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DEVELOPMENT AND COMMUNITY SERVICES DEPARTMENT

INTERNAL AUDIT REPORT

BACKGROUND

As found on the website, (<http://www.countyofkane.org/FDER/Pages/dcsdept.aspx>), the Development and Community Services Department oversees Kane County (the County) land use planning, building permits and inspections for the unincorporated areas and the villages of Virgil, Kaneville and Big Rock, the County zoning ordinance and zoning maps, agriculture and farmland programs, historic preservation, and cable television administration for the unincorporated areas (the County is the franchiser for cable television services in the unincorporated area only).

The Building and Zoning Division is charged with the enforcement of the County building regulations. The building staff processes applications for construction, checks building plans for compliance with the ordinances, and issues permits for construction activity. Regular systematic inspections are required for construction activities from the initial building location inspection to the final completion and issuance of a certificate of occupancy.

The zoning staff processes petitions for zoning map amendments, special uses and variances in addition to offering advice and assistance to County committees, local communities and the general public on zoning matters. Zoning map amendments, special uses and variances are presented to the Zoning Board of Appeals by the zoning staff. The zoning staff also enforces the compliance with County Zoning Ordinance through the court system.

The department is administered through an annual budgetary appropriation of the County's General fund (001.690) including Administrative Adjudication (001.690.691), Economic Development Fund (400.690), Quality of Kane Grants fund (407.690), and Growing for Kane fund (435.690). Additional funding for special projects go through an annual internal application and process administered and funded by Riverboat Grant funds.

The table below presents the department's revenues and expenses for fiscal years ending 2012 through 2016:

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Charges for Services	\$ 654,457	\$ 651,569	\$ 704,844	\$ 795,308	\$ 816,787
Licenses & Permits	457,482	541,821	658,105	532,640	444,912
Reimbursements	-	-	-	-	7,376
Grants	74,000	37,000	26,500	14,823	6,548
Investment Inc & Other	1,636	552	1,592	6,634	2,396
Fines	1,600	1,900	2,550	3,771	-
Transfers In	35,000	15,000	10,000	10,000	22,000
Total Revenue	<u>\$ 1,224,175</u>	<u>\$ 1,247,842</u>	<u>\$ 1,403,591</u>	<u>\$ 1,363,176</u>	<u>\$ 1,300,019</u>
Salaries & Wages	\$ 765,104	\$ 760,961	\$ 773,936	\$ 801,605	\$ 806,745
Benefits	168,974	154,318	134,367	131,389	147,501
Contractual Services	104,440	120,409	116,820	120,696	199,039
Commodities	22,424	20,671	18,544	15,424	15,891
Total Expenditures	<u>\$ 1,060,942</u>	<u>\$ 1,056,359</u>	<u>\$ 1,043,667</u>	<u>\$ 1,069,114</u>	<u>\$ 1,169,176</u>
Net Revenue/(Expenditure)	\$ 163,233	\$ 191,483	\$ 359,924	\$ 294,062	\$ 130,843

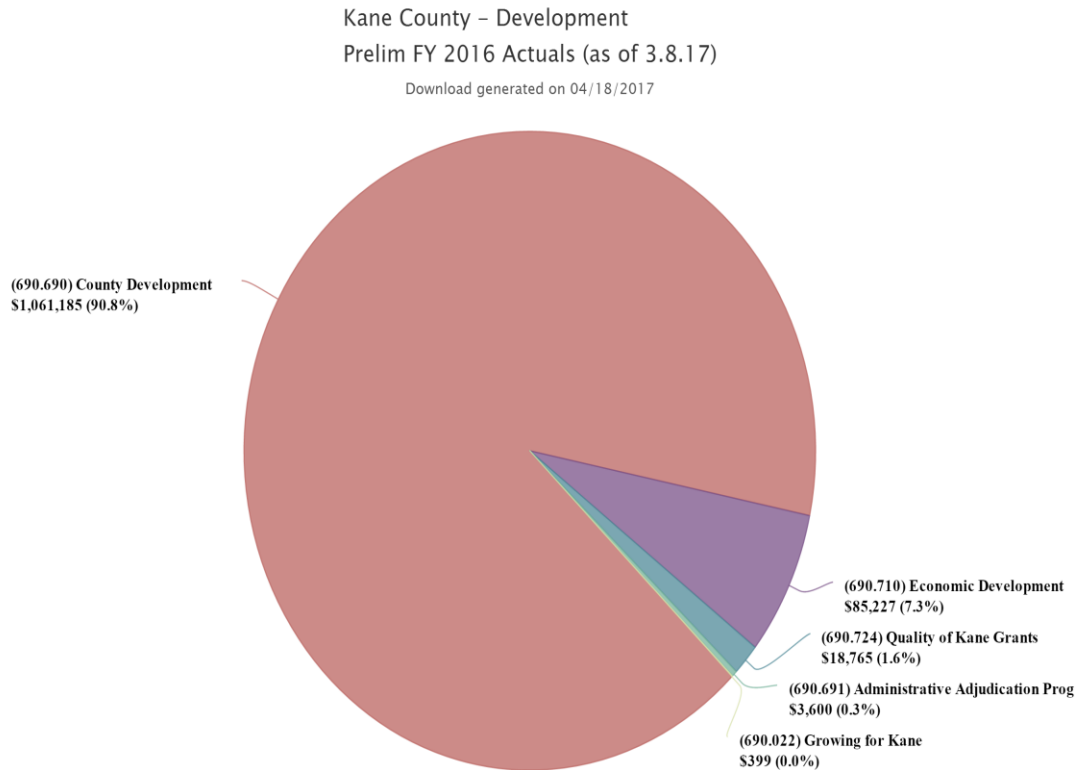
Notes to the above chart referencing revenue and expenditures:

