

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**LAKES AREA DRUG INVESTIGATION TEAM**  
**BRAINERD, 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.

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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**LAKES AREA DRUG INVESTIGATION TEAM  
BRAINERD, MINNESOTA**

**October 14, 2013**



**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

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 September 30, 2013. 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 September 30, 2013. The 21 cases on the list consisted of cash, vehicles, and firearms. We selected 5 cases for testing which included 4 firearm seizures, 4 cash seizures, and 2 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 1 of the 5 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 2 of the 4 cash seizures tested, where it was determined there was no evidentiary value to retain the cash in its original form, the funds were not deposited until approximately two months following the seizures.

## 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 for the 12-month period ending September 30, 2013. Buy funds are kept in a locked safe in a room with controlled access 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 and/or services, drug purchases, and flash money. We selected 5 of the 29 items on the list to trace the documentation of activity from the point of withdrawal of buy funds to approval. Of the 5 items selected, 2 were payments to CIs for information, 1 was a payment to a CI for services, and 2 were for purchases of evidence. 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 a case number was not included on the expense report. Upon inquiry, the Commander indicated this payment was made to an informant for information on two individuals. Although the Task Force conducted surveillance on the individuals, the 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. The Commander stated that he believed that documenting this information would constitute an Intel File, which would require destruction within one year.

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

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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:

- To complete the procedures listed above, we rely on the Task Force to provide a complete list of all items seized for forfeiture for the time period specified. We noted two items reported to the State Auditor's Office that were not included in the list provided to the auditor. Upon inquiry, the Administrative Assistant stated that the items were removed from the list provided to the auditor in error.

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 14, 2013