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NEWS RELEASE

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FOR RELEASE April 17, 2007

Auditor of State David A. Vaudt today released a report on a special investigation of the Bear Creek Narcotics Task Force. The report covers the period July 1, 2003 through November 30, 2006. The special investigation was requested by Task Force officials as a result of concerns regarding the balance of a Task Force cash fund. The Bear Creek Narcotics Task Force includes various law enforcement agencies in Jackson, Jones and Cedar Counties and was established to provide mutual assistance in enforcing the drug laws of the State of Iowa.

Vaudt reported the special investigation identified \$715.00 of cash missing from the Confidential Funds held for the Jackson County area. Vaudt also reported the disposition of the missing cash could not be determined because access to the cash was not limited.

The missing cash is a portion of the Confidential Funds awarded to the Task Force from the Edward Byrne Memorial State and Local Law Enforcement Assistance Formula Grant Program awarded by the Governor's Office of Drug Control Policy. Confidential Funds are used for narcotics purchases by confidential informants and payments to informants for information related to drug cases.

The report includes recommendations to strengthen controls at the Task Force and oversight of the Confidential Funds and Forfeiture and Evidence Clearing checking accounts held by the Task Force.

Copies of the report have been filed with the Governor's Office of Drug Control Policy, the Jackson County Attorney's Office, the Attorney General's Office and the Division of Criminal Investigation. A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/specials/specials.htm>.

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**SPECIAL INVESTIGATION OF THE
BEAR CREEK NARCOTICS TASK FORCE**

JULY 1, 2003 THROUGH NOVEMBER 30, 2006

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Auditor of State's Report

To the Members of the
Bear Creek Narcotics Task Force:

As a result of concerns identified by and at the request of Task Force officials, we conducted a special investigation of certain transactions of the Bear Creek Narcotics Task Force. We have applied certain tests and procedures to cash balances and selected financial transactions of the Bear Creek Narcotics Task Force for the period July 1, 2003 through November 30, 2006. Based on a review of relevant information and discussions with Task Force officials and personnel, we performed the following procedures.

- (1) Reviewed the Task Force's internal controls at the off-site location in Jackson County to determine whether adequate policies and procedures were in place.
- (2) Reviewed activity recorded in the 4 Confidential Funds Ledgers maintained by the Task Force's Confidential Funds Coordinator. We also examined documentation in case files to support disbursements made with Confidential Funds to purchase narcotics and make payments to confidential informants.
- (3) Confirmed payments made to the Task Force and traced the payments to deposit or posting of various grant and program proceeds from the State of Iowa and reviewed deposits from defendants for forfeitures made through the participating counties' Clerks of Court.
- (4) Reviewed activity in the checking accounts maintained by the Task Force's Confidential Funds Coordinator for the Forfeiture Account and the Evidence Clearing Account. We also examined supporting documentation retained by the Task Force for certain disbursements from the Forfeiture Account.
- (5) Reviewed procedures for safeguarding property seized in Jackson County, such as weapons, cash, vehicles and controlled substances.
- (6) Reviewed Monthly Status Reports submitted to the Department of Narcotics Enforcement for funds used to buy narcotics.
- (7) Examined documentation in the case files to support payments made by the Division of Narcotics Enforcement on behalf of the Task Force.
- (8) Examined case files for which the Task Force's Confidential Funds Coordinator was the investigator but for which confidential funds were not used.
- (9) Reviewed several Task Force Reviews of Confidential Funds expenditures conducted by the Governor's Office of Drug Control Policy.

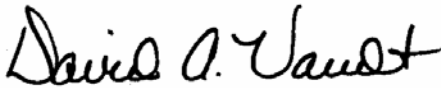
These procedures identified \$715.00 of missing Confidential Funds. We were unable to determine the disposition of the cash because of the lack of controls over the cash. Several

additional internal control weaknesses were also identified. Our detailed findings and recommendations are presented in the Investigative Summary.

The procedures described above do not constitute an audit of financial statements conducted in accordance with U. S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the Bear Creek Narcotics Task Force, other matters might have come to our attention that would have been reported to you.

Copies of this report have been filed with the Governor's Office of Drug Control Policy, the Jackson County Attorney's Office, the Division of Criminal Investigation and the Attorney General's Office.

