

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER
FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

**ALLEGHENY COUNTY
DEPARTMENT OF REAL ESTATE
AGENCY FUNDS**

Issued: January 15, 2009

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November 27, 2008

for the purpose of expressing an opinion on the fiduciary financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department of Real Estate's internal controls over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department of Real Estate's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider items 1 through 8 described in the accompanying Schedule of Findings and Recommendations to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Department of Real Estate's fiduciary financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations on page 4.

November 27, 2008

The Department of Real Estate's responses to the findings identified in our audit have been included herein. We did not audit the Department of Real Estate's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Department of Real Estate's management, County Council, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Very truly yours,



Lori A. Churilla
Assistant Deputy Controller, Auditing



MARK PATRICK FLAHERTY
Controller

cc: Honorable Rich Fitzgerald, President, Allegheny County Council
Honorable William Russell Robinson, Allegheny County Council
Honorable Dan Onorato, Chief Executive
Mr. James M. Flynn, Jr., County Manager
Ms. Amy Griser, Budget Director
Ms. Jennifer Liptak, Budget Director, County Council
Mr. Joe Catanese, Director of Constituent Services, County Council
Mr. James V. Uziel, Deputy, Department of Real Estate
Ms. Judith A. Konitsney, Operations Manager, Department of Real Estate
Mr. Guy A. Tumolo, Deputy Controller
Mr. Robert J. Lentz, Assistant Deputy, Accounting
Ms. Pamela Goldsmith, Communications Director, Controller's Office

**Allegheny County Department of Real Estate
Schedule of Findings and Recommendations
For the Year Ended December 31, 2007**

1. Accounting Policies and Procedures Manual

Observation: The Department of Real Estate does not have current written policies and procedures which codify management's criteria for executing an organization's operations. These policies and procedures should document business processes, personnel responsibilities and departmental operations as well as promote uniformity in executing and recording transactions. Thorough policies and procedures serve as effective training tools for employees.

If written policies and procedures do not exist, are inaccurate, incomplete or simply not current, the following could result:

- Inaccurate and unreliable financial records due to inappropriate recording of transactions.
- Inconsistent practices among employees and/or departments.
- Processing errors due to a lack of knowledge.

Recommendation: We recommend that the management of the Department of Real Estate:

- Document all significant business practices, processes and policies.
- Make the policies and procedures available to all personnel.
- Ensure they are accurate, complete and current at all times.
- Revise policies and procedures for changes in business processes and policies. This is particularly important when new systems are developed and implemented or other organizational changes occur.
- Communicate significant changes to all affected personnel immediately to ensure they are aware of any revisions to their daily duties and responsibilities.

Management's Response: The Department of Real Estate agrees with this recommendation. At the exit conference for the audit ending December 31, 2004, the Department of Real Estate (formerly Recorder of Deeds) requested help from the Controller's Office regarding the manual. We will begin the process of compiling a policies and procedures manual.

2. Unidentified Funds

Observation: During our review we noted that the Department of Real Estate had \$4,819 of unidentified funds being held in their Realty Transfer Tax (RTT) account and \$24,859 of unidentified funds in its Fee account at December 31, 2007. According to the Department's personnel, these funds have been outstanding since the implementation of their new recording system in 2003 and cannot be identified to any particular recording or filing.

Recommendation: If further research does not provide information regarding the responsible party due the funds, then the funds should be escheated to the Commonwealth.

Management's Response: The Department of Real Estate agrees with this recommendation. At the exit conference for the audit ending December 31, 2004, the

**Allegheny County Department of Real Estate
Schedule of Findings and Recommendations
For the Year Ended December 31, 2007**

Department of Real Estate (formerly Recorder of Deeds) requested guidance and direction in disbursing these funds. There were two unidentified fund amounts, \$24,859 and \$4,819.

The Department of Real Estate believes that the \$24, 500 is copy revenue and belongs to the County. We believe the balance of \$459 pertains to how payment is applied to eRecorded documents. The amount of \$24,500 will be included on the Controller's Report of Collections Report within the next few days.

The Department of Real Estate has never escheated funds and requests guidance and direction in doing so. As soon as this is done, we will escheat the \$4,819.

3. Inactive Draw Down Accounts

Observation: The Department of Real Estate accepts prepaid fees from customers who establish draw-down accounts for frequent filings. As of December 31, 2007 there were 346 customer draw down accounts totaling \$41,222. An analysis of these accounts disclosed that 28 (8%) of these accounts totaling \$4,256 or 10% of the total balance have been inactive for over five years.

