

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 14, 2013

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 August 22, 2013. 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 August 22, 2013. The 83 items on the list consisted of cash, firearms, and vehicles. We selected seven seizure cases for testing, which included six cash seizures, one firearm seizure, and three vehicle seizures. 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:

- When property is seized for forfeiture, the investigator making the seizure must prepare the proper Notice of Seizure and Intent to Forfeit Property form and a receipt for the item(s) seized in accordance with 4-04.2 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual. For three of the seven cases tested, there was no receipt prepared for the items seized.
- Unless seized currency has evidentiary value that is dependent on its retaining its original form, the Commander or designee shall, as soon as possible, verify the amount and deposit the currency into an account in accordance with 3-14.5.5 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual. For two of the six cash seizures, where it was determined there was no evidentiary value to retain the cash in its original form, the funds were not deposited in a timely manner. In the first case, cash seized on February 15, 2013, was deposited on May 22, 2013. In the second case, cash seized on December 21, 2012, was deposited on April 22, 2013.
- A storage location should be assigned to each item of evidence and record of this information should be documented on the evidence receipt and/or chain of possession. The evidence receipt shall be made part of the investigative file according to 3-14.4 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual. Currently, the Task Force does not obtain documentation from each agency when seized vehicles are brought to a tow facility to be entered into evidence. We recommend that the Task Force obtain a receipt from the towing/impound facility of the agency when seized vehicles are entered into evidence.

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 within the 12-month period ending August 22, 2013. 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 (CI) for information and/or services, drug purchases, and flash money. We selected 21 of the 306 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, 10 were payments to CIs for services, 1 was a payment to a CI for information, 1 was a payment for a trash pull, and 9 were payments for drug buys. We noted the following:

- 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. We noted one instance where the case number was not listed on the expense report. When we inquired about the missing case number, the Commander stated that the payment was made to an informant for expenses to place the informant in a specific location where information would be obtained. However, this operation did not result in information leading to a case. In this instance a unique number was not assigned to the disbursement and the explanation on why the disbursement failed to lead to a case was not documented.

In operations such as this, we recommend the Task Force open a new case, identified with a unique number, and document the circumstances to include the reasons why the operation did not result in information leading to a case.

- According to 3-13.6 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual, the investigator making the payment from confidential funds must ensure that an appropriate receipt is obtained, unless such an action would jeopardize the transaction or operation. For one of the items tested, the investigator purchased a phone card for a CI but did not obtain a receipt.

* * * * *

During the course of performing our agreed-upon procedures other matters came to our attention that were outside the requirements of the Minnesota Department of Public Safety Multijurisdictional Task Force Operating Procedures and Guidelines Manual and the Task Force Policies and Procedures but were important enough to report. We noted the following:

- Prior to our on-site visit we requested and received from the Task Force a list of buy fund purchases. While tracing a sample of these disbursements to supporting expense reports, we noted one instance where a disbursement for the purchase of services from a CI was not

a true disbursement of the Task Force. Upon inquiry, the Administrative Assistant stated that: 1) the list of buy fund purchases was an Excel spreadsheet generated at the time of the auditor's request and thus was not reconciled to the bank statements or to the cash on hand; 2) unusual purchases made with an ATM card or with cash held by one of the investigating officers would not be included in this list; and 3) buy fund disbursements are entered into the financial system in summary for the month rather than by individual transaction.

We recommend the Task Force maintain a log of all disbursements made with ATM cards and from cash held in its four safes. This log should be reconciled monthly to the expense reports, bank statements, and cash on hand rather than relying on summary-level data. Maintaining a database of all disbursements provides transparency and eliminates the need to create a list when this data is requested.

- While tracing forfeitures to the supporting forfeiture file, we noted that two of the files tested lacked documentation showing where the items were entered into evidence. Furthermore, for the same two case files, we were unable to find the necessary documentation pertaining to the forfeiture of a vehicle, including inquiry into liens outstanding and ownership of the vehicle. Upon inquiry, the Commander stated that these files were Olmstead County patrol seizures that were turned over to the Commander to be carried through to forfeiture. The Commander further stated that the Task Force receives the 70 percent agency distribution for all of these forfeitures and reports these forfeitures to the Office of the State Auditor.

We recommend that forfeiture files include all required information. Incomplete files should undergo a review to ensure they include the necessary information needed to properly process the forfeiture.

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 14, 2013