

CITY OF HAMILTON
BUILDING CODES ENFORCEMENT PROGRAM

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR CERTIFIED LOCAL GOVERNMENTS

For the Year Ended June 30, 2009

Cote & Wheeler CPAs PLLC
PO Box 430, Missoula, MT 59806
406-543-8088

JENNIFER J. COTE • BELINDA M. WHEELER

COTE & WHEELER, CERTIFIED PUBLIC ACCOUNTANTS PLLC

406-543-8088

FAX: 406-721-9357

E-mail: coteandwheeler@qwest.net

1225 Cleveland, Suite IB

P.O. Box 430

Missoula, MT 59806

STATE OF MONTANA
DEPARTMENT OF LABOR AND INDUSTRY
BUILDING CODES BUREAU

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR CERTIFIED LOCAL GOVERNMENTS

Jerry Steele, Mayor
City of Hamilton
223 Second St.
Hamilton, MT 59840

We have performed the procedures enumerated below, which were agreed to by the City of Hamilton (City) and the Montana State Department of Labor and Industry, in order to perform a financial review of the City as of and for the year ended June 30, 2009, as required by ARM 24.301.208. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Montana State Department of Labor and Industry, as required by ARM 24.301.208. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

- a. We determined that the City of Hamilton's accounting records fully document the collection and expenditure of all fees and charges related to the Building Code Enforcement Program during the fiscal year. Based on the City's accounting records, we have presented a schedule of revenues, expenditures, and changes in fund balance of the Building Code Enforcement Fund for the fiscal year, in Schedule A.

We found no exceptions as a result of applying this procedure.

- b. We compared the financial information included in the "Fiscal Report" submitted to the State Building Codes Bureau to corresponding information in the City of Hamilton's accounting records, and verified that the information was the same.

One finding resulting from this procedure is disclosed in finding number 2009-1 in Schedule C.

- c. From selected building permit applications, we compared permit fees charged to the permit fee schedule established by the City of Hamilton and approved by the State Building Codes Bureau, and verified that the fees were the same.

We found no exceptions as a result of applying this procedure.

- d. From selected building permit applications, we compared the total building permit fee paid to the amount credited to the Building Code Enforcement Program, and verified that the amounts agreed and that no portion of the fee was diverted to other functions of the government.

We found no exceptions as a result of applying this procedure.

- e. We examined selected expenditures and other charges made from Building Code Enforcement Program-related fees and determined that all were necessary and reasonable costs directly and specifically identifiable to the enforcement of building codes, (with the exception of indirect costs charged to the Building Code Enforcement Program – see procedures "g" and "h" below). ("Fixed charges" are itemized in Schedule B.)

Findings resulting from this procedure are disclosed in findings number 2009-1, and 2009-2 in Schedule C.

- f. We examined selected expenditures from the Building Codes Enforcement Program and determined that no portion of permit fees collected were used to support fire departments, planning, zoning, or other activities, except to the extent that employees of those programs provided direct plan review, inspection or other building code enforcement services for the Building Code Enforcement Program. If so, we obtained documentation from the government that supports the performance of these direct services and that documents that these costs were properly charged to the Building Code Enforcement Program for specifically allowable services.

Findings resulting from this procedure are disclosed in findings number 2009-1, and 2009-2 in Schedule C.

- g. If indirect costs were allocated to the Building Code Enforcement Program, we verified that the basis used to allocate costs to the Building Code Enforcement Program was the same basis used to allocate indirect costs to other proprietary funds of the City of Hamilton, and we verified that indirect costs waived for any other proprietary fund of the City of Hamilton were also waived for the Building Code Enforcement Program. Total indirect costs are itemized in Schedule B.

Findings resulting from this procedure are disclosed in finding number 2009-2 in Schedule C.

- h. If indirect costs were charged to the Building Code Enforcement Program, we verified that they were limited to those costs allowed under OMB Circular A-87.

Findings resulting from this procedure are disclosed in finding number 2009-2 in Schedule C.

- i. If there are transfers out of the Building Code Enforcement Program Fund, we obtained detailed documentation from the City of Hamilton that describes the purposes and eventual uses of these transfers, and verified that these purposes and uses are in accordance with allowable expenditures, as addressed in the procedures performed above.

Findings resulting from this procedure are disclosed in finding number 2009-2 in Schedule C.

- j. We verified that 0.5% of revenues from plan reviews and building permits (not including revenues from electrical, mechanical or plumbing permits) collected during the year were remitted to the State Department of Labor and Industry for the building codes education program.

Findings resulting from the procedure are disclosed in finding number 2009-3 in Schedule C.

- k. Based on the financial information presented in Schedule A, we determined whether the fund balance exceeded the amount needed to support the building code enforcement program for 12 months. If so, we verified that the City of Hamilton had taken steps to reduce the fees.

We found no exceptions as a result of applying this procedure.

Accompanying are the following schedules:

Schedule A presents the City of Hamilton's beginning fund balance, the total revenues, total expenditures by object classification, transfers, any other financing sources/uses, prior period adjustments, and ending fund balance for the Building Code Enforcement Fund for the year ended June 30, 2009.

