

Shelby County, Illinois

Shelbyville, Illinois

Report on Federal Awards

Year Ended August 31, 2021



WIPFLI

Shelby County, Illinois

Year Ended August 31, 2021

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the County Board
Shelby County, Illinois
Shelbyville, Illinois

We have audited, 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 modified cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Shelby County, Illinois (the "County"), as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 9, 2022, which were prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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 reasonable possibility that a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are 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 statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipac LLP

Sterling, Illinois
August 9, 2022

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance

To the County Board
Shelby County, Illinois
Shelbyville, Illinois

Report on Compliance for Each Major Federal Program

We have audited Shelby County, Illinois' (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal program for the year ended August 31, 2021. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Shelby County, Illinois complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2021.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major or federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the of the governmental activities, each major fund and the aggregate remaining fund information of Shelby County, Illinois, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated August 9, 2022 which contained unmodified opinions on those modified cash basis financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the scheduled of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.
Wipfli LLP

Wipfli LLP

August 9, 2022
Sterling, Illinois

Shelby County, Illinois

Schedule of Expenditures of Federal Awards For the year ended August 31, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Illinois Department of Human Services				
Special Supplemental Nutrition Program for Women, Infants, and Children:				
WIC Administration	10.557	FCSZQ01093	\$70,199	\$0
WIC Administration	10.557	FCSAQ01093	12,006	0
WIC Breastfeeding Peer Counselor	10.557	FCSZQ01197	10,187	0
WIC Breastfeeding Peer Counselor	10.557	FCSAQ01197	1,665	0
Total ALN 10.557			94,057	0
Total U.S. Department of Agriculture			\$94,057	\$0
U.S. Department of Transportation				
Illinois Department of Transportation				
Planning - Abbreviated Airport Master Plan Project				
	20.106	2H0-4487	2,556	0
COVID-19 - Coronavirus Aid, Relief, & Economic Security Act - Airport Program				
	20.106	20-2421-19375	5,500	0
COVID-19 - Coronavirus Aid, Relief, & Economic Security Act - Airport Program				
	20.106	2H0-4913	35,000	0
Total ALN 20.106			43,056	0
Illinois Department of Transportation				
Highway Planning and Construction Cluster:				
Major Bridge - Westervelt				
	20.205	18-00287-00-BR	58,423	0
Illinois Department of Transportation				
Section 5311 Operating Assistance Grant				
	20.509	21-0338-22538	279,721	0 (M)
COVID-19 - CARES Act Stimulus for Rural Grantees				
	20.509	CARES-2410-22330	747,090	0 (M)
Total ALN 20.205			1,026,811	0
Total U.S. Department of Transportation			\$1,128,290	\$0
U.S. Department of Treasury				
Illinois Department of Public Health				
COVID-19 - Coronavirus Relief Fund				
COVID-19 - Contact Tracing				
	21.019	51800180H	\$116,198	\$0
Illinois Department of Commerce and Economic Opportunity COVID-19 Coronavirus Relief Fund				
COVID-19 - Local CURE and Economic Support Grants				
	21.019	20-491082	171,416	0
Total ALN 21.019			287,614	0
Total U.S. Department of Treasury			\$287,614	\$0
Environmental Protection Agency				
Illinois Emergency Management Agency				
State Indoor Radon Grant Program				
	66.032	20SHELBY	\$497	\$0
State Indoor Radon Grant Program				
	66.032	21SHELBY	5,486	0
Total ALN 66.032			5,983	0
Illinois Department of Public Health				
Performance Partnership Grants				
Safe Drinking Water				
	66.605	05080081H-SDW	150	0
Safe Drinking Water				
	66.605	25080081J-SDW	63	0
Total ALN 66.605			213	0
Total Environmental Protection Agency			\$6,196	\$0

(M) - Audited as a major federal program.

See Notes to Schedule of Expenditures of Federal Awards.

