



County of Allegheny

Office of the Controller

INDEPENDENT AUDITOR'S REPORT
ALLEGHENY COUNTY POLICE DEPARTMENT
CONFIDENTIAL FUND
FOR THE YEAR ENDED
DECEMBER 31, 2013

JULY 29, 2014

Chelsa Wagner
Controller

104 County Courthouse
436 Grant Street
Pittsburgh, PA 15219
Phone: (412) 350-4660
Fax: (412) 350-4770

E-mail: Controller@alleghenycounty.us

Contents

Independent Auditor's Report	1
Statement of Assets, Liabilities and Fund Balance – Modified Cash Basis	4
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Modified Cash Basis	5
Notes to the Financial Statements	6

July 21, 2014

Mr. Charles W. Moffatt
Superintendent
Allegheny County Police
400 North Lexington Street
Pittsburgh, PA 15208

SUBJECT: INDEPENDENT AUDITOR'S REPORT
ALLEGHENY COUNTY POLICE DEPARTMENT
CONFIDENTIAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

Dear Superintendent Moffatt:

We have audited the accompanying Confidential Fund financial statements of the Allegheny County Police Department as of and for the year ended December 31, 2013.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position—modified cash basis of the Confidential Fund financial statements of the Allegheny County Police Department as of December 31, 2013, and the changes in financial position—modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Superintendent Moffatt
July 21, 2014

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2014 on our consideration of the Allegheny County Police Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Allegheny County Police Department's internal control over financial reporting and compliance.

Kind regards,



Chelsa Wagner
Controller



Lori Churilla
Assistant Deputy Controller, Auditing

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

COUNTY OF ALLEGHENY

OFFICE OF THE CONTROLLER

CHELSEA WAGNER
CONTROLLER, COUNTY OF ALLEGHENY
104 COURTHOUSE
PITTSBURGH, PENNSYLVANIA 15219

ALLEGHENY COUNTY POLICE DEPARTMENT
CONFIDENTIAL FUND
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE - MODIFIED CASH BASIS
DECEMBER 31, 2013

ASSETS

Cash on Deposit	\$ 1,801
Cash on Hand	215
Operating Advances to Officers	<u>3,720</u>
Total Assets	<u><u>\$ 5,736</u></u>

LIABILITIES AND FUND BALANCE

Accounts Payable / Accrued Liabilities	<u>\$ -</u>
Total Liabilities	-
Assigned Fund Balance	<u>5,736</u>
Total Liabilities and Fund Balance	<u><u>\$ 5,736</u></u>

See accompanying notes to financial statements.

CHELSA WAGNER
 CONTROLLER, COUNTY OF ALLEGHENY
 104 COURTHOUSE
 PITTSBURGH, PENNSYLVANIA 15219

ALLEGHENY COUNTY POLICE DEPARTMENT
CONFIDENTIAL FUND
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND BALANCE - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013

CASH RECEIPTS

Transfers in from the General Fund	\$ 15,000
Restitution Payments	1,562
Interest Income	4
	16,566
Total Cash Receipts	16,566

CASH DISBURSEMENTS

Drug Buys	18,325
Confidential Informant Payments	11,168
Other Investigative Expenses	1,156
	30,649
Total Cash Disbursements	30,649

Change in Fund Balance	(14,083)
Fund Balance - Beginning of Year	19,819
Fund Balance - End of Year	\$ 5,736

See accompanying notes to financial statements.

CHELSEA WAGNER
CONTROLLER, COUNTY OF ALLEGHENY
104 COURTHOUSE
PITTSBURGH, PENNSYLVANIA 15219

ALLEGHENY COUNTY POLICE DEPARTMENT
CONFIDENTIAL FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Allegheny County Police Department's Confidential Fund (the "Fund") is a special revenue fund that was established to facilitate the investigation of narcotics, vice, and related offenses in Allegheny County. The Detective Division of the Narcotics Unit of the Allegheny County Police Department maintains the accounting records for the Fund due to the confidential nature of some of the expenditures.

The accompanying Fund financial statements are intended to present only the assets, liabilities, fund balance, cash receipts, cash disbursements, and changes in fund balance of the Fund, and not those of Allegheny County taken as a whole.

Basis of Accounting

Accounting principles generally accepted in the United States of America require governmental fund financial statements to be prepared on the modified accrual basis of accounting. The Fund's accounting records are maintained and the Fund's financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis of accounting differs from the modified accrual basis in that revenues are not recognized when measurable and available and expenditures are not recognized when a liability is incurred. Under the modified cash basis, cash receipts and disbursements are recorded when they occur.

NOTE 2 **NATURE OF ACTIVITIES**

When cash for operations is needed, it is typically transferred into the Fund from the Allegheny County general fund. In addition, when offenders are convicted as a result of arrest-related expenditures incurred by the Fund, the restitution payments the offenders issue to the Court of Common Pleas are routed to Allegheny County Police Department for deposit into the Fund.

CHELSEA WAGNER
CONTROLLER, COUNTY OF ALLEGHENY
104 COURTHOUSE
PITTSBURGH, PENNSYLVANIA 15219

ALLEGHENY COUNTY POLICE DEPARTMENT
CONFIDENTIAL FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2 **NATURE OF ACTIVITIES (CONTINUED)**

Interest received on cash on deposit with a financial institution is transferred out to the general fund on an annual basis.

Cash on hand is maintained and operating cash advances to detectives are made to facilitate cash transactions including payments to confidential informants for information, purchases of narcotics, and other investigative expenses. Cash on hand that has not been advanced to detectives is maintained by the Fund's custodian in a locked safe. Detectives are advanced \$1,000 or lesser amounts as needed.

Although not officially restricted or committed, it is the Police Department's intent that the fund balance be used to facilitate the investigation of narcotics, vice, and related offenses in Allegheny County.

NOTE 3 **DEPOSITS**

Cash on deposit with a financial institution (the bank balance) as of December 31, 2013 was \$1,801. The cash on deposit did not exceed the Federal Deposit Insurance Corporation (FDIC) coverage limit as of those dates or at any time during 2013, and consequently, the cash on deposit was not subject to custodial credit risk.