

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

LAKES AREA DRUG INVESTIGATION TEAM
BRAINERD, MINNESOTA

AGREED-UPON PROCEDURES

October 15, 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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**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
Lakes Area Drug Investigation Team

We have performed the procedures enumerated below, which were agreed to by the Minnesota Department of Public Safety and the Lakes Area Drug Investigation Team, solely to assist you in determining that the Lakes Area Drug Investigation Team 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 Lakes Area Drug Investigation Team records for the 12-month period ending July 31, 2012. The Lakes Area Drug Investigation Team's management is responsible for the records of the Investigation Team. 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 Lakes Area Drug Investigation Team. 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 30 items on the list consisted of cash, vehicles, and weapons. We selected 2 weapon seizures, 2 cash 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:

- The policy identified in 3-14.5.2 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual adopted by the Gang/Drug Oversight Council is for Seized/Evidence Currency Logs to be completed for each of the Investigation Team's cash seizures. One of the cash forfeitures tested did not have a Seized/Evidence Currency Log included in the forfeiture documentation.

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 kept in a locked safe in a locked room at the Investigation Team's office. The Commander replenishes the buy funds by completing a cash advance on a credit card issued by the Investigation Team's fiscal agent. Buy funds are generally used for payments to confidential informants (CI) for information, drug purchases, and flash money. We selected 6 of the 54 items on the list to trace the documentation of activity from the point of withdrawal of buy funds to approval. Of the 6 items selected, 3 were payments to CIs for information, 1 was a payment to a cooperating defendant, and 2 were for purchases of drugs. We noted the following:

- Based on discussion with the Commander and the Administrative Assistant, we noted that buy funds are tracked using an Excel spreadsheet that is not reconciled to the cash on hand. This spreadsheet is used to generate information that is reported to the Minnesota Department of Public Safety. Cash is, however, reconciled to the expense reports used to generate the Excel spreadsheet. Based on this information, the Commander and Administrative Assistant suggested pre-numbering the expense forms to ensure that all expenses reconciled to the cash on hand were accounted for in the spreadsheet. It is recommended that the pre-numbering of expense reports be implemented as suggested.

- In the discussion, the auditor also noted that the Commander completes all of the cash advances, has custody of the cash, and maintains the only record for deposits into the safe. Based on this information, it is recommended that the Administrative Assistant for the Investigation Team complete a quarterly reconciliation between the credit card statements and the record for deposits into the safe. Implementing this control would mitigate the risks that arise when cash handling duties are not segregated.
- For one of the CI payments tested, there was no informant agreement on file as required by 3-12.3 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual.
- For the payment to a cooperating defendant, there was no written agreement for the individual on file as required by 3-12.11 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual.
- One of the CI payments tested was traced to a supporting expense form that was not signed by a witnessing officer as required by 3-12.8 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual.
- For two of the items tested, the Commander disbursed the buy funds, completed the purchase, and approved the expense report. There was no witnessing officer signature on either of the two expense forms. This practice does not follow 3-13.4 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual.

* * * * *

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 Lakes Area Drug Investigation Team 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 15, 2012