
Secretary of State

State of Oregon

BOARD OF ARCHITECT EXAMINERS

For the Year Ended June 30, 1998



Audits Division

Contract Auditor: Merina, McCoy & Co., CPAs, PC

Secretary of State

State of Oregon

BOARD OF ARCHITECT EXAMINERS

For the Year Ended 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
Governor of Oregon
State Capitol
Salem, Oregon 97310

Board of Architect Examiners
750 Front Street NE #260
Salem, Oregon 97310

This report of the Board of Architect Examiners contains audited financial statements and a report on the board's compliance with laws, regulations, contracts, and grants and on internal control over financial reporting. This audit was performed by Merina, McCoy & Co., CPAs, PC for the Audits Division and covers the year ended June 30, 1998. The board's response to the audit report is included on page 18.

OREGON AUDITS DIVISION

John N. Lattimer
Director

Fieldwork Completion Date:
December 23, 1998

State of Oregon
OREGON BOARD OF ARCHITECT EXAMINERS
Financial Statements
For the Year Ended June 30, 1998

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Merina, McCoy & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Partners
John W. Merina, CPA
Michael E. McCoy, CPA, CVA
Certified in Oregon and
Washington

INDEPENDENT AUDITORS' REPORT

To:

John Lattimer
Director
Oregon Audits Division
255 Capitol Street NE, Suite 500
Salem, OR 97310

Board of Architect Examiners
750 Front Street NE #260
Salem, OR 97310

We have audited the accompanying general purpose financial statements of the Board of Architect Examiners, as of and for the year ended June 30, 1998, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the Board of Architect Examiners' management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures about year 2000 issues, requires disclosure of certain matters regarding the year 2000 issue. The Board of Architect Examiners has included such disclosures in Note 12. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Board of Architect Examiners' disclosures with respect to the year 2000 issue made in Note 12. Further, we do not provide assurance that the Board of Architect Examiners is or will be year 2000 ready, that the Board of Architect Examiners' year 2000 remediation efforts will be successful in whole or in part, or that parties with whom the Board of Architect Examiners does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Board of Architect Examiners as of June 30, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 1998, on our consideration of the Board of Architect Examiners' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Board of Architect Examiners. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.


Merina, McCoy & Co., CPAs, PC.
West Linn, Oregon
December 23, 1998

GENERAL PURPOSE FINANCIAL STATEMENTS

State of Oregon
BOARD OF ARCHITECT EXAMINERS
(A Semi-Independent Agency of the State of Oregon)
Combined Balance Sheet - All Fund Types and Account Groups
June 30, 1998

	Governmental Funds	Account Groups		Totals (Memorandum Only)
	General Fund	General Fixed Assets	General Long Term Debt	
ASSETS AND OTHER DEBITS				
Assets:				
Cash	\$ 335,923			\$ 335,923
Accounts receivable - other	10			10
Prepaid rents	8,859			8,859
Due from Secretary of State	55,620			55,620
Due from Landscape Architect Board	12,582			12,582
Property and equipment		\$ 49,069		49,069
Amount to be provided for payment of accrued compensated absences	2,215		\$ 9,091	11,306
Total assets and other debits	\$ 415,209	\$ 49,069	\$ 9,091	\$ 473,369
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 20,304			\$ 20,304
Due to Secretary of State	66,062			66,062
Accrued compensated absences	2,215		\$ 9,091	11,306
Total liabilities	88,581		9,091	97,672
Fund balances:				
Investment in fixed assets		\$ 49,069		49,069
Unreserved, undesignated	326,628			326,628
Total fund balances	326,628	49,069		375,697
Total liabilities and fund balances	\$ 415,209	\$ 49,069	\$ 9,091	\$ 473,369

The accompanying notes are an integral part of these financial statements

State of Oregon
BOARD OF ARCHITECT EXAMINERS
(A Semi-Independent Agency of the State of Oregon)
Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund
Year Ended June 30, 1998

	<u>General Fund</u>
Revenues:	
Licenses and fees	\$ 256,830
Interest income	8,780
Total revenues	<u>265,610</u>
Expenditures:	
Personal services	128,989
Services and supplies	<u>129,119</u>
Total expenditures	<u>258,108</u>
Excess (deficiency) of revenues over expenditures	7,502
Fund balances:	
Beginning	<u>319,126</u>
Ending	<u>\$ 326,628</u>

The accompanying notes are an integral part of these financial statements

State of Oregon
BOARD OF ARCHITECT EXAMINERS
 (A Semi-Independent Agency of the State of Oregon)
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 General Fund - Budget and Actual
 Year Ended June 30, 1998

