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Secretary of State

State of Oregon

**LANDSCAPE CONTRACTORS BOARD**

**Special Review**



Audits Division

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*Auditing for a Better Oregon*

Honorable John Kitzhaber  
Governor of Oregon  
State Capitol  
Salem, Oregon 97310

Kenneth K. Keudell, Administrator  
Landscape Contractors Board  
700 Summer Street NE, Suite 300  
Salem, Oregon 97309-5052

This audit encompasses a review of the Landscape Contractors Board (board) for the period July 1, 1995, through June 30, 1996. The objectives of the audit were to determine whether controls were in place to safeguard assets and whether selected transactions complied with pertinent laws, rules, and regulations.

The results of our review found no material weaknesses in the board's internal controls and we did not identify any instances of noncompliance with laws and regulations.

We conducted our audit in accordance with generally accepted government auditing standards. In this regard, we inquired of agency personnel, reviewed policies and procedures, tested relevant reports, and evaluated management controls as required to accomplish the objectives of our audit.

Our audit was limited to the specific matters described above, and was based on tests and procedures we considered necessary in the circumstances.

OREGON AUDITS DIVISION

Don Waggoner, CPA  
State Auditor

Fieldwork Completion Date:  
December 20, 1996

-iii-



**T A B L E O F C O N T E N T S**

	<u>Page</u>
STATE AUDITOR’S REPORT .....	iii
SUMMARY .....	vii
INTRODUCTION	
Organization and Functions .....	1
Financial Activities.....	1
Scope and Methodology.....	2
AUDIT RESULTS	
Report on the Internal Control Structure.....	3
Report on Compliance With Laws and Regulations .....	4
REPORT DISTRIBUTION .....	5
COMMENDATION.....	5
AGENCY’S RESPONSE TO THE AUDIT REPORT.....	7



## SUMMARY

The Landscape Contractors Board (board), operating under *Oregon Revised Statutes* (ORS) 671.510 to 671.990 since 1972, licenses landscaping businesses and landscape contractors. The governor appoints the seven-member board to serve three-year terms. The board receives and investigates consumer complaints, answers consumer and contractor questions and enforces compliance with the licensing law. The board is self-supporting from license and examination fees and has a biennial other funds budget of \$252,716.

The results of our review found no material weaknesses in the board's internal controls and we did not identify any instances of noncompliance with laws and regulations.



## INTRODUCTION

### ORGANIZATION AND FUNCTIONS

The Landscape Contractors Board (board), operating under *Oregon Revised Statutes* (ORS) 671.510 to 671.990 since 1972, licenses landscaping businesses and landscape contractors. The governor appoints the seven member board to serve three-year terms. Five members are from the landscape industry and two are public members. The board receives and investigates consumer complaints, answers consumer and contractor questions and enforces compliance with the licensing law.

The licensing law requires individual landscape contractors to meet experience and/or education requirements and pass competency exams. Landscaping businesses must post security bonds, submit evidence of liability insurance and employ a licensed landscape contractor.

### FINANCIAL ACTIVITIES

The Landscape Contractors Board has no authorized positions, all administrative functions are handled through an agreement with the Construction Contractors Board. The board is self-supporting from license and examination fees and has a biennial other funds budget of \$252,716. The board's recorded transactions as of June 30, 1996, for the 1995-97 biennium consist of:

Categories	Recorded Revenue as of June 30, 1996	Revenue Estimated for 1995-97 Biennium	Percent of Biennial Estimate Collected
Licenses and Exams	\$ 110,795	\$ 246,000	45%
Other	2,443	1,000	244%
Total	\$ 113,238	\$ 247,000	46%

Categories	Recorded Expenditures as of June 30, 1996	Budgeted Expenditures for 1995-97 Biennium	Percent of Biennial Budget Expended
Board Member Stipends	\$ 1,489	\$ 2,337	64%
Travel	3,077	5,128	60%
Office Expenses	17,684	40,140	44%
Professional Fees	25,378	31,839	80%
Governmental Charges	66,669	157,489	42%
Other	6,767	15,783	43%
Total	\$ 121,064	\$ 252,716	48%

**SCOPE AND  
METHODOLOGY**

We reviewed internal controls at the Landscape Contractors Board and tested transactions for the period July 1, 1995, through June 30, 1996. The transactions were tested to evaluate the effectiveness of internal controls and compliance with laws and regulations. We tested revenues and receipts, services and supplies expenditures, and costs allocated by the Construction Contractors Board.

Specifically, we compared actual with expected revenues based on license count. We reviewed a sample of cash receipts to verify that they were accurately recorded in the accounting system and that control procedures were working. Furthermore, we determined that these transactions were adequately supported.

We tested the details of selected services and supplies expenditure transactions for adequate supporting documentation, correct account coding, and mathematical accuracy.

We tested the allocation of costs from the Construction Contractors Board by reviewing monthly time summaries for mathematical accuracy and reasonableness. We verified that the proper percentage was used in allocating costs and proper cost categories were used in allocating costs.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Our review was limited to the areas specified in this section of the report.

## **AUDIT RESULTS**

### **REPORT ON THE INTERNAL CONTROL STRUCTURE**

The management of the Landscape Contractors Board (board) is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of the changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities may occur and not be detected within a timely period by employees in the normal course of

performing their assigned functions. We noted no matters involving the internal control structure and its operations that we considered to be material weaknesses as defined above.

**REPORT ON COMPLIANCE  
WITH LAWS AND  
REGULATIONS**

Compliance with laws and regulations applicable to the Landscape Contractors Board (board) is the responsibility of management. As part of our audit, we performed tests of the board's compliance with certain provisions of laws and regulations relating to selected transactions. However, the objective of our audit was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

## **REPORT DISTRIBUTION**

This report is a public record and is intended for the information of the Landscape Contractors Board and its management, the Department of Administrative Services' management, the governor of the state of Oregon, the Oregon Legislative Assembly, and all other interested parties.

## **COMMENDATION**

The courtesies and cooperation extended by the officials and employees of the Landscape Contractors Board and the Construction Contractors Board during the course of our audit were very commendable and sincerely appreciated.

## **AUDIT TEAM**

Gary Colbert, CGFM, Audit Administrator  
Dale Schneider, CPA, Senior Auditor  
Jim McCarty, CPA, Auditor



**AGENCY'S RESPONSE TO THE AUDIT REPORT**



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**LANDSCAPE  
CONTRACTORS  
BOARD**

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March 14, 1997

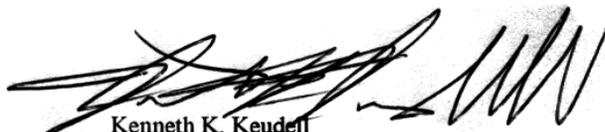
DON WAGGONER, CPA  
STATE AUDITOR  
SECRETARY OF STATE  
255 CAPITOL ST. NE  
SALEM OR 97310

Mailing Address:  
PO Box 14140  
Salem, OR 97309-5052

Physical Address:  
700 Summer St. NE  
Suite 300  
Salem

The management staff have reviewed the preliminary audit for the Landscape Contractors Board and agree with the Audit Division's findings.

Sincerely,



Kenneth K. Keudell  
Administrator

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(503) 378-4621  
FAX (503) 373-2007 Admin.  
FAX (503) 373-2143 Enforcement  
FAX (503) 373-2213 Registration  
FAX (503) 373-2214 Claims  
TDD (503) 373-2218