

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

CEE-VI DRUG TASK FORCE
WILLMAR, MINNESOTA

AGREED-UPON PROCEDURES

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

Ms. Kristin Lail, State Program Administrator
Minnesota Department of Public Safety

Oversight Committee
CEE-VI Drug Task Force

We have performed the procedures enumerated below, which were agreed to by the Minnesota Department of Public Safety and the CEE-VI Drug Task Force, solely to assist you in determining that the CEE-VI 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 CEE-VI Drug Task Force records for the 12-month period ending September 30, 2012. The CEE-VI 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 CEE-VI 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 September 30, 2012. The 27 items on the list consisted of cash, vehicles, jewelry, and firearms. We selected 3 cash seizures, 1 vehicle seizure, 1 jewelry seizure, and 2 firearm 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:

- Minnesota Statute § 609.5315, subd. 6(a), requires each law enforcement agency to give written record of each forfeiture incident to the State Auditor. Prior to our onsite visit, we requested from the Task Force a list of all seized for forfeiture property including pending and closed items. This list was compared to the forfeiture incidents reported to the State Auditor's Office for the same time frame. During our comparison, we noted a jewelry forfeiture reported to the State Auditor that was not included in the list originally provided to us for testing. Upon questioning, the Administrative Assistant stated that the jewelry was entered into the Task Force's forfeiture tracking system in the notes to one of the other items seized along with the jewelry rather than as a separate entry into the system; thus, it was not visible in the list provided to us.
- The policy identified in 3-14.5.5 of the Task Force's Operating Procedures and Guidelines Manual states that unless the 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. For two of the cash forfeitures tested, the seized money was not deposited at the bank until approximately eight months after being seized.
- The policy identified in 3-14.5.2 of the Task Force's Operating Procedures and Guidelines Manual states that in all cases, a Seized/Evidence Currency Log shall be completed and a copy of this log shall be placed in the case file. For two of the cash forfeitures tested, the Seized/Evidence Currency Log was not included in the case file.
- It is the practice of the Task Force to sell seized firearms and jewelry once their forfeiture case has closed. Currently, the Task Force does not retain third party documentation in the forfeiture file from the sale of these items. Jewelry is sold at a pawn shop, and firearms are sold to licensed dealers. It is recommended that the Task Force obtain documentation from the purchaser, when these forfeited items are sold, for retention in the forfeiture file.

- For one of the closed cash forfeitures tested, the deposit receipt from the Task Force's fiscal agent stated that the forfeiture total was \$10,757. Documentation from the County Attorney, included in the forfeiture file, identified the cash forfeiture as totaling \$10,717. The Seized/Evidence Currency Log documented the total as \$10,717. The Administrative Assistant stated that the Currency Log was found to be \$40 less than the actual total when the cash was recounted by the fiscal agent; however, this was not documented in the case file.
- As a step in the testing process, the auditor physically viewed all pending forfeiture items in the Task Force's possession. The forfeiture file for the vehicle seizure tested contained documentation stating that the vehicle was in the Task Force's possession. On the day of the onsite visit, the auditor and Administrative Assistant, with the assistance of the Commander and the County staff in charge of tracking forfeitures, attempted to locate the vehicle in all of the County storage facilities used by the Task Force. After visiting each location, the auditor and the Administrative Assistant were unable to locate the vehicle. At a later date, the Administrative Assistant provided documentation, signed by the vehicle owner and the investigating officer, stating that the vehicle had been returned to its owner. The Administrative Assistant provided an explanation stating that the form used by the investigating officer to document this transfer of evidence was not the standard form used; thus, it was not included in the forfeiture file.

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 October 1, 2011, to September 30, 2012. Buy funds are kept in a locked safe in the Task Force Commander's office. The Commander replenishes the buy funds by cashing a check from the Task Force's fiscal agent. Buy funds are generally used for payments to confidential informants (CI) for information, drug purchases, and flash money. We selected 13 of the 129 items on the list to trace the documentation of activity from the point of request for buy funds to approval. Of the 13 items selected, 6 were payments to CIs for information and 7 were for purchases of drugs. We noted the following:

- The Task Force's Operating Procedures and Guidelines Manual 3-13.6 states that the expense report shall include the item on which the money was spent. Throughout testing, it was noted that the form used by the Task Force does not require the investigating officer to identify what specific items are being purchased. It is recommended that the Task Force change the expense report used to include a place to identify the specific items being purchased and begin documenting this information for each evidence and drug purchase.

- Of the 6 payments to CIs tested, one was a payment made for a phone card provided to the CI in exchange for information. The investigating officer did not obtain a receipt for the item purchased as required by 3-13.6 of the Task Force's Operating Procedures and Guidelines Manual.
- The Task Force's Operating Procedures and Guidelines Manual 3-12.9 states that investigators need prior approval of the Task Force Commander or designee for evidence purchases that exceed \$1,000. The auditor tested one evidence purchase over this threshold and noted no formal documentation of prior approval. Upon questioning, the Administrative Assistant stated that it is not the practice of the Task Force to formally document prior approval for disbursements in excess of the thresholds set in the Operating Procedures and Guidelines Manual.
- The Task Force's Operating Procedures and Guidelines Manual 3-13.4 states that the Commander shall not make disbursement of confidential funds to himself. This will be handled in conjunction with the Executive Director of the Governing Board or his/her designee. The Commander was the investigating officer on one of the items tested. There was no documentation on the expense report stating that the funds were disbursed in conjunction with the Executive Director or designee.
- One instance was noted where a CI received a payment for information five days prior to completing and signing a CI agreement.
- It is the practice of the Task Force to include a witness signature on all CI agreements. All of the payments made to CIs tested were traced back to the CI's initial agreement. There was no witness signature on one of the corresponding CI agreements viewed.
- A purchase that totaled \$2,000 was traced back to the written case file to identify what was purchased. The case file documented the purchase as a payment to fulfill a CI's past debt. The Administrative Assistant stated that this payment would typically be treated as a payment to a CI for information. However, because this payment was actually handled as a purchase of evidence, the expense report did not contain the signature of the CI or a witnessing officer's signature. The disbursement was also not tracked in the CI's 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 CEE-VI 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

February 14, 2013

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR