



## **Fiscal Audit**

### **Department of Public Safety-Bureau of Police Confiscated Narcotics Proceeds Trust Fund (CNPTF) & Imprest Fund (CNPIF)**

Report by the  
Office of City Controller

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August 5, 2019

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MICHAEL E. LAMB

CITY CONTROLLER

First Floor City-County Building • 414 Grant Street • Pittsburgh, Pennsylvania 15219

August 5, 2019

To the Honorables: Mayor William Peduto and  
Members of Pittsburgh City Council:

The Office of the City Controller is pleased to present this Fiscal Audit of the **Confiscated Narcotics Proceeds Trust Fund & Imprest Fund**, conducted pursuant to the Controller's powers under Section 404(b) of the Pittsburgh Home Rule Charter.

### EXECUTIVE SUMMARY

The Confiscated Narcotics Proceeds Trust Fund (CNPTF) was established in 1985 via Resolution 1265. The Confiscated Narcotics Proceeds Imprest Fund (CNPIF) was established in 1987 via Resolution 1070. An update to the City Code of Ordinances via Resolution 66 of 2015, allowed "for the deposit of cash and proceeds derived from the confiscation of narcotics and related items, and authorizing the use of the funds deposited for any and all expenses associated with investigation of narcotics violations or any other law enforcement activities so long as such expenses are in compliance with applicable federal guidelines." Additionally, it increased the maximum allowable balance of the imprest fund to \$30,000.

We performed certain procedures to determine whether policies, procedures, and internal controls relating to the administration of the fund are adequate and that expenditures charged to the fund are allowable and properly supported. Based on these procedures, we uncovered weaknesses in existing internal controls. Furthermore, we noted inadequate approval and recording of fund activities, comingling of funds, and required revisions to funding sources of imprest fund.

Improved controls in the form of a complete set of policies and procedures for each fund, in conjunction with ongoing efforts with City Council, the Office of Management & Budget, and the Controller's Office, will help to further ensure compliance with both federal and local guidelines. These issues and our recommendations along with responses from the Department of Public Safety, are further discussed in the Findings & Recommendations section of this report.

We appreciate the cooperation of the staff involved with the management of the fund as well as their patience during the course of our audit.

Sincerely,

Michael E. Lamb  
City Controller

## **INTRODUCTION**

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This fiscal audit of the **Confiscated Narcotics Proceeds Trust Fund (CNPTF) & Imprest Fund (CNPIF)** was conducted pursuant to the Controller's powers under [Article IV, Section 404\(b\)](#) of the Pittsburgh Home Rule Charter.

## **SCOPE AND METHODOLOGY**

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Our procedures were conducted pursuant to the Article IV, Section 404(b) of the City of Pittsburgh Home Rule Charter. Our procedures covered the period January 1, 2016, to December 31, 2018.

The objectives of this audit are to determine whether procedures and internal controls relating to the administration of the trust fund are adequate. In order to achieve these objectives, we performed the following procedures:

- Interviewed personnel from the Department of Public Safety's Police Bureau-Narcotics and Vice involved with the fund to gain an understanding of the funds' operations, processes, and internal controls.
- Reviewed the [U.S. Department of Justice and U.S. Department of Treasury's Guide to Equitable Sharing](#) (Guide).
- Reviewed procedures and related internal controls over the administration of the trust fund and imprest fund, including procedures for the receipt and deposit of all revenue categories.
- Applied procedures to a sample of expenditures to determine whether they were properly incurred and administered.
- Summarized revenues by source and expenditures by category and performed variance analysis on expenditures for plausible relationships for the period of our audit.
- Applied procedures to determine whether expenditures from the CNPTF were properly documented, authorized and were in accordance with federal equitable sharing guidelines.
- Performed a reconciliation of the annual Equitable Sharing Agreement and Certification (ESAC) report to the city's accounting system for the CNPTF.
- Evaluated whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous audit engagements.

