



# County of Allegheny

## Office of the Controller

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

**November 25, 2013**

**Chelsa Wagner  
Controller**

**104 County Courthouse  
436 Grant Street  
Pittsburgh, PA 15219  
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## Contents

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Letter	1
Executive Summary	3
I. Introduction	5
II. Scope and Methodology	6
III. Findings and Recommendations	
Finding #1: The Accounting for Off-Book Cash Account Transactions Should Be Transitioned to JD Edwards	7
Response from the Director of the Health Department	8



CHELSEA WAGNER  
CONTROLLER

# COUNTY OF ALLEGHENY

## OFFICE OF THE CONTROLLER

104 COURTHOUSE • 436 GRANT STREET  
PITTSBURGH, PA 15219-2498  
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November 19, 2013

Dr. Karen Hacker  
Director  
Allegheny County Health Dept.  
3333 Forbes Avenue  
Pittsburgh, PA 15213

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

Dear Dr. Hacker:

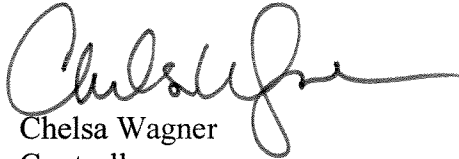
The Allegheny County Controller's Office performed procedures to identify and assess the effectiveness of the implementation of internal controls currently in place over the Health Department's administration of off-book cash accounts. Our procedures covered the period from January 1, 2012 to June 30,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

The Health Department has one off-book account which is to be used to finance all necessary corrective work on the Mazzaro Coal and Disposal Landfill. The results of our procedures are included in the attached report.

Dr. Karen Hacker  
November 19, 2013

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

Kind regards,



Chelsa Wagner  
Controller



Lori A. Churilla  
Assistant Deputy Controller, Auditing

cc: Honorable Charles Martoni, 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 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 Health Department 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 attempted to identify the purposes of the off-book cash accounts, and identify and assess 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 mission of the Allegheny County Health Department ("ACHD") is to protect, promote, and preserve the public health of the 1.2 million people who live, work, and play within the County's diverse communities. ACHD has two operating Divisions, Human Health and Environmental Health. The Health Department currently maintains one off-book account which had a bank balance of \$61,555 at June 28, 2013. The account is the Mazzaro Landfill Gas Recovery escrow account, which is associated with the Solid Waste Management section of the Environmental Health Division. The Solid Waste Management section is responsible for:

- Monitoring municipal landfills, compost sites and solid waste vehicles to ensure compliance with county and state regulations.
- Investigating citizen complaints about odors, dust and other problems associated with landfills, compost sites, solid waste vehicles and illegal dumps.

The Solid Waste Division is also responsible for the inspection and oversight of 40 facilities, which include both operating and closed landfills, waste processing facilities, material recovery facilities, and leaf/yard composting sites. This section also inspects approximately 400 solid waste vehicles annually.

### **Results in Brief**

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

## *Executive Summary*

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

We noted that one off-book cash account has been utilized by the Allegheny County Health Department ("ACHD") and the Pennsylvania Department of Environmental Protection ("DEP") as an escrow account to finance all necessary corrective work on the Mazzaro Coal and Disposal Landfill ("Landfill"). The funds in the escrow account do not belong to the County, and are not due to the County. Any funds in the account which are not used for necessary corrective work on the Landfill must be returned to the owner. However, the utilization of an off-book account results in a lack of transparency and an increased risk of fraud and abuse. It also has resulted in more time being consumed in accumulating the accounting data necessary to generate complete and accurate County financial reports.

**Recommendation:** If the DEP does not authorize the return of the funds and closure of the escrow account in a timely fashion, we recommend that ACHD work with the Controller's Office to transition the accounting for the off-book account to the County's JD Edwards accounting software.

## **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 Allegheny County Health Department (ACHD) maintained one of those off-book accounts which had a bank balance of \$61,555 at June 28, 2013.

