

**REPORT OF THE AUDIT OF THE
BOONE COUNTY
SHERIFF**

**For The Period
January 1, 2014 Through November 30, 2014**



**MIKE HARMON
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EXECUTIVE SUMMARY
AUDIT OF THE
BOONE COUNTY SHERIFF

For The Period
January 1, 2014 Through November 30, 2014

The Auditor of Public Accounts has completed the Boone County Sheriff's audit for the period January 1, 2014 through November 30, 2014. Based upon the audit work performed, the financial statements present fairly, in all material respects, the receipts, and disbursements of the sheriff and the receipts, disbursements, and fund balances of the sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Boone County Sheriff had total receipts of \$16,267,434. Except for reimbursed expenses in the amount of \$ 3,040,977 and fiscal court contributions of \$10,579,899, the sheriff paid 25% of receipts to the Boone County Fiscal Court in the amount of \$649,327.

Report Comment:

2014-001 The Sheriff Lacks Controls Over Employee Timesheets And Recordkeeping

Deposits:

The sheriff's deposits were insured and collateralized by bank securities.

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Gary W. Moore, Boone County Judge/Executive
The Honorable Michael Helmig, Boone County Sheriff
Members of the Boone County Fiscal Court

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying Statement of Receipts and Disbursements - Regulatory Basis of the Sheriff of Boone County, Kentucky, and the Statement of Receipts, Disbursements, and Fund Balances of the Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the period January 1, 2014 through November 30, 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



The Honorable Gary W. Moore, Boone County Judge/Executive
The Honorable Michael Helmig, Boone County Sheriff
Members of the Boone County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by the sheriff on the basis of accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Boone County Sheriff, for the period January 1, 2014 through November 30, 2014, or changes in financial position or cash flows thereof for the period then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the sheriff and the receipts, disbursements, and fund balances of the sheriff's operating fund and county fund with the State Treasurer for the period January 1, 2014 through November 30, 2014, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017, on our consideration of the Boone County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Boone County Sheriff's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

The Honorable Gary W. Moore, Boone County Judge/Executive
The Honorable Michael Helmig, Boone County Sheriff
Members of the Boone County Fiscal Court

Other Reporting Required by *Government Auditing Standards* (Continued)

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

2014-001 The Sheriff Lacks Controls Over Employee Timesheets And Recordkeeping

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

November 28, 2017

BOONE COUNTY
MICHAEL HELMIG, SHERIFF
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS

For The Period January 1, 2014 Through November 30, 2014

Receipts

Federal Grants

Governor's Highway Safety Grant	\$ 38,500	
Motor Carrier Safety Assistance Program Grant	10,000	\$ 48,500

Federal Fees For Services

Department of Justice	14,969	
FBI-Joint Terrorism Task Force	16,880	
IRS Task Force	67,419	99,268

State Grant

Byrne Grant		12,006
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State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		495,594
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State Fees for Services:

Fee Claims	330,856	
Court Security	61,977	392,833

Circuit Court Clerk:

Circuit Court Fees	11,134	
District Court Fees	210	11,344

Fiscal Court		10,579,899
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County Clerk - Delinquent Taxes		145,697
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Commission on Taxes		3,689,119
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Fees Collected for Services:

Auto Inspections	67,325	
Attorney Fees	186,923	
Service Charge Ordinance	49,250	
Police Services	33,366	
Boone County Schools	41,985	378,849

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
 MICHAEL HELMIG, SHERIFF
 STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS
 For The Period January 1, 2014 Through November 30, 2014
 (Continued)

Receipts (Continued)

Other:

Sheriff's Fees and Advertising	\$ 178,053	
Miscellaneous	29,010	
Employee Share Health Insurance	138,140	
Comprehensive Care	158	
CCDW Permits	31,320	
Sheriff's Sales	6,369	
Impound	420	
Reports	596	
Court Ordered Payments	<u>5,891</u>	\$ 389,957
Interest Earned		<u>24,368</u>
Total Receipts		16,267,434
<u>Disbursements</u>		
Payments to County:		
Fees Collected - Fiscal Court		<u>49,250</u>
Total Disbursements		49,250
Net Receipts		16,218,184
Payments to State Treasurer:		
75% Operating Fund *	15,568,857	
25% County Fund	<u>649,327</u>	<u>16,218,184</u>
Balance Due at Completion of Audit		<u>\$ 0</u>

* Includes reimbursed expenses in the amount of \$13,620,876 for the audit period.
 See Note 1B of Notes to Financial Statements.