Recommendations: We recommend that the management of the Department of Real Estate return the funds to the responsible organization listed on the account. If the organization is no longer in business, the funds should be escheated to the Commonwealth.

Management's Response: The Department of Real Estate agrees with this recommendation. We have begun the process of sending letters and returning the funds. Once again we ask guidance in escheating any unclaimed funds.

4. Interest Income Needs to be Remitted to Treasurer's Office

Observation: During the audit we noted the Department of Real Estate stopped earning interest on its Fee account as of July 2006. However, as of December 31, 2007 the Department of Real Estate had not remitted the interest earned through July 2006 on the Fee Account to the Allegheny County Treasurer as required. The net amount due at Dec. 31, 2007 (net of bank charges) was \$4,573.12.

Recommendation: We recommend that the management of the Department of Real Estate immediately remit the interest earned on the Fee account to the Allegheny County Treasurer.

Management's Response: The Department of Real Estate agrees with this recommendation and will include this interest on the Controller's Report of Collections Report.

**Allegheny County Department of Real Estate
Schedule of Findings and Recommendations
For the Year Ended December 31, 2007**

5. Uncollectable NSF (Non-Sufficient Funds) Checks

Observation: As of December 31, 2007, the Fee Account had 17 NSF checks totaling \$880 dating back to 2003. Four of these checks totaling \$254 were paid in 2008 leaving \$626 uncollected as of the date of this report. The Department of Real Estate does have procedures for NSF checks for the Realty Transfer Tax (RTT) account whereby the NSF checks information is forwarded to the Department's Solicitor to pursue collection. Collection efforts as well as policies and procedures should be the same for the Fee account as for the RTT account.

Recommendation: We recommend that the management of the Department of Real Estate establish NSF check policies and procedures for the Fee Account similar to the Realty Transfer Tax account which requires its Solicitor to pursue collection on NSF checks. Once these procedures have been conducted without results, management should deem the amounts to be uncollectible and the checks should be written off of the Department's accounting records.

Management's Response: RE: Realty Transfer Tax

The Department of Real Estate is the collection agent for all Realty Transfer Tax on any property conveyed in Allegheny County. The Department of Real Estate does not have the authority to lien property. In June 2007, the Department of Real Estate implemented the new procedure of deducting any uncollectible Realty Transfer Tax checks from the monthly Realty Transfer Tax revenue submitted to the school district/municipality. Our office does not pursue any type of collection for Realty Transfer Tax NSF checks and the County no longer bears the expense of these uncollectible checks. Our solicitor no longer is involved with the collection of these NSF Realty Transfer Tax checks.

RE: Fee

The Department of Real Estate agrees with this recommendation. Currently, the Department of Real Estate sends the first letter for collection of an NSF fee check. We will implement a form letter, signed by our solicitor, and send it to the maker of the NSF check as the second collection measure. We will also work with our vendor to implement the ability to deduct these uncollectible NSF checks from our records.

6. Uncollectible Accounts Receivables

Observation: At December 31, 2007 there were 31 accounts receivable accounts totaling \$14,683. The Department of Real Estate does not have policies or procedures for writing off uncollectible receivables accounts. An analysis of the accounts receivable balance disclosed that 4 or 12% of the accounts did not have any activity for over 5 years. These four inactive accounts totaled \$1,023 or 7% of the total accounts receivable balance due.

Recommendation: We recommend the management of the Department of Real Estate develop written policies and procedures for uncollectable accounts. In addition, the Department should send dunning letters to the agencies with delinquent accounts to pursue collection. After all collection procedures have been conducted without results and

**Allegheny County Department of Real Estate
Schedule of Findings and Recommendations
For the Year Ended December 31, 2007**

management deems the accounts uncollectable, the accounts should be written off of the Department of Real Estate's financial accounting records.

Management's Response: The Department of Real Estate agrees with this recommendation. We have begun to write off the uncollectible accounts receivable.

NOTE: The Department has a number of account receivables that are grant project related. Some of these accounts are over a year old. These receivables cannot be paid until the grant project is completed. These receivables will not be written off.

7. Too Many Change Funds

Observation: The Department of Real Estate has 17 change funds for fees and copy machine change amounting to \$2,389. The 17 change funds consist of 16 change funds bags with \$100 each in them for the cashiers and a change fund of \$789 for fees and copy machine use. However, throughout our review we noted that 5 of the cashier change funds or \$500 are not utilized and remain in the office vault. The change funds maintained in the vault appear to be excessive and can be eliminated. Failure to deposit excess cash in the bank can lead to misappropriation.