	1997-1999 Budget	1st Year Budget	1st Year Actuals	Variance Favorable (Unfavorable)
Revenues:				
Licenses and fees	\$ 458,750	\$ 229,375	\$ 256,830	\$ 27,455
Interest income	30,731	15,366	8,780	(6,586)
Total revenues	489,481	244,741	265,610	20,869
Expenditures:				
Personal services	272,226	136,113	128,989	7,124
Services and supplies	217,255	108,628	137,978	(29,350)
Total expenditures	489,481	244,741	266,967	(22,226)
Excess (deficiency) of revenues over expenditures	<u>\$ 0</u>	<u>\$ 0</u>	(1,357)	<u>(1,357)</u>
Funds balance - beginning (non-GAAP budgetary basis)			<u>319,126</u>	
Fund balance - ending (non- GAAP budgetary basis)			317,769	
<u>Adjustments To Generally Accepted Accounting Principles</u>				
Prepaid rent			<u>8,859</u>	
Fund balance, ending (GAAP)			<u>\$ 326,628</u>	

The accompanying notes are an integral part of these financial statements

State of Oregon
BOARD OF ARCHITECT EXAMINERS
(A Semi-Independent Agency of the State of Oregon)
Notes to Financial Statements
June 30, 1998

1) Summary of Significant Accounting Policies

A. Reporting Entity

The Board of Architect Examiners (the Board) is a semi-independent agency of the State of Oregon. The Board was created in 1919 and operates under Oregon Revised Statutes (ORS) Chapter 671.010 -671.220. The board consists of seven members appointed by the governor for four-year terms. Five members are licensed architects and two members are public citizens.

Pursuant to Oregon Senate Bill 546 adopted in 1997, the Board and four similar agencies were granted semi-independent status. This pilot program sunsets at the end of the June 30, 2001, biennium unless extended by the Legislature.

B. Basis of Presentation

The accompanying financial statements are presented in conformity with Generally Accepted Accounting Principles (GAAP) applicable to state governments. The Board uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The accounts of the Board are organized on the basis of a general fund and account groups. The fund and account groups are described as follows:

Governmental Fund Type: General Fund

Governmental funds are used to account for the Board's general activities, including the collection and disbursement of earmarked moneys (general funds), the acquisition or construction of general fixed assets, and the servicing of general long-term debt. The General Fund is the general operating fund of the Board. It is used to account for license fees, civil penalties and interest income. Operating expenditures are recorded in this fund.

State of Oregon
BOARD OF ARCHITECT EXAMINERS
(A Semi-Independent Agency of the State of Oregon)
Notes to Financial Statements (Continued)
June 30, 1998

(1) Summary of Significant Accounting Policies (continued)

Account Group: General Fixed Assets

The General Fixed Assets Account Group is used to account for the fixed assets acquired and leased through Governmental Fund Types.

Account Group: General Long-Term Debt

Liabilities of a long-term nature are recorded in the General Long-Term Debt Account Group. This long-term liability consists of accrued vacation leave.

Totals - Memorandum Only:

Totals - Memorandum Only is so captioned to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in fund balances in conformity with GAAP.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. All governmental funds are accounted for on the flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues) and decreases (i.e., expenditures) in net current assets.

The Board uses the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are recognized under the modified accrual basis of accounting when the related liability is incurred.

D. Budget

The Board is required to adopt budgets on a biennial basis. The Board may adopt or modify a budget only after holding a public hearing and must give notice of budget hearings to all licensees.

State of Oregon
BOARD OF ARCHITECT EXAMINERS
(A Semi-Independent Agency of the State of Oregon)
Notes to Financial Statements (Continued)
June 30, 1998

(1) Summary of Significant Accounting Policies (concluded)

E. Supplies

Supplies are charged as expenditures when purchased.

F. Fixed Assets

General fixed assets are not capitalized in the fund used to acquire or construct the asset. Instead, capital acquisitions and construction are reflected as expenditures in the General Fund, and the related assets are reported in the General Fixed Assets Account Group. All purchases of fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Assets in the General Fixed Assets Account Group are not depreciated.

Upon disposal of fixed assets, the cost or estimated cost is removed from the General Fixed Assets Account Group and any proceeds from such disposal is accounted for as a revenue of the General Fund.

G. Compensated Absences

Full-time, permanent employees are granted paid time off benefits of varying amounts to specified maximums depending on tenure with the Board. The estimated current portion of the liability for paid time off benefits attributable to the Board's governmental funds is recorded as an expenditure and liability in the General Fund. The long-term portion is recorded in the General Long-Term Debt Account Group. The estimated liabilities include required salary-related payments.

H. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions which affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimated.

State of Oregon
BOARD OF ARCHITECT EXAMINERS
(A Semi-Independent Agency of the State of Oregon)
Notes to Financial Statements (Continued)
June 30, 1998

(2) Nature of the Organization

The Board prescribes qualifications for the practice of architecture, conducts examinations to qualify applicants prior to registration and issues certificates to those who qualify. The Board has authority to revoke certificates and assess civil penalties against unregistered individuals practicing without statutory authority. The Board is primarily concerned with the quality and the safety of the buildings constructed within Oregon's borders.

(3) Cost Sharing Arrangement

The Board shares certain costs with the Oregon Board of Landscape Architects (BLA). These costs include all administrative costs for personnel, including an administrator, occupancy and accounting services. The Board is responsible for all personnel expenses and liabilities for operating costs.

At June 30, 1998 the amount due from BLA for these services was \$12,582.

(4) Deposits and Cash Equivalents

The Board's deposits at year-end were not adequately covered either by federal depository insurance or a combination of federal depository insurance and certification of participation in the State of Oregon collateral pool.

The Board of Directors has adopted the State of Oregon's investment policies which restrict investment types and maturities. The Board's investments, which are shown below, comply with these restrictions. These accounts are classified as cash because of their liquidity.

<u>Investment Type</u>	<u>Amount</u>	<u>Rate</u>	<u>Due</u>
Checking	157,554	1.26%	Demand
Savings	178,369	5.27%	Demand

State of Oregon
BOARD OF ARCHITECT EXAMINERS
 (A Semi-Independent Agency of the State of Oregon)
 Notes to Financial Statements (Continued)
 June 30, 1998

(5) Investments

Governmental accounting standards require that the Board's investments be categorized as either (1) insured or registered for which the securities are held by the Board or its agent in the Board's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the Board's name or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Board's name. The Board held no securities subject to categorization at June 30, 1998.

(6) Changes in Fixed Assets

The following table records activity in the General Fixed Asset Account Group for fiscal year ended June 30, 1998:

	June 30, 1997	Additions	Deletions	June 30, 1998
Furnishings and equipment	\$ 45,310	\$ 3,759		\$ 49,069
Total fixed assets	\$ 45,310	\$ 3,759		\$ 49,069

(7) Changes in General Long-term Debt

The following table records activity in the General Long-term Debt Account Group for fiscal year ended June 30, 1998:

	June 30, 1997	Additions	Deletions	June 30, 1998
Vacation Leave	\$ 4,378	\$ 7,746	\$ 3,033	\$ 9,091

State of Oregon
BOARD OF ARCHITECT EXAMINERS
(A Semi-Independent Agency of the State of Oregon)
Notes to Financial Statements (Continued)
June 30, 1998

(8) Pension Plan

The Board's employees participate in the Oregon Public Employees Retirement System (PERS), a cost-sharing, multiple-employer defined benefit pension plan. All Board employees are eligible to participate in the system after completing six months of service. PERS is administered by the Public Employees Retirement Board under the guidelines of Oregon Revised Statutes, chapter 238. The PERS retirement allowance, payable monthly for life, may be selected from twelve retirement benefit options. Options include survivorship benefits and lump sum refunds. The basic benefit formula is 1.67 percent of a member's final average salary multiplied by the member's number of years of service. Benefits may also be calculated under either a money match or an annuity-plus-pension computation if a greater benefit results. PERS also provides death and disability benefits. A copy of the Oregon Public Employees Retirement System annual financial report may be obtained from PERS, P. O. Box 23700, Tigard, Oregon 97281-3700.

Covered employees are required by state statutes to contribute 6 percent of their salary to the plan. Current law permits employers to pay employee contributions to the Retirement Fund. The Board is required by statute to contribute actuarially computed amounts as determined by PERS; rates are subject to change as a result of subsequent actuarial valuations. Currently the rate is 8.20 percent of each covered employee's salary. The Board's contributions were \$11,377, \$10,981, and \$12,111 for the years ended June 30, 1996, 1997, and 1998, respectively, which was equal to the required contribution. No pension liability existed at June 30, 1998, determined in accordance with Statement No. 27 of the Governmental Accounting Standards Board.

(9) Insurance

Insurance programs are administered for the Board by the Risk Management Division of the Oregon Department of Administrative Services, which provides insurance coverage to all state agencies with a Blanket Honesty and Faithful Performance Bond, General Liability and Vehicle Liability Self-Insurance, and self-insurance property damage program.