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
MICHAEL HELMIG, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Period January 1, 2014 Through November 30, 2014

	75% Operating Fund	25% County Fund	Totals
Fund Balance - December 31, 2013	\$(4,169,460)	\$	\$(4,169,460)
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	15,568,857		15,568,857
Fees Paid to State - County Funds (25%)		649,327	649,327
Total Funds Available	<u>11,399,397</u>	<u>649,327</u>	<u>12,048,724</u>
<u>Disbursements</u>			
Boone County Fiscal Court		156,669	156,669
Personal Services-			
Official's Statutory Maximum	102,106		102,106
Deputies' Salaries	6,559,788		6,559,788
Office Staff Salaries	458,191		458,191
Part Time Salaries	55,198		55,198
School Resource Salaries	525,730		525,730
Court Service Salaries	439,928		439,928
KLEFPF	367,446		367,446
Employee Benefits-			
Employer's Share Social Security	586,591		586,591
Employer's Share Retirement	2,766,095		2,766,095
Employer's Share Health Insurance	1,926,166		1,926,166
Workers' Compensation	113,821		113,821
Unemployment Insurance	10,770		10,770
Contracted Services-			
Advertising	97		97
Attorney Retainer Fee	629		629
Maintenance Agreements	1,500		1,500
Other Contracted Services	5,737		5,737

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
MICHAEL HELMIG, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
For The Period January 1, 2014 Through November 30, 2014
(Continued)

	75% Operating Fund	25% County Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
<u>Disbursements (Continued)</u>			
Supplies and Materials-			
Office Supplies	\$ 29,067	\$	\$ 29,067
Medical Supplies	3,202		3,202
Uniforms/Equipment	135,852		135,852
Other Charges-			
Dues	5,293		5,293
Postage	24,403		24,403
Training/Deputy Expenses	19,964		19,964
Transport Prisoners	70,307		70,307
General Utilities/Rentals	6,936		6,936
Data Processing	21,995		21,995
Auto Expenses-			
Auto Expenses	<u>513,356</u>		<u>513,356</u>
Total Disbursements	<u>14,750,168</u>	<u>156,669</u>	<u>14,906,837</u>
Fund Balance - November 30, 2014	<u>\$ (3,350,771)</u>	<u>\$ 492,658</u>	<u>\$ (2,858,113)</u>

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

November 30, 2014

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31:

- Interest receivable
- Collection on accounts due from others for 2014 services
- Reimbursements for 2014 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2014
- Payroll disbursements incurred but not paid

Some receipts of the fee official offices can be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

BOONE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
November 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

KRS 66.480 authorizes the sheriff's office to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent for the first six months and 17.67 percent for the last six months.

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 35.70 percent for the first six months and 34.31 percent for the last six months.

The sheriff's contribution for calendar year 2012 was \$3,042,226, calendar year 2013 was \$3,027,889, and January 1 2014 through November 30, 2014 was \$2,766,095.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

BOONE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 November 30, 2014
 (Continued)

Note 2. Employee Retirement System (Continued)

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Boone County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

BOONE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
November 30, 2014
(Continued)

Note 3. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the sheriff's deposits may not be returned. The Boone County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of November 30, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Additional Bank Accounts

A. Equipment Account

This account consists of funds received from court judgments. The funds are to be used for equipment purchases. The account had a beginning balance of \$10,878, receipts of \$11,343, and disbursements of \$16,742. The ending balance was \$5,479 as of November 30, 2014.

B. Federal Forfeiture Account-Department of Justice

The Boone County Sheriff's office maintains an account for the receipt and disbursement of funds received from the federal government for various cases involving sheriff's deputies working for the DEA. Disbursements from this account are for law enforcement activities. This account had a beginning balance of \$178,281. During the period January 1, 2014 through November 30, 2014, this account had receipts of \$65,492 and disbursements of \$228,105, leaving a balance of \$15,668 on November 30, 2014.

C. Flexible Spending Account

The Boone County Sheriff's Department established a Flexible Benefit Plan for its employees. This plan allows for pre-tax salary reductions for dependent care and health premiums. The Flexible Spending Account was created to handle all funds related to the plan offered by the sheriff's department. The account had a beginning balance of \$1,098. There were no receipts or disbursements during the period. The balance was \$1,098 as of November 30, 2014.

D. Federal Forfeiture-Treasury Account

This account consists of funds received from the federal government for various cases involving sheriff's deputies working for the IRS. The funds in this account are to be used for equipment and employee training. The account had a beginning balance of \$4,500, receipts of \$309,977 and disbursements of \$86,194. The ending balance was \$228,283 as of November 30, 2014.

E. Payroll Account

The sheriff opened this account to process payroll checks. This account is no longer being used because, as a county with a population of 70,000 or more, the sheriff's employees are paid by the state treasurer. This account still has outstanding checks and will remain open until all checks are cleared or the allotted time has passed and funds are given to the state as unclaimed property. The account had a beginning balance of \$15,934. There were no receipts or disbursements. The balance was \$15,934 as of November 30, 2014.

BOONE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
November 30, 2014
(Continued)

Note 4. Additional Bank Accounts Maintained By The Boone County Sheriff (Continued)

E. Payroll Account (Continued)

KRS 393.090 states that after three years, if the funds have not been claimed, they are presumed abandoned. Abandoned funds are required to be sent to the Kentucky State Treasurer by KRS 393.110. The sheriff should send a written report to the Treasury Department and submit \$15,934 to the Kentucky State Treasurer in accordance with KRS 393.110.

