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August 12, 2021

To the Shelby County Board  
County of Shelby, Illinois

In planning and performing our audit of the financial statements of Shelby County as of and for the year ended August 31, 2020, 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, we considered Shelby County, Illinois'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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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 Shelby County, Illinois financial statements will not be prevented, or detected and corrected on a timely basis. 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.

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 were not identified.

Material weaknesses that were identified are discussed in more detail in the *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*.

In addition, we have noted other matters involving the internal control and its operation:

**SHELBY COUNTY, ILLINOIS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the year ended August 31, 2020**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses unmodified opinions on the modified cash basis financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Shelby County, Illinois.
2. Deficiencies disclosed during the audit of the financial statements of Shelby County, Illinois are reported in the Independent Auditors' 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*. Findings 2020-001, 2020-002, 2020-003, and 2020-004 are reported as a material weaknesses.
3. Instances of noncompliance required to be reported during the audit of the financial statements of Shelby County, Illinois are reported in the Independent Auditors' 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* as Findings 2020-002 and 2020-005.
4. No material weaknesses or significant deficiencies relating to the audit of the major federal award program are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance and Report on Schedule of Expenditures of Federal Awards Required by Title 2, U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.
5. The auditors' report on compliance for the major federal award programs for Shelby County, Illinois expresses an unmodified opinion.
6. There were no audit findings relative to the major programs for Shelby County, Illinois.
7. The programs tested as major programs include: 2020 Section 5311 Operating Assistance Grant, CFDA-No. 20.509 and CDBG Revolving Loan Fund Closeout Program, CFDA No. 14.228.
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Shelby County, Illinois was not determined to be a low-risk auditee.

**SHELBY COUNTY, ILLINOIS**  
**CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS (CONTINUED)**  
**For the year ended August 31, 2020**

**Finding No. 2020-002 – Health Department Salaries and Wages Charged to Grants**

**Condition:**

The Shelby County Health Department does not employ a system for accurately documenting the personnel costs charged to grants. In fiscal year 2020, approximately \$375,000 was received in federal and state grant revenue, and approximately \$285,000 of wages and salaries were charged to various state and federal pass-through grants. The charges were based on scheduling and budget estimates rather than time and effort reporting. We were unable to test the accuracy of salaries and wages charged to these grants due to the records being unavailable.

**Plan:**

PENDING

**Anticipated Date of Completion:**

PENDING

**Name of Contact Person:**

Stephen Melega, County Health Department Administrator

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**SHELBY COUNTY, ILLINOIS**  
**CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS (CONTINUED)**  
**For the year ended August 31, 2020**

**Finding No. 2020-004 – Internal Controls over Payroll Processing**

**Condition:**

Shelby County did not maintain an adequate system of internal controls over payroll processing. Several instances of payroll errors or noncompliance were noted, including 1) compensatory time off was not tracked by the circuit clerk for a portion of the year and the office of the county clerk, 2) a sheriff employee accumulated sick time in excess of what is allowable in the union contract, 3) a sheriff employee received \$642 in wages without substantiation of hours, and 4) terms of the union contracts for the dates that paid time off is earned were not followed in multiple departments.

**Plan:**

1) The office of the circuit clerk began tracking compensatory time off in June 2020. The office of the county clerk no longer utilizes compensatory time. 2) PENDING 3) The sheriff's office implemented a more systematic process for documenting employees' hours during fiscal year 2020. 4) Most departments in the County began following the terms of the union contract during fiscal year 2020, and others plan to change the terms of the union contracts.

**Anticipated Date of Completion:**

Various – see plan

**Name of Contact Person:**

Erica Firnhaber, County Treasurer