

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

WEST CENTRAL DRUG TASK FORCE
ALEXANDRIA, MINNESOTA

AGREED-UPON PROCEDURES

October 16, 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
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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
West Central Drug Task Force

We have performed the procedures enumerated below, which were agreed to by the Minnesota Department of Public Safety and the West Central Drug Task Force, solely to assist you in determining that the West Central 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 West Central Drug Task Force records for the 12-month period ending July 31, 2012. The West Central 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 West Central 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 25 items on the list consisted of cash, vehicles, weapons, and an ice fishing house. We selected 1 weapon seizure, 2 cash seizures, 2 vehicles seizures,

and the ice fishing house 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:

- Based on our discussion with the Commander and the Administrative Assistant, it was noted that all of the Task Force receipts and disbursements are commingled into one account held by the Task Force. It was also noted that the Task Force does not keep a running log of its buy funds or forfeitures detailing receipts and disbursements. It is recommended that the Task Force account for forfeiture and buy receipts and disbursements in separate logs to provide a clearer picture of the different activities of the Task Force including the cash balance for each.

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 8 of the 74 items on the list to trace the documentation of activity from the point of withdrawal of buy funds to approval. Of the 8 items selected, 2 were payments to CIs for information and an associated drug buy, and 6 were for purchases of drugs. We noted the following:

- Based on discussion with the Commander and the Administrative Assistant, it was noted that, on occasion, payments are made to CIs without a witnessing officer present as required by 3-12.8 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual. This is the result of the limited number of investigating officers on the Task Force and the broad area in which they cover. Also noted was that the Commander will make payments to CIs without a witnessing officer present and will then approve his own disbursement.
- Based on discussion with the Commander and the Administrative Assistant of the Task Force, it was noted that there is no formal documentation of prior approval by the Commander for CI payments and case-related expenses when they exceed the thresholds identified in the Task Force's Financial Procedures Policy. This policy requires CI payments exceeding \$100 by individual event and \$500 cumulative and case expenditures exceeding \$500 by individual event to be pre-approved by the Task Force Commander. As a result, the auditor was not able to verify that this policy is being followed.

- It is the practice of the Task Force investigators to deposit unused buy funds back into the bank account. When reviewing the July bank reconciliation, the auditor noted \$1,226 of buy funds withdrawn that were not used during the month. Based on a review of bank statements, this cash was not deposited back into the bank in conformity with the practice. Upon inquiry, the Administrative Assistant stated that, on occasion, unused buy funds will be placed in the petty cash account held at the Task Force office. The petty cash account is used for general Task Force expenses (e.g. meals for the investigators) which are not allowable purchases with buy funds provided by the State. It is recommended that the Task Force follow its practice under all occasions and return all unused buy funds to the bank.
- The policy in 3-12.3 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual states that “The Commander will approve each informant file and ensure the file is complete.” Upon review of the CI file associated with one of the items tested, it was noted that the Commander had not signed the CI agreement.
- For two of the items tested, there was no approving signature from the Commander on the supporting expense form as required by 3-13.6 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual.
- When tracing one of the drug purchases tested to the supporting expense report, it was noted that there was a payment for information recorded on the expense report that was not recorded in the Task Force’s records, and therefore, was not in the eligible population subject to testing. Upon further investigation by the Administrative Assistant, it was determined that the expense report had been reconciled to the bank statement; however, the expense was never entered into the record-keeping system.
- 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 for purchases of drugs to more easily identify buy funds amongst seized cash. In one instance, buy funds were not photographed and serial numbers were not recorded prior to being disbursed for a drug purchase.

* * * * *

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 West Central 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

October 16, 2012

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR