

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

**SOUTH EAST MINNESOTA NARCOTICS & GANG
TASK FORCE
ROCHESTER, MINNESOTA**

AGREED-UPON PROCEDURES

October 17, 2012

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Ms. Kristin Lail, Grants Coordinator
Minnesota Department of Public Safety

Oversight Committee
South East Minnesota Narcotics & Gang Task Force

We have performed the procedures enumerated below, which were agreed to by the Minnesota Department of Public Safety and the South East Minnesota Narcotics & Gang Task Force, solely to assist you in determining that the South East Minnesota Narcotics & Gang Task Force followed policies and procedures regarding accounting for seized funds and property and related forfeitures and the use of confidential/drug buy funds. These procedures were applied to the South East Minnesota Narcotics & Gang Task Force records for the 12-month period ending July 31, 2012. The South East Minnesota Narcotics & Gang Task Force's management is responsible for the records of the Task Force. This engagement to apply agreed-upon procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Minnesota Department of Public Safety and the South East Minnesota Narcotics & Gang Task Force. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. Procedure

Determine that seized funds and property and related forfeitures are accounted for in accordance with policies, procedures, and regulations.

Findings

We obtained a listing of all property seized subject to forfeiture for the 12-month period ending July 31, 2012. The 80 items on the list consisted of cash, firearms, vehicles, and miscellaneous property. We selected three cash seizures, two miscellaneous property seizures, one firearm seizure, and two vehicle seizures for testing. We traced the documentation of the activity for each selected item from the point of seizure to the record of the item being held in forfeiture pending judicial order or to the forfeiture record for closed cases, as applicable. We noted the following:

- The policy identified in 3-14.5.2 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual is for Seized/Evidence Currency Logs to be completed for each of the Task Force's cash seizures. One of the cash seizures tested did not have a Currency Log included in the forfeiture paperwork, and one had a Currency log on file that was not signed by either of the two officers who counted the funds.
- It is the practice of the Task Force to bring seized items to the participating agency within the jurisdiction of the seizure to enter the items into evidence. Each agency accounts for the seized items in accordance with its own evidence room policies and procedures. This decentralized approach to evidence processing is the result of the vast area covered by the Task Force. Currently, the Task Force does not obtain documentation from each agency when seized items are entered into evidence. To improve accountability in the decentralized environment of the Task Force's evidence processing, it is recommended that the Task Force obtain a property receipt from the evidence room of the agency when seized items are entered into evidence.
- For each closed case, the auditor confirmed that the forfeiture had been properly reported to the Office of the State Auditor in accordance with Minn. Stat. § 609.5315, subd. 6(a). One of the vehicle forfeitures tested was not reported.

2. Procedure

Determine that the use of confidential/drug buy funds is accounted for in accordance with policies, procedures, and regulations.

Findings

We obtained a listing of all purchases made with buy funds from August 1, 2011, to July 31, 2012. Buy funds may be withdrawn by five investigators through the use of ATM cards. All other buy funds are kept in locked safes in the offices of four participating agencies of the Task Force. The Commander replenishes the buy funds by requesting a check or electronic funds transfer from the Task Force's fiscal agent. Buy funds are generally used for payments to confidential informants (CIs) for information, drug purchases, and flash money. We selected 21 of the 114 items on the list to trace the documentation of activity from the point of request for/withdrawal of buy funds to approval. Of the 21 items selected, 9 were payments to CIs for information, 1 was a payment for an informant's past debt, and 11 were payments to CIs which also included payments for a drug buy made by the informant. We noted the following:

- While tracing each disbursement to a supporting expense report, several instances were noted where disbursements for drug purchases were listed on the expense forms but were not included on the list of buy fund disbursements provided to the auditor. Upon questioning, the Administrative Assistant stated that the list of buy fund purchases previously provided to the auditor was an Excel spreadsheet prepared to track payments made to CIs for tax purposes, thus only including payments to CIs for information. As a result, many of the Task Force buy fund purchases (such as payments for trash pulls and drug purchases) were not included on this list. To compensate for some of these missing items, the auditor tested all of the disbursements listed on each expense form selected for testing. However, a complete population of all purchases made with buy funds was never provided.
- The policy identified in 3-13.6 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual states that buy fund expense reports should include a case number. One instance was noted where no case number was listed on the expense report. The auditor inquired about the missing case number as buy fund disbursements are only allowed for purchases associated with a case. The Commander stated that this payment was made to an informant involved in multiple cases; however, there was no written documentation of this. We recommend that no buy fund disbursements be made, nor expense reports approved, without an associated case, and when multiple cases are associated with one disbursement, that information should be documented on the expense report.

- Based on discussion with the Task Force Commander, it was noted that there is no formal documentation of prior approval by the Commander for CI payments when they are for information only and exceed \$50 by individual event as required by the Task Force's Financial Procedures Policy. As a result, the auditor was not able to verify that this policy was being followed.
- It is the practice of the Task Force to include a photo copy of all buy funds or to record the serial numbers of the buy funds in the associated case file. This should be done prior to disbursement to more easily identify buy funds among seized cash. In one instance, buy funds were not photographed and serial numbers were not recorded prior to being disbursed for a drug purchase.
- The policy in 3-12.3 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual states that each informant file should contain a signed informant agreement. Upon review of the CI file associated with one of the items tested, it was noted that the CI did not sign an agreement until the day after payment was made.

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We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Minnesota Department of Public Safety and the South East Minnesota Narcotics & Gang Task Force and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

October 17, 2012