## **BACKGROUND**

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The Confiscated Narcotics Proceeds Trust Fund (CNPTF) was established in 1985 via Resolution 1265. The resolution detailed allowable expenditures as “expenses associated with investigations of narcotics violations, including, but not limited to, salaries, supplies, materials and other miscellaneous expenses”. The Confiscated Narcotics Proceeds Imprest Fund (CNPIF) was established in 1987 via Resolution 1070, which allowed for the imprest fund to be replenished for a maximum amount of \$15,000 from the trust fund.

An update to the [City Code of Ordinances](#) via [Resolution 66 of 2015](#), allowed for “proceeds to be used for any and all expenses associated with investigations of narcotics violations or any other law enforcement activities so long as such expenses are in compliance with federal guidelines and approved in writing by the Director of the Department of Public Safety.” Additionally, it increased the maximum allowable balance of the imprest fund to \$30,000.

Fiscal audits were completed by the City of Pittsburgh’s Office of City Controller Fiscal Audit Section, which were released in May of 1996, November of 2010, and [January of 2013](#). In response to the fiscal audit released in November of 2010, the Assistant Chief of Investigations issued several Memorandums (“Memos”) to the Chief of Police, which established a set of policies and procedures for certain actions to be taken regarding the handling of the CNPTF and CNPIF.

## **FUNDING SOURCES**

### ***TRUST FUND***

The CNPTF is funded by shared proceeds from federally forfeited properties as a result of participation in the Department of Justice (DOJ) Asset Forfeiture Program. In order to receive any federally forfeited property, an application is required to be submitted to the DOJ within 60 days after the seizure date by completing and submitting a Form DAG-71 to the federal seizing agency. Additionally, the Pittsburgh Bureau of Police (PBP) is required to submit an annual Equitable Sharing Agreement and Certification (ESAC) form, which details the receipt and use of said funds received.

Specific guidelines and requirements for participating in the program are documented in the DOJ’s ‘Guide to Equitable Sharing for State and Local Law Enforcement Agencies’ (Guide), which lists permissible and impermissible usage of funds. The Guide further cites certain bookkeeping procedures and internal controls to be maintained by the entity, in addition to requiring the law enforcement agency head or designee, to authorize all expenditures. Lastly, the Guide permits no outside funds to be commingled with funds from the Equitable Sharing program.

## IMPREST FUND

The CNPIF is administered by detectives within the Narcotics and Vice squad of the Investigations Branch of the City of Pittsburgh Police Bureau. Prior to the replenishment of the imprest fund, the Police Bureau is required to submit documentation for review by the Controller's Office-Fiscal Audit Section (CO-FAS). Processing of request(s) for replenishment of the Confiscated Narcotics Proceeds Imprest Fund is initiated by receipt of packet containing Request for Funds voucher, Expense Voucher, and support documentation. A review of the packet of information is then conducted in accordance with the CO-FAS policy and procedure for the 'Replenishment of Imprest Fund-CNPIF'.

Auditors noted that August 8, 2017 was the last date on which the CNPTF was used to replenish the CNPIF. Subsequent fundings of the CNPIF were from the City's General Fund. During the scope of the audit (2016-2018), the CNPIF was replenished using the CNPTF five times totaling \$149,326, while the general fund was used for replenishment three times totaling approximately \$88,465 as noted in the following table:

**Table I: Confiscated Narcotics Proceeds Imprest Fund (CNPIF) Replenishments  
For the Period January 1, 2016-December 31, 2018**

<i>Year</i>	<i>Date</i>	<i>Replenishment Source</i>	<i>Amount</i>
2016	1/28/2016	Confiscated Narcotics Proceeds Trust Fund	\$29,994
2016	8/10/2016	Confiscated Narcotics Proceeds Trust Fund	29,575
2016	10/18/2016	Confiscated Narcotics Proceeds Trust Fund	29,961
<i>Total:</i>			<i>\$89,530</i>
2017	3/27/2017	Confiscated Narcotics Proceeds Trust Fund	\$29,934
2017	8/8/2017	Confiscated Narcotics Proceeds Trust Fund	29,862
2017	11/7/2017	General Fund	29,993
<i>Total:</i>			<i>\$89,789</i>
2018	4/24/2018	General Fund	\$29,497
2018	10/10/2018	General Fund	28,975
<i>Total:</i>			<i>\$58,472</i>
<i>Grand Total:</i>			<i>\$237,791</i>