Shelby County, Illinois

Schedule of Expenditures of Federal Awards (Continued)

For the year ended August 31, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures	Passed Through to Subrecipients
U.S. Election Assistance Commission				
Illinois State Board of Elections				
HAVA Election Security Grants				
HAVA Election Security	90.404	unknown	\$10,918	\$0
COVID-19 - HAVA CARES Act Grant	90.404	unknown	40,521	0
Total ALN 90.404			51,439	0
Total U.S. Election Assistance Commission			\$51,439	\$0
U.S. Center for Disease Control and Prevention				
Illinois Department of Public Health				
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) grant				
COVID-19 - Contact Tracing	93.323	05180180H	\$62,274	\$0
Total U.S. Center for Disease Control and Prevention			\$62,274	\$0
U.S. Department of Health and Human Services				
Illinois Department of Public Health				
Perinatal Hepatitis B Prevention through Case Management				
Perinatal Hepatitis B Prevention through Case Management	93.268	05080081H-PHBP	\$2,526	\$0
Immunization Cooperative Agreements	93.268	25080081J-PHBP	448	0
Immunization Cooperative Agreements	93.268	15080680I	84,731	0
Total ALN 93.628			87,705	0
Illinois Department of Public Health				
COVID-19 Public Health Emergency Response				
COVID-19 - Crisis Grant	93.354	07680080H	19,388	0
Illinois Department of Human Services				
Social Services Block Grant				
High Risk Infant Follow-Up	93.667	FCSZU05093	9,521	0
FCM/HRIF	93.667	FCSAU06068	11,536	0
Total ALN 93.667			21,057	0
Total U.S. Department of Human Services			\$128,150	\$0
U.S. Department of Homeland Security				
Illinois Emergency Management Agency				
Emergency Management Performance				
Emergency Management Performance	97.042	19EMASHEL B	\$14,497	\$0
Emergency Management Performance	97.042	20EMASHEL B	7,972	0
Total ALN 97.042			22,469	0
Total U.S. Department of Homeland Security			\$22,469	\$0
Total federal awards expended			\$1,780,489	\$0

(M) - Audited as a major federal program.

See Notes to Schedule of Expenditures of Federal Awards.

Shelby County, Illinois

Notes to Schedule of Expenditures of Federal Awards

Year Ended August 31, 2021

Note 1: Basis of Accounting

The accompanying schedule of expenditures of Federal Awards includes the federal grant activity of Shelby County, Illinois (the "County") and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The County elected not to use the 10% de minimis indirect cost rate during the year ended August 31, 2021.

Note 2: Significant Accounting Policies

Expenditures of federal awards are recognized on the modified cash basis of accounting. Expenditures are recognized and recorded upon the disbursement of cash.

The value of non-cash assistance is valued at fair market value at the time of receipt or the assessed value provided by the federal agency.

Note 3: Noncash Assistance

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the County did not dispense and federal awards in the form of noncash assistance during the year ended August 31, 2021.

Note 4: Other Federal Award Information

The County did not receive or administer any insurance, loans or loan guarantees during the fiscal year ended August 31, 2021.

Shelby County, Illinois

Schedule of Findings and Questioned Costs

Year Ended August 31, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported
- Noncompliance material to financial statements noted? Yes None Reported

Federal Awards

Type of auditor's report issued on compliance for programs: Unmodified

Internal control over major programs:

- Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major programs

Federal ALN	Federal Program or Cluster
20.509	Public Transportation Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Shelby County, Illinois

Schedule of Findings and Questioned Costs (Continued)

Section I - Audit Findings in Relation to Financial Statements

2021-001

Financial Statement Preparation

Criteria or Specific Requirement: Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements including the related disclosures, in conformity with the modified cash basis of accounting.

Condition: The County does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and ensure related footnote disclosures are complete and presented in accordance with the modified cash basis of accounting.

Context: The County does not currently prepare its annual financial statements in presented in accordance with the modified cash basis of accounting.

Effect: The completeness of the financial statement disclosures and the accuracy of the overall financial presentation is negatively impacted as external auditors do not have the same comprehensive understanding of the County as its internal staff.

Cause: The County relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, the County Board has reviewed and approved the annual financial statements and related footnote disclosures.

Auditor's Recommendation: Management should continue to review and approve the annual financial statements and related footnote disclosures.

View of Responsible Officials: We agree with the finding and have developed a corrective action plan.

Shelby County, Illinois

Schedule of Findings and Questioned Costs (Continued)

2021-002

Bank Reconciliations

Criteria or Specific Requirement: A bank reconciliation should be performed to provide timely and accurate information for management. The reconciliation of bank accounts is an integral internal control activity to determine that stated account balances are accurate and fairly reported. County management and accounting personnel should reconcile bank statement accounts to general ledgers and other supporting documents in a timely and effective manner.

Condition: Internal controls state that bank reconciliations are performed on all of the Treasurer bank accounts. Part of the procedure includes reconciling the bank balances to the general ledger balances. The bank reconciliation procedures were improperly implemented due multiple bank reconciliations not reconciling to the general ledger balance.

