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Special Events Office.

Feb. 21, 2013

Each year, millions of dollars flow from private companies to Pittsburgh's Bureau of Police to pay officers who work private security details arranged through the bureau's Special Events Office.

But scour the city's budget and annual financial report and you won't find a line item with the \$7 million or so in payments, nor a record of the nearly \$800,000 in city surcharges to businesses that employ police officers through the Special Events Office.

There is rough accounting of that money elsewhere — on city ledgers that record “negative expenditures” and in the bureau — but the picture of how that money moved from businesses, through the city and into officers' paychecks is disjointed and incomplete.

That flow of money — from dozens of bars, restaurants, construction companies and other businesses — to the bureau and to the city's coffers is now under scrutiny as the FBI and Internal Revenue Service probe the allegations that funds from the Special Events Office were misappropriated. Federal investigators have visited the police bureau's North Side headquarters and the Greater Pittsburgh Police Credit Union in the West End, where city money has been deposited in accounts not authorized for such funds.

The lack of oversight means that money meant to be handled by the Special Events Office could be diverted before it makes it to the city, and that co-mingling of overtime pay and city surcharge money once it hits city coffers could make such diversions harder to catch.

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officers in a premium pay line item intended to pay officers for off-duty security details and on-duty overtime.

Neither the city controller, the city finance director nor the city treasurer were keeping tabs on the millions of dollars of checks received by the bureau's Office of Special Events to ensure they were all being deposited into city coffers or that the surcharge money was properly accounted for.

And ask who's responsible for tracking that money, city officials point fingers at each other.

Mr. Lamb has been critical of the mayor for not having information on the accounts. The mayor's spokeswoman, Joanna Doven, Wednesday retorted that Mr. Lamb, as controller, should have come across the discrepancies. City finance director Scott Kunka said he was relying on others to ensure the money was accounted for.

The money trail

The trail starts in the Special Events Office in the Pittsburgh Bureau of Police, which organizes the jobs for officers and is in charge of billing businesses, including for a city surcharge for administrative costs.

The office issues a monthly invoice to businesses for the surcharge — called the cost recovery fee — of \$3.85 per officer per hour. Some businesses are also billed for the officers' wages, while other businesses pay the officers directly — with cash or a check.

Businesses then write checks to either the City of Pittsburgh or the Treasurer of the City of Pittsburgh and send them to the Special Events Office, which is located in the bureau's Western Avenue headquarters on the North Side.

Documents show that there is some accounting that is done in the Special Events

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“The goal is to segregate [responsibilities],” he said, to minimize the opportunity for theft.

The checks then head to the bureau’s Office of Personnel and Finance, where they are recorded on spreadsheets and totaled. That office is headed by Sandra Ganster, whose name appears on one of the credit union accounts now under scrutiny by authorities.

Checks are then sent to the City-County Building, where they make their way up to the city Office of Management and Budget. Mr. Kunka said his staff takes the checks to a bank — one of the 15 authorized depositors — and deposits them. A deposit slip for the bundle of checks is then sent to Mr. Lamb.

At the controller’s office, Mr. Lamb said his staff compares the deposit slips with the spreadsheets from the bureau’s Office of Personnel and Finance to ensure none of the checks were lost or stolen in transit from the bureau to the bank.

The controller’s office then records the deposit in the city’s ledgers as a “negative expenditure” in a line item that also represents other payroll expenditures for on-duty overtime and shift differentials. That’s because much of that money is actually owed to officers in the form of wages for their off-duty details, so it’s not technically revenue, Mr. Lamb said.

But at no step in the process, from beginning to end, does anyone compare invoices to deposits to ensure that money hasn’t gone missing. The Special Events Office, which receives the checks, does not send any documentation to the controller’s office.

This means that if money goes missing in transit from that office to the bureau’s Office of Personnel and Finance, it won’t raise any red flags in the controller’s office.

“The question is if some bad actor were pilfering checks out of the bundle, is that

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generating about \$800,000 in city revenue a year. Mr. Lamb's investigation indicates the money goes into the premium pay line item on the city's ledgers. But the money in that line item is only to be used to pay officers' on-duty overtime wages, in addition to shift differentials and wages for security details. If the fee money is flowing there, it's not possible to separate it and make sure it's not being used to pay wages. It's also not possible to see if those funds are covering for money diverted before it made it to the City-County Building.

“That cushion could have provided an opportunity for some of those funds to be diverted,” said Mr. Lamb.

The union has advocated setting up a trust fund to segregate the monies.

“We're concerned from a Fraternal Order of Police view about how this money's being used,” said Officer Robert Swartzwelder, a member of the Labor Management Committee for the Fraternal Order of Police, Lodge 1. “We don't want that money to be used for something it's not supposed to be used for.”

Mr. Lamb said that the use of the fee money in this way would give the police bureau nearly a million dollars in wiggle room, allowing it to go over what it's allocated without seeking approval from council.

Mr. Kunka said that when his office writes budget proposals and allocates money to premium pay, it does not factor in the \$800,000 that appears to be supplementing that line item.

“We don't budget for the [Cost Recovery Fee] because it's being accounted for by somebody else,” he said.

Since the city isn't anticipating the revenue and doesn't have a system in place to segregate it, no one is checking to see whether there is extra money, officials said.

In 2011, for example, the city budgeted \$7.3 million for premium pay and then went

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