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DIVISION OF TRANSPORTATION
AUDIT REPORT
June 6, 2007

As a part of the continuous internal audit responsibilities of the Auditor's Office, an internal audit of specific areas of the County's Division of Transportation was performed. The specific areas are Impact Fee calculation, Intergovernmental Agreements, Tools and Small Parts Inventory Control, Cash and compliance with applicable State Statute and County codes.

AUDIT OBJECTIVES:

Impact Fees:

- Verify that the fee calculation is accurate.
- Evaluate for compliance with the appropriate state statute and county code.
- Ensure that fees collected were processed and deposited on a timely basis.

Intergovernmental Agreements:

- Identify agreements and evaluate for compliance.

Tools and Small Parts Inventory:

- Identify internal control procedures and evaluate for compliance with procedures.
- Verify quantities to inventory control records.
- Determine value of small parts inventory.

Statute and Code Compliance:

- Evaluate for compliance.

Cash:

- Verify petty cash.
- Verify bank account reconciliation.

SUMMARY OF AUDIT FINDINGS:

Impact Fees – No significant findings discovered.

Intergovernmental Agreements – No significant findings discovered.

Tools and Small Parts Inventory – Minor findings discovered.

Statute and Code Compliance – Minor findings discovered.

Cash & Bank Account Reconciliation – Minor findings discovered.

AUDIT FINDINGS – IMPACT FEES:

Statute and Code Compliance:

Illinois State Statute 605 ILCS 5/5-901 entitles the County to levy and collect road improvement impact fees “to supplement other funding sources so that the burden of paying for road improvements can be allocated in a fair and equitable manner.” The intent of the statute is to promote economic growth by assuring that development bears its fair share of the cost of meeting the demand for road improvements.

To comply with this statute, the County approved resolution 04-22 on January 13, 2004, creating the Kane County Road Improvement Impact Fee Ordinance. Section eleven.3 of the ordinance summarizes the formula to calculate the Impact Fee. The ordinance references “Technical Specification” document for details. The Technical Specifications Manual for Impact Fees and Procedures Guide for Road Impact Fees are available to the general public through Transportation’s website.

State Statute 605 ILCS 5/5-913 Impact Fees to be Held in Interest Bearing Account states “All impact fees collected pursuant to this Division shall be deposited into interest bearing accounts designated solely for such funds for each service area.” Our interpretation and that of the Transportation CFO, “for each service area” indicates the funds for each service area are to be held in separate interest bearing accounts (checking). Our understanding of the intent of the statute is to ensure that fees received in a given service area are to be spent in that service area. Separate accounts ensure the accuracy of recordkeeping. The County Finance Director, confirmed by the external audit firm, stated that separate accounts are not needed but separate accounting and the ability to separate interest out by fund complies with the statute. The County Treasurer is in agreement with the Finance Director adding that “determination of when funds are specifically required to be maintained in separate physical accounts is usually made by the County Finance Director.”

