
Department of Public Safety

Financial Audit

For the Period July 1, 1995 through June 30, 1998

August 1999

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**Financial Audit Division
Office of the Legislative Auditor
State of Minnesota**

99-44

SUMMARY

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Department of Public Safety

Financial Related Audit For the Period from July 1, 1995, through June 30, 1998

Public Release Date: August 26, 1999

No. 99-44

Agency Background

The Department of Public Safety was established on July 1, 1970, pursuant to Minn. Stat. Chapter 299A. According to its mission statement, the purpose of the Department of Public Safety is to “protect the people and property in Minnesota through prevention, regulation, enforcement, information, and service.” Donald Davis served as commissioner of the department until January 1999. Charlie Weaver serves as the current commissioner.

Audit Scope and Conclusions

We have conducted a financial related audit of selected activities of the Department of Public Safety for the period from July 1, 1995, through June 30, 1998. Our audit scope included appropriations, payroll, selected administrative expenditures, and the Criminal Gang Strike Force.

The Department of Public Safety designed and implemented internal controls to provide reasonable assurance that appropriations were allocated in accordance with Minnesota statutes and appropriation laws. However, the department exceeded its appropriation authority by incurring obligations that exceeded available funds in fiscal years 1997 through 1999. The department owes the Office of the Attorney General an estimated \$2.5 million in fees for legal services for these years.

The Department of Public Safety properly administered and recorded payroll and other expenditures. However, we found that the department did not have a formal policy regarding the liquidation of state highway patrol compensatory overtime balances upon promotion. In addition, the department did not separate the duties of inputting payroll transactions into the state’s payroll system and verifying the accuracy of payroll transactions. We also found that the department did not adequately control and account for fixed assets. Finally, the Criminal Gang Strike Force did not have a policy for conflict of interest, and grantees were not submitting reimbursement requests in a timely manner.

In its response, the Department of Public Safety agreed with the report’s findings and is taking correction actions to resolve the issues.



STATE OF MINNESOTA
OFFICE OF THE LEGISLATIVE AUDITOR
JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Dan McElroy, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Charlie Weaver, Commissioner
Department of Public Safety

We have conducted a financial related audit of the Department of Public Safety for the period from July 1, 1995, through June 30, 1998. Our audit scope included appropriations, payroll, selected administrative expenditures, and the Criminal Gang Strike Force. We discuss these issues in more detail in the individual chapters of this report.

We conducted our audit in accordance with *Government Auditing Standards*, as issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of management controls relevant to the audit. The standards also require that we design the audit to provide reasonable assurance that the Department of Public Safety complied with the provisions of laws, regulations, contracts, and grants that are significant to the audit. The management of the department is responsible for establishing and maintaining the internal control structure and for compliance with applicable laws, regulations, contracts, and grants.

This report is intended for the information of the Legislative Audit Commission and the management of the Department of Public Safety. This restriction is not intended to limit the distribution of this report, which was released as a public document on August 26, 1999.

James R. Nobles
Legislative Auditor

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: June 17, 1999

Report Signed On: August 20, 1999

Department of Public Safety

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Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Renee Redmer, LPA,	Audit Manager
Pat Ryan	Auditor-in-Charge
Patrick Phillips, CPA	Auditor

Exit Conference

The issues in this report were discussed with the following staff of the Department of Public Safety at an exit conference held on August 11, 1999:

Paul Aasen	Assistant Commissioner
Frank Ahrens	Director, Fiscal and Administrative Services
Daniel Boytim	Accounting and Budget Supervisor
Debbie Halfen	Accounting Officer

Department of Public Safety

Chapter 1. Introduction

The Department of Public Safety was established on July 1, 1970, pursuant to Minn. Stat. Chapter 299A. According to its mission statement, the purpose of the Department of Public Safety is to “protect the people and property in Minnesota through prevention, regulation, enforcement, information, and service.” The department administers and enforces laws relating to drivers, vehicles, traffic, liquor, gambling, disasters, criminal activities, and fire risks. Donald Davis served as commissioner of the department until January 1999. Charlie Weaver is the current commissioner. Table 1-1 shows fiscal year 1998 expenditures by division.

