

**REPORT OF THE AUDIT OF THE  
BREATHITT COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2024**



**ALLISON BALL  
AUDITOR OF PUBLIC ACCOUNTS  
[auditor.ky.gov](http://auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**



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**ALLISON BALL**  
**AUDITOR OF PUBLIC ACCOUNTS**

Independent Auditor's Report

The Honorable Jeff Noble, Breathitt County Judge/Executive  
The Honorable John Hollan, Breathitt County Sheriff  
Members of the Breathitt County Fiscal Court

**Report on the Audit of the Financial Statement**

**Opinions**

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Sheriff of Breathitt County, Kentucky, for the year ended December 31, 2024, and the related notes to the financial statement.

*Unmodified Opinion on Regulatory Basis of Accounting*

In our opinion, the accompanying financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Breathitt County Sheriff for the year ended December 31, 2024, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws as described in Note 1.

*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 section of our report, the financial statement does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Breathitt County Sheriff, as of December 31, 2024, or changes in financial position or cash flows thereof for the year then ended.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States, and the *Audit Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Breathitt County Sheriff and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



The Honorable Jeff Noble, Breathitt County Judge/Executive  
The Honorable John Hollan, Breathitt County Sheriff  
Members of the Breathitt County Fiscal Court

### **Basis for Opinion (Continued)**

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

As described in Note 1 of the financial statement, the financial statement is prepared by the Breathitt 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 and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement 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 and pervasive.

### **Responsibilities of Management for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement 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 a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Breathitt County Sheriff's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statement**

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 Breathitt County Sheriff's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Breathitt County Sheriff's ability to continue as a going concern for a reasonable period of time.

The Honorable Jeff Noble, Breathitt County Judge/Executive  
The Honorable John Hollan, Breathitt County Sheriff  
Members of the Breathitt County Fiscal Court

**Auditor's Responsibilities for the Audit of the Financial Statement (Continued)**

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we have identified during the audit.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2026, on our consideration of the Breathitt 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the Breathitt County Sheriff's internal control over financial reporting and compliance.

Based on the results of our audit, we have presented the accompanying Schedule of Findings and Responses, included herein, which discusses the following report findings:

- 2024-001 The Breathitt County Sheriff Failed To Implement Adequate Internal Controls Over Financial Accounting And Reporting
- 2024-002 The Breathitt County Sheriff's Office Lacks Adequate Internal Controls For Payroll Withholdings
- 2024-003 The Breathitt County Sheriff Did Not Repay The State Advancement Timely

Respectfully submitted,



Allison Ball  
Auditor of Public Accounts  
Frankfort, KY

April 6, 2026

BREATHITT COUNTY  
JOHN HOLLAN, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2024

Receipts

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)	\$	4,461
State Fees For Services:		
Finance and Administration Cabinet	\$	109,103
Election Committee/Services		2,500
HB 452		2,762
Transport Reimbursement		3,548
		117,913
Circuit Court Clerk:		
E-Services		14,013
Fiscal Court		47,869
County Clerk - Delinquent Taxes		28,151
Commission On Taxes Collected		203,514
Fees Collected For Services:		
Auto Inspections		3,065
Arrest Fees		1,723
Summons/Subpoena		2,740
Carry Concealed Deadly Weapon Permits		1,500
		9,028
Other:		
Involuntaries		2,400
KY Finance Payments		2,025
Accident Reports		365
Misc Fines/ Fees Collected		5,255
Sheriff's 10% Add-On Fees		13,045
		23,090
Interest Earned		403
Borrowed Money:		
State Advancement		100,000
		100,000
Total Receipts		548,442

The accompanying notes are an integral part of this financial statement.

BREATHITT COUNTY  
 JOHN HOLLAN, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2024  
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-			
Deputies' Salaries	\$	204,867	
Other Salaries		30,000	
Employee Benefits-			
Employer's Share Social Security		22,875	
Contracted Services-			
Advertising		72	
Vehicle Maintenance and Repairs		7,551	
Contractors/Seasonal		41,430	
Materials and Supplies-			
Office Materials and Supplies		5,068	
Uniforms		2,216	
Gasoline		14,230	
Utilities		5,031	
Other Charges-			
Conventions and Travel		3,253	
Postage		1,000	
Bond		4,673	
Miscellaneous		3,528	
Capital Outlay-			
Office Equipment		925	\$ 346,719
Debt Service:			
State Advancement			<u>100,000</u>
Total Allowable Disbursements			<u>\$ 446,719</u>
Net Receipts			101,723
Less: Statutory Maximum			<u>99,455</u>
Excess Fees			2,268
Less: Training Incentive Benefit			<u>5,153</u>
Ending Fund Balance*			<u><u>\$ (2,885)</u></u>

\* - Negative balance is due to payroll withholdings still due.