Recommendations: We recommend that the Department of Real Estate evaluate the need for change funds and eliminate the excess funds. The excess cash held for the change funds should be deposited into the bank.

Management's Response: The Department of Real Estate is in agreement with this recommendation and will begin the process of eliminating the excess change funds.

8. Cash Handling Procedures

The Department of Real Estate maintains separate checking accounts for the Fee account and the Real Estate Transfer Tax (RTT) account. These accounts are maintained on the Department of Real Estate's accounting system but are not recorded on the County's accounting system. Therefore, reconciliations between the two accounting systems cannot be performed. In order to strengthen internal controls, the Department of Real Estate should establish procedures which require all funds to be directly deposited with the Treasurer's Office. All disbursements should be required to be processed through a voucher and submitted for payment to the Controller's Office. These procedures will strengthen internal controls surrounding the reliability and integrity of information, safeguard assets and accomplish established goals and objectives.

Recommendations: We recommend that the Department of Real Estate establish a plan to ensure that all funds received are deposited directly with the Treasurer's Office on a daily basis and that disbursements are completed through vouchers submitted to the Controller's Office.

**Allegheny County Department of Real Estate
Schedule of Findings and Recommendations
For the Year Ended December 31, 2007**

Management's Response: The Department of Real Estate will work in conjunction with our vendor ACS, the Controller's Office, Treasurer's Office and all departments involved to achieve this goal.



DAN ONORATO
COUNTY EXECUTIVE

COUNTY OF ALLEGHENY

DEPARTMENT OF REAL ESTATE

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VALERIE McDONALD
ROBERTS
MANAGER

JAMES V. UZIEL
DEPUTY

January 12, 2009

Honorable Mark Patrick Flaherty, Controller
Office of the Controller
104 Courthouse
436 Grant Street
Pittsburgh PA 15219

RE: Fiscal Audit for the year ending December 31, 2007.

Dear Honorable Flaherty:

This letter is management's response to observations and recommendations related to internal control and other accounting, administrative and operating matters.

(1) Accounting Policies and Procedures Manual

The Department of Real Estate agrees with this recommendation. At the exit conference for the audit ending December 31, 2004, the Department of Real Estate (formerly Recorder of Deeds) requested help from the Controller's Office regarding the manual. We will begin the process of compiling a policies and procedures manual.

(2) Unidentified Funds

The Department of Real Estate agrees with this recommendation. At the exit conference for the audit ending December 31, 2004, the Department of Real Estate (formerly Recorder of Deeds) requested guidance and direction in disbursing these funds. There were two unidentified fund amounts, \$24,859 and \$4,819.

The Department of Real Estate believes that the \$24,500 is copy revenue and belongs to the County. We believe the balance of \$459 pertains to how payment is applied to eRecorded documents. The amount of \$24,500 will be included on the Controller's Report of Collections Report within the next few days.

The Department of Real Estate has never escheated funds and requests guidance and direction in doing so. As soon as this is done, we will escheat the \$4,819.

(3) Inactive Draw Down Accounts

The Department of Real Estate agrees with this recommendation. We have begun the process of sending letters and returning the funds. Once again we ask guidance in escheating any unclaimed funds.

(4) Interest Income Needs to be Remitted to Treasurer's Office

The Department of Real Estate agrees with this recommendation and will include this interest on the Controller's Report of Collections Report.

(5) Uncollectable NSF (Non-Sufficient Funds) Checks

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NOTE: The Department has a number of account receivables that are grant project related. Some of these accounts are over a year old. These receivables cannot be paid until the grant project is completed. These receivables will not be written off.

(7) Too Many Change Funds

The Department of Real Estate is in agreement with this recommendation and will begin the process of eliminating the excess change funds.

(8) Cash Handling Fund

The Department of Real Estate will work in conjunction with our vendor ACS, the Controller's Office, Treasurer's Office and all departments involved to achieve this goal.

Sincerely,



Valerie McDonald Roberts
Manager

CC: Honorable Rich Fitzgerald, President, Allegheny County Council
Honorable William Russell Robinson, Allegheny County Council
Honorable Dan Onorato, Chief Executive
Mr. James M. Flynn, Jr., County Manager
Ms. Amy Griser, Budget Director
Ms. Jennifer Liptak, Budget Director, County Council
Mr. Joe Catanese, Director of Constituent Services, County Council
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Ms. Pamela Goldsmith, Communications Director, Controller's Office

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