## ***EXPENDITURE OF FUNDS***

### ***TRUST FUND***

The PBP maintains an internal spreadsheet recording fund activity, which provides further breakdown by category and vendor detail. This is then used to compile and submit annual ESAC filings. Examples of expenditures include equipment/vehicles, operations & investigations, training & education, facilities, travel & per diem, as well as drug and gang education/awareness programs. Auditors noted that a significant amount of expenditures related to the purchase and maintenance of vehicles were not reported on all of the ESAC's filed during the scope of the audit<sup>1</sup>. Further detail of expenditure categories can be seen on [Table III](#) below.

### ***IMPREST FUND***

The imprest funds are typically used for expenditures related to the investigation of narcotics, which may include undercover buys, auto repairs, lodging, travel, training, and communication expenses. A Request for Investigative Funds Voucher is used to document the expenditure of funds issued. It serves to record further detail including date, amount, requestor, and appropriately sufficient explanation of expenditure. Additionally, the 'Disposition of Funds' portion of the voucher confirms whether funds were expended in their entirety or partially, thereby further documenting expected funds to be returned. Finally, other than undercover buys, receipts are to be attached.

## ***AUTHORIZATION OF EXPENDITURES***

Departments within the City of Pittsburgh utilize JDE to initiate the purchase of goods and services via of Purchase Orders (POs). Expenditures made via POs had required approval via two separate signatures on paper Departmental Invoices (DIs) up until July 31, 2017. On August 1, 2017 the Office of Management and Budget, by way of the Procurement Optimization Project, replaced the physical signatures on DIs with electronic approvals in the JDE system for POs and explanatories<sup>2</sup> only. Encumbrances still require approval by way of physical signatures.

While the majority of expenditures require that POs be generated through JDE, others types of expenditures can be executed with a Bank of America issued Purchasing Card (P-Card). P-Cards are Visa credit cards that are individually issued to designated cardholders for business-related purposes. The City's Purchase Card Policy guides cardholders in determining whether to use the P-Card or a PO for departmental expenditures. Once approved, the cardholder can use the P-Card at the Point of Sale similar to a credit card. All transactions are subject to City Council review, as Council is provided with a list of transactions on a weekly basis.

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<sup>1</sup> Auditors questioned the auditee, who agreed that the omitted expenditures would be added to the corresponding ESAC filings and amended.

<sup>2</sup> Explanatory purchases over \$3,000, which are not covered by a contract, require City Council approval.



## ***SUMMARY OF REVENUES/EXPENDITURES***

A total of \$1,051,532 was deposited into the trust fund during the period of our audit, January 1, 2016 through December 31, 2018 as detailed below:

<i>Fund Source</i>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Total</b>
<b>Forefitures-Monies</b>	\$582,070	\$236,283	\$248,178	\$1,066,532
<b>Proceeds from Foundation<sup>3</sup></b>	(15,000)			(15,000)
<i>Total</i>	<b>\$567,070</b>	<b>\$236,283</b>	<b>\$248,178</b>	<b>\$1,051,532</b>

A total of \$1,670,910 was paid out of the trust fund during the period of our audit, January 1, 2016 through December 31, 2018 as detailed below<sup>4</sup>:

<i>Expenditure Category</i>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Total</b>
<b>Vehicles</b>	\$156,929	\$24,101	\$364,254	\$545,284
<b>Operational Supplies</b>	232,472	163,263	45,608	441,343
<b>Telephone</b>	52,451	63,781	58,426	174,658
<b>Protective/Investigation</b>	89,531	76,971		166,502
<b>Machinery and Equipment</b>	40,100	8,570	58,176	106,846
<b>Materials</b>	73,457	458	14	73,929
<b>Professional Services</b>	3,200	45,201	8,000	56,401
<b>Building Maintenance/Repairs</b>	2,740	34,810	13,973	51,523
<b>Transportation/Freight</b>	22,176	14,250	45	36,471
<b>Workforce Training/Pay</b>	4,816	13,137		17,953
<i>Total</i>	<b>\$677,872</b>	<b>\$444,542</b>	<b>\$548,496</b>	<b>\$1,670,910</b>

<sup>3</sup> A revenue Cost Type was used to record a purchase of two canines for the K-9 unit.

