



County of Allegheny

Office of the Controller

INDEPENDENT AUDITOR'S REPORT
ALLEGHENY COUNTY POLICE DEPARTMENT
U.S. DEPARTMENT OF THE TREASURY
FORFEITURE FUND
FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010

JULY 17, 2012

Chelsa Wagner
Controller

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CHELSEA WAGNER
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COUNTY OF ALLEGHENY

OFFICE OF THE CONTROLLER

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July 2, 2012

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

SUBJECT: INDEPENDENT AUDITOR'S REPORT
ALLEGHENY COUNTY POLICE DEPARTMENT
U.S. DEPARTMENT OF THE TREASURY FORFEITURE FUND
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Dear Superintendent Moffatt:

We have audited the accompanying balance sheets of the Allegheny County Police Department U.S. Department of the Treasury Forfeiture Fund as of December 31, 2011 and 2010 and the related statements of revenues, expenditures, and changes in fund balance for the years then ended. These financial statements are the responsibility of management of the Allegheny County Police Department. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

Superintendent Moffatt

July 2, 2012

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In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Allegheny County Police Department U.S. Department of Treasury Forfeiture Fund as of December 31, 2011 and 2010, and the changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2012 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* and should be considered in assessing the results of our audits.

Kind regards,



Chelsa Wagner
Controller



Lori Churilla
Assistant Deputy Controller, Auditing

CW/lc

cc: Honorable Charles Martoni, President, County Council
Honorable Nicholas Futules, Vice President, County Council
Honorable Rich Fitzgerald, County Executive
Ms. Jennifer Liptak, Acting County Manager
Mr. Warren Finkel, Budget Director, Allegheny County
Mr. Joseph Catanese, Director of Constituent Services, County Council
Mr. Walter Szymanski, Budget Director, County Council
Mr. Ed Przybyla, Fiscal Manager, Allegheny County Police Department
Ms. Amy Griser, Deputy Controller
Mr. Seth Hufford, Chief of Staff, Controller's Office
Mr. Robert J. Lentz, Assistant Deputy, Accounting, Controller's Office
Mr. Nick Hays, Communications Director, Controller's Office

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ALLEGHENY COUNTY POLICE DEPARTMENT
U.S. DEPARTMENT OF THE TREASURY FORFEITURE FUND
BALANCE SHEETS

	<u>DECEMBER 31,</u>	
	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash	\$ 36,726	\$ 34,436
Due from Other Funds	11	10
Total Assets	<u>\$ 36,737</u>	<u>\$ 34,446</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Accounts Payable/Accrued Liabilities	\$ -	\$ -
Total Liabilities	-	-
Restricted Fund Balance (to be used for Law Enforcement Activities)	<u>36,737</u>	<u>34,446</u>
Total Liabilities and Fund Balance	<u>\$ 36,737</u>	<u>\$ 34,446</u>

See accompanying notes to financial statements.

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ALLEGHENY COUNTY POLICE DEPARTMENT
U.S. DEPARTMENT OF THE TREASURY FORFEITURE FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

	FOR THE YEAR ENDED DECEMBER 31,	
	2011	2010
<u>REVENUES</u>		
Shared Revenue	\$ 2,217	\$ 32,048
Interest Income	74	62
Total Revenues	2,291	32,110
<u>EXPENDITURES</u>		
Equipment	-	1,215
Total Expenditures	-	1,215
Change in Fund Balance	2,291	30,895
Fund Balance - Beginning of Year	34,446	3,551
Fund Balance - End of Year	\$ 36,737	\$ 34,446

See accompanying notes to financial statements.

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ALLEGHENY COUNTY POLICE DEPARTMENT
U. S. DEPARTMENT OF THE TREASURY FORFEITURE FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Allegheny County Police Department's U. S. Department of the Treasury Forfeiture Fund (the "Fund") is a special revenue fund that was established in October 2000, as Federal law requires a separate fund be established for deposits of forfeited money received from the U.S. Department of the Treasury. Various Federal agencies under the auspices of the Department of Treasury take possession of property and monies when there is probable cause to believe the property is subject to forfeiture. The Federal Treasury's investigative agency or the Director of the Executive Office for Asset Forfeiture determines an equitable share of forfeited property to be remitted to the Fund based on the Police Department's participation in the case. The authority of the Treasury to share Federally forfeited property with participating State and local law enforcement agencies is established pursuant to Federal laws 18 U.S.C. Section 981(e), 19 U.S.C. Section 1616a(c) and 31 U.S.C. Section 9703 (a)(1)(G)(h).

