



SIU ROWD

City of Spokane

C.10.PS - SIU

Procedure Step: SIU

Done By: MTK, 2/13/2009

Review By: MW, 3/5/2009

Record of Work Done:

The following work was performed by the City's Internal Auditor:

Through a discussion with the City Police Department, the City's Director of Accounting became aware of the existence of a Special Investigations Unit (SIU) bank account that is used for property seizures and forfeitures. Upon further investigation it was discovered that this bank account carries the City's name and tax ID, but is managed outside of the City Treasurer's custodianship for deposits, investments, and bank reconciliation. The account was originally established in the late 1980's with Old National Bank, was transferred to U.S. Bank in 1991, and was transferred to Bank of America in 1998 where it currently resides.

The authority and purpose for this account is established by state statute RCW 69.50.505, Seizure and Forfeiture, Controlled Substances. The statute authorizes any law enforcement officer of the state to seize real or personal property, including all moneys, negotiable instruments, securities, or other tangible or intangible property, which were acquired in whole or in part with proceeds traceable to a sale or exchange of a controlled substance. The statute is specific in the applicable process for seizure, forfeiture and retention of net proceeds, to be retained and used by the seizing law enforcement agency, exclusively for expansion and improvement of controlled substance related law enforcement activity.

The current balance in the checking portion of this account as of April 30, 2008 was \$40,589.10. The balance in the savings portion of this account as of April 30, 2008 was \$425,510.10. The amount of forfeitures deposited to the account and reported to the State Treasurer in calendar year 2007 totaled \$254,396. Purchases from this account totaled \$322,405 for calendar year 2007.

The following work was performed by the State Auditor's Office: **EX.8**

We requested the 2007 and 2008 to date bank statements and supporting documentation for each expenditure from the Police Department. Since the internal auditor had already requested those documents he just gave us his copies. At our October 13, 2008 meeting we also requested and took the following:

- Bank Statements - 2008 (YTD except for April, May, & June where copies of e-statements were included), 2007 through 1998 (partial year)
- Supporting documents for purchases - 1998 through 2008 (YTD)
- Debit card purchases supporting documentation - 1998 through 2008 (YTD)
- Open and closed seizure cases 2003 through 2008 (YTD)
- State Remittance Reports - 2003 through 2008 (YTD)
- Original savings register - 2003 through 2008 (YTD)
- Yearly Master Seizure case lists (except for 2008)

See [C.10.1](#) for expenditure testing.

See [C.10.3](#) for revenue testing.

See [C.10.4](#) for Vehicle testing.

On October 13, 2008 we (Mathew Knott & Megan Woodard) met with Lt. Dave Richards, responsible for the SIU bank account, to discuss how it operates and the process the department follows when expending funds. The SIU Department has not had a large turnover in the Lieutenant rank since the account was opened in the late 1980's. Lt. Richards started in May 2007 and prior to him was Lt.



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Toombs for approximately 9 years. Lt. Richards said that in order for funds to be spent by check the check requires 2 signatures. Those signatures need to comprise of the following individuals: the Chief, Asst. Chief, any of the 3 majors, or Lt. Richards. Employees typically go to the Lieutenant to let him know of purchases they are going to make or items they would like the department to purchase. If he gives his approval, **which is done verbally**, employees give the Lieutenant the invoice and/or receipt. The Lieutenant will either write the vendor a check or write the employee a check to reimburse them for the purchase. If items are over \$3,000 the Lieutenant would go to his Major and get his approval **which is also done verbally**. This is not an office policy rather a standard practice that the Lieutenant followed to keep his Major informed of purchases that might require a large amount of money.

In October 2007 Lt. Richards obtained a debit card for the SIU account. The debit card is kept in his office in an unlocked drawer EX.8. There are only 2 individuals who have authority to use the card besides Lt. Richards and they are Aaron Douglas and John McGregor. They follow the same process in getting the Lieutenant's approval and submitting the invoice/receipt to him to keep for the departments records. Those 2 individuals are the departments technical support. They are the ones who purchases the electronic equipment (computers, cameras, etc). Aaron keeps a physical inventory of all the electronic equipment that is purchased. The Lieutenant did not know they were required to follow bidding procedures as set forth in the Spokane Municiple Code. A large majority of the purchases made were not in compliance with the Spokane Municiple Code because bidding procedures were not followed. EX.8

The Lieutenant stated he reconciles the bank statements for the account. Prior to January 2008, Tony Gianetto would also reconcile to the bank account however he transferred to a different position. Lt. Richards stated that no one besides himself has reconciled the account since Jan. 2008 because that was when the City found out about it and was in the process of deterring what they were going to do with it. EX.8

The accounts revenues are made up of property that is seized and forfeited from drug sales by the police department. When property is seized by the police department they are required to send a letter to the people who have an interest in the property that was seized. The letter lists the items that were seized. The people who have an interest in the property have 45 days to reply with a claim letter. If no claim letter is received the property is forfeited to the City. If a claim letter is received the Lieutenant will try and settle with the individuals on what he is willing to let go however, if they can not settle a hearing is set up where a Hearing Officer will decide what is to be returned and what will be forfeited to the City.

