

---

Secretary of State

State of Oregon

**DEPARTMENT OF CONSUMER AND BUSINESS SERVICES**

**BUILDING CODES DIVISION**

**Revenue Collection**

July 1, 1997 – June 30, 1998



**Audits Division**

---



---

Secretary of State

State of Oregon

**DEPARTMENT OF CONSUMER AND BUSINESS SERVICES**

**BUILDING CODES DIVISION**

**Revenue Collection**

July 1, 1997 – June 30, 1998



**Audits Division**

---



OFFICE OF THE  
SECRETARY OF STATE  
Phil Keisling  
Secretary of State  
Suzanne Townsend  
Deputy Secretary of State



AUDITS DIVISION  
John Lattimer  
Director

(503) 986-2255  
FAX (503) 378-6767

---

*Auditing for a Better Oregon*

The Honorable John Kitzhaber, M.D.  
Governor of Oregon  
State Capitol  
Salem, Oregon 97310

Mike Greenfield, Director  
Department of Consumer and Business Services  
350 Winter Street NE, Room 200  
Salem, Oregon 97310

Joe Brewer, Administrator  
Building Codes Division  
1535 Edgewater NW  
Salem, Oregon 97310

At the request of the Department of Consumer and Business Services, we conducted an audit of the cash receipting and permit issuing processes of the department's Building Codes Division. The purpose of our audit was to determine whether the division had sufficient controls to ensure it was receiving all revenue from its field offices, local government offices, and contract offices that issue permits on behalf of the division through intergovernmental agreements. The audit also reviewed controls at the various offices.

Our review determined that the division has sufficient controls over receiving revenues from field offices, contract offices and local government offices. In addition, our limited testing at one field, one contract, and one local government office indicated that adequate controls were in operation at those locations for submission of permit and surcharge revenues to the division.

OREGON AUDITS DIVISION

John N. Lattimer  
Director

Fieldwork Completion Date:  
April 30, 1999

-iii-



# TABLE OF CONTENTS

	<u>Page</u>
SUMMARY .....	vii
INTRODUCTION	
BACKGROUND .....	1
SCOPE AND METHODOLOGY .....	2
AUDIT RESULTS .....	3
COMMENDATION .....	4
EXHIBIT 1: Field Office and Contract Office Permit Revenue .....	5
EXHIBIT 2: Local Governments Surcharge Revenue .....	7



## **SUMMARY**

### **PURPOSE**

This audit examined whether the Building Codes Division (division) had sufficient controls to ensure that it was receiving all revenue from the field offices, contract offices and local governments. This audit also reviewed controls over cash handling and issuance of permits at the various offices.

### **BACKGROUND**

The division is a branch of the Department of Consumer and Business Services (DCBS). The division operates under the provisions of Oregon Revised Statutes Chapter 455 and is responsible for the administration and enforcement of the statewide building code, issuance of permits, and collection of fees.

### **AUDIT RESULTS**

The management of the division is responsible for establishing and maintaining internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, financial transactions are properly executed in accordance with legislative and management authorization, and transactions are properly recorded and documented. The concept of reasonable assurance recognizes that the cost of an internal control should not exceed the benefit derived from that internal control.

The audit identified that the division has sufficient controls over receiving revenues collected by field offices, contract offices and local governments. In addition, limited testing at one field, one contract, and one local government office indicated that adequate controls over submission of permit and surcharge revenues to the division were in operation at those locations.



## INTRODUCTION

### BACKGROUND

The Building Codes Division (division) is a branch of the Department of Consumer and Business Services (DCBS), which is the state's largest regulatory agency. The mission of the division is to facilitate the construction of safe, accessible and energy efficient structures while promoting a positive business climate.

The division operates under the provisions of Oregon Revised Statutes Chapter 455 and is responsible for administration and enforcement of the statewide building code, issuance of permits and collection of fees. A significant portion of this responsibility rests with local governments (cities and counties) that requested and received approval to operate their own building code programs. The division provides technical assistance and oversight to ensure that local programs meet state standards. For cities or counties that have not elected to assume a portion of the building code program, the division carries out these functions through contract and field offices.

The division's major sources of revenue are permit and inspection fees, license fees, and surcharges levied on the permit fees. Permit fees and fee surcharges are received from field offices, contract offices and local governments.

Field offices are staffed by division employees. There are three field offices: Coquille, Pendleton and The Dalles. These offices serve some areas of the state where cities and counties do not administer building code programs. Field offices issue permits, provide inspection services, perform plan reviews for residential and commercial construction, and report license, permit and code violations to the division's regulatory services section. The field offices collected \$1,175,047 in fee revenue for the division during fiscal year 1998 (Exhibit 1, page 5). All revenue is deposited directly into the DCBS suspense account.

