

Building Official Audit

Senate Bill 866 was passed during the 2021 legislative session and requires any city or county using a contracted building official to undergo an audit and ensure the results of that audit are made available. OAR 918-020-0090

- IF:** A city or county uses a contracted building official
- THEN:**
- (1) A periodic and independent audit is required of the funds and compliance of that program.
 - (2) The audit report is to be made available, including an internet posting.

ORS 455.202(6): (a) A city that procures services from a contract building official shall have an independent auditor examine the finances of the city's building inspection program at least once every two years. The city may have the audit performed in conjunction with an audit under ORS 297.425. A county that procures services from a contract building official shall have an audit performed that covers the period of time during which the contract building official performed services for the county.

(b) At a minimum, an audit under this subsection must examine all collections and usage of permit fees and all expenditures of moneys that have occurred from the proceeds of the fees since the last audit or since a municipality began procuring services from the contract building official, whichever period is shorter, and must verify that the municipality dedicates all fees the municipality collects for plan review, permit issuance or administering and enforcing specialty codes only to the purposes specified in ORS 455.210 and 479.845.

(c) A municipality shall make the results of each audit available to the public by easily accessible electronic means, including by posting the results on the municipality's website.

As this is a new requirement, clarification from the Department of Consumer and Business Services (DCBS) is helpful for auditors and municipalities navigating the requirements.

Q: Statute uses the terms including "examine" and "audit" seemingly interchangeably. What type of engagement is required?

A: DCBS doesn't intend to regulate the type of engagement or format of reporting. Municipalities can engage an auditor to perform any of the following engagement types to satisfy the requirements of this statute:

- An **examination** in accordance with AT-C Section 205A – Examination Engagements
- **Agreed upon procedures** in accordance with Statement on Standards for Attestation Engagements 19 - Agreed Upon Procedures Engagements
- As suggested by statute, the work may be performed concurrently with a financial statement **audit** performed in accordance with Municipal Audit Law (ORS 297.425) and generally accepted auditing standards promulgated by the American Institute of Certified Public Accountants (AICPA). This may not fully satisfy the requirements if

the Building Official activities are not reported in a separate major fund or determined material by the auditor. The intent of statute is not limited to financial reporting assurance, but compliance related to the collection and use of funds. Including the work with the financial statement audit also poses a challenge to report the results clearly in a way that is easily made available. Ideally the building official 'audit' would be performed as a separate, concurring engagement. Ensure an engagement letter includes the specific work to be performed and the expected format of reporting to be issued, such as a by-product report.

Q: Where are engagement results and reports filed?

A: The engagement reports must be easily available to the public and should also be posted to the city or county website. It is expected the reports will be made available to DCBS during periodic renewal and certification of the program, as requested.

DCBS is not requiring engagement reports be filed with their office. Reports also do not need to be filed with the Secretary of State Audits Division as part of the annual financial report required by ORS 297.425.

Q: What are the objectives of the engagement?

A: Per ORS 455.202(6)(b), the minimum objectives of the engagement are to (1) examine the collections and usage (expenditures) of permit fees and other proceeds during the period, and (2) verify they were used only for allowed purposes, as specified in ORS 455.210 and 479.845. Are the amounts reported complete and accurate, and were expenditures made in compliance with laws and rules.

Amendments and new provisions are codified in Oregon Revised Statute Chapter 455 (ORS 455.148, 455.150)

For additional clarification you may contact DCBS rules coordinators in the Building Codes Division at RulesCoordinator.BCD@dcbs.oregon.gov

Questions? Get in touch:

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