Context: In planning and performing our audit procedures, we obtained an understanding of the design and implementation of internal controls for significant audit risk and performed audit procedures assessing the effectiveness of internal controls. Additionally, we performed substantive audit procedures to obtain audit evidence verifying the completeness, validity, and accuracy of the financial records.

Effect: Without performing adequate account reconciliations, information provided to management is inaccurate. Also, the probability that fraud or material errors will occur and go undetected generally increases.

Cause: The County did not perform adequate reconciliations of their Treasurer bank accounts to verify the completeness, validity, and accuracy of their financial records.

Auditor's Recommendation: County management should implement policies and procedures requiring accountability to monitor the accuracy of monthly reconciliations. This would allow the County to ensure completeness and accuracy, enhancing the control system in the Treasurer's office. Management personnel involved in the reconciliation process should sign supporting documentation to attest that not only the process was complete, but it also had been reviewed.

View of Responsible Officials: We agree with the finding and have developed a corrective action plan.

Jessica Fox
Shelby County Clerk & Recorder
301 East Main Street Post Office Box 230
Shelbyville, IL 62565
Phone (217) 774-4421 – Fax (217) 774-5291

Corrective Action Plan for Current Year Findings

Finding 2021-001 – Financial Statement Preparation

Corrective Action Plan

The County's management and County Board will continue to review the financial statements and required footnotes prepared by the external auditors. The County believes this process to be the most economical and appropriate to help ensure complete and proper financial reporting.

Person(s) Responsible: Jessica Fox, County Clerk and Recorder

Timing for Implementation: There is no anticipated completion date for this item.

Finding 2021-002 – Bank Reconciliations

Corrective Action Plan

The County's management and County Board will implement policies and procedures to monitor monthly reconciliations to ensure completeness and accuracy.

Person(s) Responsible: Erica Firnhaber, County Treasurer

Timing for Implementation: August 31, 2022

Shelby County, Illinois

Summary Schedule of Prior Audit Findings

Year Ended August 31, 2021

Section IV - Prior Year Findings

August 31, 2020

I. Findings Related to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

A. Internal Control

Finding 2020-001: Financial Statement Preparation

The County does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and ensure related footnote disclosures are complete and presented in accordance with GAAP. The County's corrective action plan was not implemented and this is a repeat finding for 2021.

Finding 2020-002: Health Department Salaries and Wages Charges to Grants

Wages and salaries were charged to various state and federal pass-through grants. The allocation of salary and wage expenditures were supported by scheduling and assigning time of staff to those grant programs, which alone does not provide reasonable assurance that the charges are accurate, allowable, and properly allocated. This finding was resolved for 2021.

Finding 2020-003: Internal Control over Grant Reporting

Shelby County did not maintain a system of internal controls to identify all grant expenditures for reporting on the SEFA and CYEFR in fiscal year 2020. Expenditures for five grants were not identified by management of the airport, county clerk, and sheriff's office. This finding was resolved for 2021.

Finding 2020-004: Internal Control over Payroll Processing

Shelby County did not maintain an adequate system of internal controls over payroll processing. Several instances of payroll errors or noncompliance were noted. The County had a payroll specific audit performed for the sheriff department with the report dated April 5, 2022. The County took action regarding the prior finding, thus the finding was resolved for 2021.

B. Compliance Findings

None

Shelby County, Illinois

Summary Schedule of Prior Audit Findings (Continued)

Year Ended August 31, 2021

August 31, 2019

I. Findings Related to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

A. Internal Control

Finding 2019-001: Financial Statement Preparation

The County does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and ensure related footnote disclosures are complete and presented in accordance with GAAP. The County's corrective action plan was not implemented and this is a repeat finding for 2021.

Finding 2019-002: Internal Control over Payroll Processing

The sheriff's office does not employ a systematic process for tracking employee hours and calculating wages and overtime. The County had a payroll specific audit performed for the sheriff department with the report dated April 5, 2022. The County took action regarding the prior finding, thus the finding was resolved for 2021.

Finding 2019-003: Noncompliance with IRS Regulations

The sheriff's office reimbursed employees for clothing allowance items of a personal nature without including these amounts in compensation as a taxable fringe benefit. The County had a payroll specific audit performed for the sheriff department with the report dated April 5, 2022. The County took action regarding the prior finding, thus the finding was resolved for 2021.

Finding 2019-004: Inadequate Segregation of Duties

In the offices of the county clerk, sheriff, and tourism, the same individual(s) is responsible for multiple functions including collecting cash receipts, writing checks, recording receipts and expenses, and/or reconciling the bank statements. This finding was resolved for 2021.

B. Compliance Findings
None