Contract offices serve additional areas of the state where cities and counties do not administer building code programs. These offices are created through intergovernmental agreements whereby a city or county agrees to issue permits on behalf of the division. Division staff performs inspections for the permits issued on its behalf. Sixteen contract offices issued 11,100 permits and collected \$873,634 in fee revenue for the division

during fiscal year 1998 (Exhibit 1). Electrical permits account for the substantial majority of contract office activity (89.6 percent of permits and 83.3 percent of fees); 9 contract offices issued no other type of permit on behalf of the division. All revenue is deposited either directly into the DCBS suspense account or by electronic transfer to the DCBS cash account.

Local governments are cities and counties that have elected to administer all or some of the permit and inspection programs on their own. There are 140 such local governments. According to Oregon Administrative Rule Chapter 918, division 020, local governments must submit an operating plan to the division for approval. The plan describes how they will administer each program they are assuming. The local governments issue their own permits, perform their own inspections, and collect and retain the fee revenue from the permits they sell. They also collect a surcharge equal to 5 percent of the fee for each permit sold, and must remit the surcharge revenues to DCBS central accounting. Local governments collected \$2,263,124 in surcharge revenues for the division during fiscal year 1998 (Exhibit 2, page 7).

## **SCOPE AND METHODOLOGY**

We conducted this audit at the request of the Department of Consumer and Business Services and worked in conjunction with the DCBS internal auditor. The objective of our audit was to determine whether controls were sufficient to ensure that the division received all permit and surcharge revenue from field offices, contract offices and local government offices. To accomplish this objective, we conducted interviews with division staff about the processes and controls relating to our objective. We judgmentally selected one field office, one contract office, and one local government office for visits and conducted similar on-site interviews with their staffs about procedures and controls to ensure all permit revenues and surcharges were correctly submitted to the division. For the selected offices, we judgmentally selected two months during fiscal year 1998 and reviewed the monthly reports, permit logs and permits. From those same months we also selected and tested samples of permit issuance transactions. We conducted this audit in accordance with generally accepted government auditing standards. We limited our review to those areas specified in this section.

## **AUDIT RESULTS**

Management of the Building Codes Division is responsible for establishing and maintaining internal control. Internal control is intended to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that financial transactions are properly executed in accordance with legislative and management authorization, and that transactions are properly recorded and documented. The concept of reasonable assurance recognizes that the cost of an internal control should not exceed the benefit derived from that internal control.

Based on the audit evidence, the division has sufficient controls over receiving surcharge and fee revenues collected by field offices, contract offices and local governments. In addition, limited testing at one field, one contract, and one local government office indicated that adequate controls over submission of permit and surcharge revenues to the division were in operation at those locations.

## **COMMENDATION**

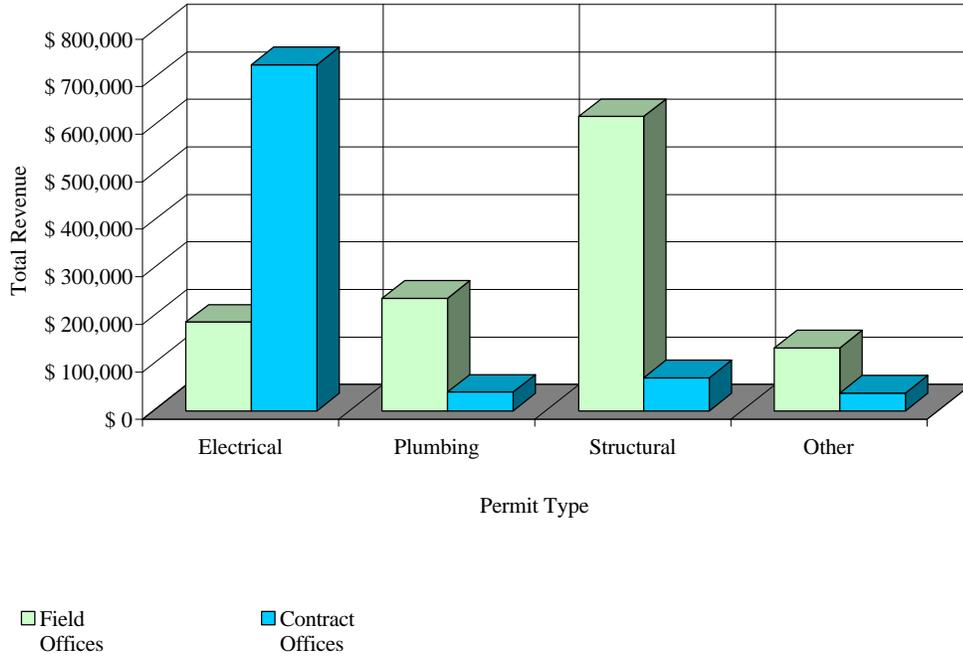
The courtesies and cooperation extended by officials and employees of the Building Codes Division during the course of this review were commendable and sincerely appreciated.

## **AUDIT TEAM**

Joel E. Leming, CPA, Audit Administrator  
Kelly Olson, CPA  
Tim Magee  
Jackie Lefevre, CPA, Internal Auditor, DCBS

**EXHIBIT 1**

Field Office and Contract Office Permit Revenue for Fiscal Year 1998



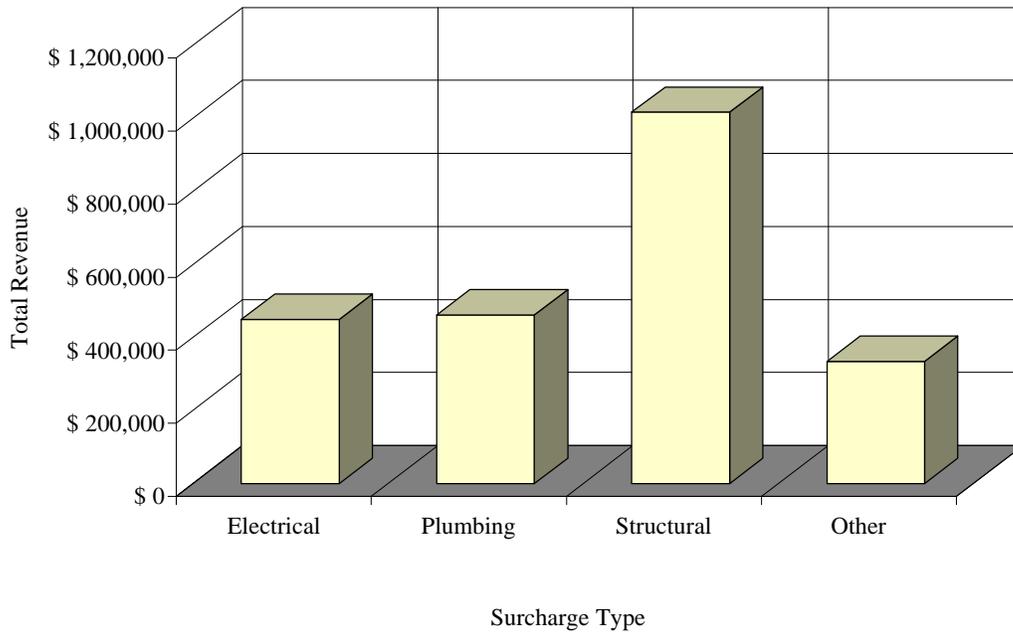
Electrical	\$ 186,505	\$ 728,014
Plumbing	237,070	39,315
Structural	619,239	69,395
Other *	132,233	36,911
	\$ 1,175,047	\$ 873,635

\* Manufactured and RV Park and Camp Permits, Manufactured Cabana Fee and Installation Permits, and Mechanical Permits



**EXHIBIT 2**

**Local Governments Surcharge Revenue for Fiscal Year 1998**



Electrical	\$ 449,415
Plumbing	462,023
Structural	1,016,833
Other*	334,854
	<u>\$ 2,263,125</u>

\* Surcharges for Manufactured and RV Park and Camp Permits, Manufactured Cabana Fee and Installation Permits, and Mechanical Permits



## FACTS ABOUT THE SECRETARY OF STATE AUDITS DIVISION

The mission of the Audits Division is to “Protect the Public Interest and Improve Oregon Government.” The Oregon Constitution provides that the Secretary of State shall be, by virtue of his office, Auditor of Public Accounts. The Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of the Executive, Legislative, and Judicial branches of Oregon government. The division audits all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

### DIRECTORY OF KEY OFFICIALS

*Director*

*Deputy Director*

*Deputy Director*

John N. Lattimer

Catherine E. Pollino, CGFM

Sharron E. Walker, CPA, CFE



This report, which is a public record, is intended to promote the best possible management of public resources.

If you received a copy of an audit and no longer need it, you may return it to the Audits Division. We maintain an inventory of past audit reports. Your cooperation will help us save on printing costs.

Oregon Audits Division  
Public Service Building  
Salem, Oregon 97310

503-986-2255

We invite comments on our reports through our Hotline or Internet address.

Hotline: 800-336-8218

Internet: [Audits.Hotline@state.or.us](mailto:Audits.Hotline@state.or.us)

<http://www.sos.state.or.us/audits/auditthp.htm>

***Auditing to Protect the Public Interest and Improve Oregon Government***