We would like to acknowledge the assistance and many courtesies extended to us by the officials and personnel of the Bear Creek Narcotics Task Force and the Division of Criminal Investigation during the course of our investigation.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 30, 2007

Bear Creek Narcotics Task Force
Investigative Summary

Background Information

The Bear Creek Narcotics Task Force was formed pursuant to Chapter 28E of the *Code of Iowa* among various law enforcement agencies in Jackson, Jones and Cedar Counties to provide mutual assistance in enforcing the drug laws of the State of Iowa and eradicating the drug problem in Jackson, Jones and Cedar Counties. The City of Maquoketa Police Department is a member of the Task Force.

Task Force activities include information and intelligence gathering and dissemination; identification, arrest and prosecution of drug offenders; coordination and assistance to law enforcement agencies; conducting surveillance; obtaining and executing search and arrest warrants and conducting undercover drug purchases.

Members of the Task Force have Confidential Funds on hand to make undercover drug purchases and pay confidential informants (CIs) for information used to investigate and/or prosecute drug cases. The Confidential Funds are cash which originated from the Edward Byrne Memorial State and Local Enforcement Assistance Formula Grant Program awarded to the Task Force through the Governor's Office of Drug Control Policy (ODCP).

Narcotics are also purchased with monies received through the Division of Narcotics Enforcement (DNE) within the Department of Public Safety. These funds are kept in the custody of DNE and are used when the Task Force works in conjunction with DNE on a narcotics case.

Robert Simonson became an Officer of the City of Maquoketa Police Department on April 1, 1988. On October 1, 2003, he also became an investigator for the Bear Creek Narcotics Task Force. He eventually assumed the duties as the Task Force Coordinator for the Jackson County area and became the Confidential Funds Coordinator for the Task Force.

As a Task Force investigator and coordinator for Jackson County, Officer Simonson had custody of the Task Force's Confidential Funds to be used in Jackson County. The cash was held in a safe. As the Task Force Confidential Funds Coordinator (CFC), he was also responsible for maintaining a Confidential Funds Ledger for the cash held by each of the 4 Task Force investigators. The CFC also prepared monthly reports of the Task Force's narcotics purchases for DNE. In addition, the CFC maintained the Forfeiture and Evidence Clearing checking accounts for the Jackson County area.

In November 2006, a discrepancy was identified between the amount of cash held by the CFC and the amount recorded on the ledger for the Jackson County area. The events in November are summarized as follows.

- On November 13, 2006, the Director for the Bear Creek Task Force was notified by the CFC approximately \$840.00 of Confidential Funds were missing from the safe in the Jackson County off-site location.
- On November 14, 2006, both the Director and CFC searched the safe and office area and were unable to locate the missing cash. The Director also counted the cash on hand to verify the discrepancy.

- On November 27, 2006, the CFC notified the Director he had found the money. The CFC later admitted he had replaced the money with his personal funds. When the Director asked why he had replaced the money, the CFC responded he felt responsible for the missing money since he was in charge of it.
- On November 29, 2006, the CFC was put on paid leave by the Maquoketa Police Department, pending an investigation by the Division of Criminal Investigation (DCI).
- On November 30, 2006, an agent of the DCI counted the cash on hand at the Jackson County location and met with the CFC.
- On December 4, 2006, an agent of the DCI questioned the CFC and a polygraph test was administered. The CFC was asked if he took the money or if he knew where the money was. After determining the CFC passed the polygraph test, he was reinstated to his duties as a Maquoketa Police Officer and his personal funds were returned.
- The CFC's duties have been temporarily assumed by the Director of the Task Force.

As a result of the concern identified, in late January 2007 Task Force officials requested the Office of Auditor of State conduct an investigation of certain financial transactions and cash balances of the Bear Creek Narcotics Task Force. We performed the procedures detailed in the Auditor of State's Report for the period July 1, 2003 through November 30, 2006.

Detailed Findings

These procedures identified \$715.00 of missing cash. We were unable to determine the disposition of the missing cash because of the lack of controls over the cash. Detailed explanations of our findings are below.

Confidential Funds – Confidential Funds consist of cash and are used by Task Force participants for drug buys and payments to confidential informants. Within the Task Force, 4 investigators representing various law enforcement agencies are responsible for the maintenance of the cash Confidential Funds assigned to them.

The CFC, who is also a Task Force investigator, is responsible for maintaining a Confidential Funds Ledger for the cash held by each of the 4 Task Force investigators. The balance of each of the ledgers should agree with the Confidential Funds cash held by each investigator. Each investigator is responsible for the custody of the Confidential Funds assigned to him.

According to the CFC, he verified the amount of cash held by each investigator in February or March 2006 and confirmed the amount held agreed with the amounts recorded in each respective Confidential Funds Ledger. However, the CFC's verification was not documented or reviewed by an independent party.