<sup>4</sup> JD Edwards reports for expenditures included over 23 different Cost Types (i.e. sub-accounts) over the scope of the audit, which were consolidated for use of the audit report.

## **FINDINGS AND RECOMMENDATIONS**

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### ***2019 FINDINGS & RECOMMENDATIONS***

We randomly selected a 20% sample for testing from each of the 23 Cost Types (i.e. expenditure categories) used to record expenditures in JD Edwards (JDE) accounting software for the trust fund. Auditors tested whether expenditures were: properly recorded into JDE accounting software; properly approved and documented; and used for allowable purchases. The results of the testing are further detailed in the remainder of the report, in addition to findings, recommendations, the auditee's response, and status<sup>5</sup>.

#### ***TRUST FUND***

##### **Finding #1: Inconsistent Methods used in the Recording of Fund Activity**

During our review, we noted inconsistent methods were used in the recording of fund activity (i.e. revenues/expenditures) in JDE. Specifically, there was an overall lack of consistency in the recording of fund activity to specific revenue/expense categories (i.e. Cost Types) within JDE. For example, car rentals were recorded in the Transportation expense category during January 2016 to July 2017, versus the use of Machinery & Equipment expense category starting September 2017. Auditors also noted the incorrectly recorded purchase of police dogs in the amount of \$15,000 using the Proceeds from Foundations revenue account during 2016.

While the noted fund activity was recorded in the proper trust fund, the consistent use of specific Cost Types helps facilitate the use of JDE as a practical budgeting tool. Therefore, consistent use of a predetermined set of Cost Types aligns internal recording of fund activity with resulting Equitable Sharing Agreement and Certification (ESAC) filings, thus helping to preclude possible omissions in the annual ESAC filings.

##### **Recommendation:**

Dedicated effort should be expended toward the creation of policies and procedures that provide a guide for proper recording of expenditures to aid in confirming how funds are spent. Additionally, the Pittsburgh Bureau of Police (PBP) should work with their assigned Budget Analyst within the Office of Management and Budget (OMB) to create Cost Types in JDE that mirror those used in the ESAC filings.

##### **Auditee's Response:**

Accept. The JD Edwards Procurement Optimization Project helped to greatly increase consistency in recording expenditures to proper accounts. The Personnel & Finance office of the PBP will create policies and procedures for the recording of expenditures and will work with OMB to

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<sup>5</sup> See Addendum for further definition of [status types of current audit recommendations](#).

investigate the possibility of creating Cost Types to mirror those in the ESAC filings. These tasks are anticipated to be completed by the end of 2019.

### **Finding #2: Comingling of Funds Within the CNPTF**

During the course of the audit, we noted sources of revenue which were not from the U.S. Department of Justice (DOJ) or the U.S. Department of the Treasury (DOT). Section VI, A2 of the Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies states “No other funds may be commingled in these accounts or with these accounting codes”. More specifically, auditors noted during revenue testing that nine items totaling approximately \$66,302 did not originate from the DOJ or DOT. The funding sources in question, included the Commonwealth of Pennsylvania, Allegheny County, and Comcast Financial Agency Corporation, to name a few.

The City is required to comply with program requirements cited in the Equitable Sharing Guide (ESG); failure to comply with the ESG may result in the discontinued distribution of funds to the City and/or sanctions detailed in Section IX of the guide. The loss of such funding may adversely impact the City by precluding potential funding received via the Equitable Sharing Program (the Program).

Our prior audit in 2013 noted similar instances of comingling of funds, thus establishing this as an open issue as the risk remains unaddressed<sup>6</sup>.