- “Charges for services” – Various revenues are derived from the collections of unincorporated cable franchise tax fees. County Ordinance number 88-31 established the granting of Franchise to Dowden Communication of Illinois, Inc. for a community the County is the *franchiser of cable television services in unincorporated areas only, zoning fees, planning service fees, vacant dwelling fees, coin operated amusement fee and adjudication hearing fees. “Franchiser” fees are governed by Section 622 of the Federal Cable Act, under section 622, local governments are entitled to a maximum of 5% of gross revenues derived from the operation of the cable system for the provision of cable services: www.fcc.gov/media/engineering/cable-television.
- “Licenses and Permits” - reflects a spike in revenue in FY 2014 due to the number of roofing permits issued to building contractors as a result of large hailstorms that passed through the County area.
- “Reimbursement” – The Leaders’ Summit is an annual event sponsored by the County, whereby attendees pay the County an entrance fee for the event. More information can be found at <http://www.countyofkane.org/Pages/LeadersSummit.aspx>.
- “Grants” – **Quality of Kane Grants** are funds received from HIA (Health Impact Assessment) and **Growing for Kane** are funds received from DOA (Department of Agriculture). The HIA grants support the study and benefits in preserving smaller farms in a way to preserve Kane County’s rich farmland that will promote the local growth of fresh fruits and vegetables to our residents. The DOA grants support the Food Hub in the County. More information can be found at:

www.Kanehealth.com/hia.htm and <http://growingforkane.org>

- “Investment Income and Other Income” – reflects the interest income received on the funds received from grants that have yet to be disbursed for the purposes intended which are dictated by the individual grant guidelines and timeline.
- “Fines” – Adjudication fines are reflective of proceedings the County issued regarding violation of the provisions set forth in Chapter 2, Article IX of the Kane County Code. Information can be found at: www.countyofkane.org/FDER/Documents/subdivision/SubdivisionRegulations.pdf
- “Transfers In” – represent River Boat grant money and are a variable source of income for Development, based on the requirements and application process set forth by the County Board and the River Boat committee.
- “Salaries & Benefits” – relate to County employee payroll and benefits.
- “Contractual Services” - consists of the below, material components:
 - Contractual/Consulting Services are associated with costs incurred for public hearing petitions, legal fees, demolition costs, grant program costs and IT costs. FY 2016 is reflective of higher expenditures due to pending litigations with Comcast and the Village of Campton Hills regarding contractual agreements with Comcast (cable vendor) as well as legal costs associated with the proposed drug and rehabilitation center in the Village of Campton Hills (the former site of Glenwood Academy on Silver Glen Road).
 - “Conferences and Meetings are associated with the annual “Leaders’ Summit” sponsored by the County, typically held in the summer months. This annual conference offered to Kane County businesses, homeowners and public institutions to learn how to increase data capacity, eliminate system redundancy, find multiple new service providers and potentially save money for business, government and nonprofit organizations. More information can be found at <http://www.countyofkane.org/Pages/LeadersSummit.aspx>.
- “Commodities” - consists of general operating expenses of the department, such as office supplies, books & subscriptions, etc.

