

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

**SOUTH CENTRAL GANG AND
DRUG TASK FORCE
OWATONNA, 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
South Central 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 South Central Gang and Drug Task Force, solely to assist you in determining that the South Central 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 South Central Gang and Drug Task Force records for the 12-month period ending July 31, 2012. The South Central 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 South Central 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 five items on the list consisted of cash and a vehicle. We selected two cash seizures and one vehicle seizure 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 discussion with the Commander and the Administrative Assistant, the auditor noted that the Administrative Assistant makes all of the cash deposits, reconciles the bank statements to the Task Force records, and maintains the only record of deposits into the bank. The Task Force's Captain must sign the back of all checks before they can be deposited at the bank; however, there is no control in place to ensure that the cash was properly deposited. Based on this information, it is recommended that the Captain receive a copy of all deposit receipts and that he review each monthly bank statement to ensure that all cash was deposited. Implementing this control would mitigate the risks that arise when cash handling duties are not adequately segregated.
- The policy identified in 3-14.5.6 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual states that an investigator should promptly obtain written approval from the prosecutor when deciding to retain cash as evidence. For one of the items tested, the seized money was not deposited at the bank. Upon inquiry, the Administrative Assistant stated that it was being held as evidence because the cash was believed to be stolen; however, there was no approval from the prosecutor to hold the cash as evidence and no documentation in the case file stating that the cash should be held as evidence.
- The policy identified in 3-14.5.5 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual states that currency should be deposited into an account as soon as possible unless the currency has evidentiary value. One of the cash forfeitures tested was not deposited until 90 days after being seized. No documentation was in the file to indicate why the cash was being held as evidence. Upon inquiry, the Commander provided additional information to the auditor stating that the cash would not be released by the Freeborn County evidence room as a result of the investigating officer being held on administrative leave.
- The policy identified in 3-14.5.2 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual is for Seized/Evidence Currency Logs to be completed for each of the Task Force's cash seizures. Both of the cash forfeitures tested did not have a Currency Log included in the forfeiture file.

- While testing one of the cash items seized for forfeiture for a supporting property receipt, the auditor noted that two guns were included on the property receipt. As previously noted by the auditor, there were no guns included in the list of seized for forfeiture items the Task Force had initially provided to the auditor. Upon further inquiry of the Administrative Assistant, it was noted that the guns were believed to be stolen, thus not eligible for forfeiture. On the date of our on-site visit, one year after the guns were seized, the guns were still in evidence, and the case file did not contain documentation that the guns were determined to be stolen. Minn. Stat. § 609.5315, subd. 7, requires the agency to make best efforts to return a stolen firearm to the lawful owner. It is recommended that the Task Force either add the guns to its list of pending seizures until the case is closed or follow the applicable statutes if the guns were stolen.
- Upon review of the Executive Committee meeting minutes, the auditor noted a personnel issue stating that drugs seized for a Task Force case had gone missing from one of the participating agency's evidence room. Upon inquiry from the auditor, the Administrative Assistant informed us that the missing evidence was never found and that charges against that individual were dropped as a result. She also informed the auditor that the Commander had taken steps to review the procedures of the participating agency's evidence room and ensured that no other Task Force evidence stored at that location was missing. It is recommended that the Task Force take additional steps, including transporting evidence to the Task Force's evidence room as soon as possible, to ensure that no future evidence goes missing.

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 18 of the 206 items on the list to trace the documentation of activity from the point of withdrawal of buy funds to approval. Of the 18 items selected, 10 were payments to CIs for information, 1 was a payment for a tow bill, 1 was a payment for cigarettes for an undercover agent, and 6 were for purchases of drugs. We noted the following:

- Based on discussion with the Commander and the Administrative Assistant, it is the practice of the Task Force Administrative Assistant to total each investigator's buy fund disbursements by type and enter them into QuickBooks in monthly totals

rather than by individual disbursement. The date used to make each entry into QuickBooks reflects the date the monthly expenses were totaled. It is recommended that the Administrative Assistant enter individual disbursements into QuickBooks using the date the buy funds were disbursed so that the record-keeping system is an accurate and detailed reflection of the activity for any given date. This recommendation is also given so that the paper copy of each buy fund disbursement expense form is not the only detailed record of the disbursement.

- While on site, the auditor became aware of the fact that the list of buy fund purchases provided to the auditor by the Administrative Assistant was generated from expense reports on file at the Task Force and not from the Task Force's accounting system, QuickBooks, which is used to report buy fund disbursements to the state. When the auditor requested a QuickBooks report of all buy fund disbursements for the 12-month period, the report did not tie in total to the expenses in the list initially provided to the auditor by \$5,113. This is believed to be a result of the practice noted above where buy fund disbursements are entered in monthly totals rather than by individual disbursements. After testing was completed, the Administrative Assistant informed the auditor that there were four additional disbursements made with buy funds totaling \$573 that were not included in the list initially provided to the auditor and, therefore, were not in the eligible population subject to testing.
- When reviewing the July bank reconciliation, the auditor noted that one officer withdrew \$1,500 of cash for buy fund purchases but spent only \$440 in the months of July and August. Upon inquiry, the Administrative Assistant stated that the remaining funds were spent in September. To expand testing, the auditor requested a log of all buy funds withdrawn and disbursed in 2012 for another officer. When reviewing this log, the auditor noted that there were two times during the year that the officer withdrew \$1,000 but did not spend it until two months later. The use of an ATM system should allow all officers access to cash when needed, therefore, eliminating the need to keep a large balance of buy funds in their possession. It is recommended that the Task Force officers limit the amount of buy funds kept in their possession.
- The policy of the Task Force is for all cumulative CI payments over \$4,000 per year to be approved by the Commander. It is the practice of the Task Force to keep track of all payments made to CIs in their informant file so cumulative payments to any one informant can be tracked. We noted two instances where payments to a CI were not included in the informant file. One payment was made to relocate an informant, and the other was made to pay the informant's rent and damage deposit.
- The policy identified in 3-13.6 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual states that confidential fund expense reports should include the date of the expenses. The auditor noted one instance where no date was listed on the expense report nor were the signatures of the investigating officer and witnessing officer dated.

- The policy identified in 3-13.6 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual states that confidential fund expense reports should include a case number. The auditor noted four instances where no case number was listed on the expense report. The auditor inquired about the missing case numbers as buy fund disbursements are only allowed for purchases associated with a case. The Commander stated that these payments were made to informants involved in multiple cases; however, there was no written documentation of this on the expense report. It is recommended that no buy fund disbursements be made, nor expense reports approved, without an associated case number, and when multiple cases are associated with one disbursement, that information be documented on the expense report.
- One payment made to a CI which was disbursed and approved by the Commander did not contain the recipient's signature nor a witness signature as required by 3-12.8 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual. Upon inquiry, the Commander stated that the CI had to relocate quickly and was no longer in town when the payment was made.
- One payment made to a CI did not contain a witness signature as required by 3-12.8 of the Multijurisdictional Task Force Operating Procedures and Guidelines Manual.
- One payment tested was made to cover a tow bill for one of the Task Force's seized vehicles. This use of buy funds is not consistent with the policy noted on 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 South Central 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

/s/Greg Hierlinger

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STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

October 16, 2012