Note 5. Federal Grants

A. Governor's Highway Safety Program

The Boone County Sheriff's office received reimbursements from a Highway Safety Grant during the period January 1, 2014 through November 30, 2014. The purpose of the grant is to educate, inform, enforce and target violators of Kentucky traffic laws and make drivers more safety conscious. During the period January 1, 2014 through November 30, 2014, the Boone County Sheriff's office received reimbursements of \$38,500 from this grant for salary and benefits, public information, educational materials, and other expenses from participating in the statewide law enforcement mobilization. All funds received were expended for their intended purpose.

B. Motor Carrier Safety Assistance Program Grant (MCSAP)

The Boone County Sheriff's office received \$10,000 from the Motor Carrier Safety Assistance Program (MCSAP) during the period January 1 2014 through November 30, 2014. The Motor Carrier Safety Assistance Grant provides financial assistance to reduce the number and severity of crashes and hazardous materials incidents involving commercial motor carriers, increasing the likelihood that safety defects, deficiencies, and unsafe motor carrier practices are detected and corrected before they become contributing factors to crashes. All funds received were expended for their intended purpose.

Note 6. Kentucky Law Enforcement Foundation Program Fund (KLEFPF) Grant

The Boone County Sheriff's office received reimbursements of \$495,594 from a grant under the Kentucky Law Enforcement Foundation Program Fund (KLEFPF) from the Commonwealth of Kentucky Department of Criminal Justice Training for the period January 1, 2014 through November 30, 2014. Under the program, eligible officers received up to \$3,100 annually as provided in KRS 15.460. All funds were expended for their intended purpose.

Note 7. 75% Operating Fund - Deficit Balance

The Boone County Sheriff's 75% operating fund had a deficit balance of \$3,350,771 as of November 30, 2014. KRS 64.345(4) states, "[i]f seventy-five percent (75%) of the amount paid into the State Treasury in any month by any of such officers is not sufficient to pay the salaries and expenses of his office for that month, the deficit may be made up out of the amount paid in any succeeding month; but in no event shall the amount allowed by the Finance and Administration Cabinet to any officer for salaries and expenses exceed seventy-five percent (75%) of the amount paid to the Finance and Administration Cabinet by the officer during his official term." At December 1, 2014 that deficit transferred to the new sheriff. The 75% operating fund has to be settled at the end of the sheriff's term, which ends December 31, 2014.

BOONE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
November 30, 2014
(Continued)

Note 8. Audit Period

Sheriff Michael Helmig retired on November 30, 2014, and a new sheriff was appointed to serve the remainder of the term, December 1, 2014 through December 31, 2014. Sheriff Helmig returned to the office of the sheriff on January 1, 2015, to begin a new term as the elected official.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Gary W. Moore, Boone County Judge/Executive
The Honorable Michael Helmig, Boone County Sheriff
Members of the Boone County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements - regulatory basis of the Boone County Sheriff for the period January 1, 2014 through November 30, 2014, and the related notes to the financial statements and have issued our report thereon dated November 28, 2017. The Boone County Sheriff's financial statements are prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Boone County Sheriff's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Boone County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Boone County Sheriff's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified a certain deficiency in internal control, which is described in the accompanying comment and recommendation as item 2014-001 that we consider to be a significant deficiency.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With *Government Auditing Standards*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Boone County Sheriff's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Sheriff's Response to Finding

The Boone County Sheriff's response to the finding identified in our audit is included in the accompanying comment and recommendation. The Boone County Sheriff's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

November 28, 2017

COMMENT AND RECOMMENDATION

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BOONE COUNTY
MICHAEL HELMIG, SHERIFF
COMMENT AND RECOMMENDATION

For The Period January 1, 2014 Through November 30, 2014

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2014-001 The Sheriff Lacks Controls Over Employee Timesheets And Recordkeeping

During the prior audit, the sheriff disclosed an issue discovered by his office pertaining to inaccurate timesheets. An employee inaccurately charged overtime. The time frame for these inaccurate timesheets ranged from 2010 through 2015. The lack of oversight over timesheets by the appropriate supervisor allowed the inaccurate timesheets to be processed.

According to KRS 337.320(1), “[e]very employer shall keep a record of. . .[t]he hours worked each day and each week by employee[.]” Good Internal controls dictate that all timesheets be reviewed by a supervisor for correctness before approving and submitting to payroll for processing.

In order to strengthen controls over payroll and ensure compliance with KRS 337.320(1), we recommend the sheriff ensure that supervisors review all timesheets for correctness before submitting to payroll for processing. All employees, with exception of elected officials, should be required to maintain a timesheet.

Sheriff's Response: OK. Additional Controls Have Been Implemented.