

Internal Audit Report on Asset Forfeiture Revenues and Expenditures

County of Henrico



*Proud of our progress;
Excited about our future*

**Internal Audit Report #270
September 6, 2018**

HENRICO COUNTY INTERNAL AUDIT

<http://henrico.us/audit>

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1

Summary

- Scheduled Audit

- Conclusions on Audit Objectives

Controls are sufficient, insufficient or need improvement related to:

- Assess the policies and procedures designed to ensure compliance with requirements for asset forfeiture funds
- Determine controls exist and operating to ensure compliance with policies and procedures for funds used for personnel, non-personnel, and travel expenditures
- Determine adequate controls for fixed assets, inter-departmental transfers and agency head transactions (i.e. proper approval) involving forfeiture funds
- Determine controls exist and operating effectively to ensure asset forfeiture receipts are properly accounted for, recorded, deposited intact & promptly (See scope on Slide 12.)

- Exception Oriented

- No reportable Issues or Other Observations

- No Management Action Plans required

■ Insufficient-Immediate Attention

▲ Improvement Needed

■ Sufficient

2



Contents

- Introduction and Background
- Scope, Internal Controls and Methodology
- Conclusions on Audit Objectives
- Issues/Other Observations
- Closing and Report Distribution



3



Introduction

- Auditor III Joyce Aikor-Richardson performed audit work
- Used professional auditing standards
- Examined controls & tested for selective compliance
- All exceptions given to Agency
- Reported control design issues & significant test exceptions only
- Work for same Government we audit



4



Background

Asset Forfeiture

- Title 19.2, Chapter 22.1, § 19.2-386.22 of the Code of Virginia allows forfeitures of assets obtained by law enforcement agencies seizing property (e.g. money; medical, lab, and office equipment; motor vehicles, etc.) used in substantial connection with illegal distribution or sale of narcotics.
- Once law enforcement agencies discover assets that drug dealers have purchased with drug profits or profits hidden in various bank accounts and in legitimate businesses, they can seize the assets.
- This is an incentive to the local agencies to pursue the dealers more rigorously and convert their illegal gains into resources to be used to deter crime.
- Once an item is seized, the law enforcement agency must decide whether it would like to pursue forfeiture under Virginia's Forfeited Asset Sharing Program or under federal statutes.
- The jurisdiction(s) sharing in the forfeiture will receive a high percentage of the proceeds from the assets

5



Background

- The share of forfeited funds are 85/15 between Police and the Commonwealth's Attorney's Office
- The Commonwealth's Attorney's Office receives 15% but 10% goes to VA Criminal Justice Foundation (VACA)
- Funds cannot be used to replace something in the Henrico budget but can be used to enhance the operation of the office. Funds cannot be used for salaries or to pay interns per Finance, however Department of Criminal Justice Services does allow this.

6



Background

- Even if no funds were received, the State Annual Certification Report is due October 31, and the Federal Annual Certification Report is due August 30, 60 days after close of County's fiscal year.
- The County Manager approves expenditures over \$1,000 for both the Police Division and the Commonwealth's Attorney's Office.
- Asset forfeiture funds are received under Federal and State laws from seized or forfeited assets. Through equitable sharing agreements required between the Federal/State governments and the County, the County receives a part of these funds and must be accountable for all expenses, including financial reporting and audit.

7



Background

- The funds become a part of the County's budget through appropriation and must be used to increase, not replace, resources.
- Asset forfeiture cases are civil in nature and, therefore, require a different approach from the criminal cases from which they originated. These civil cases may require extensive research and additional investigative efforts that may have little to do with the respective criminal case. State legislation on asset seizures mandates a strict accounting of all requests made by an agency.