Forfeited property that is not cash is transported to Reinland Auction in Post Falls where it is auctioned. Cash is deposited into the SIU account. Lt. Richards will give Detective Greg Vandenberg a list of the items he wants retrieved from the property room that are being sent to auction. The Detective will let the property room know of the items wanting to be picked up. Once he gets the items from the property room he prepares a report that lists the items received and attaches that to the property bag. The items are put in a locked safe in the SIU office. Only the Lieutenant and Detective Vandenberg have access to the safe. The Lieutenant typically takes the items from the safe and sends them (he either takes them himself or sends an officer) to be auctioned. The auctioneers inventory everything they receive from the SIU department. The Lieutenant compares his inventory copy to the auction report that lists what was sold. The Lieutenant noted that it is very rare an item does not sell however it is possible that an item might go through 2 auctions before being sold. The Lieutenant could not recall any items that had not been sold and returned from the auctioneers. NOTE: See the "Cash Count" step our conversation with Detective Greg Vandenberg and his process he goes through when retrieving items from the property room for the Lieutenant.

Items such as cash that do not go to auction and checks received from auctions are put in the safe and deposited by the Lieutenant. **He said that deposits are generally made once a month.** The



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Lieutenant said he has walked to the bank with over \$60,000 to be deposited by himself. Typically no one goes with the Lieutenant when he makes deposits. As of the October 13, 2008 meeting a deposit had not been made since June 6, 2008. **EX.8**We performed a surprise cash count on October 15, 2008. See the "Cash Count" step for work performed.

The Special Investigations Unit uses the FileMaker software to track all items forfeited to the City including property and cash which 10% is required to be returned to the State. Prior to property going to auction and cash being deposited items are inputted into the FileMaker software by Lt. Richards.

The Lieutenant stated that each quarter he prints out a report that tracks all property seized and forfeited by the department and sends it to the State Treasurer. The end of the year report calculates the amounts to be remitted to the state. The Lieutenant will write a check for the amount on the report and send it to the State Treasurer's Office. **EX.8**In the Fall of 2006 the Gang Unit was up in running which included officers from the City, County, State Patrol, ATR, and FBI. The City and County agreed that when seizures were made from this unit that 50% of the proceeds would be split between the County and City and each would be responsible for remitting 10% back to the state.



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Procedure Step: Cash Count

Done By: MTK, 12/12/2008

Review By: MW, 2/12/2009

Record of Work Done:

October 15, 2008 - Meeting with Detective Greg Vandenberg and Surprise Cash Count
Attended: Mathew Knott, SAO; Carol Cherry, SAO; & Greg Vandenberg, Special Investigations Unit

We met with Detective Vandenberg who stated that he will receive a stipulation and release form with a sticky note on it from Lt. Richards. The sticky note states the items that the Lieutenant wants the Detective to go pick up from the property room. The Detective will let the property room know he wants to pick up the specified items and once he picks those up he brings them back to the SIU office where he determines the items listed to be picked up were retrieved. The detective opens each property bag and prepares a report that lists the items that he retrieved from the property room.

Each property bag lists the amount of money in it which was counted by the property room. Once the property room counts the money they compare it to the amount in the system which was counted by the Officer when seized. Detective Vandenberg recounts the money and makes sure it matches the amount listed on the property bag as well as the receipt. There is typically a receipt in the bag that lists the total amount and the number of each bill (# of 100's, 50's, 20's, etc). The receipt comes from the property room once they count the money. This receipt is printed from an electronic machine, not handwritten. Once the money is counted he lines up all the bills and takes a picture of it. This way he can verify the amount of money in the bag was correct.

Once all the items have been verified the Detective places them back in their property bag and into a brown paper bag. He writes the seizure number on the bag and attaches his report that lists all the items retrieved from the property room. All items are then placed in the locked safe which only Detective Vandenberg and Lt. Richards have access to. Detective Vandenberg stated he does not deposit any of the money nor does he have authority to take anything out of the safe. He is only to retrieve the items requested, verify he received those items, place them in the safe, and let the Lieutenant know they are in the safe. Lt. Richards is the only one with authority to take items out of the safe and deposit money.

