

Drug Addict  
Financial Supervision

by

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# Drug Addict Financial Supervision

Virtually all illicit drug transactions involve cash payments. A small percentage involve barter for goods or services (e.g., drugs for sexual favors). Drug dealers do not extend credit or accept cash alternatives such as checks or credit cards.

The drug trade's heavy reliance on cash-only transactions offers those trying to stop drug trafficking or attempting to treat drug addiction an opportunity to diminish drug sales materially. Not by eliminating supply but rather by disrupting the payment mechanism through a program of drug addict financial supervision (DAFS).

A drug addict would voluntarily join, either of his own volition or to avoid onerous legal consequences, a DAFS program. Upon entering, the addict would agree to accept a significant reduction in financial freedom but not the surrender of personal wealth or earning power. The objective of the DAFS program would be the removal of all the drug addict's cash and thus the ability to purchase drugs.

## Supervisor

Each drug addict in a DAFS program will have a state-certified supervisor. This supervisor's mission is to oversee all the drug addict's financial transactions and thus prevent the drug addict from generating the cash needed to purchase drugs.

Unlike a parole officer, the supervisor is not part of a punishment. The supervisor's goal, like the drug addict's doctor, is to help break the hold which drugs have on the addict.

To be effective, the supervisor will need financial tools to prevent the addict's drug craving from diverting funds and assets into cash for drug purchases.

## Financial Tools

The state will allow the supervisor access to all of the addict's financial accounts and records.

Those institutions providing the addict with financial services will alter the addict's accounts, so the supervisor has approval rights over (a) any withdrawal from the account or (b) any use of the account as collateral.

The state will alter the titles to the addict's property, so the supervisor has approval rights over (a) any sale or (b) any use of the property as collateral.

Those institutions issuing the addict electronic payment instruments (e.g., credit cards, debit cards, PayPal, etc.) will alter those instruments so they will not reimburse those who give the addict cash.

The approval rights are *not* rights of ownership. The supervisor cannot sell or use as collateral the addict's assets. If the addict dies, the supervisor is not entitled to any part of the estate.

## Initial Accounting

Initially, the supervisor and the addict would establish a profile of the addict's income, financial assets, real assets, and expenses. To aid in this endeavor, the state would provide the supervisor with financial information (e.g., tax returns, account numbers, titles to property, etc.). The addict would also identify untraceable assets (e.g., jewelry, collectibles, etc.). Because the addict can convert these often untraceable assets into cash with relative ease, the supervisor

# Drug Addict Financial Supervision

would arrange for the safe storage of readily saleable assets. The addict would deposit all of his cash into supervised checking or savings accounts.

## **Income**

Income from financial assets (e.g., interest and dividends, tax refunds, gambling winnings, social security or pension income, etc.) would go either directly into the addict's supervised account or to the supervisor, who would deposit the funds into an addict's supervised account.

If an addict's employer paid wages electronically (Electronic Funds Transfer), those payments would go directly into the addict's supervised account. Those employers who still paid employees by physical check would issue the addict for-deposit-only-checks whose deposit the supervisor would monitor.

Addicts often receive income in cash (e.g., tips, payments for services rendered or goods supplied, cash gifts from relatives, etc.) If an addict fully embraced the DAFS program, then he or she will deposit the cash into a supervised account where the supervisor can then prevent the addict from using the cash for drug purchases.

Often the tenacious hold that the drugs have on the addict results in backsliding into using difficult-to-trace cash transfers for drug purchases. In these situations, the supervisor must work with the people surrounding the addict.

While financial gifts from relatives and loved ones to the addict can be helpful, the supervisor must convince these persons not to make them in cash. Instead, they should make such gifts to the addict's supervised accounts.

The addict and the supervisor must explain the addict's situation to the addict's employer and prevail upon the employer to avoid cash and use compensation alternatives.

Unfortunately, such appeals to some employers may raise difficulties that would threaten the addict's employment. In some instances, the employer might not want to or legally be permitted to continue the addict's employment. In other cases, the employer may desire that the addict's compensation be 'off the books' so the employer can avoid paying taxes, fees, benefits, etc.

Dealing with those who, for whatever reason, wish to compensate the addict in a DAFS program with cash will undoubtedly challenge the supervisor. If persuasive arguments by the supervisor do not convince the recalcitrant employer, then the supervisor's final alternative may be to involve the state revenue and labor departments.

## **Assets, Titled Property**

The state would change the titles of all titled property owned by the drug addict to include a supervisor approval signature. The intent: Prevent the addict from using titled property, either through sale or as loan collateral, to obtain cash for drug purchases.

Example: an addict wishes to sell a car. The supervisor would insist on payment by certified check for deposit only into a supervised account.

# Drug Addict Financial Supervision

## **Assets, Financial**

All of the drug addict's financial assets (cash, stocks, bonds, etc.) need to be placed in supervised accounts that require supervisor approval before the addict could remove funds. For convenience, the addict might be issued a debit or credit card whose usage would be: (a) tracked by the supervisor, and (b) restricted to the purchases of goods and services. No transactions for cash would be permitted.

Example #1: if a supervised addict wished to withdraw funds from an account to pay for a purchase, the supervisor would have to approve the withdrawal. To prevent a possible diversion, the supervisor would insist on payment with a check or equivalent for the exact amount. The supervisor would also verify that the seller had supplied the good or service.

Example #2: an addict who wishes to sell stock held in a supervised brokerage account would *not* need the supervisor's concurrence as long as the proceeds of the transaction remain within the brokerage account.

## **Expenses, Scheduled**

The supervisor will arrange for routine, scheduled payments (e.g., utility bills, rents, loan payments, mortgage payments, tax payments, etc.) to be automatically deducted from the addict's financial accounts.

## **Expenses, Electronically Payable**

Today, most merchants routinely accept electronic payments for goods or services. This would permit the supervisor to arrange with the issuer of the supervised addict's payment methodology (e.g., credit cards, debit cards, PayPal, etc.) to modify that methodology so the addict cannot initiate a transaction that will provide the addict with cash.

## **Expenses, Payable Only with Cash**

In today's America, conducting financial transactions without using cash has become so prevalent that cash-only purchases of goods or services now constitute a small minority of all transactions.

Only a small percentage of the sellers of legal goods or services now request cash payment. Those sellers unable to accept electronic payment will usually take—often require—payment by certified check.

## **Spending Patterns**

Because the supervisor has access to the addict's financial accounts, the supervisor will know how and with whom the addict is spending his or her money. If an addict makes suspicious purchases, the supervisor will ask for an explanation. If the forthcoming explanation is unsatisfactory, then the supervisor can take action (e.g., restrict further purchases, terminate the addict's participation in the DAFS program, notify law enforcement, etc.)

# Drug Addict Financial Supervision

## **Program Cost**

The DAFS program will have the following costs

- Changes to financial instruments and attendant software (e.g., supervisor signatures on titles, credit card, and debit card modifications);
- Supervisor hiring, training, management, and employment;
- The development and use of software for the tracking of supervised accounts.

## **Summary**

The DAFS program is not a cure-all for drug addiction. It deals with one aspect of drug addiction, the cash payments made to purchase drugs. In conjunction with other elements of the anti-drug effort, (e.g., law enforcement and treatment), DAFS may well successfully interfere with the illicit drug payment mechanism.