

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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**BOUNDARY WATERS DRUG TASK FORCE**  
**HIBBING, MINNESOTA**

**AGREED-UPON PROCEDURES**

November 27, 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.

Office of the State Auditor  
525 Park Street, Suite 500  
Saint Paul, Minnesota 55103  
(651) 296-2551  
state.auditor@osa.state.mn.us  
www.auditor.state.mn.us

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**Agreed-Upon Procedures**

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

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

## INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

Oversight Committee  
Boundary Waters Drug Task Force

We have performed the procedures enumerated below, which were agreed to by the Minnesota Department of Public Safety and the Boundary Waters Drug Task Force, solely to assist you in determining that the Boundary Waters Drug 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 Boundary Waters Drug Task Force records for the 12-month period ending July 31, 2012. The Boundary Waters Drug 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 Boundary Waters Drug 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 31 items on the list consisted of cash, vehicles, and firearms. We selected 3 cash seizures, 2 firearm seizures, and 2 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:

- According to the Boundary Waters Drug Task Force Policy for Property Seized for Administrative Forfeiture dated October 14, 2010, seized cash should be photographed at the scene. The Task Force Commander was unable to provide proof that the cash seizures selected for testing were photographed at the scene; thus, the auditor was unable to confirm that this policy was being followed.

## 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 are withdrawn by each investigator through the use of ATM cards. Buy funds are generally used for payments to confidential informants (CI) for information, drug purchases, and flash money. We selected 10 of the 80 items on the list to trace the documentation of activity from the point of withdrawal of buy funds to approval. Of the 10 items selected, 5 were payments to CIs for information, 1 was a payment to a cooperating defendant (CD) for information and a purchase of drugs, and 4 were payments for purchases of drugs made by a CI. We noted the following:

- One of the payments for information was made to an individual, and no CI agreement or file was completed for that individual as required by 3-12.3 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual. Further, one payment was made to a CD, and no written agreement was made with that individual as required by 3-12.11 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual. The explanation provided by the Commander was that it was not the practice of the Task Force to complete written agreements for CDs or for individuals who provided information as a one-time event and did not want to continue working with the Task Force.

- One of the payments to a CI stated that it was a payment for a hotel in the description on the supporting expense report. No receipt was obtained for this purchase as required by 3-13.6 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual. The Commander provided further explanation stating that the payment was given to the CI when he was evicted from his house and needed a place to live. The payment was given to the individual rather than to the hotel directly, thus no receipt was obtained. The Commander also stated that the CI was not paid for the subsequent buy he performed for the Task Force. This statement was supported by the CI's case file.

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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 Boundary Waters Drug 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

November 27, 2012