Table 1-1
Department of Public Safety
Expenditures by Division
Fiscal Year 1998

<u>Division</u>	<u>Amount</u>
Emergency Management	\$161,820,490
State Patrol	59,291,909
Driver and Vehicle Services	34,906,262
Criminal Apprehension	27,114,352
Administrative Services	7,585,554
State Fire Marshall	3,694,060
Crime Victim Services	3,152,158
Office of Traffic Safety	3,113,855
Alcohol and Gambling Enforcement	1,887,623
Office of Pipeline Safety	1,336,433
Total Expenditures	<u>\$303,902,696</u>

Source: Expenditures recorded on the Minnesota Accounting and Procurement System (MAPS) for budgetary fiscal year 1998.

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Chapter 2. Appropriations

Chapter Conclusions

The Department of Public Safety designed and implemented internal controls to provide reasonable assurance that appropriations were allocated in accordance with Minnesota statutes and appropriation laws. However, the department exceeded its appropriation authority by incurring obligations that exceeded available funds in fiscal years 1997 through 1999. The department owes the Office of the Attorney General an estimated \$2.5 million in fees for legal services in these fiscal years.

The Department of Public Safety finances its activities mainly through state appropriations. The Legislature appropriates monies from various sources of funds such as the General Fund, Trunk Highway Fund, and Highway Users Tax Distribution Fund. The department also received approximately \$135 million of federal funds in fiscal year 1998.

The department, with the assistance of the Department of Finance, prepares a biennial budget proposal every two years. The biennial budget proposal details the department's base budget by activity. Once the budget is approved by the Legislature and the Governor, the department is responsible for establishing its appropriation structure in the state's accounting system. The department is responsible for assuring that the appropriations are allocated and expended in accordance with state laws and statutes. To control and account for the appropriated funds, the department sets up specific appropriation accounts in the accounting system. Each of the appropriation accounts is controlled by detailed budgets. In fiscal year 1998, the department had over 250 appropriation accounts. The Department of Finance is responsible for reviewing and approving the allotment of the department's appropriations. Table 2-1 shows the department's fiscal year 1998 appropriations by funding source.

Table 2-1
Department of Public Safety
Appropriation Sources
Fiscal Year 1998

<u>Fund</u>	<u>Amount</u>
Trunk Highway Fund	\$ 75,756,750
General Fund	46,218,812
Highway Users Tax Fund	14,057,438
Special Revenue Fund	12,119,638
Environment Fund	42,000
Total Appropriations	<u>\$148,194,638</u>

Source: Minnesota Accounting and Procurement System (MAPS).

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Audit Objectives and Methodology

We focused on the following objectives during our audit of appropriations:

- Did the Department of Public Safety design and implement internal controls to provide reasonable assurance that appropriations were allocated in accordance with Minnesota statutes and appropriation laws?
- Did the Department of Public Safety expend appropriated funds in accordance with Minnesota statutes and appropriation laws?

To conclude on these objectives, we interviewed staff from the department to gain an understanding of the process used to allocate appropriated funds and ensure the funds are expended as intended by the Legislature. We reviewed fiscal year 1998 appropriations to determine if they allocated and allotted on the state's accounting system in accordance with appropriation laws. We also tested a sample of expenditures to determine if the department expended funds in accordance with appropriations laws.

Conclusions

The Department of Public Safety designed and implemented internal controls to provide reasonable assurance that appropriations were allocated in accordance with Minnesota statutes and appropriation laws. However, the department exceeded its appropriation authority by incurring obligations that exceeded available funds in fiscal years 1997 through 1999. The department owes the Office of the Attorney General an estimated \$2.5 million in fees for legal services in these fiscal years, as discussed in Finding 1.

1. The Department of Public Safety owes the Office of the Attorney General an estimated \$2.5 million in fees for legal services in fiscal years 1997 through 1999.