The cost of servicing insurance claims and payments is covered by charging an assessment to each State entity based upon its share of services provided in a prior period.

State of Oregon
BOARD OF ARCHITECT EXAMINERS
(A Semi-Independent Agency of the State of Oregon)
Notes to Financial Statements (Continued)
June 30, 1998

(10) Lease Commitment

The Board leases its building space. The lease expires June 30, 2003. Total lease payments for the year ended June 30, 1998, were \$17,603, which was charged to expense.

Future minimum lease payments required as of June 30, 1998 are as follows:

Year ended June 30:	
1999	\$ 10,422
2000	21,684
2001	22,518
2002	<u>23,352</u>
Total	<u>\$ 77,976</u>

(11) Fund Balance

Reservations of fund balance of General Funds may be established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is appropriated for future expenditures. At June 30, 1998, no fund balance was reserved.

(12) Year 2000 Issue

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Board's operation as early as any time during fiscal year 1999, the current fiscal year.

The Board of Architect Examiners has inventoried computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting the Board's operations. It is unknown as of June 30, 1998 what effects, if any, failing to remediate any such systems, if required, will have upon the Board's operations and financial reporting.

State of Oregon
BOARD OF ARCHITECT EXAMINERS
(A Semi-Independent Agency of the State of Oregon)
Notes to Financial Statements (Continued)
June 30, 1998

(12) Year 2000 Issue (continued)

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Board is or will be Year 2000 ready, that the Board's remediation efforts will be successful in whole or in part, or that parties with whom the Board does business will be year 2000 ready.

(13) Subsequent Event

As of July 1, 1998 the Board of Landscape Architects elected to hire its own administrator and no longer shares that position with the Board.

SUPPLEMENTAL INFORMATION

BOARD OF ARCHITECT EXAMINERS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended June 30, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Licenses and fees:			
Annual renewal fees	\$ 198,375	\$ 221,020	\$ 22,645
Registrations	13,000	11,410	(1,590)
Reciprocity	8,750	13,570	4,820
Fines and forfeits	500	4,875	4,375
Application fee	3,750	4,896	1,146
Other fees	2,500	984	(1,516)
Total licenses and fees	<u>226,875</u>	<u>256,755</u>	<u>29,880</u>
Civil penalties	2,500	0	(2,500)
Donations and grants		75	75
Interest income	<u>15,366</u>	<u>8,780</u>	<u>(6,586)</u>
Total revenues	<u>244,741</u>	<u>265,610</u>	<u>20,869</u>
<u>Personal Services</u>			
Employee payroll	97,952	93,549	4,403
Board stipend	1,500	1,233	267
Retirement	13,157	12,111	1,046
Payroll taxes	7,879	7,136	743
Insurance	15,600	11,325	4,275
Other	25	3,635	(3,610)
Total Personal Services	<u>136,113</u>	<u>128,989</u>	<u>7,124</u>

BOARD OF ARCHITECT EXAMINERS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended June 30, 1998

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Services and supplies</u>			
Office supplies	2,700	4,728	(2,028)
Office services	1,000		1,000
Small equipment	150		150
Printing and reproduction	1,250	8,742	(7,492)
Postage	1,900	9,133	(7,233)
Publicity and public relations	1,200	337	863
Professional fees	7,613	11,026	(3,413)
Investigator	12,500	10,009	2,491
Professional development	2,725	1,824	901
Repairs and maintenance	250	1,424	(1,174)
Attorney General services	6,000	12,050	(6,050)
Equipment rental	1,500	2,381	(881)
Telecommunications	4,500	10,350	(5,850)
Data processing and services	3,050	6,689	(3,639)
Rent	14,400	17,603	(3,203)
Travel expenses	9,600	18,042	(8,442)
Conference registrations	5,600	1,825	3,775
Dues and subscriptions	2,600	8,483	(5,883)
Transition costs	17,500	9,331	8,169
Capital outlay	1,250	3,759	(2,509)
Other	11,340	242	11,098
	<u>108,628</u>	<u>137,978</u>	<u>(29,350)</u>
Total Expenditures	<u>244,741</u>	<u>266,967</u>	<u>(22,226)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 0</u>	(1,357)	<u>\$ (1,357)</u>
Fund Balance, beginning		<u>319,126</u>	
Fund Balance, ending (non-GAAP budgetary basis)		<u>\$ 317,769</u>	