BREATHITT COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2024

Note 1. Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statement has been prepared on a regulatory basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Authority for the regulatory basis is found in Kentucky Revised Statutes (KRS).

The Department for Local Government (DLG) is the regulatory agency responsible for establishing minimum accounting requirements for local government entities. The commissioner of the DLG is designated as the state local finance officer. (KRS 68.001). The DLG must prescribe and maintain “a uniform system of accounting and reporting on the receipt, use and handling of all public funds, other than taxes, due and payable to the state” from local government entities. (KRS 46.010(1)). The state local finance officer supervises the administration of the county uniform budget system and accounts and financial operations and must prescribe a “uniform system of accounts for all counties and county officials.” (KRS 68.210). Under this authority, the DLG requires local governments to follow guidelines set forth in its *County Budget Preparation and State Local Finance Officer Policy Manual* (Manual) to meet the minimum required reporting for financial statement purposes.

The regulatory basis is outlined in the Manual and defines the measurement, presentation, disclosure, and recognition requirements for financial transactions when preparing regulatory basis financial statements. The Manual includes the standardized format for quarterly reporting to DLG.

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) as of December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2024 services
- Reimbursements for 2024 activities
- Payments due to other governmental entities for December tax and fee collections and payroll
- Payments due to vendors for goods or services provided in 2024

B. Measurement Focus and Excess Fees

The measurement focus of a fee official’s financial statement is upon current financial resources. A sheriff must remit to the fiscal court any income of his or her office, including the income from investments, that exceeds the sum of his or her maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants, when making his or her annual settlement. (KRS 134.192(12)). This settlement is due to the fiscal court by March 15 of each year. (KRS 134.192(11)). An outgoing sheriff shall make a final settlement with the fiscal court by March 15 immediately following the expiration of his or her term of office. (KRS 64.830). The fiscal court shall collect any amount due from the sheriff as determined by the audit. (KRS 64.820).

C. 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.

BREATHITT COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2024  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. 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 and Other Post-Employment Benefits

The sheriff's office has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which has been governed by the CERS nine-member board of trustees since April 1, 2021. The Kentucky Public Pensions Authority (KPPA) was created by KRS 61.505, effective April 1, 2021, to provide staffing and daily administrative needs for CERS and Kentucky Retirement Systems. CERS 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, vesting requirements, and provisions are established by statute and are determined by participation date and hazardous or non-hazardous participation.

The county's contribution rate for nonhazardous employees for calendar year 2024 was 23.34% for the first six months and 19.71% for the last six months. The county's contribution rate for hazardous employees was 43.69 percent for the first six months and 38.61 percent for the last six months.

Other Post-Employment Benefits (OPEB)

CERS provides post-retirement health care, cost of living adjustments for all recipients of retirement benefits, and a retired member's death benefit, all determined by participation date and hazardous or non-hazardous participation.

Specific details about retiree pension and OPEB benefits can be found online at: <https://www.kyret.ky.gov/Publications>.

Kentucky Public Pension Authority's Annual Financial Report and Proportionate Share Audit Report

KPPA issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. Many of these annual reports are available online at <https://kyret.ky.gov>. Reports may also be obtained by writing the KPPA, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KPPA also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation, as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports 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.

BREATHITT COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2024  
 (Continued)

Note 3. Deposits

The Breathitt County Sheriff maintained deposits of public funds with federally insured banking institutions as required by the Manual. The Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected 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. These requirements were met.

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 Breathitt County Sheriff does not have a deposit policy for custodial credit risk, but rather follows the requirements of the Manual. As of December 31, 2024, all deposits were covered by a properly executed collateral security agreement.

Note 4. Short-term Debt

The Breathitt County Sheriff's Office was committed to the following short-term debt as of December 31, 2024.