The Department of Public Safety has incurred obligations that exceeded its available appropriations. The department has not paid the total amount due to the Office of the Attorney General for services rendered during the last three fiscal years. The department's legal fees have increased significantly in the last few years primarily because of changes in the state's driving under the influence laws. The legislature has tightened these laws, which has resulted in increased costs of prosecution. Legal fees charged by the Office of the Attorney General have increased from approximately \$1.2 million in fiscal year 1996 to an estimated \$2.7 million in fiscal year 1999. However, the department has not budgeted sufficient resources to cover the total costs charged. As of June 30, 1999, the department estimated that it owed about \$2.5 million to the Office of the Attorney General. Table 2-2 shows the amounts charged and paid and the unpaid balance for the last three years.

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Table 2-2
Department of Public Safety
Analysis of Legal Fees
Fiscal Years 1997, 1998, and 1999

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>Total</u>
Actual Charges	\$1,373,847	\$1,986,836	\$2,743,998	\$6,104,681
Amount Paid	<u>\$1,188,814</u>	<u>\$1,222,915</u>	<u>\$1,217,397</u>	<u>\$3,629,126</u>
Unpaid Balance	<u>\$ 185,033</u>	<u>\$ 763,921</u>	<u>\$1,526,601</u>	<u>\$2,475,555</u>

Note: Fiscal year 1999 amounts represent an estimate of final billings and payments through August 2, 1999.

Source: Information provided by the Department of Public Safety.

The department has not been successful in requesting additional state appropriations from the Trunk Highway Fund to cover the amounts due. The department requested \$2.5 million for the anticipated deficit in its biennial budget request for 2000 and 2001. However, the request for additional funds was not approved during the budget process. Department staff plan to present a request for additional funds during the next legislative session. The department is faced with additional shortfalls in the upcoming fiscal years as well. The department estimates deficits of \$2.5 million and \$3.4 million in fiscal years 2000 and 2001, respectively. If additional funds are not approved, the department will need to reduce expenditures in other areas to liquidate this debt.

Recommendation

- *The Department of Public Safety needs to resolve its outstanding liability for Attorney General legal services.*

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Chapter 3. Payroll

Chapter Conclusions

The Department of Public Safety designed and implemented internal controls to provide reasonable assurance that payroll expenditures were processed in accordance with applicable bargaining agreements and legal provisions and accurately recorded on the state's accounting system. The department has procedures in place to monitor and control overtime expenditures. However, we found the department did not have a formal policy regarding the liquidation of state highway patrol compensatory overtime balances upon promotion, and there was not an independent review of the biweekly payroll transactions. The same individuals who entered information into SEMA4 were responsible for verifying the accuracy of the transactions processed.

The Department of Public Safety had approximately 1,900 employees as of May 1999. Several different bargaining units represent the department's employees. These employees are located at divisional offices throughout the state. The department expended \$79.1, \$86.3, and \$90.9 million for payroll in fiscal years 1996 through 1998.

Employee payroll is processed at the division level. The department employs approximately 32 timekeepers located around the state to record and process payroll transactions. The department uses the State Employee Management System (SEMA4) to process human resource and payroll transactions. Payroll and human resource employees located at the central office in St. Paul process certain transactions, such as severance payments for all divisions.

The department incurred overtime costs of about \$5.4 million in fiscal year 1998. The State Highway Patrol accounted for about 77 percent of the department's total overtime costs. Due to the nature of the work performed by state troopers, overtime is a significant expenditure of each patrol district. The department budgets anticipated overtime costs on a district basis. A state patrol employee at the department's central office is responsible for monitoring overtime. The employee downloads payroll data from the state's accounting system and prepares spreadsheets comparing budgeted and actual overtime costs. Table 3-1 shows payroll and overtime costs by district. Overtime, as a percentage of payroll, ranges from about 10 percent to 13 percent within the districts.