Following is total expenditures by component of Kane County Development and Community Services:



The above four categories of the County’s Development department, (1) Economic Development, (2) Quality of Kane Grants, (3) Administrative Adjudication Program and (4) Growing for Kane are all administered and overseen by the Development Department’s Director. Below is a description of each of the categories:

- County Development 690.690 expenditures account for the general operating expenditures of the department.
- Administrative Adjudication Program 690.691 was formed to assist the caseload for the County’s State’s Attorney Office and to lower court costs relating to violations and noncompliance of public ordinances that may necessitate legal proceedings.
- Economic Development 690.710 promotes economic development in the County by providing a variety of technical and financial assistance programs for economic and community development to urban and rural communities and organizations.

- Quality of Kane Grants 690.724, as mentioned above (page 2,) are grant funds intended to support the study and benefits in preserving smaller farms in a way to preserve Kane County’s rich farmland that will promote the local growth of fresh fruits and vegetables to our residents. More information can be found at: www.Kanehealth.com/hia.htm
- Growing for Kane 690.022, as mentioned above (page 2,) are grant funds assist the County in implementing new programs designed to increase production of locally grown fruits, vegetables, dairy and meat in supporting the health, economy and fresh food to residents in the County. More information can be found at: www.growingforkane.org

SCOPE AND TESTING

The audit was performed to determine if the department’s internal controls and processes are in compliance with County policies, ordinances, resolutions and other authoritative guidance. The following steps were performed:

- Interviewed the Director of Development and his staff regarding the processes and controls practiced by the department.
- Documented processes and controls.
- Tested eight samples of accounts payable invoice inquiries from New World System and compared invoices to purchase orders, contracts and, if applicable, County Board resolutions.
- Evaluated internal controls and processes related to County’s financial policies.
- Cross-referenced funding received by the department from Riverboat Grant funding for FY 2012 - 2016 that is representative of “Transfer In” category of revenue.
- Reviewed FY 2012 - 2016 revenue franchise fees collected by the County from franchisees representative of cable services received by consumers in unincorporated areas of the County for cable television connection. Analyzed ten cable franchise revenues received from three cable service companies, Illinois Bell, Comcast, and Mediacom.
- Tested a sample of eight various revenue sources recorded in New World Systems for building permit fees, licensing and permit fees, grants program and interest income revenues receipts for fiscal years 2012 - 2016.
- Analyzed actual and budgeted income and expenditures reports for fiscal years 2012 through 2016.

FINDINGS/RECOMMENDATIONS

Recommendation 1 – The department currently has a single A/P coordinator assigned to both input and approve A/P invoices in the New World System. **Recommendation is to add an additional layer of review to ensure segregation of duties. The recommendation is not to add an employee, rather to segregate the duties among existing staff so that no single employee is authorized to both record and approve the same transaction in the accounts payable system.**

Management Response

The Kane County Development & Community Services Director and staff will work with the Auditor, staff, and Human Resources to work towards assigning and training additional staff to add an additional layer of review to ensure segregation of duties.

Recommendation 2 - The department currently has only one A/P coordinator without a designated backup coordinator. In the event the A/P coordinator is unavailable, the department would be unable to enter A/P batches into the system timely. **Recommend, as a best practice, to assign and train an additional employee in the department to perform the A/P coordinator's functions in the event of the coordinators absence. Further it is recommended that cross-training staff for perform multiple tasks be considered wherever possible to ensure continuous operations.**

Management Response

The Kane County Development & Community Services Director and staff will work with the Auditor, staff, and Human Resources to work towards assigning and training additional staff to perform the A/P coordinators function.

Recommendation 3 – Complete submission of support and documentation is not always received with A/P batches. As a result additional follow up is needed which sometimes delays the processing of payments. **Recommend implementing the best practices quick tips guides created by the Auditor's office and distributed to department A/P coordinators.**

Management Response

The Kane County Development & Community Services Director and staff will work with the Auditor, staff and the Finance Department to implement the Auditor's "best practices quick tips guide".

Recommendation 4 – Over the years, the management alignment of Development and Environmental Management has evolved. When the general ledger structure was established, part of what is now under Environmental Management Director was also under Development. Other organizations within the County

align under one department number and reports are easily pulled. To understand what falls under the Environmental Management Director, Development Director, and Community Reinvestment Director, the financial and headcount reports need to be parsed. **Recommend working with the Finance Department to determine if restructuring the general ledger is possible and, if possible, realigning general ledger accounts currently under Development to Environmental Management and Water Resources.**

Management Response

The Kane County Development & Community Services Director and staff will work with the Finance Department and other departments to evaluate the restructuring of general ledger accounts.

We would like to express our appreciation to Director Mark VanKerkhoff and his staff for their cooperation and generous assistance provided during the audit.

Respectfully submitted,



Terry Hunt – Kane County Auditor



Margaret Todd-Cave – Staff Auditor