### **Recommendation:**

The Department of Public Safety along with the PBP must ensure that only funds received from the approved bodies (U.S. DOJ and DOT) are deposited into the CNPTF.

### **Auditee’s Response:**

Accept. Public Safety will continue to closely monitor fund activity to ensure only allowable funds are deposited into the CNPTF. This will be an ongoing effort and therefore does not have a completion date.

### **Finding #3: Unauthorized Approval of Expenditures as Prescribed by the ESG**

Auditors noted that certain expenditures were approved by unauthorized individuals according to the ESG. Section VI, A9 of the Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies states “Ensure that law enforcement agency head, or designee, authorizes all expenditures from the sharing account”. More specifically, auditors noted during expenditure testing that eighteen expenditures were not authorized by the agency head or designee.

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<sup>6</sup> See Update to Prior 2013 Report section, page 15.

It should be noted that under the Procurement Optimization Project, the Director of Public Safety is only required to approve expenditures starting at the \$100,000 threshold. Therefore, any expenditures recorded for amounts under said Director's signing threshold will not be in compliance with the ESG. Therefore, it is imperative that authorization thresholds prescribed under the Procurement Optimization Project align with the requirements in Section VI, A9 of the ESG.

**Recommendation:**

The Department of Public Safety along with the PBP must work with OMB to ensure approval of expenditures recorded in the CNPTF are in compliance with both the Procurement Optimization Project and Section VI, A9 of the ESG.

**Auditee's Response:**

Accept. The Public Safety Assistant Director, Administration and the Department Business Administrator, PBP will work with OMB to ensure approval of expenditures recorded in the CNPTF are in compliance with both the Procurement Optimization Project and Section VI, A9 of the ESG. These tasks are expected to be completed by early 2020.

*IMPREST FUND*

**Finding #4: Funding Source for CNPIF**

During the course of our review, we found that the CNPTF was used to replenish the imprest fund five times during the period of 1/28/2016 to 8/8/2017, which is impermissible according to Section V, B2(g) of the ESG. However, the following replenishment request on 11/7/2017 was sourced by the City's General Fund<sup>7</sup>. This constitutes the current process of fund replenishment, with the CNPTF no longer being used as the funding source. Given this funding change, the requirements of the ESG no longer apply to the imprest fund.

Currently there are no policies and procedures providing formal guidance for the use and replenishment of the CNPIF to reflect the above cited change. Although auditors received a copy of PBP's 'Imprest Fund Drawdown Steps' documentation, further effort should be expended to update it to reflect current practice.

Lastly, the PBP's decision to discontinue the usage of the trust fund for the replenishment of the imprest fund clearly differentiated the two funds. Auditors noted that Chapter 232, Section 1 of City's Code of Ordinances, lists the CNPTF as a permissible source for the replenishment of the CNPIF. The current listing of trust fund as a funding source for the imprest fund should be removed and updated to reflect current practices.

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<sup>7</sup> See [Table I](#) for further detail.

**Recommendation:**

A formal set of policies and procedures for the use and replenishment of the CNPIF should be created. In addition, the PBP should continue to work with the Controller’s Office-Fiscal Auditing Section (CO-FAS) to help ensure that the current ‘Imprest Fund Drawdown Steps’ procedure accurately outlines the steps followed during an imprest fund drawdown. Lastly, steps should be taken to update Chapter 232, Section 1 of the City's Code of Ordinances to reflect current practices.

*Note: It has been observed by the auditors that the PBP continues to engage in the practice of loaning money between the imprest funds housed within the Bureau, as seen in the most recent replenishment request of 1/28/2019. This was addressed via formal correspondence<sup>8</sup>, in which it was communicated that such loans would no longer be included in the replenishment total processed by the CO-FAS.*

**Auditee’s Response:**

Accept. PBP is currently finalizing written policies and procedures for the use and replenishment of the CNPIF. Also, the Public Safety Assistant Director, Administration will work with the Law Department to update the City's Code of Ordinances to correct the CNPIF funding source. These tasks are anticipated to be completed by the end of 2019.