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Table 3-1
Department of Public Safety
Highway Patrol Payroll and Overtime Expenditures
Fiscal Year 1998

<u>District</u>	<u>Payroll Total</u>	<u>Overtime Total</u>	<u>Overtime Percentage</u>
East Metro	\$ 4,175,140	\$ 545,008	13.05%
Mankato	2,294,950	292,265	12.74%
Duluth	2,376,364	294,985	12.41%
West Metro	4,327,920	514,890	11.90%
Brainerd	2,392,863	276,767	11.57%
Eveleth	1,881,264	212,282	11.28%
Central Office	5,124,628	572,792	11.18%
Detroit Lakes	2,528,409	278,015	11.00%
Marshall	2,367,998	251,302	10.61%
Rochester	3,416,532	356,135	10.42%
Thief River Falls	1,982,414	201,449	10.16%
St Cloud	3,369,986	336,605	9.99%
Totals	<u>\$ 36,238,468</u>	<u>\$ 4,132,495</u>	<u>11.40%</u>

Source: State Employee Management System (SEMA4).

Audit Objectives and Methodology

We focused on the following objectives during our audit of payroll expenditures:

- Did the Department of Public Safety design and implement internal controls to provide reasonable assurance that payroll expenditures were processed in accordance with bargaining agreements and legal provisions and accurately recorded on the state's accounting system?
- Did the Department of Public Safety have procedures in place to monitor and control overtime expenditures?

To meet these objectives, we interviewed department payroll and accounting staff to gain an understanding of the payroll process. We inquired as to how the department controls and monitors overtime expenditures. We performed analytical procedures and detailed tests on payroll expenditures.

Conclusions

The Department of Public Safety designed and implemented internal controls to provide reasonable assurance that payroll expenditures were processed in accordance with applicable bargaining agreements and legal provisions and accurately coded on the state's accounting system. The department has procedures in place to monitor and control overtime expenditures. However, we found the department did not have a formal policy regarding the liquidation of trooper compensatory overtime balances upon promotion, and there was not an independent review of the biweekly payroll transactions. The same

Department of Public Safety

individuals who entered information into SEMA4 were responsible for verifying the accuracy of the transactions processed. These issues are discussed in Findings 2 and 3.

2. The Department of Public Safety needs to formalize state trooper compensatory time liquidation guidelines.

The department did not have a written policy regarding compensatory time liquidation for state troopers who are promoted into a different bargaining agreement. In addition, the bargaining agreement between the state and the State Patrol Troopers' Association did not address the issue. The bargaining agreement allows state troopers to accrue compensatory time up to a maximum of 120 hours. Compensatory hours earned in excess of 120 hours are liquidated at a straight time rate in cash. Department staff said their practice was to liquidate accumulated compensatory time when a trooper was promoted and/or moved into another bargaining agreement. The department used the employee's rate of pay before the promotion to liquidate the compensatory balance. The department used this approach to finalize any liabilities under the applicable bargaining agreement before the employee moved into a new position under a different agreement.

The department did not consistently apply this policy to its employees when liquidating compensatory balances. We found one case where a trooper was promoted in January 1996 from Corporal, at a pay rate of \$20.84, to Lieutenant at a pay rate of \$22.46. The promotion also involved changing bargaining agreements. The trooper carried a compensatory balance of 48.50 hours into the new position. In October 1996, he was promoted to Acting Captain at a pay rate of \$26.48 and carried forward compensatory time balance of 71.50 hours earned as a Lieutenant. In December 1997, the employee's compensatory time bank of 120 hours was liquidated at the employee's request at a pay rate of \$27.40. This was not consistent with the department's practice in other instances of liquidating compensatory time. Our tests of other state trooper compensatory bank liquidations found that the employees tested were liquidated at their rate of pay prior to being promoted.

Recommendation

- *The department should formalize its policy on liquidating compensatory time and apply the guidelines consistently.*

3. The Department of Public Safety needs to independently verify the accuracy of payroll transactions.

The department did not perform an independent verification of the biweekly payroll transactions processed by the department's 32 timekeepers. The timekeepers input payroll data and also review the payroll register reports for accuracy. However, the department should segregate these functions. The department should independently review the payroll register reports to verify that hours, amounts, and adjustments were accurately input. To improve the effectiveness of the payroll verification process, staff independent of the payroll input function should review the accuracy of the payroll transactions processed.

