

**REPORT OF THE AUDIT OF THE  
FORMER BREATHITT COUNTY  
SHERIFF'S SETTLEMENT – 2018 TAXES**

**For The Period  
April 17, 2018 Through December 31, 2018**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE 502.564.5841  
FACSIMILE 502.564.2912**



CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	5
SCHEDULE OF FINDINGS AND RESPONSES .....	9

THIS PAGE LEFT BLANK INTENTIONALLY



**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Jeffrey Noble, Breathitt County Judge/Executive  
The Honorable Ray Clemons, Former Breathitt County Sheriff  
The Honorable John Hollan, Breathitt County Sheriff  
Members of the Breathitt County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We were engaged to audit the former Breathitt County Sheriff's Settlement - 2018 Taxes for the period April 17, 2018 through December 31, 2018 - Regulatory Basis, and the related notes to the financial statement.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of the 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 as described in Note 1. 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit 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 Guide for Sheriff's Tax Settlements*, issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Because of the matters described in the Basis of Disclaimer of Opinion paragraph; however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

**Basis for Disclaimer of Opinion**

The former Breathitt County Sheriff did not provide any accounting records of the taxes charged, credited, or paid for the period April 17, 2018 through December 31, 2018. In addition, a financial statement was not prepared. This serious weakness in design and operation of financial activities resulted in a high level of audit risk that could not be overcome by our audit procedures. Due to the apparent lack of internal controls and the above noted issues, we were unable to reduce the audit risk to an acceptable level.



To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Jeffrey Noble, Breathitt County Judge/Executive  
The Honorable Ray Clemons, Former Breathitt County Sheriff  
The Honorable John Hollan, Breathitt County Sheriff  
Members of the Breathitt County Fiscal Court

**Disclaimer of Opinion**

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statement.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2020, on our consideration of the former Breathitt County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 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 former 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 comment:

2018-001 The Former Sheriff Did Not Provide Any Records To Auditors

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

June 24, 2020

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*

THIS PAGE LEFT BLANK INTENTIONALLY





**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Jeffrey Noble, Breathitt County Judge/Executive  
The Honorable Ray Clemons, Former Breathitt County Sheriff  
The Honorable John Holland, Breathitt County Sheriff  
Members of the Breathitt County Fiscal Court

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

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the former Breathitt County Sheriff's Settlement - 2018 Taxes for the period April 17, 2018 through December 31, 2018 - Regulatory Basis and the related notes to the financial statement and have issued our report thereon dated June 24, 2020. The former 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. Our report disclaims an opinion on this financial statement because we were not provided with any accounting records of the taxes charged, credited, or paid and a financial statement was not prepared as discussed in the Basis for Disclaimer of Opinion in the Independent Auditor's Report.

**Internal Control Over Financial Reporting**

In connection with our engagement of the financial statement, we considered the former Breathitt County Sheriff's internal control over financial reporting (internal control) to determine the 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 former Breathitt County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former 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 a certain deficiency in internal control that we consider to be a material weakness.



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)

**Internal Control Over Financial Reporting (Continued)**

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 deficiency described in the accompanying Schedule of Findings and Responses as item 2018-001 to be a material weakness.


**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the former Breathitt County Sheriff's financial statement is free from 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 determination of financial statement amounts. 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2018-001.

**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,



Mike Harmon  
Auditor of Public Accounts

June 24, 2020



## SCHEDULE OF FINDINGS AND RESPONSES

THIS PAGE LEFT BLANK INTENTIONALLY

BREATHITT COUNTY  
RAY CLEMONS, FORMER SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES

For The Period April 17, 2018 Through December 31, 2018

FINANCIAL STATEMENT FINDING:

2018-001 The Former Sheriff Did Not Provide Any Records To Auditors

---

The former sheriff did not provide any records to document the collection of 2018 taxes from April 17, 2018 through December 31, 2018. By failing to provide complete financial records, auditors cannot verify the financial activities of his office. This serious weakness in design and operation of financial activities materially limited the scope of our audit. We could not overcome this high risk thru testing or the risk that a potential fraud could have occurred and went undetected by management. Therefore, a disclaimer of opinion will be issued.

The former sheriff did not implement proper internal controls and oversee the closeout of his term to ensure the activity for tax collections were maintained or an annual tax settlement was prepared.

The former sheriff's practices created an environment for potential undetected material misstatements to occur in the financial statements either by error or fraud which puts taxpayer monies at risk. In addition, various local and state agencies that rely on and monitor the financial and program activity of the former sheriff cannot rely on nor have any confidence in the reports submitted by the former sheriff. In addition, it should be noted that due to the lack of financial records noted above, auditors could not ensure proper corrective actions had been enacted by the former sheriff to clear any prior year findings. Thus, we will not present or carry forward any prior year findings as part of this audit report.

Effective internal controls over financial reporting are essential to ensure financial records are maintained. In addition, KRS 134.215(3) states, "[e]ach outgoing sheriff shall make a final settlement with the department, the fiscal court, and all districts for which his or her office collected taxes by March 15 immediately following the expiration of his or her term of office. The settlement shall address all charges of taxes made against the sheriff and all money received by him or her as sheriff, and shall include all of the information required for the annual settlement pursuant to KRS 134.192. Upon approval of the final settlement, the outgoing sheriff shall deliver these records to the incumbent sheriff. The final settlement of the outgoing sheriff shall be audited as provided in KRS 43.070 and 64.810."

We recommend the former sheriff make a final settlement with all taxing districts and pay any monies owed to these districts. We will refer this issue to the Kentucky Department of Revenue and the Kentucky Office of the Attorney General.

*Former Sheriff's Response: No response.*