

# TAMCAR MANAGING THE DRUG FUND

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Municipal Technical Advisory Service

Rex Barton

# The “Drug Fund”

- The “drug fund” is a special revenue account.
  - Similar to solid waste fund account or street aid fund account.
  - ***It is under the control of the city recorder !!***
- Confidential expenditures are made from a separate account (*confidential account*).

# Sources of Revenue

- Fines from drug offenses
  - 50% of the fine goes to the drug fund (special revenue account).
  - 50% of the fine goes to the General Fund.
- Forfeited cash and the proceeds from the sale of forfeited property.
- Donations.
- Appropriations from governing body.
- Proceeds from DUI seizures (NO!!, unless a settlement order)

# Seized Money

- It's not your money...yet
- In the bank within three business days
  - TCA 6-56-111(a)
- Escrow
- Can it be an interest bearing account?

# Interest Bearing Account?

- Do you deposit the seized money in an interest bearing account?
- If you lose the forfeiture hearing, you may owe the earned interest to the defendant
- You may be required to provide an IRS 1099 form
- Multiple deposits: Interest for which deposit?

**FINES**

**FORFEITED CASH  
AND THE PROCEEDS  
FROM THE SALE  
OF FORFEITED PROPERTY**

**DONATIONS**

**APPROPRIATIONS**

**SPECIAL REVENUE  
ACCOUNT  
(City Recorder)**

50%

50%

**GENERAL FUND**

The question on everyone's  
mind:

What can you spend the  
drug funds for?

# LEGITIMATE EXPENDITURES

- Local Drug Treatment Programs\*
- Drug Education Programs
- Drug Enforcement
  - Operational expenses
  - Confidential Expenses
- Non-recurring *General* Law Enforcement Expenditures
- Automated Fingerprint Machines



# Drug Education

- DARE
- VICTOR
- Drug awareness brochures and booklets
- What about ads in yearbooks, sponsoring a youth athletic team, or buying T-shirts with an anti-drug logo?

# DONATIONS *FROM* THE DRUG FUND

- Must fit in one of the allowable expenditure categories
- Any charitable donation must follow state law
- Cities
  - TCA 6-54-111

Sponsoring a youth team or buying an ad in a program does not qualify, no matter how many logos are on the T-shirt!!!

# DONATIONS,

## Generally speaking

- Must be a 501(c)(4) or (6) organizations
- Must provide financial reports, including audit, to government
- Funds for other non-profits, other than charitable organizations, may be made once notices have been published in a newspaper of general circulation, specifying amount and purpose

# DRUG ENFORCEMENT

- Operational
  - Automobiles for Drug Investigators
  - Maintenance and Operational Expenditures for drug officers automobile
  - Telephone Charges, including cellular charges
  - Office Supplies and Office Equipment for Drug Investigation Officers
  - Drug Identification Kits For Drug Investigators and Patrol officers

# DRUG ENFORCEMENT (cont)

- Operational (cont)
  - Drug Enforcement Training
  - Drug Dogs and Their Maintenance, Including Feed and Veterinary Service
- Salaries???
- Operational Drug Enforcement Expenditures Are Not Confidential
  - Must follow city's purchasing guidelines

# NON-RECURRING GENERAL LAW ENFORCEMENT

- Not Drug Investigation related
- Expenditures:
  - Patrol or administrative vehicles
  - Blue lights, sirens, radios, and radar units
  - Video cameras
  - Handguns, but not ammunition
  - Fax machine or copier

# NON-RECURRING GENERAL LAW ENFORCEMENT (cont)

- Expenditures (cont)
  - Computers
    - Initial purchase of software
  - Cellular telephones for general law enforcement or administrative personnel
  - Patrol Dogs (non-drug dogs), but not feed or veterinary services



# AUTOMATED FINGERPRINT MACHINES

- Must set aside 20% of drug fund revenues until machine is purchased or have an agreement with another agency (having a machine)
- After purchase or agreement, may use 20% of revenues to pay for line charges and maintenance

# PROCEDURES

# SPECIAL REVENUE ACCOUNT

- Under the control of the Recorder
- Budget for drug fund approved annually
- Except confidential expenditures, **MUST** follow city's purchasing guidelines
- Confidential Expenditures **MUST** follow Comptroller's guidelines