Recommendation

- *The department should assign payroll verification responsibilities to staff who are independent of the payroll input functions.*

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Chapter 4. Other Administrative Expenditures

Chapter Conclusions

The department designed and implemented internal controls to provide reasonable assurance that professional/technical services, supplies, and equipment expenditures were appropriately paid, accurately recorded in the accounting system, and in compliance with applicable legal provisions and management's authorization. However, the department did not maintain accurate fixed asset records, and did not complete physical inventories in accordance with departmental policy.

The Department of Public Safety's Fiscal and Administrative Services Division is responsible for processing and monitoring purchasing for all of the department's divisions. Each operating division is assigned accountants to process and monitor divisional expenditure transactions. Administrative expenditures are processed centrally at the St. Paul central office. The department utilizes the MAPS electronic approval process for purchasing and accounts payable transactions.

Table 4-1 shows expenditures for selected categories during the three years ended June 30, 1998.

Table 4-1
Department of Public Safety
Selected Administrative Expenditures
Fiscal Years 1996, 1997, and 1998

<u>Expenditure Type</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
Professional/Technical	\$ 888,976	\$ 2,020,720	\$ 2,197,207
Supplies	5,397,338	7,885,845	10,197,063
Equipment	6,449,937	7,011,552	10,834,415
Totals	<u>\$12,736,251</u>	<u>\$16,918,117</u>	<u>\$23,228,685</u>

Source: Minnesota Accounting and Procurement System (MAPS).

Audit Objectives and Methodology

We focused on the following objectives during our audit of administrative expenditures:

- Did the Department of Public Safety design and implement internal controls over supplies and equipment to provide reasonable assurance that expenditures were appropriately paid, accurately recorded in the accounting system, and in compliance with applicable procurement requirements and management's authorization?

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- Did the Department of Public Safety properly safeguard assets by maintaining accurate inventory records and physical inventory procedures?

To meet these objectives, we interviewed agency staff to gain an understanding of the purchasing and disbursement process. We performed analytical reviews of professional/technical services, supplies, and equipment expenditures. We performed detailed tests of expenditure transactions, and tested compliance with procurement requirements and management's authorization. We also reviewed fixed asset accounting and inventory procedures.

Conclusions

The department designed and implemented internal controls to provide reasonable assurance that professional/technical services, supplies, and equipment expenditures were appropriately paid, accurately recorded in the accounting system, and in compliance with applicable legal provisions and management's authorization. However, the department did not maintain accurate fixed asset records, and did not complete physical inventories in accordance with departmental policy, as discussed in Finding 4.

4. The Department of Public Safety needs to improve procedures over fixed assets.

The department did not maintain accurate fixed asset inventory records and did not conduct physical inventory counts in accordance with department policy. Our testing of the department's fixed asset inventory records showed that assets disposed of were still on the records and some fixed asset additions were not recorded. Our testing found that 6 of the 20 fixed asset purchases tested were not recorded on the department's fixed asset records. In addition, we found that four state patrol vehicles that had been disposed of were still listed on the records.

Department of Public Safety policy requires that a physical inventory of fixed assets valued at \$10,000 or more should be completed by each division every two years, and a complete physical inventory of all fixed assets should be completed by each division every four years. We found that none of the divisions had completed the two-year physical inventories and eight divisions had not completed the four-year inventories. Physical inventory counts and accurate records are necessary in order to properly account for and safeguard assets.

Recommendations

- *Fixed asset inventory records should be reviewed and updated for any assets that had been disposed of and for unrecorded items.*
- *The department should complete physical inventories of fixed assets in accordance with departmental policy.*

Chapter 5. Criminal Gang Strike Force

Chapter Conclusions

The Department of Public Safety properly evaluated, awarded, and processed Criminal Gang Strike Force grants except that the oversight council had not implemented a conflict of interest policy. The department designed and implemented internal controls to provide reasonable assurance that reimbursement transactions were appropriately paid and accurately recorded in the accounting system and in compliance with the applicable legal provisions. However, the grantee requests for expense reimbursements were not filed on a timely basis.