	Beginning Balance	Additions	Reductions	Ending Balance
State Advancement	\$ _____	\$ 100,000	\$ 100,000	\$ _____
Total Short-term Debt	<u>\$ 0</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 0</u>

Note 5. Lease Agreement

The Breathitt County Sheriff's Office was committed to the following lease agreement as of December 31, 2024:

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance December 31, 2024
Copier	12/31/2019	60	Monthly	12/31/2024	\$ 50	\$ 0

Note 6. Drug Account

The Breathitt County Sheriff's maintains a drug forfeiture account consisting of proceeds from the confiscation, surrender, or sale of real and personal property involved in drug related convictions. These funds are to be used for the sheriff's office and are not included in the calculation of excess fees. This fund had a beginning balance of \$15 as of January 1, 2024. Receipts totaled \$2,125 and disbursements totaled \$1,578 for the year. The balance as of December 31, 2024, was \$562.

BREATHITT COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2024  
(Continued)

Note 7. Asset Forfeiture Account

The former Breathitt County Sheriff maintained an asset forfeiture account consisting of proceeds from the confiscation, surrender, or sale of real and personal property involved in drug related convictions. These funds were to be used for the sheriff's office and are not included in the calculation of excess fees. This fund had a beginning balance of \$128 at January 1, 2024. No receipts were collected, and no funds were disbursed for the year. The balance as of December 31, 2024, was \$128. This account was opened and operated by the former Breathitt County Sheriff. The current Breathitt County Sheriff does not utilize this account.

Note 8. On Behalf Payments

The fiscal court contributed a total of \$8,648 to meet the statutory maximum salary as required by KRS. 64.5275. With the fiscal court contribution and the sheriff's office payments of \$99,455, the Breathitt County Sheriff was paid the statutory maximum of \$108,103 for the year ended December 31, 2024.

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

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ALLISON BALL  
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

The Honorable Jeff Noble, Breathitt County Judge/Executive  
The Honorable John Hollan, Breathitt County Sheriff  
Members of the Breathitt County Fiscal Court

We have audited, 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 Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Breathitt County Sheriff for the year ended December 31, 2024, and the related notes to the financial statement and have issued our report thereon dated April 6, 2026. The Breathitt County Sheriff's financial statement is 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.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Breathitt County Sheriff's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Breathitt County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Breathitt County Sheriff's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

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 statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2024-001 and 2024-003 to be material weaknesses.



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

**Report on Internal Control over Financial Reporting (Continued)**

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2024-002 to be a significant deficiency.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Breathitt County Sheriff's financial statement is 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 financial statement. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2024-001, 2024-002, and 2024-003.

**Views of Responsible Official and Planned Corrective Action**

*Government Auditing Standards* require the auditor to perform limited procedures on the Breathitt County Sheriff's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Breathitt County Sheriff's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

**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,



Allison Ball  
Auditor of Public Accounts  
Frankfort, KY

April 6, 2026

## SCHEDULE OF FINDINGS AND RESPONSES

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BREATHITT COUNTY  
JOHN HOLLAN, SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2024

2024-001 The Breathitt County Sheriff Failed To Implement Adequate Internal Controls Over Financial Accounting And Reporting

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This is a repeat finding and was included in the prior year audit report as finding 2023-001. 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 check-outs, 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 and submitted late. 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.

According to the sheriff, the sheriff's office is a very small office, and it is impossible to properly segregate duties due to the lack of staff and funds to hire additional staff. The misstatements were due to posting gross salaries and payroll withholdings incorrectly. Additionally, multiple receipts and disbursements did not properly reflect the source and use of funds, which required reclassifications. There was no oversight or review of the reporting process.

The lack of adequate internal controls including proper of 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 \$167,720 and disbursements were misstated by \$51,799 which has resulted in a deficit of \$2,885.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts pursuant to this authority, the state local finance officer has prescribed minimum accounting and reporting standards in DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. The manual requires the quarterly report to be submitted to the DLG no later than 30 days following the close of quarters ending March 31, June 30, September 30, and December 31.

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 134.192(12) states, "[a]t the time he or she files the statements required by subsection (11) of this section, the sheriff shall pay to the governing body of the county any fees, commissions, and other income of his or her office, including income from investments, which exceeds the sum of his or her maximum salary as permitted by the Constitution and other reasonable expenses, including compensating of deputies and assistants."

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.

