



County of Allegheny

Office of the Controller

INDEPENDENT AUDITOR'S REPORT
ALLEGHENY COUNTY SHERIFF'S OFFICE
U.S. DEPARTMENT OF JUSTICE
EQUITABLE SHARING FUND
FOR THE YEAR ENDED
DECEMBER 31, 2012

JULY 9, 2013

Chelsa Wagner
Controller

104 County Courthouse
436 Grant Street
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CHELSA WAGNER
CONTROLLER

COUNTY OF ALLEGHENY

OFFICE OF THE CONTROLLER

104 COURTHOUSE • 436 GRANT STREET
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PHONE (412) 350-4660 • FAX (412) 350-3006

July 3, 2013

Honorable William P. Mullen
Allegheny County Sheriff
111 County Courthouse
436 Grant Street
Pittsburgh, PA 15219

SUBJECT: INDEPENDENT AUDITOR'S REPORT
ALLEGHENY COUNTY SHERIFF'S OFFICE
U.S. DEPARTMENT OF JUSTICE EQUITABLE SHARING FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

Dear Sheriff Mullen:

We have audited the accompanying U.S. Department of Justice Equitable Sharing Fund financial statements of the Allegheny County Sheriff's Office as of and for the year ended December 31, 2012.

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.

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 U.S. Department of Justice Equitable Sharing Fund financial statements of the Allegheny County Sheriff's Office as of December 31, 2012, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Sheriff Mullen
July 3, 2013
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2013, on our consideration of the Allegheny County Sheriff's Office'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 Allegheny County Sheriff Office's internal control over financial reporting and compliance.

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
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
Mr. Joseph Rizzo, Chief Deputy, Sheriff's Office

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CONTROLLER, COUNTY OF ALLEGHENY
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ALLEGHENY COUNTY SHERIFF'S OFFICE
U.S. DEPARTMENT OF JUSTICE EQUITABLE SHARING FUND
BALANCE SHEET
DECEMBER 31, 2012

ASSETS

Cash	\$ 244,282
Due from Other Funds	<u>83</u>
Total Assets	<u><u>\$ 244,365</u></u>

LIABILITIES AND FUND BALANCE

Accounts Payable	\$ 13,346
Accrued Liabilities	<u>3,380</u>
Total Liabilities	16,726
Restricted Fund Balance (to be used for Law Enforcement Activities)	<u>227,639</u>
Total Liabilities and Fund Balance	<u><u>\$ 244,365</u></u>

See accompanying notes to financial statements.

COUNTY OF ALLEGHENY

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ALLEGHENY COUNTY SHERIFF'S OFFICE
U.S. DEPARTMENT OF JUSTICE EQUITABLE SHARING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2012

REVENUES

Shared Revenue	\$ 133,476
Interest Income	498
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Total Revenues	133,974

EXPENDITURES

Salaries	46,213
Equipment	11,255
Telephone	10,439
Repairs	8,662
Fringe Benefits	7,171
Employee Expenses	5,825
Professional Services	3,576
Materials	3,125
Other	877
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Total Expenditures	97,143

Change in Fund Balance	36,831
Fund Balance - Beginning of Year	190,808
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Fund Balance - End of Year	\$ 227,639

See accompanying notes to financial statements.

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ALLEGHENY COUNTY SHERIFF'S OFFICE
U.S. DEPARTMENT OF JUSTICE EQUITABLE SHARING FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The Allegheny County Sheriff's Office ("Sheriff's Office") performs a variety of functions ranging from serving writs, to apprehending criminals, to conducting Sheriff's sales.

The Sheriff's Office participates in the U.S. Department of Justice's Equitable Sharing Program. Under the program, any state or local law enforcement agency that directly participates in an investigation or prosecution that results in a federal recovery of forfeited property may request an equitable share of the proceeds of the forfeited property. The federal investigative agency, the US Attorney, or the Deputy Attorney General 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 U.S. Department of Justice to share federally forfeited property with participating state and local law enforcement agencies is established via Title 21, U.S. Code Section 881(e)(3).

A provision of the U.S. Department of Justice's Equitable Sharing Program 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 Sheriff's Office U.S. Department of Justice 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 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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U.S. DEPARTMENT OF JUSTICE EQUITABLE SHARING FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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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ALLEGHENY COUNTY SHERIFF'S OFFICE
U. S. DEPARTMENT OF JUSTICE EQUITABLE SHARING FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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. The Sheriff's Office also maintains a listing of the fixed assets purchased using the Fund's resources.

NOTE 4 **FUND BALANCE RESTRICTION**

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

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U. S. DEPARTMENT OF JUSTICE EQUITABLE SHARING FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 5 **SHARED REVENUE**

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