ACHD is comprised of the Human Health and Environmental Health Divisions. The Human Health Division administers a number of programs, including Chronic Disease Prevention, HIV/AIDS Testing, Home Visiting Network, Infectious Disease Prevention, Injury Prevention, Lead Poisoning Prevention, Maternal and Child Health, Pediatric Dentistry, Sexually Transmitted Disease Prevention, and Women, Infants, and Children. The Environmental Health Division also administers a number of programs including Air Quality Monitoring, Housing and Community Environment Monitoring, Food Safety, Plumbing, Public Drinking Water Inspection, Recycling, Solid Waste Management, and Water Pollution Control.

The Mazzaro Landfill Gas Recovery escrow account was required to be established by a permit issued by the Pennsylvania Department of Environmental Resources (now Department of Environmental Protection, or "DEP") in November of 1988. Special Condition No.6 of Solid Waste Permit No. 101501 stipulated that the escrow account would be established to facilitate all necessary corrective work on the Mazzaro Coal and Disposal Landfill. Any corrective work must be determined essential by the DEP and/or ACHD in connection with the environmental obligations of Mazzaro Coal and Disposal Company Inc.



## **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 Health Department's 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 Health Department personnel to gain an understanding of and document the internal control policies and procedures pertaining to the administration of the off-book cash account.
- Reviewed supporting documentation relating to the custodians, authorized signers, reconcilers, and authorized amounts for the off-book account.
- Reviewed the stipulations set forth in the permit to Manus Corporation for the use of the Mazzaro Landfill.
- Reviewed bank account statements, which reflected interest earnings but no other receipts or disbursements.
- 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 August through September of 2013. We provided a draft copy of this report to the Director of the Health Department. Her response begins on page 8.



### III. Findings and Recommendations

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#### *Finding #1*

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

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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.

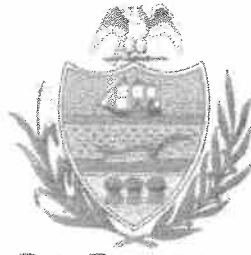
We noted that one off-book cash account has been utilized by the Allegheny County Health Department (ACHD) and the Pennsylvania Department of Environmental Protection (DEP) as an escrow account to finance all necessary corrective work on the Mazzaro Coal and Disposal Landfill (Mazzaro Landfill). The bank does not charge any fees for servicing the account. The funds in the escrow account do not belong to the County, and are not due to the County. Any funds in the account which are not used for necessary corrective work on the Landfill must be returned to the owner.

We noted that the permittee, Manus Corporation, was required to post a collateral bond in the amount of \$11,000 to guarantee that the landfill gas recovery project would be conducted in full compliance with all applicable environmental laws. Manus Corporation was also to deposit 6¼% of its gross receipts from the sale of the recovered landfill gas into the escrow account. We further noted that the permit did not indicate when any escrowed funds that were not used to finance corrective work should be returned to the permittee. A representative of the DEP informed us that Manus Corporation ceased the extraction of landfill gas in approximately 1994, that the \$11,000 collateral bond was returned to Manus Corporation in 2002, and that the DEP would want to schedule and perform a site inspection to confirm the absence of any environmental issues requiring remediation before the funds in the escrow account could be returned to Manus Corporation.

The utilization of an off-book account results in a lack of transparency and an increased risk of fraud and abuse. It also has resulted in more time being consumed in accumulating the accounting data necessary to generate complete and accurate County financial reports.

**Recommendation:** If the DEP does not authorize the return of the funds and closure of the escrow account in a timely fashion, we recommend that ACHD work with the Controller's Office to transition the accounting for the off-book account to the County's JD Edwards accounting software.

COUNTY OF



ALLEGHENY

RICH FITZGERALD  
COUNTY EXECUTIVE

November 22, 2013

Chelsa Wagner, Controller  
Allegheny County  
104 County Courthouse  
436 Grant St.  
Pgh., PA 15219-2498

Dear Ms. Wagner:

Regarding the off-book account which has to be used to finance all necessary corrective work on the Mazzaro Coal and Disposal Landfill: If the DEP does not authorize the return of the funds and closure of the escrow account in a timely fashion, we will work with the Controller's Office to transition the accounting for the off-book account to the County's JD Edwards accounting software.

Sincerely,

*Karen Hacker, MD MPH*

Karen Hacker, MD MPH  
Director  
Allegheny County Health Department