**Finding #5: Revisions to the Request for Funds Form**

The ‘Request for Funds’ form does not provide an adequate level of clarity and transparency that the fund requires. It should be noted that the said form is used for the purpose of tracking the withdrawal, use, and return of funds to/from the CNPIF. Auditors noted that the verbiage in the form’s ‘Disposition of Funds’ section is too vague and does not fully depict the approval intent of the form. Specifically, replacing the word ‘clearing’ with ‘reconciling’ more clearly denotes actual approval of the expenditure. Also, auditors observed numerous examples of the same detective signing off for ‘Signature of Detective clearing Accounting/Date’ and ‘Signature of Detective accepting clearance of accounting/Date’, which does not provide the dual approval required and diminishes the control function of the form.

**Recommendation:**

Continue to work with the CO-FAS in revising the current said forms, to clarify their intended purpose and strengthen dual controls.

**Auditee’s Response:**

Accept. PBP is currently refining the drafts of the revised forms provided by the CO-FAS and will begin to use the revised forms by September 1.

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<sup>8</sup> The Controller’s Office Fiscal Audit Section’s letter dated 2/15/2019.

## **UPDATE TO PRIOR 2013 REPORT**

A fiscal audit of the Confiscated Narcotics Proceeds Trust Fund (CNPTF)-Special Revenue Fund was conducted in 2012 and a report was formally released in January of 2013. As a standard practice, we reviewed prior observations to assess the progress made on the implementation of prior recommendations. Below are findings noted in 2013, along with progress achieved to date<sup>9</sup>.

### **Prior Finding #1: Inadequate Supporting Documentation for Travel and Training Expenditures**

Although significant improvements were made regarding the adequacy of supporting documentation maintained by the CNPTF as a result of our last audit, there were several instances where supporting documentation for travel and training did not include actual receipts. During our routine review of Imprest Fund expense vouchers submitted as part of the replenishment process, we noted some travel expenditures were not supported by actual receipts. A Training/Travel Request Form is usually completed and approved in advance. However we noted actual receipts were not submitted for several approved lodging expense requests. Actual receipts for all expenditures should be maintained (even after the fact) to confirm validity of the expense and to verify funds have been expended as intended.

### **Prior Recommendation:**

Establish policies and procedures that require all receipts be submitted as part of required documentation for all expenses, and to regard any claim voucher incomplete unless actual receipts are included. All receipts should be considered vital part of supporting documentation and should be retained.

### **Prior Auditee's Response:**

Detective will ensure that receipts are submitted for all travel training prior to reimbursing any officer for travel training.

### **Current Status Update-Closed**

Travel expenses are currently being tracked according to PBP-Investigations Branch's internal Memorandum ACI 10-107 (Advancements for Approved Travel/Training Requests). The CO-FAS will continue to monitor similar activity during future review of Request for Replenishment of the CNPIF.

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<sup>9</sup> See Addendum for further definition of [status types of prior audit recommendations](#).

## **Prior Finding #2: Responsibilities for the Fund's Management are Not Clearly Defined**

Responsibilities for management of the fund appear fragmented with several individuals involved in different aspects of the fund's operations without coordination. One detective is responsible for maintaining all DAG-71 forms; another is responsible for expenditures made through the imprest system, while another staff completes the annual certification report that is submitted to the DOJ.

Our inquiries revealed that the detective maintaining the DAG-71 forms is not updated as to when the sharing request is received and the staff responsible for completing the annual certification report is not directly involved in the operation of the fund, and does not maintain any records relating to the fund. In order to ensure effective management of the fund, responsibilities should be clearly defined. The person responsible for completing the annual certification report should be involved with the operation of the fund and also be familiar with the reporting requirements as well as the numbers reported.

### **Prior Recommendation:**

Establish a system of internal controls to provide assurance that the CNTPF is properly managed. Procedure should be implemented to ensure that appropriate records are maintained and responsibilities for the fund are clearly established.

