

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

**For The Year Ended
December 31, 2015**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE 502.564.5841
FACSIMILE 502.564.2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT.....	1
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS	3
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE SHERIFF'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS.....	5
NOTES TO THE FINANCIAL STATEMENTS	7
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 <i>GOVERNMENT AUDITING STANDARDS</i>	15
COMMENTS AND RECOMMENDATIONS.....	19

THIS PAGE LEFT BLANK INTENTIONALLY



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 year ended December 31, 2015, 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 and budget laws. 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817

TELEPHONE 502.564.5841
FACSIMILE 502.564.2912
WWW.AUDITOR.KY.GOV

AN EQUAL OPPORTUNITY EMPLOYER M / F / D



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 Boone County Sheriff on the basis of the 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, as of December 31, 2015, or changes in financial position or cash flows thereof for the year 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 Boone County Sheriff and the receipts, disbursements, and fund balances of the Boone County Sheriff’s operating fund and county fund with the state treasurer for the year ended December 31, 2015, 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 October 12, 2018, 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, 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 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.

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

2015-001 The Sheriff Lacked Adequate Controls Over Employee Timesheets And Recordkeeping

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

October 12, 2018

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

For The Year Ended December 31, 2015

Receipts

Federal Grants			
Governor's Highway Safety Grant	\$	42,500	
Motor Carrier Safety Assistance Program Grant		14,421	
Law Enforcement Service Fee Grant		<u>33,220</u>	\$ 90,141
Federal Fees For Services			
Department of Justice		17,355	
FBI-Joint Terrorism Task Force		<u>13,005</u>	30,360
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)			479,178
State Fees for Services:			
Finance and Administration Cabinet			334,396
Fiscal Court			5,875,238
County Clerk - Delinquent Taxes			89,383
Commission on Taxes			3,480,793
Fees Collected for Services:			
Auto Inspections		78,340	
Accident/Police Reports		84	
Serving Papers		218,468	
Sheriff's Penalty and Advertising Fees		168,776	
Other Police Services		51,304	
Carry Concealed Deadly Weapon Permits		<u>41,140</u>	558,112
Other:			
Impound		1,016	
Employee Share Health Insurance		201,584	
Service Charge - Ordinance #03-07		54,320	
Court Ordered Payments		6,485	
Miscellaneous		<u>92,957</u>	356,362
Interest Earned			<u>3,786</u>
Total Receipts			11,297,749

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 Year Ended December 31, 2015
 (Continued)

Disbursements

Payments to County:		
Fees Collected - Fiscal Court		<u>\$ 54,951</u>
Total Disbursements		<u>54,951</u>
Net Receipts		11,242,798
Payments to State Treasurer:		
75% Operating Fund *	\$ 8,266,383	
25% County Fund	<u>601,172</u>	<u>8,867,555</u>
Balance Due at Completion of Audit **		<u><u>\$ 2,375,243</u></u>

* Includes reimbursed expenses in the amount of \$6,462,864 for the audit period.
 See Note 1 of Notes to Financial Statements.

** The sheriff remitted these funds on March 9, 2017.
 See Note 7 of Notes to 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 Year Ended December 31, 2015

	75% Operating Fund	25% County Fund	Totals
	_____	_____	_____
Fund Balance - January 1, 2015	\$ 0	\$ 0	\$ 0
 <u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	8,266,383		8,266,383
Fees Paid to State - County Funds (25%)		601,172	601,172
	_____	_____	_____
Total Funds Available	8,266,383	601,172	8,867,555
 <u>Disbursements</u>			
Boone County Fiscal Court		601,172	601,172
Personal Services-			
Official's Statutory Maximum	107,627		107,627
Deputies' Salaries	6,915,165		6,915,165
Part Time Salaries	511,955		511,955
Office Staff Salaries	410,437		410,437
Resource Officers' Salaries	555,031		555,031
KLEFPF Salaries	379,403		379,403
Employee Benefits-			
Employer's Share Social Security	617,229		617,229
Employer's Share Retirement	2,760,701		2,760,701
Employer's Share Health Insurance	1,880,581		1,880,581
Other Payroll Disbursements	71,979		71,979
Workers' Compensation	113,821		113,821
Contracted Services-			
Advertising	520		520
Maintenance Agreements	12,352		12,352
Other Contracted Services	2,504		2,504
Data Processing	20,016		20,016

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 Year Ended December 31, 2015
(Continued)

	75%	25%	
	Operating	County	
	Fund	Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
<u>Disbursements (Continued)</u>			
Supplies and Materials-			
Office Supplies	\$ 21,269	\$	\$ 21,269
Medical Supplies	842		842
Uniforms/Equipment	128,729		128,729
Other Charges-			
Dues	6,696		6,696
Postage	26,581		26,581
Training/Deputy Expenses	32,093		32,093
Transport Prisoners	82,054		82,054
General Utilities/Rentals	39,735		39,735
Merit Board	2,000		2,000
Miscellaneous	1,207		1,207
Auto Expenses-			
Maintenance and Repairs	<u>337,571</u>		<u>337,571</u>
Total Disbursements	<u>15,038,098</u>	<u>601,172</u>	<u>15,639,270</u>
Fund Balance - December 31, 2015	<u>\$ (6,771,715)</u>	<u>\$ 0</u>	<u>\$ (6,771,715)</u>

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

BOONE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

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 are deposited in the 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 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.