Schedule B presents an itemization, if applicable, of:

- * Indirect costs, including a description of the functions represented.
- * Costs related to fire department, planning, zoning, and other activities.
- * Costs reported in Schedule A as "fixed charges".
- * Each transfer, including a description as to which fund the transfer is made, and the purpose of the transfer.
- * Each prior period adjustment, describing the purpose of the adjustment and the account (other than fund balance) affected.

Schedule C presents findings and recommendations resulting from performing the above agreed-upon procedures.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the City of Hamilton and the Montana State Department of Labor and Industry, Building Codes Bureau, and is not intended to be and should not be used by anyone other than these specified parties.

Cote & Wheeler CPAs PLLC

Cote & Wheeler, CPAs PLLC
August 6, 2010

SCHEDULE A

City of Hamilton
Building Code Enforcement Program
Special Revenue Fund # 2394
For the year ended June 30, 2009

Schedule of Revenues, Expenditures and Changes in Fund Balance

REVENUES

Building permits	\$	77,543
Plumbing and gas permits		7,390
Plan review		13,539
Miscellaneous		200
Interest		<u>1,061</u>
TOTAL REVENUE	\$	<u>99,733</u>

EXPENDITURES

Personal services	\$	77,219
Office supplies and materials		815
Computer equipment		115
Operating supplies		89
Gas, oil, and vehicle expenses		913
Publications, subscriptions, dues, advertising		1,401
Telephone		1,082
Audit		250
Contracted inspections, engineering		720
Computer consultants		100
Building codes assessment payments		417
Computer programs maintenance		5,196
Travel		618
Training		387
Insurance		<u>5,317</u>
TOTAL EXPENDITURES	\$	<u>94,639</u>

Excess of revenues over (under) expenditures \$ 5,094

Transfers in
Transfers out (16,140) (1)

NET CHANGE IN FUND BLANCE \$ (11,046)

Beginning fund balance July 1, 2008 114,687

ENDING FUND BALANCE June 30, 2009 \$ 103,641

(1) Internal administrative and rent assessment

SCHEDULE B

City of Hamilton
Building Codes Enforcement Program

INDIRECT COSTS

Administrative Charge \$ 15,000

Charged to the building code enforcement fund and transferred to the general fund. Indirect costs in the pool include administrative personnel, administrative supplies and other allowable costs, excluding occupancy, that can not be specifically identified to individual funds.

Rent Charge \$ 1,140

Charged to the building code enforcement fund and transferred to the general fund. The cost pool includes occupancy costs for the administrative function and is allocated to four funds. It is part of the overall administrative calculation but is recorded separately.

TRANSFERS

June 30, 2009 -- Transfer from building code enforcement fund of \$15,000 to the general fund for indirect administrative charge. (see above)

June 30, 2009 -- Transfer from building code enforcement fund of \$1,140 to the general fund for indirect administrative rent share. (see above)

SCHEDULE C

City of Hamilton Building Codes Enforcement Program

Findings to Accompany Agreed-Upon Procedures for Certified Local Governments

2009-1 Payroll allocation (Repeat of findings 2008-1 and 2007-1)

Condition: The same clerk services the City of Hamilton (City) building code department and the planning department. From time to time the building inspector may provide consultation or other services to planning and public works departments. The clerk and building inspector's payroll is charged according to the budget, neither employee is asked to break out their time sheets by fund served so there is no current method of ascertaining whether the payroll in building codes is accurate, understated or overstated.

Criteria: Costs that can be directly identified should be recorded in that fund.

Effect: Building code enforcement fund expenditures may be overstated but we are unable to determine at this time.

Recommendation: Revise the time sheets or use professional style time books for the building inspector and clerk so that daily time is recorded by department or fund served; then charge the funds accordingly. This is common practice in engineering and architectural firms in the private sector and requires five minutes or less a day.

2009-2 Indirect cost allocation (Repeat of finding 2008-2)

Condition: Administrative fees are charged to the building code enforcement fund and other funds at the end of each fiscal year; the auditor examined the years 2006, 2007, 2008 and 2009 for building code enforcement, and proprietary funds and cannot find a consistent rationale applied to all funds.

Criteria: Common costs should be specifically identified if possible or allocated according to a reasonable plan if not possible.

Effect: Unknown, the allocated portion of common costs could be overstated, understated or accurate but there is no way to identify.

Recommendation: The City needs to review its allocation for common costs. The city is required to meet the provisions of the federal Office of Management and Budget's cost Circular A-87 which requires that a cost allocation plan be written and available for audit even when no federal approval is required; the allocation plan should be in writing. In addition MCA 50-50-106.2.i requires for communities with certified building code enforcement programs "indirect costs charged on the same basis as other local government proprietary funds not paying administrative costs as direct charges."

2009-3 Annual Fiscal Report Filing

Condition: The City of Hamilton's building codes fiscal report for fiscal year 2008-2009 had not been submitted at the time of applying agreed-upon-procedures in July and August 2010 for the year ended June 30, 2009.

Criteria: A certified city will submit a Building codes fiscal report and educational assessment fee by September 1 of each year for the June 30 fiscal year just ended.

Effect: The City was not in compliance with ARM 24.301.207(2). The required education payment was not submitted until August 2010.

Recommendation: As part of internal control there should be at least two parties monitoring all types of reporting. Presumably one of these will be the person preparing the report and one would be a department head and/or the mayor or council. The council is ultimately responsible.