunity to identify errors or fraud.

Wills/Orphans Court Division

During our Wills/Orphans Division fieldwork, we observed that formal monthly cash account reconciliations are not prepared. The Cashier Supervisor has applied procedures to reconcile the account to within an immaterial difference, but the results of these procedures have not been reviewed by one of her supervisors. The Assistant Manager of the Division signs the checks to be issued to the County Treasurer and Commonwealth of Pennsylvania after she verifies that the balance per the checkbook is sufficient to cover the checks. To minimize the risk of errors or fraud, formal cash account reconciliations should be prepared and reviewed for accuracy by an employee other than the preparer.

We also noted that the Cashier Supervisor's closure of escrow accounts is not reviewed by one of her supervisors. Upon receipt of a court order to distribute funds held in escrow, the Cashier Supervisor prepares and issues a letter to the bank with a copy of the court order enclosed requesting the bank to issue checks to close the account. It appears that management is relying to a certain extent upon the bank's controls (external controls) intended to prevent the issuance of unauthorized disbursements. A supervisor should review and initial all communications to the bank pertaining to the closure of escrow accounts. A review of the status of the escrow accounts that have been opened (by an employee other than the Cashier Supervisor) should also occur periodically as a deterrent to the issuance of unauthorized disbursements and to identify any such disbursements that may have occurred.

Civil/Family Division

During our Civil/Family Division fieldwork, we observed similar conditions. While formal monthly cash account reconciliations are prepared by a Fiscal Officer, the reconciliations are not reviewed for accuracy by another employee. We also noted that the Fiscal Officer's closure of escrow accounts is not reviewed by one of her supervisors, although documentation supporting any subsequent disbursements is reviewed.

It appears that the management of the Department of Court Records has not perceived these conditions to represent internal control weaknesses, which is most likely attributable to the fact that significant errors or unauthorized disbursements have not been identified. However, the effect of these conditions is that the risks of errors and fraud have not been reduced to an acceptably low level.

III. Findings and Recommendations

Recommendations: We recommend that until such time that the Department of Court Records is no longer involved in the administration of off-book accounts, the Department should:

- Minimize the risk of fraud or abuse by requiring that formal cash account reconciliations be prepared. These reconciliations should be reviewed for accuracy by an employee other than the preparer.
- Require that all communications to the bank pertaining to the closure of escrow accounts be reviewed and signed by a supervisor. A review of the status of the escrow accounts that have been opened (by an employee other than the employee initiating closure requests) should also occur on a regular basis as a deterrent to the issuance of unauthorized disbursements and to identify any such disbursements that may have occurred.

III. Findings and Recommendations

Finding #3

Bank Service Charges Can Likely Be Reduced

Allegheny County officials should be monitoring County expenditures and taking appropriate measures to help ensure that County taxpayers receive the best value possible in terms of the services they receive for their tax dollars.

During the performance of our procedures, we observed that the Wills/Orphans Court Division of the Department of Court Records utilizes demand deposit and time deposit accounts. The Wills/Orphans Court Division has utilized deposit accounts at the same bank for many years. The bank has recently instituted service charges that significantly exceed the fees charged by the bank in the past, and likely exceed the fees that would be charged by other competing financial institutions. Management of the Department of Court Records has not yet successfully negotiated fee reductions with the bank, and has not taken steps to move the funds on deposit to any other financial institutions. Based on this, it appears that the Department of Court Records will be incurring higher costs than necessary in the administration of its activities unless appropriate action is taken.

The following is a summary of the recent Wills/Orphans Court Division fee account bank service charges incurred through June 30, 2013:

April charges	Check Printing	\$ 45.82
May charges	Service Charges	395.88
	Deposit Correction Fee	12.00
June charges	Account Maintenance Charge	20.00
	ACH Credits	.14
	Checks Paid	4.40
	Deposited Item – Consolidated	209.55
	Deposit Tickets Processed	21.75
	Branch – Counter Cash Deposited	110.16
	Redeposit of Returned Check	10.00
	Bank Print/Mail/Fax Deposit Item	1,920.00
	Less Earnings Credit	<u>(4.72)</u>
Total Bank Service Charges		<u>\$2,744.98</u>

A number of factors, such as the volume of transaction activity and the size of any cash balances on deposit, typically influence the fee structure that a financial institution is willing to offer a potential customer. The Allegheny County Treasurer's Office maintains a number of County deposit accounts which are used to process the majority of County transactions, and the corresponding cash balances on deposit are substantial. We were informed by the Treasurer's Office that management has assisted Court Records in trying to lower bank fees. However, if the off-book accounts maintained by the Department of Court Records (and other County Departments) were administered by the County Treasurer, the Treasurer should have an even greater ability to negotiate for lower fees for all County deposit accounts.

III. Findings and Recommendations

The following is a summary of the bank service charges posted to Civil/Family Division account statements during the period to which we applied our procedures:

Court Fund Account #1 (includes fee account and rent account charges)	\$ 9,931.70
Court Fund Account #2	883.55
Court Fund Account #3 (now closed)	377.24
Drawdown Account	<u>5.84</u>
Total Bank Service Charges	<u>\$11,198.33</u>

Recommendation: We recommend that the Department of Court Records work with the Controller's Office to interface the accounting for its off-book accounts to JD Edwards. In addition to the benefits of greater transparency, reduced risks of fraud and abuse, and timelier financial reporting, the transition would enable the Treasurer to administer the deposit accounts associated with Court Records activities. This should improve the Treasurer's ability to negotiate for lower fees for all County deposit accounts.