8



Background

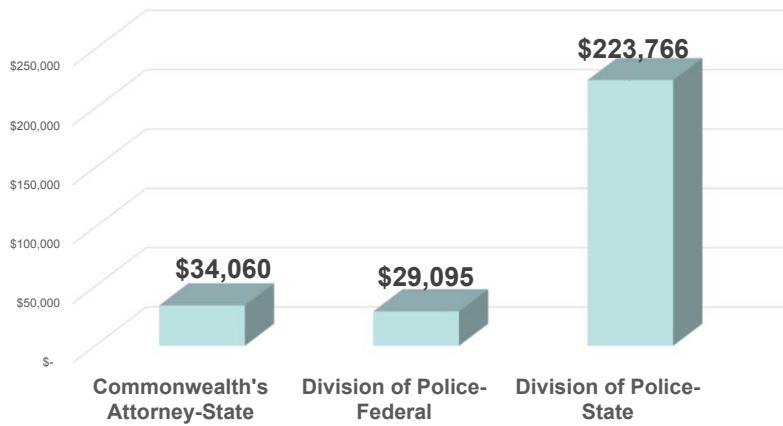
- In an effort to organize all actions taken by the Police Division concerning the seizure/forfeiture of property, this process will be administratively handled by an Asset Forfeiture Coordinator (AFC). The function of the AFC is to organize, record, and monitor each asset seized for forfeiture, from the time it is reported until the forfeiture process has been resolved.
- The Commonwealth's Attorney's Office initiates the civil forfeiture proceedings in tandem with the criminal charges. The final civil hearing is not held until after the conclusion of the criminal matter and there has been a finding by the court that the respondent was engaged in criminal activity and/or the respondent is willing to voluntarily forfeit the seized property admitting the property was related to criminal activity.

9



Budget Highlights

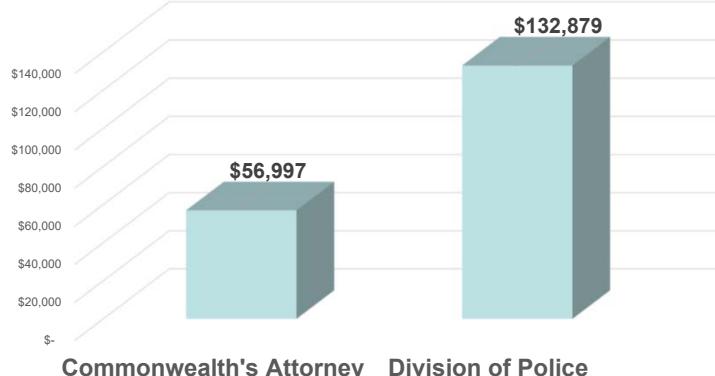
Revenue FY18 to May 31, 2018



10

Budget Highlights

Expenditures FY18 to May 31, 2018



11

Scope

- July 1, 2017 to May 31, 2018 for Revenue and Expenditures with no exclusions
- Total Revenue of \$286,921 *
- Total Expenditures of \$189,876

** The audit focused primarily on the related revenue controls in the Police Division and Commonwealths' Attorney's Office.*

As Asset Forfeiture revenues are received via electronic transfer and posted by Finance, related controls will be covered more fully in a separate scheduled Electronic Funds Transfer audit.

12



Internal Controls *Objectives*

- Reliability and integrity of information
- Compliance with policies, procedures, laws and regulations
- Safeguarding of assets
- Effectiveness and efficiency of operations



13



Internal Controls Cont'd *General Limitations of any Controls*

- Errors and irregularities may go undetected
- Inherent limitations in any control structure
- Limitations include resource constraints, legislative restrictions, etc.
- Projection to future subject to risk of change in effectiveness
- Compliance may deteriorate

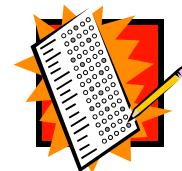


14



Audit Methodology

- Determined revenue and expenditure-related processes and control procedures
- Evaluated strengths and weaknesses of control procedures
- Randomly sampled recorded transactions and traced to supporting documents for accuracy and compliance with policy



15



Conclusions on Audit Objectives

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Insufficient-Immediate Attention



Improvement Needed



Sufficient

16



Issues and Other Observations

None



17



Closing

- Appreciate Agencies' cooperation
- No Follow Up required on this audit



18



Report Distribution

Audit Committee (Mrs. O'Bannon, Mr. Thornton, County Manager)	Board of Supervisors, Non-Committee Members
Deputy County Manager for Administration	Chief of Police Commonwealth's Attorney
Internal Audit Staff	

19



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20