**FINES**

**FORFEITED CASH  
AND THE PROCEEDS  
FROM THE SALE  
OF FORFEITED PROPERTY**

**DONATIONS**

**APPROPRIATIONS**

**SPECIAL REVENUE  
ACCOUNT  
(City Recorder)**

**CONFIDENTIAL  
ACCOUNT**

**GENERAL FUND**

50%

50%

**SPECIAL REVENUE  
ACCOUNT  
(City Recorder)**

**Expenditures**

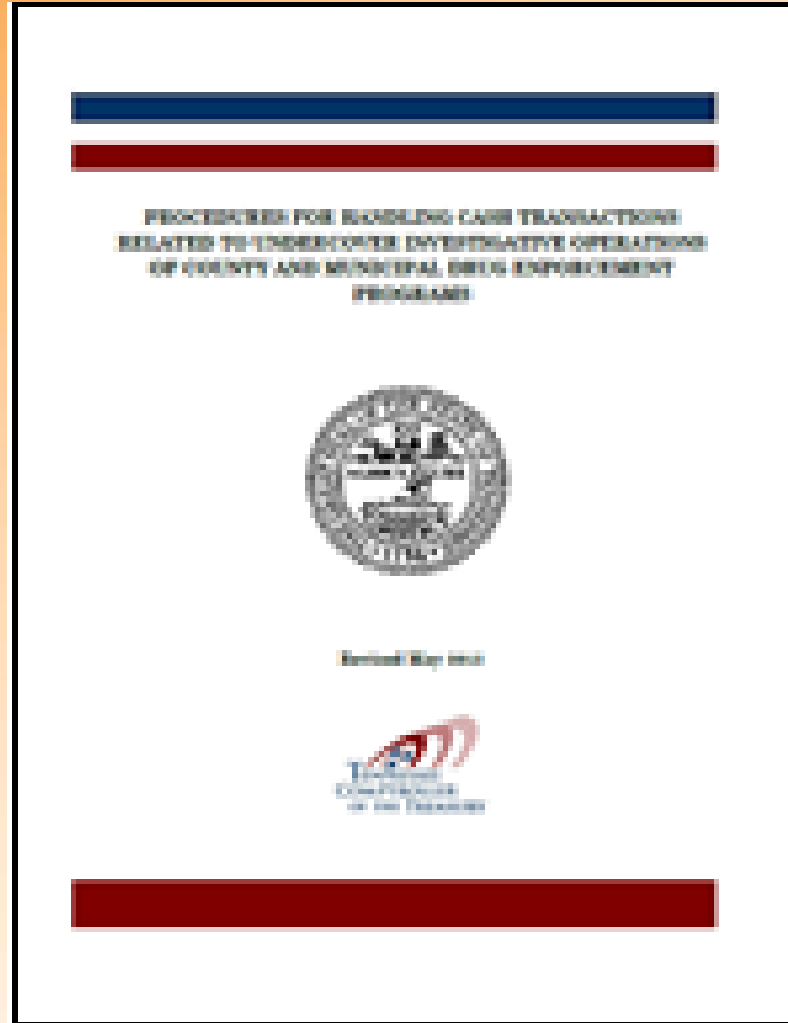
**Must Follow  
Purchasing Guidelines**

**CONFIDENTIAL  
ACCOUNT**

**Expenditures**

**Must Follow  
Comptroller's  
Guidelines**

# CONFIDENTIAL ACCOUNT



<http://comptroller.tn.gov/>

# Separate Checking Account

- The Comptroller's rules specify that funds disbursed by the recorder to the chief go into a separate checking account (or daily cash journal)
- The chief will write a check to the agent requesting funds
- There will be a canceled check for each disbursement



## DISBURSEMENT OF CONFIDENTIAL FUNDS

Disbursements of confidential funds must be made by official prenumbered checks. All checks shall be signed by the chief law enforcement official or his designated employee and shall be made payable to the person receiving the funds, either the chief law enforcement official or an employee. All employees handling cash transactions in any capacity shall have a fidelity bond to protect the law enforcement agency.

# REQUEST FOR FUNDS FOR CONFIDENTIAL OPERATIONS

- Should not exceed a 45 day supply

# CONFIDENTIAL EXPENDITURES

- Confidential Expenditures
  - Payments made to an informant
  - Payments made to an undercover agent
  - Money spent to actually purchase drugs as part of an investigation
  - Gasoline or maintenance for *undercover* vehicle or informant's vehicle
- ***Must follow Comptroller's Guidelines***

# DOCUMENTATION

- Documentation for **every** exchange of funds
- Custodian:
  - Exchanges from or to Recorder
  - Exchanges to or from agents
- Agents:
  - Every exchange of funds, and
  - Receipt from informant, witnessed

# Audit Logs (Balance Ledger)

- Custodian:
  - “Custodian’s Activity Log for Confidential Transactions” Balance sheet
- Agent:
  - “Agent’s Activity Log for all Confidential Funds” Balance Sheet
  - “Summary Informant Log”, for each informant

## **53-11-415. Special revenue fund.**

**(a)** Except as provided in subsection (b), the county or municipality shall account for those funds received under title 39, chapter 17, part 4 in a special revenue fund. **Upon demand of the chief executive of the arresting law enforcement agency, the county or municipality shall pay to that agency the funds demanded for use in cash transactions related to undercover investigative drug enforcement operations.** The amount of the funds demanded and the requirement to pay the funds are subject to the availability of funds and budgetary appropriations for that purpose.

