



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE \_\_\_\_\_ June 13, 2012 \_\_\_\_\_

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515/281-5834

Auditor of State David A. Vaudt today released an agreed upon procedures report on the Lee County Narcotics Task Force for the period July 1, 2010 through May 31, 2012. The agreed upon procedures were performed at the request of the Board of Control of the Task Force.

Vaudt reported the Task Force account with the fiscal agent (the City of Keokuk) had a deficit cash balance of \$90,098 at May 31, 2012. The deficit balance was primarily due to a decrease in grant receipts and an increase in overtime costs associated with officers employed by the members of the Task Force. Vaudt recommended members of the Task Force contribute sufficient cash to eliminate the deficit cash balance and return the Task Force to a sound financial position.

Other findings and recommendations addressed compliance with Chapters 21 and 28E of the Code of Iowa, Board minutes and approval of disbursements. In addition, recommendations were made to improve financial reporting.

A copy of the report is available for review at the Lee County Narcotics Task Force's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1114-0033-B00F.pdf>.

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**LEE COUNTY NARCOTICS TASK FORCE**  
**INDEPENDENT ACCOUNTANT'S REPORT ON**  
**APPLYING AGREED UPON PROCEDURES**  
**FOR THE PERIOD**  
**JULY 1, 2010 THROUGH MAY 31, 2012**

## Table of Contents

		<u>Page</u>
Board of Control Officials		3
Independent Accountant’s Report on Applying Agreed Upon Procedures		5-6
Detailed Findings and Recommendations:	<u>Finding</u>	
Fund Balance	A	8
28E Agreement	B	9
Investments	C	9
Accounting System	D	9
Account Codification	E	9
Travel Policy	F	9
Expenditure Approvals	G	10
Minutes	H	10
Schedules:	<u>Schedule</u>	
Summary of Cash Receipts, Disbursements and Balances with the Fiscal Agent	1	12
Summary of Cash Receipts, Disbursements and Balances – Forfeiture and Restitution Funds	2	13
Summary of Investments	3	14
Staff		15

**Lee County Narcotics Task Force**

**Board of Control Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Representing</u>
Jim Sholl	Chairman	Indefinite	Lee County
Michael Short	Board Member	Indefinite	Lee County
Thomas Crew	Board Member	Indefinite	City of Keokuk
Bruce Niggemeyer	Board Member	Indefinite	City of Fort Madison
Gregory Brugman	Board Member	Indefinite	Division of Narcotics Enforcement, State of Iowa
Stacy Weber	Commander	Indefinite	Lee County

**Lee County Narcotics Task Force**



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Independent Accountant's Report on Applying Agreed Upon Procedures

To the Commander and  
Members of the Board of Control:

We have performed the following procedures, which were agreed to by the Lee County Narcotics Task Force, solely to assist you in evaluating the operations of the Task Force for the period July 1, 2010 to May 31, 2012. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. 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.

The procedures we performed were as follows:

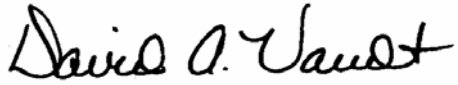
1. Evaluated internal controls to determine whether adequate policies and procedures were in place.
2. Summarized the cash receipts, disbursements and balances of the Task Force.
3. Reviewed certain receipts and disbursements for propriety.
4. Reviewed bank reconciliations for propriety.
5. Reviewed minutes of the Board of Control for propriety.
6. Reviewed investment activity to determine whether certificates of deposit were included in the Task Force's fund balance.
7. Evaluated the Task Force's compliance with certain provisions of laws, regulations and grant agreements.

Based on the performance of the procedures described above, we noted certain instances of non-compliance with the *Code of Iowa*. Also, we identified various recommendations for the Task Force. Our recommendations and the instances of non-compliance are described in the Detailed Findings and Recommendations of this report. Unless reported in the Detailed Findings and Recommendations, no other items of non-compliance were noted during the performance of the specific procedures listed above.

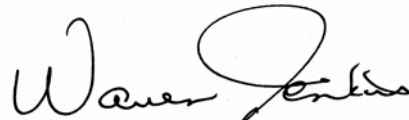
We were not engaged to and did not conduct an audit of the operations of the Task Force, the objective of which would be the expression of an opinion on the financial statements of the Task Force. Accordingly, we do not express such an opinion. Had we performed additional procedures, or had we performed an audit of financial statements of the Task Force, other matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Lee County Narcotics Task Force and other parties to whom the Lee County Narcotics Task Force may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the assistance extended to us by personnel of the Lee County Narcotics Task Force. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 5, 2012



**Detailed Findings and Recommendations**

Lee County Narcotics Task Force

Detailed Findings and Recommendations

July 1, 2010 through May 31, 2012

The Lee County Narcotics Task Force (Task Force) was created pursuant to an agreement between the cities of Fort Madison and Keokuk and Lee County entered into under the provisions of Chapter 28E of the *Code of Iowa* for the purpose of implementing joint and cooperative action in drug law enforcement and investigation efforts. The Task Force's primary revenue sources are Edward Byrne Memorial Justice Assistance Grant (JAG) proceeds and contributions from the member cities and county. In addition, the Task Force receives forfeitures and restitution.

