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Performance Audit Report

**DRUG FORFEITURE  
AGENCY FUND**

As of April 30, 2021

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



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September 2, 2021

Members of the Northampton County Council  
Lamont G. McClure, Jr., County Executive  
County of Northampton, Pennsylvania

We have completed an audit of the Drug Forfeiture Agency Fund as of April 30, 2021.

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 the Drug Task Force unit of the District Attorney's Department. Their help was essential to the performance of this audit.

Our report was reviewed by the District Attorney and the lead Detective from the Drug Task Force in lieu of an exit conference. Management's response is included in the Audit Results section of the report.

Very truly yours,

Tony E. Bassil  
County Controller

Gary M. Krall, CMA  
Lead Auditor

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## **EXECUTIVE SUMMARY**

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The County Detective and his assistant should document the procedures for processing Drug Forfeiture Agency Fund transactions. The reporting requirements and steps for preparing and submitting required quarterly reports to the Pa. Attorney General's office should also be clearly documented given its importance in funding the Task Force's activity.

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## INTRODUCTION

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The lead Drug Task Force detective Andre Stevens and his technician in the District Attorney's office are responsible for maintaining four bank accounts that are included in the DA Drug Forfeiture Agency Fund. Since we conduct a separate annual audit of the Controlled Substance Forfeitures accounts, this audit concentrated on the remaining two accounts: Drug Task Force Fund and General Forfeitures.

The Drug Task Force includes various local police departments within Northampton County working to investigate drug related criminal activity. This fund receives quarterly payments of \$29,450 from the Pa. Attorney General's office, which must be used to reimburse the local police departments that have participating members in the County Drug Task Force. The majority of this money is used to reimburse local police departments for overtime needed to carry out specific task force cases. Funds are also used for expenses that require cash purchases such as the purchase of drugs and drug related equipment, and to pay confidential informants. Detective Stevens also has a budget for purchases of services and equipment needed to assist the Task Force in their cases. Any money that is unused during the year by the County Task Force can reduce subsequent quarterly payments during the current year from the Pa. Attorney General's office. All spending by the local police departments is documented in reports submitted to Detective Stevens that are approved by District Attorney Terry Houck. Detective Stevens reimburses the local police departments for overtime wages and fringe benefits. He is also required to prepare a report every quarter and at year-end that documents funds received and expenditures disbursed. This report is submitted to the Office of the Attorney General electronically for accounting purposes. The District Attorney reviews and approves all disbursements and reports.

The General Forfeiture account includes cash and the proceeds from the sale of equipment seized by local police departments within Northampton County during illegal gambling related arrests. Forfeited cash and fines paid for trademark and counterfeit material violations are to be recorded in this account. These cases are rare and most of the funds come from the cases prosecuted by the Attorney General's Office. The account may also be used for other seized or forfeited money that is not drug or gambling related. The funds in this account are held in a money market account at Fulton Bank that does not have check writing privileges. Cash withdrawals are necessary to pay for any investigative equipment needed. The District Attorney must approve all withdrawals made by Detective Stevens from this account. Disbursements made from this account have been very sporadic and infrequent over the past few years. Other than interest payments, there have been no major deposits since early 2017.

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## **PURPOSE AND SCOPE**

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This audit is one is a series of periodic audits of all agency funds performed for the purpose of supplementing the year-end work prescribed by the County's external auditor. The focus of this audit was on the receipt and disbursement functions and on compliance with laws and regulations of the Drug Forfeiture Agency Fund. We focused this review on the Drug Task Force and the General Forfeitures bank accounts.

The following components of internal control were considered significant to the audit objectives, and were therefore assessed, and as appropriate based on risk, tested:

- Controls over cash collections/deposits, transfers, and withdrawals/disbursements.
- Segregation of duties.

The purpose of the audit was:

- To determine if internal controls over the handling of Drug Forfeiture Agency Funds is adequate.
- To determine if the Drug Forfeiture Agency Fund complies with Federal, State and County regulations.

Our testing was conducted on transactions occurring during the period January 1, 2021 through April 30, 2021.

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## **METHODOLOGY**

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Our methodology included:

- Interviewing personnel in the District Attorney's office to gain an understanding of the processes and document the controls.
- Identifying applicable policies, procedures, laws & regulations.
- Reviewing a sample of bank reconciliations for both accounts.
- Reviewing a sample of receipt transactions.
- Reviewing a sample of disbursements from the Drug Task Force account.
- Reviewing annual and quarterly reports submitted to the Pa. Attorney General's office by the County Detective.

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.

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## AUDIT RESULTS

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### **Section A – Policies and Procedures**

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#### **1. Written Procedures**

##### OBSERVATION

During the initial internal control review, we found that the Drug Task Force unit of the District Attorney's Office does not have written policies and procedures for the Drug Forfeiture Agency Fund. Written instructions describing the processing of cash receipts and disbursements, performing bank reconciliations and completing required reports for state funding would help to ensure that the group understands its roles and responsibilities. Written procedures for correctly completing and promptly filing required quarterly state reports will reinforce their importance in order to keep the Drug Task Force as fully funded as possible to meet the overall Task Force objectives. It also provides an excellent training source for potential new employees.

##### RECOMMENDATION

The County Detective, with assistance from the technician that assists him, should document the procedures for processing Drug Forfeiture Agency Fund transactions. The reporting requirements and steps for preparing and submitting required quarterly reports to the Pa. Attorney General's office should also be clearly documented to underscore its importance for funding the Task Force's activity. The Controller's Office is available to assist if requested.

##### MANAGEMENT RESPONSE – Terence P. Houck – District Attorney

The District Attorney's Office will develop a manual for proper policies and procedures, as recommended.



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## **ISSUES RESOLVED DURING FIELDWORK**

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Segregation of duties is a key internal control used to ensure that errors or irregularities are prevented or detected in a timely basis by employees. The four basic categories of duties include authorization, custody, record keeping and reconciliation. No single individual should have control over two or more of these categories of a transaction or operation. In those instances where duties cannot be fully segregated, mitigating or compensating controls should be established. Mitigating or compensating controls are additional procedures designed to reduce the risk of errors or irregularities.

Currently, the County Detective is responsible for the following asset custody and record keeping functions:

- Accepting cash from various police departments.
- Preparing and making bank deposits.
- Signing checks drawn on Drug Forfeiture Agency Fund bank accounts.
- Issuing receipts to police departments for cash received.

Detective Stevens has enacted one compensating control by having his clerical technician record all transaction activity in QuickBooks and prepare all bank reconciliations. During preliminary discussion, we suggested that he should have this clerical technician send the bank recs and statements to the fiscal affairs accountant for him to review. Detective Stevens has agreed to start doing this effective June 2021 and the Fiscal Affairs accountant has started reviewing them. Given the confidential nature of the drug forfeiture process and the limited staff in the Task Force, these compensating controls should be sufficient for these accounts due to the low dollar transaction amounts and infrequent activity.