



Auditor of Public Accounts
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Harmon Releases Audit of Breathitt County Sheriff's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2019 financial statement of Breathitt County Sheriff Jeff 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.

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 comment:

The sheriff's fourth quarter report was not accurate: The sheriff's ledgers and his fourth quarter report, which serves as his financial statement, reflected posting discrepancies, requiring multiple audit reclassifications. Receipt reclassifications totaled \$32,979 and disbursement reclassifications totaled \$62,195. The sheriff and his staff lack experience to know how to properly classify different types of transactions. Mistpostings increase the risk of uncorrected errors, theft, loss, or misappropriated assets. Material audit reclassifications were necessary to accurately reflect the activity of the sheriff's office.

KRS 134.192(11) states, “[i]n counties containing a population of less than seventy thousand (70,000), the sheriff shall file annually with his or her settlement: (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 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government’s (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The manual requires the sheriff to prepare a quarterly report which includes total receipts and total disbursements on a cash basis per line item category.

We recommend the sheriff review reclassifications and develop policies for posting transactions to ensure that receipts and disbursements are categorized correctly on his ledgers and fourth quarter report.

County Sheriff’s Response: In summary, all transactions for 2019 were accounted for just not in the proper account as suggested by Frankfort and within the audit review. The 2020 financial statement and the 2021 budget will better reflect the account usage recommended, especially tax deposit payments.

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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