Also, some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. 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 2015 services
- Reimbursements for 2015 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2015

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the county treasurer in the subsequent year.

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).

BOONE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits

The county official and employees have elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is 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.

The sheriff's contribution for calendar year 2013 was \$3,027,889, calendar year 2014 was \$3,132,953, and calendar year 2015 was \$2,760,701.

Nonhazardous

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 be allocated as follows: five percent will go to the member's account and one percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute five percent of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A nonhazardous member's account is credited with a four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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 (member's 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.

The county's contribution rate for nonhazardous employees was 17.67 percent for the first six months and 17.06 percent for the last six months.

Hazardous

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.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

BOONE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2015
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

Hazardous (Continued)

Members in the plan contribute a set percentage of their salary each month to their own account. Hazardous members contribute eight percent of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a seven and one half percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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.

The county's contribution rate for hazardous employees was 34.31 percent for the first six months and 32.95 percent for the last six months.

Health Insurance Coverage

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. 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.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 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, the 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.

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. 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.

BOONE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2015
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

KRS also issues a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

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.

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 December 31, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of October 31, 2015, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the sheriff's deposits in accordance with the security agreement.

- Uninsured and Unsecured \$1,910,526

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 \$5,480, receipts of \$14,631, and disbursements of \$5,462. The ending balance was \$14,649 as of December 31, 2015.

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 \$23,288, receipts of \$102,907, and disbursements of \$92,825. The ending balance was \$33,370 as of December 31, 2015.

BOONE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

Note 4. Additional Bank Accounts (Continued)

C. Flexible Spending Account

The Boone County Sheriff's office 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 December 31, 2015.

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 \$207,167, receipts of \$111,308 and disbursements of \$251,719. The ending balance was \$66,756 as of December 31, 2015.

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 December 31, 2015.

Note 5. Federal Grants

A. Governor's Highway Safety Program

The Boone County Sheriff's office received reimbursements from a highway safety grant during calendar year 2015. The purpose of the grant is to educate, inform, enforce and target violators of Kentucky traffic laws and make drivers more safety conscious. The Boone County Sheriff's office received reimbursements of \$42,500 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 (MCSAP) Grant

The Boone County Sheriff's office received funds from the MCSAP grant during calendar year 2015. The MCSAP 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. The Boone County Sheriff's office received reimbursements of \$14,421 for this grant. All funds received were expended for their intended purpose.

C. Law Enforcement Service Fee Grant

The Boone County Sheriff's office received funds from the law enforcement service fee grant during calendar year 2015 for the delivery of DUI enforcement activities. The Boone County Sheriff's office received reimbursement of \$33,220 for this grant. All funds received were expended for their intended purpose.

BOONE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

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

The Boone County Sheriff's office received reimbursements of \$479,178 from a grant under the Kentucky Law Enforcement Foundation Program Fund (KLEFPF) from the Commonwealth of Kentucky Department of Criminal Justice Training for calendar year 2015. 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. Fee Account Balance

The Boone County Sheriff's fee account had a balance of \$2,375,243 as of December 31, 2105. The sheriff received \$7,174,405 from the fiscal court on June 16, 2015. Of those funds, \$4,799,167 were used to close out the old term. On March 9, 2017, the funds were transferred to the current term 75% account, from the old term.

Note 8. 75% Operating Fund - Deficit Balance

The Boone County Sheriff's 75% operating fund had a deficit balance of \$6,771,715 as of December 31, 2015. KRS 64.345(4) states, in part, "[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." The 75% operating fund must be settled at the end of the sheriff's term, which ends December 31, 2018.

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*

THIS PAGE LEFT BLANK INTENTIONALLY



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 Statement of Receipts and Disbursements - Regulatory Basis of the Sheriff of Boone County, Kentucky, 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 year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2018. The Boone County Sheriff's financial statements are prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Boone County Sheriff's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817

TELEPHONE 502.564.5841
FACSIMILE 502.564.2912

WWW.AUDITOR.KY.GOV

AN EQUAL OPPORTUNITY EMPLOYER M / F / D



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)

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in 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 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 described in the accompanying comments and recommendations as item 2015-001 that we consider to be a significant deficiency.

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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying comments and recommendations as item 2015-001.

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,



Mike Harmon
Auditor of Public Accounts

October 12, 2018

COMMENTS AND RECOMMENDATIONS

THIS PAGE LEFT BLANK INTENTIONALLY

BOONE COUNTY
MICHAEL HELMIG, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2015

FINANCIAL STATEMENT FINDING:

2015-001 The Sheriff Lacked Adequate Controls Over Employee Timesheets And Recordkeeping

During a prior audit, the sheriff disclosed an issue discovered by his office pertaining to inaccurate timesheets. An employee inaccurately charged overtime. The time frame for the inaccurate timesheets ranged from 2010-2015. The lack of oversight of timesheets by the appropriate supervisor allowed the inaccurate timesheets to be processed. According to KRS 337.320, “[e]very employer shall keep a record of. . .[t]he hours worked each day and each week by each employee[.]” Good internal controls dictate that all timesheets be reviewed by a supervisor for correctness before approval and submission to payroll for processing. In order to strengthen controls over payroll and ensure compliance with KRS 337.320, we recommend the sheriff ensure that supervisors review all timesheets for correctness before submission to payroll for processing. All employees, with exception of elected officials, should be required to maintain a timesheet.

Sheriff's Response: The sheriff did not provide a response.