



**Auditor of
Public Accounts
Allison Ball**

Breathitt County Sheriff's Fee Account Audit

FRANKFORT, Ky. – State Auditor Allison Ball released the audit of the 2024 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 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.

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.

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.

Finding: Lacks adequate internal controls for payroll withholdings.

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.

Recommendations

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.

County Officials Response

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.

Finding: Did not repay the state advancement timely.

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.

Recommendations

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.

County Officials Response

Sheriff's Response: The department will make every effort to repay the state advancement by January 15th. 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

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](#).