Pursuant to Minn. Stat. Section 299A.625, the Minnesota Criminal Gang Oversight Council and the Criminal Gang Strike Force were created. The 1997 Legislature appropriated \$7.872 million dollars for the two-year period beginning July 1, 1997, to fund an assortment of efforts to counter the growing problem of gang crime. The money is used for grants to local agencies for police salaries, to defray operational costs of the central office at the Department of Public Safety, and to offer grants to agencies that do not participate in the Criminal Gang Strike Force but need funds to assist in the apprehension and conviction of criminal gang members. They entered into eight joint power agreements with the counties of Ramsey, Washington, Anoka, Dakota, and Hennepin, as well as the cities of St. Paul, Jackson, and Minneapolis.

The Criminal Gang Oversight Council is comprised of the following individuals or their designees, pursuant to Minn. Stat. Section 299A.64, Subd. 1:

- Minnesota Attorney General
- Commissioner of Public Safety
- Chief of Police for the St. Cloud Police Department
- Chief of Police for the Duluth Police Department
- A representative of the MN Chiefs of Police Association
- A representative of the MN Sheriffs Association (Metro)
- A representative of the MN Sheriffs Association (Out-state)
- Director of the MN Police Peace Officers Association
- Ramsey County Sheriff
- St. Louis County Sheriff
- Olmsted County Sheriff
- Hennepin County Sheriff
- Commissioner of Corrections
- Chief of Police for the St. Paul Police Department
- Chief of Police for the Minneapolis Police Department
- Superintendent of the Bureau of Criminal Apprehension

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The stated mission of the Criminal Gang Strike Force is to identify, investigate, arrest, and prosecute gang members engaged in criminal activity in Minnesota. Its primary goals are to:

- target for prosecution individuals most criminally active within a gang or who hold leadership positions;
- coordinate proactive long-term investigations on targeted gang members;
- react promptly to requests for assistance from other law enforcement agencies;
- provide peace officers and prosecutors with training on tactics and techniques for investigating and prosecuting gang crime; and
- obtain information regarding gang membership and related criminal activity and share that information with other law enforcement agencies.

A participating agency is eligible for 75 percent reimbursement of the salary and benefits of an officer assigned to the Criminal Gang Strike Force. The maximum number of officers is four and reimbursement may not exceed \$8,400 in overtime pay per officer. The officer is committed to two years service. Local agencies must replace those officers assigned to the Criminal Gang Strike Force. Finally, some local agencies, not members of the Criminal Gang Strike Force, are awarded grants for expansion of their capacity to investigate gang activity.

The Criminal Gang Strike Force is organized into the following six regions, each headed by a regional commander:

1. **Northeast**-Duluth Police Dept., St. Louis County Sheriff, and Bureau of Criminal Apprehension (BCA).
2. **Southeast**-Rochester Police Dept., Olmsted County Sheriff, and BCA.
3. **Central**-St. Cloud Police Dept., Benton County Sheriff, Sherburne County Sheriff, and Stearns County Sheriff.
4. **Northwest**-Moorhead Police Dept., Clay County Sheriff, and BCA.
5. **Southwest**-Jackson Police Dept., Marshall Police Dept., and Mankato Police Dept.
6. **Metro**-St. Paul Police Dept., Minneapolis Police Dept., Sheriff departments of Ramsey, Anoka, Dakota, Washington, Hennepin, as well as the BCA and selected federal agencies.

The statewide commander is responsible for implementing policies and oversight of the regional commanders.

Table 5-1 shows grants made to local jurisdictions are the largest expenditure. Other costs incurred by the central office to administer the Criminal Gang Strike Force include payroll and other administrative expenditures.

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Table 5-1
Department of Public Safety
Criminal Gang Strike Force Expenditures
Fiscal Year 1998

Expenditures:	
Grants to local agencies	\$1,885,015
Payroll expenses	866,853
Other administrative expenses	<u>368,289</u>
Total	<u>\$3,120,157</u>

Source: Minnesota Accounting and Procurement System (MAPS).