Each member of the Task Force is responsible for providing an officer and any necessary equipment, including a vehicle. The Task Force reimburses the cities and county members for wages, overtime, court time and benefits for the officers employed by each of the members.

The City of Keokuk is the fiscal agent for the Task Force and is responsible for the financial accounting for Task Force operations.

Based on the procedures performed, the following findings and recommendations are provided:

- (A) Fund Balance – As displayed in **Schedule 1**, the Task Force had a deficit cash balance of \$43,088 at June 30, 2011 and a deficit cash balance of \$90,098 at May 31, 2012.

On April 24, 2012, the Task Force opened a checking account separate from the fiscal agent to account for restitution and forfeiture funds. Since April 24, 2012, all disbursements, excluding those paid from grant proceeds, have been paid from the separate checking account. As displayed in **Schedule 2**, the checking account had a cash balance of \$8,234 at May 31, 2012.

As of May 31, 2012, \$74,997 of the current \$90,000 approved JAG grant had been received by the Task Force. \$7,636 is scheduled to be received for May 2012, leaving a remaining balance of \$7,367 to be received. If the Task Force remits more than the remaining \$15,003 of grant proceeds to be received to the member agencies, the deficit fund balance will increase.

Based on review of the Task Force's receipts and disbursements, the deficit balance was primarily due to a decrease in grant proceeds and an increase in overtime costs associated with the officers employed by the members of the Task Force.

Although the Board of Control was provided financial information from the fiscal agent, the financial information presented was incomplete, resulting in the Board of Control believing the Task Force was in a sound financial position.

Recommendation – Pursuant to the 28E agreement, each member is responsible for one-third of the costs of operating the Task Force, less any funding received from grants and other sources. The cities of Fort Madison and Keokuk and Lee County should contribute sufficient cash to eliminate the deficit cash balance to return the Task Force to a sound financial position.

The separate checking account maintained by the Task Force should be transferred to the control of the fiscal agent.

- (B) 28E Agreement – Pursuant to Section 28E.8 of the *Code of Iowa*, “...an agreement made pursuant to this chapter shall be filed, in an electronic format, with the Secretary of State...”. According to employees of the Secretary of State’s Office, the agreement entered into between the cities of Fort Madison and Keokuk and Lee County has not been filed in an electronic format with the Secretary of State as required.

In addition, pursuant to Section 28E.8 of the *Code of Iowa*, “...each entity subject to section 28E.5 shall submit, in an electronic format, a biennial report to the Secretary of State...by April 1 of every odd-number year beginning in calendar year 2009”. The Task Force did not submit a biennial report as required for either calendar year 2009 or calendar year 2011.

Recommendation – The Board of Control should electronically submit the 28E agreement and biennial reports to the Secretary of State’s Office to comply with the provisions of Section 28E.8 of the *Code of Iowa*.

- (C) Investments – As displayed in **Schedule 3**, the Task Force maintained various certificates of deposit between September 16, 1994 and December 20, 2005. Based on our review of the Task Force’s general ledger and other supporting documentation, the certificates of deposit were included in the Task Force’s fund balance at the time the certificates of deposit were held. However, the Task Force has not owned any certificates of deposit since December 2005.

The Board of Control has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The Board of Control should adopt a written investment policy to comply with the provisions of Chapter 12B.10B of the Code of Iowa.

- (D) Accounting System – Although the Task Force maintains a general ledger, the general ledger did not include all transactions. Interest, investments and member contributions from the City of Keokuk were not included in the ledger. In addition, reimbursements to the City of Keokuk from the Task Force for salaries, benefits and overtime were not included in the general ledger.

The general ledger incorrectly included salaries, benefits and overtime of the officer employed by the City of Keokuk.

Recommendation – The City of Keokuk should ensure all financial transactions are properly recorded. All receipts and disbursements associated with the Task Force should be included in the general ledger. Payroll expenses of the officer employed by the City of Keokuk should not be included in the general ledger.

- (E) Account Codification – Most disbursements were not classified by object.

Recommendation – The Task Force should record disbursements by object in accordance with the Uniform Chart of Accounts for Iowa Cities.

- (F) Travel Policy – The Task Force does not have written travel policies.

Recommendation – The Board of Control should establish a written policy concerning the documentation required for mileage and other travel claims.

- (G) Expenditure Approvals – Disbursements were not always approved by the Board of Control. The Task Force does not have a written disbursement approval policy allowing certain items to be paid prior to Board approval.