### **Prior Auditee's Response:**

Sergeants will maintain all records pertaining to the fund and will clearly document on a spreadsheet all billing information. When wire transfers are made into the account, all revenue will be matched against the invoices generated by Sergeants by Account Clerk.

### **Current Status Update-Closed**

Although a set of policies and procedures addressing the role and responsibilities of individuals involved with the management of the CNPTF was not provided, it was verbally confirmed as well as observed during the review that sufficient controls are in place to mitigate potential risk.

## **Prior Finding #3: Inadequate Tracking of Requests for Share of Forfeiture Monies**

Forfeiture request forms (Forms DAG-71) that are submitted to the Department of Justice in order to receive shared forfeitures are not properly tracked. Our audit procedures revealed that although all copies of DAG-71 forms are maintained, there

are no procedures in place to track those actually received, the amount received and those that are still outstanding. Federal forfeiture guidelines require all local law enforcement agencies that participate in their Asset Forfeiture program to maintain a log and copies of all Forms DAG-71 submitted to the Department of Justice. The log is to have a consecutive numbering system, including detailed information as to the seizure type, seizure amount, share amount requested, amount received and date received for each DAG-71 form. The guide also requires the log to be continually updated whenever an E-Share notification is received.

**Prior Recommendation:**

A system to track sharing requests should be established by creating and maintaining a detailed log of all DAG-71 forms submitted. The document should contain all pertinent information and should be continually updated as funds are received.

**Prior Auditee's Response:**

All DAG-71 forms submitted by the Sergeants will be entered on a spreadsheet with all of the necessary information and will be matched against the reimbursement.

**Current Status Update-Closed**

PBP currently utilizes an 'E Share-Sharing Distribution Report' to track forfeiture's received by the DOJ, which is used to file the ESAC. Auditors were able to verify amounts listed on the said internal report to the ESAC under 'Equitable Sharing Funds Received' in testing a sample from 2017; thus confirming adequate tracking of forfeitures received.

**Prior Finding #4: Lack of Supporting Documentation for Annual Certification Report**

The Police Bureau does not have an adequate system for tracking and recording expense categories that are reported on the annual report submitted to the Department of Justice as part of the requirements for participating in the equitable sharing program. Although expense vouchers are maintained and recorded on a spreadsheet, no record exists as to what amounts make up each expense category. In the absence of adequate tracking and monitoring, proper records are not in place to verify amounts for each category. Tracking and reporting such expenditures will allow the Police Dept. to provide proper oversight to the funds' activities and ensure accuracy of amounts reported to the DOJ.



**Prior Recommendation:**

The Police Bureau should implement a system whereby all expenditures paid from the CNPTF account are adequately documented and tracked by the categories reported on the annual report filed with the DOJ. The Police Department should also consider designating one person as custodian of the fund who maintains records of the activities and is also responsible for completing and submitting the form.

**Prior Auditee's Response:**

All expenditures made from the CNPTF will be fully documented and will be reported by Master Police Officer.

**Current Status Update-Closed**

PBP currently tracks expenditures paid from the CNPTF in a spreadsheet, which categorizes expenditures using the same categories provided in the ESAC under 'Summary of Shared Funds Spent'. Auditors were able to verify that amounts listed on the said spreadsheet were properly supported and reported on the sampled ESAC for 2017.

**Prior Finding #5: Reconciliations not Performed**

There are no reconciliations performed to agree the funds' account balances reported on the annual certification report to the city's accounting system to ensure accuracy and allow for early detection of discrepancies. Performing periodic reconciliation is a good management control practice to ensure accuracy of records and allow for early detection of errors.

**Prior Recommendation:**

Perform periodic reconciliation of the funds' account balances reported on the annual report submitted to the Department of Justice to the City's accounting system.

**Prior Auditee's Response:**

All transactions made from the CNPTF will be matched against the City of Pittsburgh's JD Edwards accounting system.