Audit Objectives and Methodology

We focused on the following objectives during our audit of the Criminal Gang Strike Force expenditures:

- Did the Department of Public Safety design and implement internal controls to provide reasonable assurance that grant proposals were appropriate and adequately evaluated?
- Did the Department of Public Safety ensure that grant funds were sufficiently monitored and disbursed within statutory constraints?
- Did the Department of Public Safety ensure that grantee reporting requirements were met?

To meet these objectives, we interviewed personnel from the Department of Public Safety to gain an understanding of the grant approval process and reimbursement procedures for the Criminal Gang Strike Force. We examined the joint powers agreements for each participating agency to determine whether they were properly authorized and approved. We analyzed participant expense reimbursement requests for compliance with contract agreements. We tested a sample of expenditures to determine if they were reasonable, properly supported, and accurately recorded in the accounting system.

Conclusions

The Department of Public Safety properly evaluated, awarded, and processed Criminal Gang Strike Force grants except that the oversight council had not implemented a conflict of interest policy. The department designed and implemented internal controls to provide reasonable assurance that reimbursement transactions were appropriately paid and accurately recorded in the accounting system and in compliance with the applicable legal provisions. However, the grantee requests for expense reimbursements were not filed on a timely basis.

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5. The Minnesota Criminal Gang Oversight Council did not have a process in place to ensure that it did not create potential conflicts of interest for its participants.

Minnesota Statute 299A.66 states that grants shall be awarded by the commissioner of Public Safety upon the recommendation of the oversight council. Members of the council review and evaluate grant proposals including grants that potentially would be awarded to their own agencies. In addition, the council is called upon to approve amendments to increase grant amounts. Members are allowed to vote on their own grant proposals and amendments.

Based upon the minutes for the November 19, 1997, council meeting, the St. Cloud, Duluth, and Olmstead County representatives present did not abstain from voting on grant applications for their affiliated agency. Because the board minutes did not document each member's vote, we were unable to determine their actions.

Without a conflict of interest policy in place, the council increases the risk that its resources may not be used in the best interest of the council and the state.

Recommendation

- *The department should develop and implement a conflict of interest policy for the Minnesota Criminal Gang Oversight Council.*

6. Criminal Gang Strike Force grantees did not submit expense reimbursement requests in accordance with grant agreements.

The grant agreements entered into by the Department of Public Safety and the participating agencies provide that expense reimbursement requests should be submitted within 30 days of the end of a quarter. We reviewed expense reimbursement requests for the quarter ending June 30, 1998, and found that 10 of the 13 participants did not submit their requests within the 30-day period. We found that one participant did not file a June 30, 1998, reimbursement request until January 1999.

Recommendation

- *The department should work with the Criminal Gang Strike Force grantees to ensure that reimbursement requests are submitted as required by the grant agreements.*

**Status of Prior Audit Issues
As of June 1999**

Legislative Audit Report 99-15, issued in March 1999. The findings in this 1998 Statewide Audit for the Department of Public Safety will be reviewed during the 1999 Statewide Audit.

State of Minnesota Audit Follow-Up Process

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up on issues cited in financial audit reports issued by the Legislative Auditor. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University of Minnesota, any quasi-state organizations, such as the metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.

Department of Public Safety

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MINNESOTA DEPARTMENT OF PUBLIC SAFETY

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August 20, 1999

James R. Nobles
Legislative Auditor
1st Floor South
Centennial Building
St. Paul, MN 55155

Dear Mr. Nobles:

At the audit exit conference on August 11, 1999, we were provided a copy of the draft audit report for the Department of Public Safety. We received a copy of the revised pages on August 16, 1999. Our written response to the findings and recommendations are in the order presented in the draft report.

Frank Ahrens will be responsible for Findings #1, 4, 5 & 6. Dan Boytim will be responsible for Findings #2 & 3.

FINDING NUMBER ONE:

The Department of Public Safety owes the Office of the Attorney General an estimated \$2.5 million in fees for legal services in fiscal years 1997 through 1999.

Recommendations:

The Department of Public Safety needs to resolve its outstanding liability for Attorney General legal services.