The cash for Jackson County was kept in a safe at the off-site location. **Table 1** summarizes the activity for the Confidential Funds held by the CFC for the Jackson County area based on our review of the case files. The **Table** compares the calculated balance to the cash on hand counted by the DCI agent on November 30, 2006. The cash on hand does not include the \$840 replaced by the CFC. As illustrated by the **Table**, the cash on hand was \$715 less than the amount to be accounted for, rather than the \$840 estimated by the CFC.

Table 1

Date	Funds Spent				Balance
	Funds Received	Narcotics Evidence	CI Payments	Transferred to Other Investigators	
07/01/03	\$ -	-	-	-	1,195.00
06/24/04	-	-	-	(600.00)	595.00
07/14/04	800.00	-	-	-	1,395.00
12/02/04	-	-	-	(500.00)	895.00
12/13/04	-	(100.00)	-	-	795.00
03/23/05	1,053.00	-	-	-	1,848.00
04/22/05	-	(20.00)	-	-	1,828.00
07/14/05	-	-	-	(200.00)	1,628.00
08/12/05	-	-	-	(400.00)	1,228.00
09/07/05	400.00	-	-	-	1,628.00
11/23/05	860.00	-	-	-	2,488.00
12/29/05	-	-	-	(100.00)	2,388.00
03/06/06	-	(150.00)	-	-	2,238.00
05/27/06	-	(320.00)	-	-	1,918.00
09/13/06	-	(10.00)	-	-	1,908.00
11/03/06	-	(45.00)	-	-	1,863.00
11/27/06	-	-	(10.00)	-	1,853.00
				Less: Cash on Hand at 11/30/06 *	1,138.00
				Funds missing	\$ (715.00)

* - Excluding cash returned to CFC.

Confidential Fund Receipts – The amounts recorded on the Confidential Funds Ledgers as “funds received” are disbursements to the Task Force from the Governor’s Office of Drug Control Policy and transfers among the Confidential Funds held by the 4 investigators. We reviewed the amounts received into the Confidential Funds and did not identify any irregularities.

Confidential Fund Disbursements – According to the officials we spoke with, all withdrawals from the Bear Creek Narcotics Task Force Drug Fund are to be supported by 1 or more of the following documents in the appropriate case file.

- Statement of Expenditure of Funds by Officer – lists the amount of funds expended, individual from whom narcotics were purchased, case number, date purchased and list of evidence purchased. This form also includes a signature of the officer and the person who reviewed the form. A copy is included in **Appendix A**.
- Documentation of Currency for Purchases of Evidence - lists the currency denomination, serial number, series number, case number, signature of investigator recording the currency and a witness, and date and time serialized. The form also indicates if the currency is expended and what currency was brought back. A copy is included in **Appendix B**.

- Receipt For Official Undercover Funds For Purchase of Evidence - used to document the CI has received a payment to purchase narcotics evidence, the date received, the officer from whom the payment is received and signature of the CI. A copy is included in **Appendix C**.
- Confidential Informant Statement - used to document statement of the CI. A copy is included in **Appendix D**.
- Confidential Informant Payment Form - used to document payment to CI. A copy is included in **Appendix E**.

During our investigation we determined the Bear Creek Narcotics Task Force keeps a case database which includes several pieces of information about drug cases, including the use of drug buy monies (Confidential Funds) and payments to CIs. According to Maquoketa Police Department and Task Force personnel, the CFC and the Jackson County Criminal Secretary updated the case database. The database is also used to prepare monthly reports submitted to the DNE.

Information for the database is compiled from a log. According to the CFC and other personnel we spoke with, the case number log is completed by the dispatchers in Jackson County. When an investigator has a drug buy planned, they call the dispatcher for a case number. This ensures case numbers are consecutive. The dispatcher records the date of the disbursement, defendant(s), date of birth, type of incident such as delivery or possession, funds (amount spent for drug purchase), designation if the buy money is from the confidential funds or provided by DNE, drug weight, CI number and how much the CI was paid.

While the case number log may be used by the Criminal Secretary to update the case database, the CFC was ultimately responsible for the database and ensuring it was supported by the actual case file. During our investigation, we determined the case number log was not always filled out completely because the dispatcher would not always receive all of the information from the investigator at the time the call was made to them. During testing, we could not locate case number log sheets which included 16 drug cases. In addition, there were 2 case numbers included on the case database which were not on the case number log.