### **Current Status Update-Open<sup>10</sup>**

Auditors noted that expenditures related to the Equipment Leasing Authority were not reported on the ESAC for 2017. PBP acknowledged the inadvertent omission and the need for measures to ensure that all expenditures are reported on ESAC filings, which would include reconciliation of the fund's account balances in JDE to the ESAC filings.

### **Prior Finding #6: Shared Revenues should not be Retained Unnecessarily**

The Police Bureau is not spending shared forfeitures revenue as they are received. We noted a substantial balance of equitable sharing revenue on the CNPTF fund. The DOJ Guide indicates that shared forfeiture monies should be expended as received for permissible law enforcement purposes. Shared monies should not be accumulated unnecessarily; however funds may be retained for a reasonable period of time, generally no longer than two years to satisfy a future need.

### **Prior Recommendation:**

The Police Bureau should explore allowable ways to spend the money as soon as it is reasonably possible. The DOJ guide suggests forming internal committees to explore and make expenditure recommendations to the department head.

### **Prior Auditee's Response:**

I am in the process of reviewing the Bureau's needs and will discuss with the Chief of Police on how to use asset forfeiture funds according to the DOJ guidelines. We will follow all of the City's purchasing policies and procedures which are currently in place.

### **Current Status Update-Work In Progress<sup>11</sup>**

Auditors noted the beginning balance reported on the 2017 Amended ESAC filing was approximately \$1,271,945, while the end balance was approximately \$980,320. PBP acknowledged the magnitude of balances and noted their intended usage being for large purchases of specialty vehicles and larger scale trainings.

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<sup>10</sup> The status of the prior finding is currently active as ESAC filings, which omitted fund activity have yet to be amended.

<sup>11</sup> The status of the prior finding is currently in progress; auditors will continue to monitor fund balances reported in the ESAC filings.

### **Prior Finding # 7: Shared Revenues not Accounted for Separately**

Proceeds from the DOJ Asset Forfeiture Program are not accounted for solely in a separate revenue account. During our audit, we noted forfeiture monies received are comingled with funds from other sources. According to the DOJ Guide all participating law enforcement agencies are required to establish separate revenue account or accounting code solely for proceeds received from participating in the asset forfeiture program. No other funds are to be included in the account or with the accounting code.

#### **Prior Recommendation:**

Implement necessary measures to ensure only proceeds from the DOJ Asset Forfeiture Program are accounted for in the CNPTF account.

#### **Prior Auditee's Response:**

Personnel & Finance Manager will ensure that only proceeds from the DOJ Asset Forfeiture Program are accounted for in the CNPTF account.

#### **Current Status Update-Open<sup>12</sup>**

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<sup>12</sup> During the course of the current review we noted that other sources of revenue continue to be recorded in the CNPTF. See [Current Finding #2](#).

## **ADDENDUM**

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### *CURRENT AUDIT RECOMMENDATIONS*

Auditors obtain and report views of responsible individuals of the audited entity concerning the findings, conclusions, recommendations in the examination report, as well as any planned corrective actions. A specific status type has been assigned to the current audit findings and recommendations, using the following criteria:

- **Accepted**-Auditee agrees with the recommendation and plans to implement within the prescribed time frame. Management is informed of a follow-up review that will be performed by the auditors.
- **Declined**-Auditee does not agree with the recommendation and is not planning to implement. When management elects this option, they are advised of the responsibility for accepting the identified risk that generated the recommendation.

### *STATUS OF PRIOR RECOMMENDATIONS*

Auditors evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements. A specific status type has been assigned to the prior findings and recommendations in the audit report, using the following criteria:

- **Open**-Auditee has not fully implemented the prior recommendation; rationale may include:
  - Auditee declined prior audit recommendations and risk remains as described in current findings.
  - Efforts to address corrective actions have yet to commence.
- **Work In Progress**-Auditee has initiated efforts to implement recommendations and corrective action steps continue as a work in progress.
- **Closed**-One of the following conditions was noted:
  - Auditee implemented the prior recommendation, which was confirmed by auditors during the current fiscal audit; or
  - The recommendation is no longer relevant based upon changed conditions.