



County of Allegheny

Office of the Controller

INDEPENDENT AUDITOR'S REPORT
ALLEGHENY COUNTY DISTRICT ATTORNEY'S OFFICE
U.S. DEPARTMENT OF THE TREASURY
EQUITABLE SHARING FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

April 10, 2015

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

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CHELSA WAGNER
CONTROLLER

COUNTY OF ALLEGHENY

OFFICE OF THE CONTROLLER

104 COURTHOUSE • 436 GRANT STREET
PITTSBURGH, PA 15219-2498
PHONE (412) 350-4660 • FAX (412) 350-3006

April 10, 2015

Honorable Stephen A. Zappala, Jr.
District Attorney
303 County Courthouse
436 Grant Street
Pittsburgh, PA 15219

Independent Auditor's Report
Allegheny County District Attorney's Office
U.S. Department of the Treasury Equitable Sharing Fund
For the Year Ended December 31, 2014

Dear District Attorney Zappala:

Report on the Financial Statements

We have audited the accompanying financial statements of the Allegheny County District Attorney's Office (District Attorney's Office) U.S. Department of the Treasury Equitable Sharing Fund as of and for the year ended December 31, 2014.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 fraud or error.

District Attorney Zappala
April 10, 2015

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 of the District Attorney's Office U.S. Department of the Treasury Equitable Sharing Fund as of December 31, 2014, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

District Attorney Zappala
April 10, 2015

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2015 on our consideration of the District Attorney's Office 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 District Attorney's Office internal control over financial reporting and compliance.

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, County Executive
Mr. William McKain, County Manager, Allegheny County
Ms. Jennifer Liptak, Chief of Staff, County Executive
Ms. Mary C. Soroka, Budget Director, Allegheny County
Mr. Joseph Catanese, Director of Constituent Services, County Council
Mr. Walter Szymanski, Budget Director, County Council
Ms. Melissa Javorsky, Finance Manager, District Attorney's Office

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 PITTSBURGH, PENNSYLVANIA 15219

ALLEGHENY COUNTY DISTRICT ATTORNEY'S OFFICE
U.S. DEPARTMENT OF THE TREASURY EQUITABLE SHARING FUND
BALANCE SHEET
DECEMBER 31, 2014

ASSETS

Cash	\$ 93,177
Due from the General Fund	<u>35</u>
Total Assets	<u><u>\$ 93,212</u></u>

LIABILITIES AND FUND BALANCE

Accounts payable / Accrued expenses	<u>\$ 541</u>
Total Liabilities	<u>541</u>
Restricted Fund Balance (to be used for Law Enforcement Activities)	<u>92,671</u>
Total Fund Balance	<u><u>92,671</u></u>
Total Liabilities and Fund Balance	<u><u>\$ 93,212</u></u>

(See accompanying notes to financial statements)

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ALLEGHENY COUNTY DISTRICT ATTORNEY'S OFFICE
U.S. DEPARTMENT OF THE TREASURY EQUITABLE SHARING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2014

REVENUES

Shared revenue	\$ 93,119
Interest income	58
	93,177
Total Revenues	93,177

EXPENDITURES

Computer hardware and software	656
	656
Total Expenditures	656

Change in Fund Balance	92,521
Fund Balance - Beginning of Year	150
Fund Balance - End of Year	<u><u>\$ 92,671</u></u>

(See accompanying notes to financial statements)

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ALLEGHENY COUNTY DISTRICT ATTORNEY'S OFFICE
U.S. DEPARTMENT OF THE TREASURY EQUITABLE SHARING FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The Allegheny County District Attorney's Office participates in the U.S. Department of the Treasury's Equitable Sharing Program. Under the program, any state or local law enforcement agency, or foreign country, that directly participates in an investigation or prosecution that results in a federal recovery of forfeited property may request an equitable share of the net proceeds of the forfeited property. The federal investigative agency or the Director of the Executive Office for Asset Forfeiture may approve that an equitable share of the forfeited property be remitted to the agency based on its participation in the case. The authority of the Secretary of the Treasury to share federally forfeited property with participating federal, state, and local law enforcement agencies is established pursuant to federal law 18 U.S.C. Section 981(e), 19 U.S.C. Section 1616a(c) and 31 U.S.C. Sections 9703(a)(1)(G) and 9703(h).

The U.S. Department of the Treasury's *Guide to Equitable Sharing for Foreign Countries and Federal, State, and Local Law Enforcement Agencies* requires that a separate special revenue fund be utilized to account for deposits of funds received under the program, as well as disbursements of those funds. The Allegheny County District Attorney's Office U.S. Department of the Treasury Equitable Sharing Fund (the "Fund") is a special revenue fund that was established for that purpose.

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 the County of Allegheny ("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 accordance with accounting principles generally accepted in the United States of America. Revenues are recognized in the period in which they become measurable and available. For measurement purposes, available means collected within 60 days of the balance sheet date. Expenditures are recorded when a liability is incurred.

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U.S. DEPARTMENT OF THE TREASURY EQUITABLE SHARING FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 DEPOSITS AND INVESTMENTS

Pennsylvania statutes provide for investment of governmental funds into certain authorized investments. The statutes also allow pooling of governmental funds for investment purposes, and the cash in the U.S. Department of the Treasury Equitable Sharing Fund is pooled with Allegheny County's cash for investment purposes. 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 January 9, 2013. The primary objectives, in priority order, of the Board's investment activities are safety of principal, liquidity, and return on investment.

The County Treasurer is authorized by the County Investment Board to invest in U.S. Treasury Obligations, directly issued U.S. Federal Agency securities, repurchase agreements, deposit accounts, obligations of the Commonwealth of Pennsylvania, shares of investment companies (mutual funds), certificates of deposit, commercial paper, the Pennsylvania Local Government Investment Trust (PLGIT), and INVEST. INVEST is a government 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 collateralization 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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U.S. DEPARTMENT OF THE TREASURY EQUITABLE SHARING FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 **DEPOSITS AND INVESTMENTS (Continued)**

The County's investments are subject to credit risk, custodial credit risk, concentrations of credit risk and interest rate risk. The County's investment policy minimizes 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 over concentration and minimize the opportunity for risky investments. With the exception of U.S. Treasury securities, no more than 65% 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 \$5,000 or more and At-Risk Assets with a purchase price between \$500 and \$5,000 are recorded at cost on the County's fixed asset listing. The District Attorney's Office also maintains a listing of the fixed assets purchased using the Fund's resources.

NOTE 4 **RESTRICTED FUND BALANCE**

The fund balance of the Allegheny County District Attorney's Office U.S. Department of the Treasury Equitable Sharing 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*.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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 District Attorney's Office participation in the U.S. Department of the Treasury's Equitable Sharing Program.