



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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**Harmon Releases Audit of Breathitt County Sheriff's Tax Settlement**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2021 taxes for 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 sheriff's settlement presents fairly the taxes charged, credited and paid in accordance with accounting principles generally accepted in the United States of America. The sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The sheriff's financial statement fairly presents the taxes charged, credited and paid for the period April 16, 2021 through August 31, 2022 in conformity with the regulatory basis of accounting.

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 findings:

**The sheriff's annual settlement was materially misstated:** The sheriff did not include franchise taxes in the approved annual settlement and other adjustments were needed to account for additional taxes collected.

- Total Adjustments to Gross Chargeable to Sheriff \$906,005

- Total Adjustments to Credits \$4,357
- Total Adjustments to Commissions \$37,595
- Total Adjustments to Taxes Paid \$861,389

Since the settlement was not complete, the amount shown owed or due the taxing districts may have been incorrect. Adjustments and reclassifications have been made to correctly account for the tax collections of the audited period.

The sheriff did not implement proper internal controls to ensure the activity for tax collections was accurately reflected in the annual tax settlement. By not having an accurate tax settlement the fiscal court cannot determine whether problems exist in tax collections.

KRS 134.192(1) states, “[e]ach sheriff shall annually settle his or her accounts with the department, the county, and any district for which the sheriff collects taxes on or before September 1 of each year.” Additionally, effective internal controls over financial reporting are essential to ensure financial reports are accurate. The settlement shall show the amount of taxes collected and disbursed for the county, school district, and each taxing district.

We recommend the sheriff’s office prepare an accurate annual settlement.

*Sheriff’s Response: Attempts will be made for a more accurate settlement in the future.*

**The sheriff has a deficit of \$3,529 in his 2021 tax account:** The Breathitt County Sheriff has a deficit of \$3,529 in his official 2021 tax account. This occurred because of a lack of internal controls in place to ensure all tax monies due the tax account were properly billed, collected, and deposited, and that all payments were properly paid, and that this activity was properly reflected on the county settlement that was submitted to, and approved by, the fiscal court.

As a result, the sheriff’s office did not have the funds needed to settle 2021 taxes and the taxing districts were underpaid during the tax year.

As collector of property taxes, the sheriff assumes full responsibility for all tax collections and complete distribution of these collections to the proper taxing authorities. KRS 134.192 requires the sheriff to settle his or her accounts annually with each taxing district for which he or she collects taxes.

We recommend the sheriff determine if his settlement was accurate and reflected the proper activity of the 2021 tax year. Furthermore, if it is determined that the settlement is correct, the sheriff should deposit personal funds of \$3,529 into his official 2021 tax account and settle the 2021 tax year.

*Sheriff's Response: The audit cannot produce any specific tax bills, etc. to support the suggested deficit of \$3,529. We disagree that an audit finding that has no specific support can be included in an audit report. The sheriff staff has spent hundreds of hours but cannot find misappropriated money, etc. Monthly tax disbursements were made according to [software name redacted] software in full. Short payments were never made to the tax districts. Furthermore, the money is not in the bank. The sheriff dept also requested the assistance of [software name redacted] to research the issue. After days of research they also found no issues when comparing collections activity, bills, etc. If there truly is a shortage of funds and unpaid liabilities to tax districts we question how the [software name redacted] disbursement reports were paid in full throughout the tax period in question. Seems like the details for such deficit could be supported via audit fieldwork, department research, as well as review by the [software name redacted] software personnel. Until further support is provided to evidence funds are owed to tax districts we question the inclusion of an audit issue that isn't supported at the bill level of detail.*

Auditor's Reply: Adjustments made to the sheriff's settlement were discussed with the sheriff. The final audited settlement shows over \$3,500 due to the taxing districts and agrees closely to an updated settlement provided to us by the sheriff. It would be cost prohibitive for auditors to review every tax bill and transaction; therefore, we advised Sheriff Hollan of areas to review, including additional bills, in order to keep the cost of the audit from being excessive.

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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