

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**SOUTH CENTRAL DRUG  
INVESTIGATION UNIT  
OWATONNA, MINNESOTA**

**AGREED-UPON PROCEDURES**

December 5, 2016

## **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 150 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 700 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  
Office of the State Auditor  
State of Minnesota**

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REBECCA OTTO  
STATE AUDITOR

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

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

South Central Drug Investigation Unit  
Oversight Committee

We have performed the procedures enumerated below, which were agreed to by the Minnesota Department of Public Safety and the South Central Drug Investigation Unit, solely to assist you in determining that the South Central Drug Investigation Unit has appropriate practices implemented to ensure assets are adequately safeguarded and controlled and the chain of custody for seized property is documented and provides for adequate security and accountability from intake to disposition. These procedures were applied to the records of the South Central Drug Investigation Unit originating with confidential/buy fund activity during the 12-month period ending December 31, 2015. The South Central Drug Investigation Unit's management is responsible for the records of the Investigation Unit. 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 Drug Investigation Unit. 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 the use of confidential/buy funds is adequately documented on expense reports.

### Findings

We obtained a list of all confidential/buy fund transactions for the 12-month period ending December 31, 2015. We selected four transactions, concentrating on funds used for a buy/bust; investigator purchase of illegal drugs, contraband, or other evidence of

criminal activity; and payments made directly to informants for drugs, as these activities would be the most likely to also involve seized property. We reviewed the expense reports for the selected transactions. All items tested were adequately documented.

2. Procedure

Determine that adequate documentation exists to support the chain of custody for seized property, including a detailed inventory of property seized before being secured in storage, proper accounting of currency seized, and clear identification of storage location and inventory number.

Findings

The case files associated with the confidential/buy fund transactions selected for testing were identified. We reviewed all the seized property from the initial buy and any related search warrants associated with each case. This consisted of a total of eight buys and no search warrants. We traced the documentation of the activity for each seized item from the point of seizure to its inventory barcode number to its current location. Two of the cases included seized currency. We traced the documentation for these from the seized currency log to the deposit. For one of the two cases with seized currency, we noted no documentation of a second investigator counting the currency at the scene, and the currency was not promptly turned over to the Commander. Because of this, documentation of the sealing and verification of the currency envelope did not occur until 33 days after seizure, at which time the currency was also deposited. Adequate documentation supported the chain of custody for all other seized items tested.

3. Procedure

Determine that controls at property storage locations meet best practice standards.

Findings

Beginning in April 2015, property storage used by the South Central Drug Investigation Unit for seized items was centralized at the Owatonna Police Department property room. Prior to that time, all South Central Drug Investigation Unit seized property was placed in the custody of the property storage location of the jurisdiction where the related crime occurred. Any such property still being held was not moved to the centralized Owatonna Police Department property room.

We were escorted by the evidence custodians through the Owatonna Police Department property room, the Freeborn County Sheriff's Office property room, and the Waseca County Sheriff's Office property room. We reviewed the controls in place considering such things as physical access, controlled security, and property and custody tracking records. Seized currency should be placed into evidence where it should be kept in a safe until the funds can be deposited. At the time of our site visit, we noted no safe and were

informed that no enhanced security is used for currency or jewelry at the Freeborn County Sheriff's Office and the Waseca County Sheriff's Office property rooms. At the Waseca County Sheriff's Office property room, there is no periodic monitoring of the property room and its records by someone other than the custodian of the property room to verify that items are where they should be or were properly disposed of. Also, at the Waseca County Sheriff's Office property room, it is not the practice to have a witness present to monitor the evidence destruction process. Other controls noted for property storage met best practice standards.

4. Procedure

Determine that property exists in storage or was properly disposed of.

Findings

For all of the seized property items associated with the four cases selected for testing, we verified that the item was located in storage where it was noted in the tracking system, appropriately returned to the owner, or properly disposed of, as applicable. The necessary approvals and documentation were reviewed to verify the proper treatment. No exceptions were noted for the items tested.

5. Procedure

Determine that forfeitures were properly reported to the Office of the State Auditor.

Findings

For the seized property items associated with the four cases selected for testing, we verified that the item was properly determined to be a forfeiture or not by the Investigation Unit. Two of the four cases selected for testing had forfeitures. The first case had two associated forfeitures (one currency and one vehicle) and the second case had one associated forfeiture (currency). We verified the Notice of Seizure and Intent to Forfeit Vehicle/Property forms were properly completed in a timely manner. We also verified the information reported to the Office of the State Auditor's Government Information Division was accurate and received in a timely manner. No exceptions were noted for the items tested.

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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 South Central Drug Investigation Unit 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

December 5, 2016

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR