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January 4, 2019

DIRECTOR OF ENVIRONMENTAL AND WATER RESOURCES
TRANSITION AUDIT

Under Illinois State Statute 55 ILCS 5 / 6-31005 – *Funds managed by County officials* – the County Board is required to engage a transition audit of all funds and accounts under the management / control of the county official. The audit report must be prepared and filed to the Chairman of the County Board no later than 180 days after the county official leaves office.

A County official is “[...] *any elected county officer or any officer appointed by the county board who is charged with the management or control of any county funds.*”

The “County official” in transition is the Director of Environmental and Water Resources.

The position was held by Mr. Kenneth Anderson Jr. (predecessor) from December 2013 through July 10, 2018. On September 11, 2018, the Kane County Board unanimously agreed on the Chairman’s appointment of Ms. Jodie Wollnik (successor), formerly the Assistant Director of Environmental and Water Resources and who served as the interim Director since Mr. Anderson’s resignation.

The Office of Kane County Auditor was engaged to complete the transition audit.

TIMELINE

Termination date	7/10/2018
Report due date	1/06/2019

BACKGROUND

Kane County Division of Environmental and Water Resources (E&WR) was established in 2010. Previously, it was a part of the Development Department.

The mission of the E&WR is to develop, evaluate, and implement programs to protect the health, safety and welfare of our residents and the environment. These programs include the Countywide Stormwater Management Program, the Recycling and Waste Recovery Program, Energy and Resource Conservation Programs, and other environmental activities and special projects.

It is made up of 8 (eight) employees: one (1) Director, one (1) Senior Water Resources Engineer, one (1) Water Resources Engineer, one (1) Resource Management Coordinator, one (1) Recycling Coordinator, one (1) Development Technician, one (1) Administrative Assistant, and one (1) Executive Planner (who is also part of the Development Department).

E&WR is heavily regulated by Kane County Codes, State Statutes, Federal Regulations, and policies. For a full list, refer to Appendix A. It also is highly involved in numerous County and Regional Committees:

- Energy & Environmental Standing Committee
- Development Standing Committee
- Agricultura Standing Committee
- Stormwater Management Planning Committee
- Stormwater Management Technical Advisory Committee
- Stormwater Management Agricultural Subcommittee
- Land Cash Subcommittee

Furthermore, the Director also represents Kane County in the Northwest Water Planning Alliance. The Director is not a voting member of any of these committees, but is in a position to influence decisions made by providing technical knowledge and recommendations to the board(s)

The Director is charged with the management and/or control of 21 County funds:

General Fund (2)
001.690.693 – General fund, Development, Electrical Aggregation
001.690.692 – General fund, Development, Water Resources & Subdivisions
Special Revenue Fund (3)
420.670 – Stormwater Management / Environmental Management
403.690.713 - Unincorporated Stormwater Mgmt, Development
405.690.715 – Cost Share Drainage, Development
Proprietary Funds- Enterprise Funds (2)
650.670 – Enterprise Surcharge / Environmental Management
651.670 – Enterprise General / Environmental Management
Fiduciary Fund - Agency Funds (1)
700 - LandCash Ordinance

Capital Projects Funds (13)
5300.690.7400 - Sunvale SBA SW 37
5301.690.7401 - Middle Creek SBA SW 38
5302.690.7402 - Shirewood Farm SSA SW39
5303.690.7403 - Ogden Gardens SBA SW40
5304.690.7404 - Wildwood West SBA SW41
5305.690.7405 - Savanna Lakes SBA SW42
5306.690.7406 - Cheval DeSelle Venetian SBA SW43
5307.690.7407 - Cheval DeSelle Faireno SBA SW44
5308.690.7408 - Plank Road Estates SBA SW45
5309.690.7409 - West Highland Acres SBA SW47
5310.690.7410 - Exposition View SBA SW47
5311.690.7411 - Pasadena Drive SBA SW48
5312.690.7412 - Tamara Dittman SBA SW 50

* SBA is Special Billing Area, also known as “non-ad valorem assessments”

AUDIT PROCEDURES

The Auditor’s Office performed the following audit procedures, over the agreed transition period (January 2018 to October 2018):

1. Inquire with predecessor and the newly appointed Director
2. Inspect County assets allocated to the predecessor are properly returned
3. Perform a physical observation of County assets owned / allocated to E&WR
 - a. Petty cash
 - b. Off balance sheet accounts
 - c. Inventory
 - d. Capital assets (equal to or greater than \$10,000)
 - e. Fixed assets (valued between \$500.00 - \$9,999.99)
 - f. Information technology equipment
 - g. Other assets
4. Review the fund activity during the transition period
 - a. Cash received / revenue earned
 - b. Expenses incurred
5. Review the predecessor’s final paycheck
6. Other

RESULTS

1. Contacted the predecessor for an opportunity to discuss any matters regarding the transition audit, however, no comment was provided.

Completed the inquiry with the successor.

2. The predecessor was assigned a County cell phone and i-Pad. Confirmed the cell phone was returned to IT on his last day of employment and the i-Pad was passed on to the successor. He was not issued a procurement card.
3. E&WR does not hold petty cash, own any bank accounts, own inventory, or maintain a list of fixed asset with cost valued between \$500.00 - \$9,999.99.
 - a. *Capital assets*
 - i. Physically observed a sample of the capital assets without exception.
 - b. *IT assets*
 - i. Physically observed all IT assets assigned to the Division. Differences were noted relating to the accuracy of the listing maintained by the IT department, and less regarding discrepancies with E&WR IT assets.
 - ii. Printers and desktops were upgraded during the transition period. As this was considered a part of IT's scheduled routine upgrades and the new assets were accounted for during the observation, no exceptions noted.
 - c. *Other assets*
 - i. E&WR borrows equipment from USGS (U.S. Geological Survey); however, as the equipment is not owned by the Division, the assets were excluded from observation.

Further, confirmed with IT there were no assets missing in the Division.

4. *Revenue earned*

The Division of E&WR has multiple sources of revenue and types of funding it receives to operate. The chart below is a high-level summary. Percentages are based on non-audited fiscal 2018 YTD actuals and budgeted amounts.

Revenue Earned	Percentage of total revenue earned*	Percentage of total revenue earned based on FY18 budget
Property Taxes	4.0%	4.9%
Property Taxes	4.0%	
Licenses and Permits	1.4%	2.4%
Stormwater Permits	1.1%	
Wetland Permits	0.2%	
Transfers In	47.0%	61.0%
Transfer From Other Funds	47.0%	
Charges for Services	14.1%	4.8%
Electric Vehicle Charging Station Fee	0.0%	
Electrical Aggregation Admin Fee	3.2%	
Hauling Fees	0.4%	
In Lieu of Site Runoff Fees	7.7%	
Subdivision Approval Fees	0.5%	
Water Resource Cost Share Fees	1.2%	
Wetland Fee in Lieu Fees	1.0%	
Reimbursements	10.2%	8.0%
House Hazard Waste Reimbursement	9.4%	
Loan Reimbursement	0.0%	
Miscellaneous Reimbursement	0.8%	
Other	23.4%	18.9%
Investment Income	22.9%	
Miscellaneous Other	0.5%	
Grand Total	100%	100%

* Please note the percentages are based on YTD non-audited fiscal year 2018 actuals and budgeted amounts.

E&WR's main source of funding is grant revenue from the Grand Victoria Riverboat Grant (*Transfer From Other Funds* - 47.0%). It supports three programs: (1) the Recycling Program, (2) Stormwater, and (3) Stream Gages & National Pollutant Discharge Elimination System (NPDES) Program. While the Director oversees the programs, she is not directly involved in determining the amount being awarded. Furthermore, the Department of Community Reinvestment monitors the funding used throughout the year. Due to the lack of involvement by the Director, no further review was deemed necessary.

Investment Income (22.9%) is the Division's next main source of funding. Collectively between all the funds, excluding the fiduciary fund, E&WR has approximately \$4.8 million of *Cash on Hand*, which collects interest controlled by the Kane County Treasurer. As the Director is not involved in the process of determining how to invest the funds or physically maintains the funds, no further review was deemed necessary.

The remaining thirty percent (30%) of funding is made up of other fees and charges. Miscellaneous reimbursement includes Wetland Review Specialist Fees and Qualified Engineer

Review Specialist Fees. Miscellaneous other includes Compost Bin Sales and Book Recycling Fees. Property Taxes are collected from SBAs to support the Cost Share Drainage Projects. Majority of the fees are set by the State Statutes or County Ordinances. Furthermore, they require approval from the Development Committee and County Board before changes can be imposed. While the Director is involved in determining certain rates, the rates go through multiple series of approval before becoming final, as such, no further review was deemed necessary.

Cash / funds collected

The Administrative Assistant is responsible for invoicing, collecting, depositing, and recording payments received. The Division accepts payment in the form of cash (only when exact), check, and credit. The Division does allow all E&WR employees, including the Director, to collect payment, however, depositing and recording payments received are only completed by the Administrative Assistant.

Although a more complete segregation of duties would be preferable, personnel restrictions prevent such a control. However, with the Director involved in the payment collection process, risk of misappropriation of assets is considered to be low. Project managers are responsible for balancing their projects and are aware of what revenues should be collected and when. Further, majority of the Division's projects are monitored and reviewed by the County Board and the other County Departments. Further review was not deemed necessary.

Expenses incurred

Reviewed all expenses incurred in all funds, including procurement credit card charges and Personal Expenditure Vouchers (PEV). No expenses were deemed unusual and all high dollar amount invoices had corresponding active contracts on file.

Lastly, E&WR is operating within budget and no budget adjustments have been requested during the transition period.

5. Obtained a Personnel Action Form (PAF) and validated the final paycheck for Kenneth Anderson, who was paid out in full and in the appropriate payroll cycle. Also validated that he did not receive any additional paychecks subsequent to his termination date.

Reviewed payroll registers for Kenneth Anderson and Jodie Wollnik during the transition period and no abnormal occurrences were noted.

6. Other observations noted:
 - Employee headcount in E&WR changed during the subsequent transition period. The successor deemed appropriate to eliminate the Assistant Director position and an Administrative Assistant position. Furthermore, she created a new Development Technician position. This position was approved on November 13, 2108 by the County Board (Res#18-434).
 - New agreements and resolutions affecting fund activity were properly approved at the respective standing committee meetings and County Board meetings. No other agreements outside this process were noted.
 - On November 13, 2018, the County Board approved Jodie Wollnik the Plat Officer (Res#18-420) of the Subdivision Regulations.

- Contracts, entered into during the predecessor's term and extended in the successor's term, raised concerns for the successor and are currently under the State's Attorney Office for review.
- No additional processes and procedures changed, other than the ones mentioned in this report, which affected the Director's ability to his / her manage funds.

CONCLUSION

No adverse findings were noted, and as such deemed the transition of control / management of funds appropriate.

The Auditor's Office would like to thank all those who assisted us in our review. Your cooperation and generous assistance is greatly appreciated.

Regards,

OFFICE OF THE KANE COUNTY AUDITOR



Terry Hunt
Kane County Auditor



Mariola Oscarson
Kane County Deputy Auditor



Kristin Jenkins
Kane County Staff Auditor

APPENDIX A

SUMMARY OF DIVISION POLICIES, COUNTY ORDINANCES, STATE STATUTES, & FEDERAL REGULATIONS

DIVISION POLICIES	
Kane County Subdivision Regulations (V10.09.2012)	
Solid waste Management and Recovery Plan (V07.14.2015)	
Kane County Operational Sustainability Plan (V02.2013)	
Qualification Based Selection (QBS IL)	

KANE COUNTY ORDINANCES	
Chapter 2	Administration: Public Works & Department of Water Resources Administration: Waste Disposal Enterprise Fund
Chapter 9	Stormwater Management
Chapter 11	Environmental Management
Chapter 19	Subdivision Ordinance
Chapter 27	Land Use and resource Management (Kane County 2040 Plan)

ILLINOIS STATE STATUTES	
415 ILCS 5	Environmental Protection Act
415 ILCS 15/6	County Recycling Coordinator oversees the implementation and updates of the Kane County Solid Waste Plan
55 ILCS 5/5 & 5/43	Stormwater Management
55 ILCS 5/15	Water Supply, Drainage and Flood Control
50 ILCS 805-1	Local Land Resource Management Planning Act
20 ILCS 3855/1-92	Electrical Aggregation
NFIP	Floodway rules for Northeastern IL. State certifies that the County is in compliance to FEMA

FEDERAL REGULATIONS	
44 CFR Part 62	National Flood Insurance Program (NFIP) FEMA subsidized flood insurance premiums
33 CFR Part 320-336	U.S Army Corps of Engineers: wetland regulations. Enforce wetland portion of Stormwater ordinance in accordance with Federal regulations.