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

Basis of Accounting

The Fund's accounting records are maintained and the accompanying financial statements have been prepared on the modified accrual basis of accounting, in conformity with U.S. generally accepted accounting principles. Under the modified accrual basis of accounting, revenues are recognized in the period in which they become measurable and available. For revenue recognition purposes, amounts collected within 60 days of the financial statement date are deemed to be available. Expenditures are recorded when a liability is incurred.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 2 DEPOSITS AND INVESTMENTS

Pennsylvania statutes provide for investment of governmental funds into certain authorized investments. The statutes also permit pooling of governmental funds for investment purposes. Allegheny County (the "County") pools its funds for investment purposes, and the cash and cash equivalents in the Fund represent a portion of those pooled funds. The County Investment Board has adopted an investment policy that adheres to state statutes and further limits permitted investment types and procedures. This policy was last revised June 23, 2011. The primary objectives of the Board's investment activities are safety of principal, liquidity, and return on investment, in that order.

The County Treasurer is authorized by the County Investment Board to invest the County's pooled funds in U.S. Treasury Obligations, securities issued directly by U.S. Federal Agencies, repurchase agreements, deposit accounts, Commonwealth of Pennsylvania obligations, shares of investment companies (mutual funds), certificates of deposit, commercial paper, the Pennsylvania Local Government Investment Trust (PLGIT), and Invest. Invest is a governmental investment pool established by the State Treasurer exclusively for use by Pennsylvania municipalities.

The County's cash deposits are subject to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, an entity's deposits may not be returned to it. The County's investment policy mitigates custodial credit risk by requiring collateralization of uninsured balances of certain investments, including certificates of deposit, savings accounts, time deposits, checking with interest accounts, and repurchase agreements. The County's investment policy limits collateral to U.S. Treasury Obligations and U.S. Government Agency investments. The policy requires a collateral level of 102% of the market value of principal and accrued interest and that collateral be pledged in accordance with Act 72 of the Pennsylvania State Legislature, Section 3836-1 through Section 3836-6. Act 72 requires a financial institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

The County's short-term investments are subject to credit risk, custodial credit risk, concentrations of credit risk and interest rate risk. The County's investment policy attempts to minimize credit risk by permitting only certain types of investments and establishing minimum quality levels for riskier investments. With respect to custodial credit risk, the County's safekeeping and custody policy minimally requires that all security transactions be conducted within the confines of Act 72. Direct security transactions must be on a delivery versus payment basis. All securities are to be held in the Treasurer's name. If a counterparty is used, the counterparty must send written confirmation of the transaction to the Treasurer. According to the County's investment policy, diversification will prevent concentrations of credit risk. With the exception of U.S. Treasury securities, no more than 75% of the County's total investment portfolio will be invested in a single security type or with a single financial institution. The County's investment policy attempts to minimize interest rate risk by limiting investment maturities to a maximum of 13 months from the purchase date, with limited exceptions.

NOTE 3 FIXED ASSETS

Forfeited funds may be used to purchase vehicles and equipment necessary for law enforcement purposes. Fixed assets are recorded as expenditures at the time of purchase. Fixed assets with a purchase price of \$1,000 or more are recorded at cost on the County's fixed asset listing.

NOTE 4 FUND BALANCE RESTRICTION

The fund balance of the U.S. Department of the Treasury Forfeiture Fund is restricted for conducting law enforcement activities as stipulated in the U.S. Department of the Treasury's *Guide to Equitable Sharing for Foreign Countries and Federal, State, and Local Law Enforcement Agencies*.

NOTE 5 SHARED REVENUE

Amounts reported under the caption "shared revenue" represent amounts received from the U.S. Department of the Treasury attributable to the Police Department's participation in the U.S. Department of the Treasury's Equitable Sharing Program.