SPECIAL REVENUE FUND  
City Recorder

R-1

CONFIDENTIAL ACCOUNT  
Police Chief/Custodian

A-2

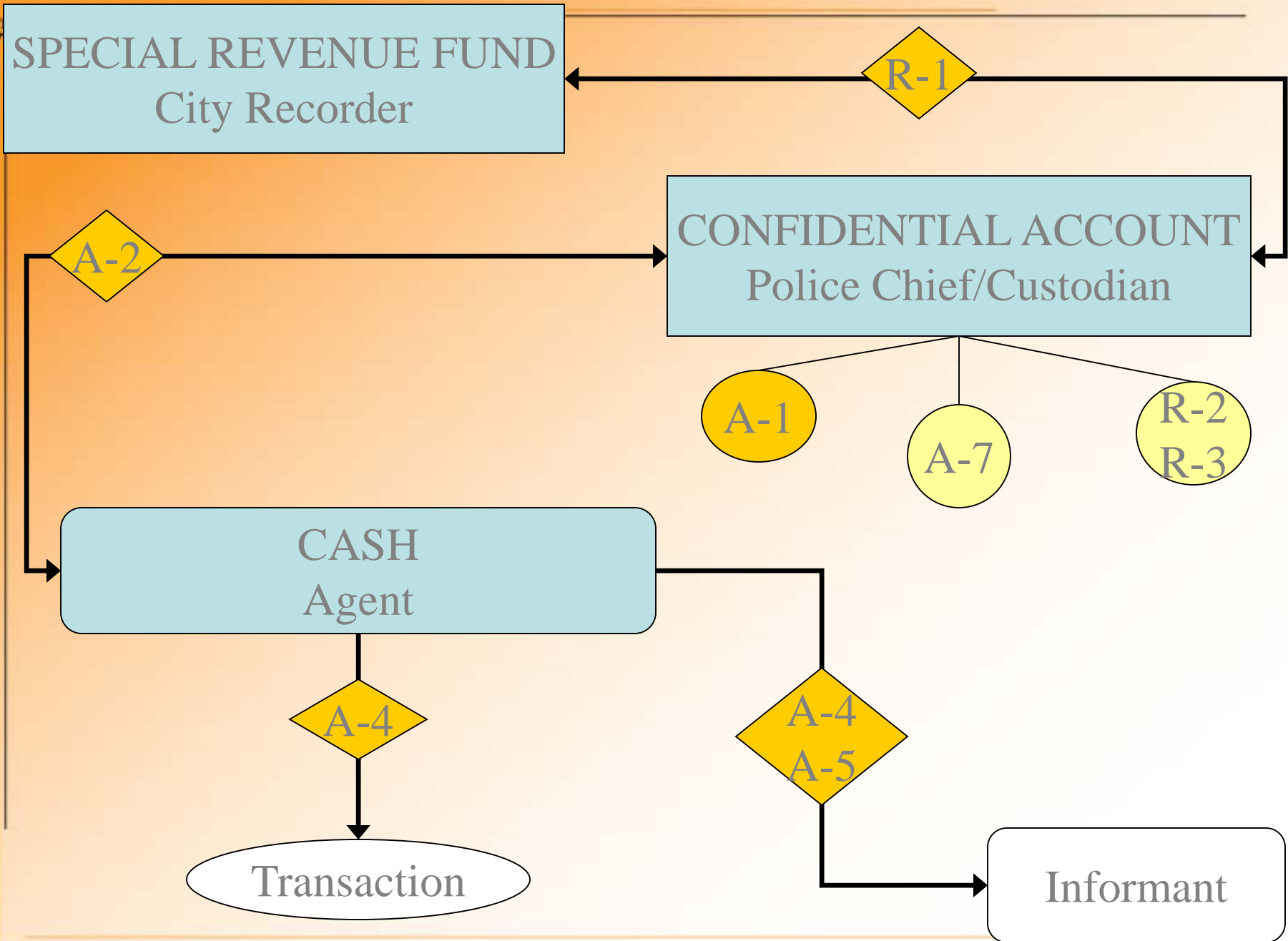
CASH  
Agent

A-4

Transaction

A-4  
A-5

Informant





SPECIAL REVENUE FUND  
City Recorder

CONFIDENTIAL ACCOUNT  
Police Chief/Custodian

R-1

A-2

A-3  
A-6

A-1

A-7

R-2  
R-3

CASH  
Agent

A-4

A-4  
A-5

Transaction

Informant

## QUARTERLY REPORT TO COUNTY TRUSTEE/CITY RECORDER

The chief law enforcement official shall certify a quarterly report to the county trustee/city recorder on the use of confidential funds. A form for this quarterly report (Report R-2) is presented in Appendix B of this document. The county trustee/city recorder and chief law enforcement official shall keep a copy of this report on file.

# Internal Audits

- We recommend cooperative “spot audits”
- Spot audits catch the “uh oh’s” before they become “oh, crap’s”
- Look for the required documentation for each transaction
- Check to see that agents have ALL cash not documented as having been spent

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# RESOURCES

## Municipal Technical Advisory Service

[www.mtas.utk.edu](http://www.mtas.utk.edu)

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**Rex Barton**                      **(865) 974-0411**

**rex.barton@tennessee.edu**

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