Recommendation – The Board of Control should adopt a written disbursement policy to allow payment of certain bills prior to Board approval. All Task Force disbursements should be approved by the Board prior to disbursement, with the exception of those specifically allowed by an approved policy. For those disbursements paid prior to Board approval, a listing should be provided to the Board at the next Board meeting for review and approval.

- (H) Minutes – Chapter 21 of the *Code of Iowa* requires minutes be kept of all meetings of governmental bodies. During our review of minutes, we determined:

- (1) Minutes did not include a schedule of bills allowed as required by Section 28E.6 of the *Code of Iowa*.
- (2) The minutes were not properly signed by the Commander to authenticate the record.
- (3) The specific exemption was not identified and documented for closed sessions as required by Chapter 21.5 of the *Code of Iowa*.

Recommendation – The Board of Control should ensure a schedule of bills is included in the minutes and published. Minutes should be properly signed to authenticate the record. Minutes should document the Board followed proper proceedings for any closed sessions.

**Lee County Narcotics Task Force**

**Schedule 1**

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## Lee County Narcotics Task Force

Summary of Cash Receipts, Disbursements and Balances  
with the Fiscal Agent

For the period July 1, 2010 to May 31, 2012

	Year Ended June 30, 2011	Eleven Months Ended May 31, 2012
Receipts:		
Edward Byrne Memorial Justice Assistance Grants	\$ 158,740	92,903
Member contributions	48,747	-
Forfeitures	8,347	2,935
Restitution	1,914	5,683
Miscellaneous	184	-
Total receipts	<u>217,932</u>	<u>101,521</u>
Disbursements:		
Reimbursements to members	213,352	134,060
Other	21,982	14,471
Total disbursements	<u>235,334</u>	<u>148,531</u>
Net change in cash balances	(17,402)	(47,010)
Cash balances beginning of period	<u>(25,686)</u>	<u>(43,088)</u>
Cash balances end of period	<u>\$ (43,088)</u>	<u>(90,098)</u>

## Lee County Narcotics Task Force

Summary of Cash Receipts, Disbursements and Balances  
Forfeiture and Restitution Funds

For the period April 24, 2012 to May 31, 2012

	Forfeiture Fund	Restitution Fund	Total
Receipts	\$ 494	10,122	10,616
Disbursements	316	2,066	2,382
Net change in cash balances	178	8,056	8,234
Cash balances beginning of period	-	-	-
Cash balances end of period	\$ 178	8,056	8,234

**Schedule 3**

## Lee County Narcotics Task Force

## Summary of Investments

September 16, 1994 through December 20, 2005

<b>Investment</b>			<b>Purchase</b>	<b>Maturity</b>
<b>Type</b>	<b>#</b>	<b>Amount</b>	<b>Date</b>	<b>Date</b>
CD	61579	\$ 100,000	09/16/94	12/16/94
CD	18371	25,000	12/16/94	06/16/95
CD	65505	25,000	06/16/95	09/15/95
CD	19011	25,000	09/15/95	12/15/95
CD	65739	20,000	12/15/95	03/15/96
CD	19230	20,000	03/15/96	06/18/96
CD	66384	20,000	06/18/96	08/16/96
CD	67666	25,000	09/17/96	12/17/96
CD	67762	25,000	12/17/96	06/17/97
CD	19829	50,000	06/17/97	09/16/97
CD	<i>Unknown</i>	70,000	09/16/97	12/16/97
CD	<i>Unknown</i>	70,000	12/16/97	06/17/98
CD	68465	50,000	06/17/98	09/17/98
CD	68569	50,000	09/17/98	12/17/98
CD	68595	50,000	12/17/98	03/17/99
CD	68632	50,000	03/17/99	06/17/99
CD	68646	30,000	06/17/99	09/17/99
CD	500284	30,000	09/17/99	12/17/99
CD	68713	30,000	12/17/99	06/19/00
CD	<i>Unknown</i>	30,000	06/19/00	12/18/00
CD	<i>Unknown</i>	50,000	12/18/00	06/18/01
CD	500831	50,000	06/18/01	12/18/01
CD	70032	50,000	12/18/01	06/18/02
CD	70697	50,000	06/18/02	06/18/03
CD	501759	50,000	06/18/03	06/18/04
CD	25173	50,000	06/18/04	06/20/05
CD	75001	25,000	06/20/05	12/20/05



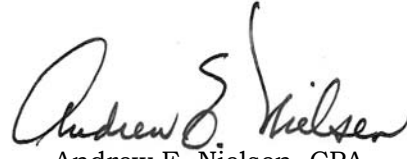
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Lee County Narcotics Task Force

Staff

This agreed upon procedures engagement was performed by:

Brian R. Brustkern, CPA, Manager  
James R. Wittenwyler, Senior Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State