Response:

The agency had requested as part of the 1998-99 Biennial Budget process an increase in funding for Attorney General Services; however, that request was denied by the Department of Finance and was not made a part of the Governor's 1998-99 Biennial Budget. The Governor's 2000-01 Biennial Budget included a deficiency request of \$2,559,000 and an increase in the level of funding for Attorney General costs of \$2,524,000 in Fiscal Year 2000 and \$3,411,000 in Fiscal Year 2001. These dollar amounts were requested by the agency based on actual costs in Fiscal Years 1997-98 and on estimated costs provided by the Attorney General's Office for Fiscal Years 1999-2001. The dollars requested were not appropriated.

The agency will be meeting with the Attorney General's office to resolve the outstanding liability for Attorney General legal services. The majority of the work provided by the Attorney General's Office for the Department of Public Safety is the defense of challenges to drivers' license revocations (implied consent). We will be asking for additional client codes so that implied consent cases related to State Patrol Driving While Intoxicated (DWI) arrests are separated from implied consent cases for non State Patrol related DWI arrests. We will also ask that prior billings going back to Fiscal Year 1997 are sorted by implied consent cases for DWI arrests made by the State Patrol and Non State Patrol related implied consent cases. The issue has been raised as to whether the defense of challenges to driver license revocations for non State Patrol related DWI arrests should appropriately be funded out of the Trunk Highway Fund. If the defense of implied consent cases are found to not be a Trunk Highway funded related activity, under current statute, we should not have been billed for the services by the Attorney General's Office. This issue needs to be resolved.

We will also explore other funding options such as partnership agreements with the Attorney General.

FINDING NUMBER TWO:

The Department of Public Safety needs to formalize state trooper compensatory time liquidation guidelines.

Recommendations:

The department should formalize its policy on liquidating compensatory time and apply the guidelines consistently.

Response:

The Minnesota State Patrol will issue a written policy regarding liquidation of compensatory time banks. This policy will be distributed to all State Patrol Districts.

FINDING NUMBER THREE:

The Department of Public Safety needs to independently verify the accuracy of payroll transactions.

Recommendations:

The department should assign payroll verification responsibilities to staff who are independent of the payroll input functions.

Response:

The Office of Fiscal & Administrative Services will write a policy regarding the independent verification of payroll transactions. This policy will be distributed to all division and staff offices.

FINDING NUMBER FOUR:

The Department of Public Safety needs to improve procedures over fixed assets.

Recommendations:

Fixed asset inventory records should be reviewed and updated for any assets that had been disposed of and for unrecorded items.

The department should complete physical inventories of fixed assets in accordance with departmental policy.

Response:

The Office of Fiscal & Administrative Services will be in contact with all divisions that have not complied with our policy on fixed assets. With the audit finding, we should be able to get full compliance.

FINDING NUMBER FIVE:

The Minnesota Criminal Gang Oversight Council did not have a process in place to ensure that it did not create potential conflicts of interest for its participants.

Recommendations:

The department should develop and implement a conflict of interest policy for the Minnesota Criminal Gang Oversight Council.

Response:

The Department of Public Safety \ Office of Drug Policy will work with the Minnesota Criminal Gang Oversight Council in developing a written policy on the grant process. The policy will state that oversight council members must abstain from voting on grant applications for their affiliated agency. Oversight council minutes will include abstentions.

FINDING NUMBER SIX:

Criminal Gang Strike Force grantees did not submit expense reimbursement requests in accordance with grant agreements.

Recommendations:

The department should work with the Criminal Gang Strike Force grantees to ensure that reimbursement requests are submitted as required by the grant agreements.

Response:

The Department of Public Safety \ Office of Drug Policy will work with the Criminal Gang Strike Force grantees to ensure that reimbursement requests are submitted as required by the grant agreements.

If you have any questions or concerns, feel free to contact me.

Sincerely,

Charles R. Weaver, Jr.
Commissioner, Department of Public Safety

Cc: Mancel Mitchell
Paul Aasen
Anne Beers
Frank Ahrens
Dan Boytim