



Auditor of Public Accounts
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Harmon Releases Audit of Breathitt County Sheriff's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2021 financial statement of Breathitt County Sheriff John Hollan. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account, and the other reporting on the audit of the fee account used to operate the office.

Auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements and excess fees of the Breathitt County Sheriff in accordance with accounting principles generally accepted in the United States of America. The sheriff's financial statement did not follow this format. However, the sheriff's financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for all 120 sheriff audits in Kentucky.

As part of the audit process, the auditor must comment on noncompliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following finding:

The sheriff's fourth quarter report did not properly reflect the source and use of funds: This is a repeat finding and was included in the prior year audit report as Finding 2020-001. The sheriff's ledgers and his fourth quarter report, which serves as his financial statement, reflected posting discrepancies, requiring multiple audit reclassifications and adjustments. Receipt reclassifications totaled \$190,875 and disbursement reclassifications and adjustments totaled \$100,332. The sheriff and his staff do not properly classify some types of transactions. Improper postings increase the risk of uncorrected errors, theft, loss, or misappropriated assets. Material audit reclassifications were necessary to accurately reflect the activity of the sheriff's office.

KRS 134.192(11) states, “[i]n counties containing a population of less than seventy thousand (70,000), the sheriff shall provide to the fiscal court by March 15 of each year a complete statement for the preceding calendar year, which includes: (a) A complete statement of all funds received by his or her office for official services, showing separately the total income received by his or her office for services rendered, exclusive of his or her commissions for collecting taxes, and the total funds received as commissions for collecting state, county, and school taxes; and (b) A complete statement of all expenditures of his or her office, including his or her salary, compensation of deputies and assistants, and reasonable expenses.”

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government’s (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The manual requires the sheriff to prepare a quarterly report which includes total receipts and total disbursements on a cash basis per line-item category.

We recommend the sheriff review reclassifications and adjustments to develop policies for posting transactions to ensure that receipts and disbursement are categorized correctly on his ledgers and fourth quarter report.

Sheriff’s Response: All money was accounted for within the fee account during 2021. The audit issue is that some of those funds should have simply been accounted for within accounts other than those utilized by the sheriff department for daily accounting. Account selection is open to interpretation and judgement. The sheriff’s office will attempt to incorporate these interpretations into account selection for transactions during the 2023 calendar year.

The sheriff’s responsibilities include collecting property taxes, providing law enforcement and performing services for the county fiscal court and courts of justice. The sheriff’s office is funded through statutory commissions and fees collected in conjunction with these duties.

The audit report can be found on the [auditor’s website](#).

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