

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**PAUL BUNYAN GANG AND DRUG TASK FORCE**  
**BEMIDJI, MINNESOTA**

**AGREED-UPON PROCEDURES**

October 9, 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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BEMIDJI, MINNESOTA**

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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

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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  
Paul Bunyan Gang and Drug Task Force

We have performed the procedures enumerated below, which were agreed to by the Minnesota Department of Public Safety and the Paul Bunyan Gang and Drug Task Force, solely to assist you in determining that the Paul Bunyan Gang and 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 Paul Bunyan Gang and Drug Task Force records for the 12-month period ending July 31, 2012. The Paul Bunyan Gang and 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 Paul Bunyan Gang and 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 13 items on the list consisted of only cash. We selected 3 cash 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:

- Although there were no seized vehicles subject to our testing, based on discussion with the Commander and the Administrative Assistant of the Task Force, we noted that there are no current policies or procedures for monitoring the release of seized vehicles from the tow facilities, where they are stored, to the proper individual when required by court order. A policy requiring the tow facility to forward a copy of the signed release form to the Task Force would allow the Task Force to complete the trail of accountability.
- The Paul Bunyan Gang and Drug Task Force forfeiture policy states that all seized money should be transported to the First National Bank of Bemidji where it will be deposited “As soon as physically possible”. For one of the cash forfeitures tested, the seized money was not deposited at the bank until approximately one month after being brought to the Task Force office and placed in the drop safe. Upon further inquiry by the auditor, it was noted that this was due to an oversight by the Commander who forgot that the funds were in the safe.
- While testing one of the forfeitures for a supporting property receipt documenting the seized money, the auditor noted that 12 guns were included on the property receipt. As previously noted by the auditor, there were no guns included in the forfeiture list the Task Force had supplied to the auditor. Upon further inquiry by the auditor, the Commander reviewed the corresponding case file and noted that the individual whom the items were seized from had filed for, and been granted, a court date to contest the forfeiture of all the property seized. Upon further inquiry of the Administrative Assistant for the Task Force, it was noted that, as a result of this action by the individual, she did not place the guns on the list of pending forfeiture items, although the cash was included on this list.
- Minnesota Statutes § 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 our office for the same time frame. During our comparison, we noted six cash forfeitures reported to our office that were not included in the list originally provided to us for testing. As a result, these items were not in the eligible population subject to testing as part of our engagement. The explanation provided by the Administrative Assistant for the Task Force was that she did not include any closed cases in the list she provided to us.

## 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 cabinet in a file room across from the Sheriff Secretary'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 9 of the 87 items on the list to trace the documentation of activity from the point of request for buy funds to approval. Of the 9 items selected, 4 were payments to CIs which also included payments for a drug buy made by the informant, 1 was for a purchase of drugs made by an undercover agent, and 4 were for purchases of drugs by a CI. We noted the following;

- For two of the items tested, the total amount of the purchase, as recorded on the list of buy fund purchases provided to the auditor, did not tie to the supporting drug buy report that was signed by the officer, witness, and Commander.
- Two of the items tested had no supporting drug buy report on file at the Task Force office. Upon inquiry by the auditor, the Administrative Assistant investigated further and concluded that the purchases were made with funds from an outside agency and not with the drug buy funds held by the Task Force. Further explanation was provided by the Administrative Assistant stating that the items were added to the list after the auditor requested the information from the Task Force as she believed she had previously missed recording them.
- 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 two instances, buy funds were not photographed and serial numbers were not recorded prior to being disbursed for drug purchases.
- Throughout testing, it was noted that the drug buy reports signed by the officer, witness, and Commander, which provide support for each drug buy purchase, were not filed in any particular order and were difficult to find and trace to the list of buy fund purchases provided to the auditor. It is recommended that the Task Force develop a procedure for filing these documents so that they are more readily retrievable for means of providing support for all disbursements made with buy funds.

- 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 policy issued April 19, 2010. This policy requires CI payments exceeding \$200 by individual event and \$2,000 cumulative and case expenditures exceeding \$500 by individual event and \$2,000 cumulative 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.
- Also noted in discussion with the Commander and Administrative Assistant was that each month deposit receipts, cash draw down receipts, and the buy funds expense listing are reconciled to a report from the Sheriff stating the cash balance of the buy funds. This reconciliation is not documented in a format that would allow someone to re-perform or review it. It is recommended that the Task Force create a list summarizing all of these items each month and document the reconciliation so that it can be viewed at a later date to aid in resolving any cash discrepancies that may occur.

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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 Paul Bunyan Gang and 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

October 9, 2012