



County Controller

Stephen J. Barron, Jr., CFE

Audit Manager

Frank S. Kedl, CIA

County Executive

Lamont McClure Jr.

County Council

Kenneth M. Kraft, President
Ronald R. Heckman, Vice-President
John Cusick
Matthew H. Dietz
Margaret Ferraro
Lori Vargo Heffner
Robert F. Werner
Tara M. Zrinski

Audit Report

**DRUG SEIZURE
ACCOUNT**

As of June 30, 2017

**Office of the Controller
County of Northampton
Pennsylvania**



FRANK S. KEDL, CIA
Audit Manager

STEPHEN J. BARRON, JR., CFE

CONTROLLER OF NORTHAMPTON COUNTY

NORTHAMPTON COUNTY COURTHOUSE
669 WASHINGTON STREET
EASTON, PENNSYLVANIA 18042

PHONE (610) 829-6615
FAX (610) 559-3137

December 7, 2017

Members of the Northampton County Council
Lamont McClure, County Executive
County of Northampton, Pennsylvania

We have completed an audit of the Seizure account fund as of June 30, 2017.

The Executive Summary on page 1 summarizes the audit results, while the Audit Results section provides a detailed explanation.

We acknowledge the cooperation and assistance we received from Detective Andre Stevens in the District Attorney's office. His assistance was essential to the performance of this audit.

Management's response is included in the Audit Results section of the report.

Very truly yours,

Stephen J. Barron, Jr., CFE
County Controller

Gary M. Krall, CMA
Staff Auditor

Table of Contents

	<u>PAGE</u>
EXECUTIVE SUMMARY	1
INTRODUCTION	2
PURPOSE AND SCOPE.....	4
METHODOLOGY	4
AUDIT RESULTS	6

EXECUTIVE SUMMARY

Our audit of the Drug Seizure Account revealed that internal controls over cash, receipts, transfers and disbursements are functioning as intended. Detective Stevens in the District Attorney's Drug Task Force has set up a system to collect, organize and document cash seized by the local police departments in drug arrests. He maintains custody of the inventory records which document the amount of cash collected as well as administrative rights over the web-based system. In this aspect, there is a lack of segregation but due to the confidential nature of these drug-related seizures we tested 100% of all transactions to mitigate exposure. All cash receipts (deposits), disbursements and transfers to other bank accounts were valid and properly documented.

Our review disclosed that records in the system can be easily deleted from the database by anyone with administrative rights. We recommend that only Detective Stevens have this capability. Bank reconciliations are not being completed and reviewed in a timely fashion. We recommend that they be done as soon as the bank statements are available.

INTRODUCTION

The local police departments within Northampton County seize cash at the time of a drug-related arrest. A significant amount of cash had been seized during drug related arrests by local police departments over the recent past and was being held by them in their evidence vaults. For various reasons, the required paperwork was not being submitted to the County in a timely manner. Detective Stevens felt that, rather than keeping the money in the custody of the local police, the County should take custody of these seized funds for the sake of security and administrative simplicity. The Seized Funds bank account was established in January of 2017 at Lafayette Ambassador Bank. This account consists of funds that were seized in acts of illegal drug activity that are waiting to be forfeited through the Office of the District Attorney. The seized funds, by law, are considered evidence at this point. Detective Stevens is the sole authorized signer for the account.

Detective Stevens has also implemented a web portal and database to track and collect information from the local police departments about funds seized. The output from this system is used as documentation for the collection and receipt of seized funds by the County's Drug Task Force from the local police departments. Website administration is limited to Detective Stevens and the assistant district attorneys working in the drug unit. Local police departments do not have administrative access.

Local police access the Drug Task Force section of the District Attorney's webpage on the Northampton County website and complete a 'Seized Inventory Form'. A police incident number is recorded by the police officer along with the defendant's name and contact information. After the officer inputs all of the required information, the report is saved in the system and a Seized Inventory Number (SIN) is generated by the system. The form serves as a receipt for the seized monies and as documentation for the transfer of funds to the County. Detective Stevens arranges a meeting at the downtown Easton branch of Lafayette Ambassador bank with the officer where the money is counted by the teller as verification of the amount of funds submitted in the presence of both law enforcement officers. The funds are deposited and a bank deposit receipt is given to Detective Stevens for the amount.

Once a drug forfeiture court order has been received by Detective Stevens, he transfers funds from the seized account to the forfeiture account. Because this money is considered evidence of a crime, Andre Stevens is the only person assigned to be a custodial officer for the funds. There is no other name attached to this account. If a Court Order awards any portion, or all the

money to be returned to the defendant named in the court order, a check is written from the seized account, so that “return monies” will not get placed into the Forfeiture Account. Bank account reconciliations are done monthly by Detective Walsh using QuickBooks and are approved by D.A. John Morganelli.

PURPOSE AND SCOPE

This is the first audit of this recently established account supplementing the annual audit and report for the Drug Forfeiture Fund due to its close interrelationship with that fund. The focus of the audit was on the receipt function, and on evaluating internal controls.

The purpose of the audit was to:

- Determine the existence and adequacy of internal controls.
- Ensure that funds are properly accounted for and are transferred to the Drug Forfeiture account when court orders are issued.
- Determine the efficiency and effectiveness of the fund/bank account.

The scope of the audit included the six-month period of January through June 2017 concurrent with the Drug Forfeiture review timeframe.

METHODOLOGY

Our methodology included:

- Interviews with Detective Stevens to document processes and procedures obtain documentation and discuss any issues pertinent to the audit.
- 100% testing of all receipts, transfers and disbursements.
- Reviewing the bank reconciliation process.
- Performing a proof of cash.
- Determining if the activity posted to the account financial statement (balance sheet) is accurate.
- Evaluating the effectiveness and efficiency of the fund/bank account.

Our review included an assessment of internal controls in the audited areas. Any significant findings related to internal controls are included in the Audit Results section of the report.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to

provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT RESULTS

Section A –Internal Controls

1. Administration of the Seized Inventory Tracking System

OBSERVATION

We noted that records of police seizure reports can be easily deleted from the database by anyone with administrative access to the system via the web portal.

RECOMMENDATION

While the number of personnel given administrative access to the system is limited to a few people in the District Attorney's office, we recommend that only Detective Stevens have this administrative privilege so police seizure reports cannot be deleted.

MANAGEMENT RESPONSE

Detective Stevens will limit administrative privilege to himself and one ADA to act as a backup in his absence.

2. Bank Reconciliations

OBSERVATION

Bank reconciliations are not being completed and reviewed in a timely fashion.

RECOMMENDATION

Bank reconciliations should be completed shortly after bank statements are received and reviewed and approved in a timely fashion.

MANAGEMENT RESPONSE

Bank reconciliations will be completed as quickly as possible after the monthly bank statements are received and all activity is recorded in the Seized Funds account. Electronic banking capability should accelerate the process.