OTHER REPORT



Merina, McCoy & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Partners
John W. Merina, CPA
Michael E. McCoy, CPA, CVA
Certified in Oregon and
Washington

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To:

John Lattimer
Director
Oregon Audits Division
255 Capitol Street NE, Suite 500
Salem, OR 97310

Board of Architect Examiners
750 Front Street NE #260
Salem, OR 97310

We have audited the general purpose financial statements of the Board of Architect Examiners, as of and for the year ended June 30, 1998, and have issued our report thereon dated December 23, 1998. In our report, our opinion was qualified due to a lack of sufficient audit evidence to support the Board of Architect Examiners' disclosures with respect to the year 2000 issue. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Board of Architect Examiners' compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Deposits in financial institutions were not fully-insured at all times during the fiscal year ended June 30, 1998.

An annual financial statement of Board revenues and expenditures for the year ended June 30, 1998 was not made available for public review nor was a copy provided to the Department of Administrative Services within ninety days of the state fiscal year end as required by Senate Bill 546.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Board of Architect Examiners' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Board of Architect Examiners' ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The matter that we consider to be a reportable condition is:

The bank reconciliations are not reviewed by management.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information of the Board of Architect Examiners' management, the Oregon Secretary of State, Division of Audits, the Governor of the State of Oregon, and the Oregon Legislative Assembly. However, this report is a matter of public record and its distribution is not limited.


Merina, McCoy & Co., CPA's, PC
West Linn, Oregon
December 23, 1998

BOARD'S RESPONSE TO THE AUDIT REPORT



Oregon

John A. Kitzhaber, M.D., Governor

Board of Architect Examiners

750 Front Street NE #260

Salem, OR 97310

(503) 378-4270

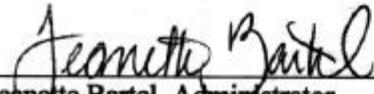
FAX (503) 378-6091

January 19, 1999

John Lattimer
Oregon Audits Division
255 Capitol Street NE, Suite 500
Salem, OR 97310

The Oregon State Board of Architect Examiners (OSBAE) has reviewed the Secretary of State's Audit Report for the year ended June 30, 1998, and for the most part agrees with the findings. The OSBAE respectfully submits the following response to the reported findings:

- 1. Year 2000 Issue** - For the record, the OSBAE has fully complied with the Department of Administrative Services-Risk Management, Y2K requirements. The Board has replaced outdated hardware and software programs with Y2K compliant hardware and software programs. In addition, the OSBAE has completed tests and evaluations in an effort to ensure that its system remains functional into the year 2000.
- 2. Deposits Not Fully-Insured** - This oversight was the result of a lack of communication between the prior OSBAE administrator and the US Bank. The prior administrator believed that he had requested a collateral certificate, however, no such certificate was prepared by US Bank. The present administrator was not aware that the Board's accounts were not fully-insured until notified by the auditor. Upon notification, this oversight was immediately corrected. As of December 18, 1998, the OSBAE secured a collateral certificate from the US Bank in an amount sufficient to insure the Board's accounts (\$300,000).
- 3. Annual Financial Statement** - Senate Bill 546 (SB 546) required the OSBAE to submit an annual financial statement of revenues and expenditures within ninety days of the end of the state fiscal year. The OSBAE did not comply with this requirement based on advice received from the Secretary of State's office. The Secretary of State's office advised the OSBAE that it was not practical to report revenues and expenditures until audited financial information was available. To this effect, the OSBAE did not submit the required report by the deadline established in SB 546. A financial report was subsequently prepared by the contracted auditor, Merina, McCoy & Co. CPA's, PC. The report is available for public review and was filed with the Department of Administrative Services on or about December 23, 1998. Hereafter, the OSBAE will provide a financial statement of its revenues and expenditures in accordance with the provisions of SB 546.
- 4. Bank Reconciliations** - The OSBAE fiscal manager reconciles bank statements on a monthly basis. Hereafter bank reconciliations will also be reviewed by the OSBAE administrator.



Jeanette Bartel, Administrator
Oregon State Board of Architect Examiners

1/19/99
Date

FACTS ABOUT THE SECRETARY OF STATE AUDITS DIVISION

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DIRECTORY OF KEY OFFICIALS

Director

Deputy Director

Deputy Director

John N. Lattimer

Sharron E. Walker, CPA, CFE

Catherine E. Pollino, CGFM



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Oregon Audits Division
Public Service Building
Salem, Oregon 97310

503-986-2255

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Hotline: 800-336-8218
Internet: Audits.Hotline@state.or.us
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