Based on our review of the case files, we also determined a \$170.00 disbursement was recorded on the case database which was not included on the ledger the CFC maintained. The \$170.00 included a drug buy for \$160.00 and a \$10.00 CI payment. In addition, there was a drug buy recorded as a \$30.00 disbursement on the ledger. However, it was recorded in the case database as a \$10.00 disbursement. **Appendix F** includes a copy of the Investigator Disbursed Funds (Confidential Funds) ledger for cash held by the CFC.

During our fieldwork, we reviewed each of the 115 case files for which the CFC was the investigator. Of the 115 case files, 6 files could not be tested because they were not located at the Jackson County location. We also tested 14 additional files assigned to an investigator other than the CFC but for which Confidential Funds were used. Of the 14 files tested, 2 could not be tested because they were not located at the Jackson County location. As a result of our testing of the case files, we identified the following:

- 4 case files contain “Documentation of Currency for Purposes of Evidence” that did not have evidence the currency was not expended.
- 3 case files contain “Documentation of Currency for Purposes of Evidence” that did not have “reviewed by” or “witnessed by” signatures.

During our investigation, we observed the combination to the safe in the Bear Creek Narcotics Task Force files. Several individuals had keys to the off-site location and the file cabinets were not locked.

SEIZED PROPERTY - Chapter 809A of the *Code of Iowa* allows a peace officer to seize property as a result of an act or omission which is a public offense and which is a serious aggravated misdemeanor or felony. Property that may be seized by a peace officer includes, but is not limited to, controlled substances and proceeds, weapons or vehicles possessed, used or available for use in any manner to facilitate conduct giving rise to forfeiture.

Section 809A.17(5) of the *Code of Iowa* states “Forfeited property which is a weapon or ammunition shall be deposited with the department of public safety to be disposed of in accordance with the rules of the department. All weapons or ammunition may be held for use in law enforcement, testing, or comparison by the criminalistics laboratory, or destroyed. Ammunition and firearms which are not illegal and are not offensive weapons as defined by section 724.1 may be sold by the department.”

In accordance with section 124.506(1) of the *Code of Iowa*, “a record of the place where controlled substances were seized, of the kinds and quantities of controlled substances so destroyed, and of the time, place, and manner of destruction, shall be kept, and a return under oath, reporting said destruction, shall be made to the court and to the bureau by the officer who destroys them.”

Based on our discussions with Officer Simonson, the evidence room used by the Maquoketa Police Department needs to be organized and plans have been made to work with the County Attorney to identify which evidence can be disposed of.

Recommended Control Procedures

As part of our investigation, we reviewed the procedures used by the Bear Creek Narcotics Task Force to process receipts and disbursements. An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from error and irregularities. These procedures provide the actions of one individual will act as a check on those of another and provide a level of assurance errors or irregularities will be noted within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to further strengthen the Task Force's internal controls.

- A. Segregation of Duties – Separate Confidential Funds are held by investigators of the Task Force. The Confidential Funds, held as cash, are used for drug buys and CI payments in local investigations related to narcotics and controlled substance trafficking.

During the period of our review, the CFC, who was also an investigator, had custody of the Confidential Funds for the Jackson County area and maintained the Confidential Funds Ledgers for the cash he held and cash held by the other 3 investigators. The CFC also collected, deposited, had custody of and recorded activity for the Forfeiture and Evidence Clearing checking accounts.

During our review, we determined periodic cash counts were not performed by an independent party and reconciled to amounts recorded.

Recommendation – Task Force officials should implement procedures to properly segregate duties for the Confidential Funds and the Forfeiture and Evidence Clearing checking accounts. The individual responsible for the custody of the Confidential Funds and checking accounts should not also have responsibility for recording the related transactions.

Amounts recorded for the Confidential Funds and the checking accounts should periodically be reconciled to the cash on hand by an independent party. The independent party should also review supporting documentation to ensure the required forms are used and adequately completed.

In addition, procedures should be implemented to ensure proper supporting documentation is maintained for all transactions.

- B. Disbursements - Disbursements from the Confidential Funds for drug buys and CI payments are to be supported by standardized forms to be completed by the responsible Officer. During our review, we identified disbursements of Confidential Funds were not supported by forms or the forms were not completed in a consistent manner.

We also identified disbursements from the Forfeiture checking account not supported by appropriate documentation. In addition, checks from the account contained dual signatures; however, blank checks were signed. Also, unused checks were not properly safeguarded and voided checks were not properly retained.