Cash Count

At approximately 1:00pm Detective Vandenberg opened the Red Gun Safe located in Tricia French's office (Old Lieutenant's Office). He pulled out all the items in the safe and we verified that he put back all items except those that contained cash. We walked back to the conference room with the Detective where he proceeded to count the money in the first of seven brown bags.

Brown Bag #1: Seizure Number 08-01

-The Detectives report noted that there should be \$1,480 in the bag. This amount reconciled to the amount listed on the property bag. We noted the following:

1. 74 - \$20 bills = \$1,480

We determined that all the money was accounted for.

Brown Bag #2: Seizure Number 08-20

- The Detectives report noted that item #24 contained \$161 and item #14 contained \$50. These amounts reconciled to the amount listed on the property bag. We noted the following:



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1. Item 24
 1. 7 - \$20 bills = \$140
 2. 1 - \$10 bill = \$10
 3. 2 - \$5 bills = \$10
 4. 1 - \$1 bill = \$1
 5. Total = \$161
2. Item 14
 1. 2 - \$20 bills = \$40
 2. 2 - \$5 bills = \$10
 3. Total = \$50

We determined that all the money was accounted for.

Brown Bag #3: Seizure Number 08-58

- The Detectives report noted that item #22 contained \$56, and item #17 contained \$2,130, and item #11 contained \$570, . These amounts reconciled to the amount listed on the property bag. We noted the following:

1. Item 22
 1. 1 - \$20 bill = \$20
 2. 1 - \$10 bill = \$10
 3. 4 - \$5 bills = \$20
 4. 6 - \$1 bills = \$6
 5. Total = \$56
2. Item 17
 1. 1 - \$100 bill = \$100
 2. 1 - \$50 bill = \$50
 3. 94 - \$20 bills = \$1,880
 4. 10 - \$10 bills = \$100
 5. Total = \$2,130
3. **Item 11**
 1. **26 - \$20 bills = \$520**
 2. **3 - \$10 bills = \$30**
 3. **4 - \$5 bills = \$20**
 4. **Total = \$570**

We determined that all the money was accounted for.

Brown Bag #4: Seizure Number 08-71

- The Detectives report noted that there should be \$3,060. This amount reconciled to the amount listed on the property bag. We noted the following:

1. 17 - \$100 bills = \$1,700
2. 12 - \$50 bills = \$600
3. 33 - \$20 bills = \$660
4. 6 - \$10 bills = \$60
5. 8 - \$5 bills = \$40
6. Total = \$3,060

We determined that all the money was accounted for.



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Brown Bag #5: Seizure Number 08-53

- The Detectives report noted that there should be \$102. This amount reconciled to the amount listed on the property bag. We noted the following:

1. 3 - \$20 bills = \$60
2. 3 - \$10 bills = \$30
3. 1 - \$5 bill = \$5
4. 7 - \$1 bills = \$7
5. Total = \$102

We determined that all the money was accounted for.

Brown Bag #6: Seizure Number 08-45

- The Detectives report noted that item #1 contained \$1,124 and that item #6 contained a cell phone. This amount reconciled to the amount listed on the property bag. We noted the following:

1. Item 1
 1. 3 - \$100 bills = \$300
 2. 40 - \$20 bills = \$800
 3. 2 - \$10 bills = \$20
 4. 4 - \$1 bills = \$4
 5. Total = \$1,124
2. Item 6
 1. Cell Phone

We determined that all the money and the cell phone were accounted for.

NO BROWN BAG (money was located in original property bag):

- The property bag noted that their should be \$100. We noted the following:

1. 2 - \$50 bills = \$100

We determined that all the money was accounted for.

We asked the Detective if he knew what should be in the safe and he stated he did not. His job was to just retrieve the items from the property room, verify them, put them in the safe, and let the Lieutenant know that the items are in the safe. The Lieutenant also did not have any documentation that identified what should be in the safe.

We contacted Shannon Hallam, Property Room Supervisor, who provided us with a report that listed all the property room items that had been, "Transferred to other agency" from the time of the last SIU deposit which was June 6, 2008. Anything that had been removed from the property room would have been listed as, "Transferred to other agency". We compared the items noted above and found those items listed in the report. We feel its reasonable to believe that the items that should have been in the safe were actually in the safe and that all the money was accounted for. However, we recommend the department implement some sort of way to always know what should be in the safe. **EX.8**



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