BREATHITT COUNTY  
 JOHN HOLLAN, SHERIFF  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2024  
 (Continued)

2024-001 The Breathitt County Sheriff Failed To Implement Adequate Internal Controls Over Financial Accounting And Reporting (Continued)

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*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.*

*Categorizing receipts and disbursements is a subjective task left open to the judgment of each sheriff department. State government could provide restrictions in this area by requiring standardized, process centered reporting software/spreadsheets that don't allow modification. However, improvements have already been made to better align our receipt and disbursement categories with audit suggestions.*

2024-002 The Breathitt County Sheriff's Office Lacks Adequate Internal Controls For Payroll Withholdings

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The sheriff's office lacks adequate internal controls for payroll withholdings. As a result, the following exceptions were noted during tested:

- Federal and state tax withholdings for January 2024 through March 2024 were not made timely.
- December 2024 federal tax withholdings totaling \$2,793 were paid from the 2025 fee account in May 2025.
- December 2024 state tax withholdings totaling \$877 were paid from the 2025 fee account in May 2025.
- Employee retirement withholdings and employer retirement match were not reimbursed to the fiscal court.
- Employer retirement match on payroll reports did not reflect accurate match percentage.
- One employee was issued both a W-2 and 1099 tax form.
- Six former employees were each paid \$2,500 but were not issued a W-2 or 1099 tax form.
- One employee's 1099 tax form did not include \$2,500 of earned income.
- Per 105 KAR 1:140, four part-time employees exceeded allowable work hours to be considered part-time.

The sheriff's office failed to adequately assess the risk associated with payroll processing and implement adequate oversight and internal controls regarding the review procedures in place to ensure the payroll withholdings were paid timely and accurately. Failure to implement adequate controls over payroll increases the risk that material misstatements and fraud will occur and go undetected, especially considering payroll accounts for a large portion of the sheriff's budget. Additionally, the failure to implement adequate controls has resulted in a deficit of \$2,885.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." Adequate review and oversight are basic internal controls necessary to ensure the accuracy and reliability of financial reports.

Internal Revenue Service (IRS) Publication 15 for 2024 states, "Under the semi-weekly deposit schedule, deposit employment taxes for payments made on Wednesday, Thursday, and/or Friday by the following Wednesday. Deposit taxes made on Saturday, Sunday, Monday, and/or Tuesday by the following Friday."

BREATHITT COUNTY  
 JOHN HOLLAN, SHERIFF  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2024  
 (Continued)

2024-002 The Breathitt County Sheriff's Office Lacks Adequate Internal Controls For Payroll Withholdings  
 (Continued)

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103 KAR 18:150(2)(3)(a) requires, "Any employer who withheld income tax of \$2,000 or more, but less than \$50,000 during the lookback period shall report and pay the tax monthly using Revenue Form K-1, 'Employers Return of Income Tax Withheld.'"

103 KAR 18:150(2)(3)(b) states, "Revenue Form K-1 and the income tax withheld each month shall be filed and paid on or before the 15<sup>th</sup> day of the following month for each of the first eleven (11) months of the calendar year."

103 KAR 18:150(2)(3)(c) provides, "Revenue Form K-3, 'Employer's Annual Reconciliation Return,' and the income tax withheld for the last month shall be filed and paid on or before the last day of the month following the close of the calendar year in which the tax was withheld (January 31)."

105 KAR 1:140 (7)(7)(a) states, "[a]n employer shall only classify an employee as holding a part-time position pursuant to KRS 61.510(21)(d) or 78.510(21)(e) if the position requires less than an average of 100 hours per month of actual worked time in a calendar or fiscal year."

We recommend the sheriff implement effective internal controls for payroll processing to ensure the payroll reports are prepared accurately and withholdings are paid timely and accurately.

*Sheriff's Response: The department is current on all state and federal payroll tax withholding payments. Sometimes these payments have been late when the department doesn't have the money. We will attempt to make these payments timely in the future.*

2024-003 The Breathitt County Sheriff Did Not Repay The State Advancement Timely

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The Breathitt County Sheriff participated in the Kentucky County Sheriff Advancement Program. The sheriff borrowed \$100,000 from this program during calendar year 2024. The sheriff's advancement was not repaid by January 15 of the year following the year in which the advancement was made as required.

The sheriff did not implement proper internal controls to ensure that the state advancement was repaid timely. Failure to repay the state advancement timely resulted in a noncompliance and could affect the sheriff's ability to receive future state advancements.

200 KAR 38:050 states, "the sheriff shall, on or before January 15 of the year following the year in which the advancements are made, forward a check made payable to the Treasurer of the Commonwealth of Kentucky in the amount of the unpaid balance."

We recommend the sheriff implement internal controls to ensure state advances are repaid by January 15 of the year following the year in which the advancement was made.

*Sheriff's Response: The department will make every effort to repay the state advancement by January 15<sup>th</sup>. Most years this isn't a practical deadline due to holidays, and most notable waiting for money to be received for property commission reimbursement from the schools as well as AOC reimbursement. However, every effort will be made to repay the advancement by January 15.*