COUNTY OF



ALLEGHENY

RICH FITZGERALD
COUNTY EXECUTIVE

April 23, 2014

Chelsa Wagner, Controller
Lori A. Churilla, Assistant Deputy Controller, Auditing
104 Courthouse
436 Grant Street
Pittsburgh, PA 15219

Dear Ms. Wagner and Ms. Churilla:

Please accept this letter as a response from the Department of Court Records ("DCR") to the draft "Report on Internal Controls Over Off-Book Cash Accounts for the Period January 1, 2012 through June 30, 2013 (Non-Audit Service)."

In a continuing effort to strengthen controls and better safeguard assets, this review to explore the possibility to bring JD Edwards ("JDE") off-book accounts through the County's accounting system was initiated at the direction of the current County Administration. The DCR hoped that, when the current County Administration asked your office to review again the possibility of the DCR transitioning its accounting functions to the JDE System, your office would provide assurances that JDE could perform the functions needed by the DCR to perform its operations. The DCR also hoped that, in this Report, the Controller's Office would provide recommendations and concrete steps to be taken that would allow the DCR to transition its accounting functions to JDE. While the DCR appreciates the review of internal controls and always looks for ways to improve its operation, this Report provides no assurance that the business functions the DCR must perform to meet its statutory mandates can be handled by JDE.

With regard to the recommendation that the DCR bank accounts be held by the County Treasurer, the recommendation is contrary to law. There is statutory authority which states that no entity other than the Department of Court Records can be the holder of bank accounts and funds collected by the Department of Court Records. The Controller's Office was provided a copy of a legal opinion from the Administrative Offices of the Pennsylvania Courts ("AOPC") setting forth the reasons why the Treasurer's Office cannot hold Department of Court Records, Criminal Division bank accounts. The Department of Court Records is waiting for a similar legal opinion from the AOPC regarding the bank accounts held by the other two (2) DCR operational Divisions and has provided the Controller's Office with the statutory authority which states that

DEPARTMENT OF COURT RECORDS

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no entity other than the DCR can hold its bank accounts. Your office has provided no legal authority in support of its recommendation that the County Treasurer can hold DCR bank accounts.

The following are the DCR's responses to the draft "Report on Internal Controls Over Off-Book Cash Accounts for the Period January 1, 2012 through June 30, 2013 (Non-Audit Service)":

FINDING #1. THE ACCOUNTING FOR OFF-BOOK ACCOUNT TRANSACTIONS SHOULD BE TRANSITIONED TO JD EDWARDS

This is the conclusion the current Administration presented to your office and asked the Controller's Office for assistance and recommendations regarding how to facilitate the transition. This report provides few details or assurances that JDE can perform the necessary functions. This report also provides few details concerning the cost, if any, of the transition. The DCR understood that your office would be making recommendations on the steps to take to make this conclusion possible. Since that has not yet been provided, the DCR looks forward to receiving those recommendations at some point in the future and further exploring the possibility of utilizing JDE in two (2) DCR Divisions.

It is anticipated that your office will address the issues raised by the DCR when exploring the possibility of utilizing JDE in the DCR Divisions and handle those issues differently than the prior Controller's Office. The DCR previously explored the possibility of using JDE to perform the accounting functions required of the DCR rather than using a commercial accounting software system. The DCR met numerous times with the previous Controller's Office JDE team to review the business needs of the DCR based on the statutory requirements the DCR is mandated to perform. The previous Controller's Office JDE staff was unable to assure the DCR that the functions needed to be performed by the DCR could be performed by JDE. In addition, the previous Controller's Office required a substantial monetary "buy in" to JDE because numerous modifications to the JDE system would have been required so the DCR's functions could be performed. Even with the "buy in", the prior Controller's Office could not assure the DCR that the JDE system could perform the functions required by the DCR. In light of these issues, the DCR decided that it would be more cost effective and efficient to upgrade the commercial accounting software because the DCR had received positive confirmation from the software vendor that the software could perform the functions required by the DCR.

FINDING #2. REVIEW PROCEDURES SHOULD BE STRENGTHENED

The DCR accepts these recommendations and will take steps to implement changes. The DCR also notes that all transactions related to escrow accounts are controlled by Order of

Court and are monitored by the Court because the DCR holds the monies in escrow for the Court. The DCR must maintain control over all escrow accounts.

FINDING #3. BANK SERVICE CHARGES CAN LIKELY BE REDUCED

The DCR agrees with this finding and, to that end, has been working with the Treasurer's Office to accomplish this task for more than a year. The Controller's Office may not be aware that the Deputy County Treasurer has attended numerous meetings with the DCR and its banks and has negotiated for the DCR the same per unit rates charged to the Treasurer's Office.

Finally, the Department of Court Records would like to recognize and thank the Controller's Office staff who spent time in two (2) DCR offices for their courtesy and professionalism while performing their non-audit work.

If you require any further information, please do not hesitate to contact me.

Sincerely,



Kate Barkman

cc via email: William D. McKain, CPA, County Manger
Eric Feder, Deputy Director