Recommendation - The Task Force should consistently complete withdrawal forms when investigative cash is removed from the Confidential Funds. Also, Forfeiture checking account disbursements should be supported by an invoice or other supporting documentation. Officials of the Task Force should avoid signing checks in advance and ensure supplies of unused checks are properly safeguarded. All voided checks should be maintained for proper accounting for all checks.

- C. Property and Evidence - Each law enforcement agency participating in the Task Force is responsible for evidence seized. The Maquoketa Police Department Property and Evidence room holds seized property and illegal narcotics for the Jackson County area of the Task Force.

According to the investigator for the Jackson County area, the evidence kept at the Maquoketa Police Department needs to be organized and plans have been made to facilitate the disposal of evidence no longer required to be held.

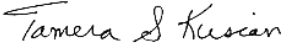
Recommendation - Procedures should be implemented to provide for the proper, organized storage of evidence and the timely disposal of the evidence upon receipt of appropriate court order.

Bear Creek Narcotics Task Force

Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director
Billie Jo Heth, Senior Auditor
Matt Ritchey, Assistant Auditor


Tamera S. Kusian, CPA
Deputy Auditor of State

**Special Investigation of the
Bear Creek Narcotics Task Force**

Appendices

Bear Creek Narcotics Task Force

Document of Currency for Purchases of Evidence

DOCUMENTATION OF CURRENCY FOR PURPOSES OF EVIDENCE

Currency Denomination	Serial Number	Series Number	Currency Expended (Date)	Currency Not Expended
50	ME 64472211 A	96	①	
50	AB 50705352C	96		
20	CT 12644152B	01		
10	A 30275674B	95		
10	B 63047551B	99		
10	660081528E	95		
10	BH 32931719A	99		
10	F 06008080C	95		
10	BB 62749415C	99		
10	BE 57388451A	99		
5	BL 15787077B	99		
5	LG 04537775A	01		

Case # _____

Exhibit Number(s) _____

Total Currency Serialized \$200 =

Time & Date Serialized 7-29-04 7:10pm

Currency Recorded By: _____

Witnessed By: _____

Bear Creek Narcotics Task Force

Receipt for Official Undercover Funds for Purchase of Evidence

RECEIPT FOR OFFICIAL UNDERCOVER FUNDS FOR PURCHASE OF EVIDENCE

Place: Marion Police Dept

Date: 7-21-04

I, _____, hereby acknowledge
receipt of 50⁰⁰ dollars
from Officer _____ which

I understand is being furnished me for the express purpose of purchasing evidence from
_____.

I further understand that should such purchase of evidence not be consummated on this date,

I will return the above funds to Officer _____

not later than 7-21-04.

Officer _____ has clearly explained to me

that failure to return all unexpended funds as stated above will constitute misappropriation
in violation of Chapter 714 of the Iowa Code.

Φ returned

Bear Creek Narcotics Task Force
Confidential Informant Payment Form

Receipt for Cash

Place: _____ Date: _____

Received this date from Special Agent _____
the sum of _____ dollars (\$
as payment in full for services performed on _____
(date or dates)
in reference _____
(Case No. & identity of subject)

Include information and services in detail below for which payment is made.

Issuing Officer _____ CI# _____

Witness _____ Date: _____

Approved: _____
Supervisor

SIGNED: _____
CI's Signature

Bear Creek Narcotics Task Force

Confidential Funds Ledger

INV. Disbursed Funds

Bob Simonson

1	2	3	4	5	6	7	8
Date	Funds Rec by Inv.	Inv. Case # Info	Funds spent on Evidence	Funds spent on CI. Payment	Funds not Recovered	Funds Returned to Coord.	Balance
07-09-03	Transfer	From Dave					1195
1195 - Is Correct as of 01-01-2004							
06-24-04	Trans to Lance				1600		595
07-14-04	800-		From OACP				1395
12-02-04	500-		Transfer to Joe From Bob				895
12-13-04		04BC0064	100-	0	100		795
03-23-05	1053-		rec from Joe				1848
07-14-05	200		Transfer to Lance				1648
04-22-05		04BC0005	20-		20		1628
02-12-05	400-		Transfer to Brian				1228
09-07-05			Transfer from Brian			400	1628
11-23-05	860-		Transfer from Steve			860-	2488
12-29-05			Transfer to Brian to pay CI		(100)		2388
12-29-05		05BC0064	2600- (ONE)	100-			2388
05-27-06		06BC0026	320-		320-		2068
09-13-06		06BC0045	30-		30		2038
11-03-06		06BC0054	45-	50	45		1993