



**Auditor of  
Public Accounts  
Allison Ball**

# Breathitt County Sheriff's Fee Account Audit

**FRANKFORT, Ky.** – State Auditor Allison Ball released the audit of the 2023 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.

## **Finding: Failed to implement adequate internal controls over financial accounting and reporting.**

This finding represents a combination of findings 2022-001 and 2022-002 included in the prior year audit report. The Breathitt County Sheriff's Office lacks adequate segregation of duties. Deputies collect fee receipts, prepare the daily checkout sheets, and prepare and make the daily deposit, which are incompatible duties. While the bookkeeper does not collect fees, he posts receipts from the daily checkouts, prepares the bank reconciliations, and prepares the sheriff's quarterly financial statements. The sheriff's fourth quarter financial statement submitted to the Department for Local Government was materially misstated. Additionally, the sheriff's fee account is in a deficit. Occupational taxes were withheld from employees but not remitted to the fiscal court and there is not enough money left in the fee account to cover what is still owed. The lack of adequate internal controls including proper segregation of duties increased the risk of misappropriation of assets, undetected errors, theft, loss, and caused materially inaccurate financial reporting. The sheriff's financial statement receipts were misstated by \$63,097 and disbursements were misstated by \$198,645, which has resulted in a deficit of \$1,213.

## **Recommendations**

We recommend the sheriff strengthen internal controls by adequately segregating duties or implementing effective compensating controls. We also recommend the sheriff review accounting records and require receipts and disbursements to be categorized and accounted for correctly.

## **County Officials Response**

*Sheriff's Response: The sheriff department doesn't have the funds to staff the office with the quantity of employees required to adequately segregate duties. We will continue practicing the internal controls in place and implement additional controls when possible.*

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](#).

