
Secretary of State

State of Oregon

**BOARD OF EXAMINERS FOR
ENGINEERING AND LAND SURVEYING**

For the Year Ended June 30, 1998



Audits Division

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

Secretary of State

State of Oregon

**BOARD OF EXAMINERS FOR
ENGINEERING AND LAND SURVEYING**

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 Examiners for Engineering and
Land Surveying
728 Hawthorne Avenue NE
Salem, Oregon 97301

This report of the Board of Examiners for Engineering and Land Surveying 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 20.

OREGON AUDITS DIVISION

John N. Lattimer
Director

Fieldwork Completion Date:
December 30, 1998

State of Oregon
BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
Financial Statements
For the Year Ended June 30, 1998

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
GENERAL PURPOSE FINANCIAL STATEMENTS	
Combined Balance Sheet – All Fund Types and Account Groups.....	3
Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund	4
Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund – Budget and Actual.....	5
Notes to Financial Statements.....	6
SUPPLEMENTAL INFORMATION	
Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund – Budget and Actual	14
OTHER REPORT	
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i>	17
BOARD'S RESPONSE TO THE AUDIT REPORT	20



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 Examiners for Engineering and Land Surveying
728 Hawthorne Avenue NE
Salem, OR 97301

We have audited the accompanying general purpose financial statements of the Board of Examiners for Engineering and Land Surveying, 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 Examiners for Engineering and Land Surveying's 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 Examiners for Engineering and Land Surveying 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 Examiners for Engineering and Land Surveying's disclosures with respect to the year 2000 issue made in Note 12. Further, we do not provide assurance that the Board of Examiners for Engineering and Land Surveying is or will be year 2000 ready, that the Board of Examiners for Engineering and Land Surveying's year 2000 remediation efforts will be successful in whole or in part, or that parties with whom the Board of Examiners for Engineering and Land Surveying 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 Examiners for Engineering and Land Surveying 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 30, 1998, on our consideration of the Board of Examiners for Engineering and Land Surveying's 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 Examiners for Engineering and Land Surveying. 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, P.C.
West Linn, Oregon
December 30, 1998

GENERAL PURPOSE FINANCIAL STATEMENTS

State of Oregon
BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
 (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	\$ 321,227			\$ 321,227
Accounts receivable - Renewals	28,155			28,155
Due from Oregon Board of Geologists	23,194			23,194
Property and equipment		\$ 95,444		95,444
Amount to be provided for payment of accrued compensated absences	5,266		\$ 8,644	13,910
Total assets and other debits	\$ 377,842	\$ 95,444	\$ 8,644	\$ 481,930
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 69,456			\$ 69,456
Accrued payroll	18,591			18,591
Due to Oregon Housing and Community Services Division	38,931			38,931
Accrued compensated absences	5,266		\$ 8,644	13,910
Total liabilities	132,244		8,644	140,888
Fund balances:				
Investment in fixed assets		\$ 95,444		95,444
Unreserved, undesignated	245,598			245,598
Total fund balances	245,598	95,444		341,042
Total liabilities and fund balances	\$ 377,842	\$ 95,444	\$ 8,644	\$ 481,930

The accompanying notes are an integral part of these financial statements

State of Oregon
BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
 (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

	General Fund
Revenues:	
Licenses and fees	\$ 449,932
Administrative services	23,194
Interest income	7,699
Other income	2,603
Total revenues	483,428
Expenditures:	
Personal services	211,603
Services and supplies	237,912
Capital outlay	67,327
Total expenditures	516,842
Excess (deficiency) of revenues over expenditures	(33,414)
Fund balances:	
Beginning	279,012
Ending	\$ 245,598

The accompanying notes are an integral part of these financial statements

State of Oregon
BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
 (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	\$ 957,768	\$ 478,884	\$ 449,932	\$ (28,952)
Administrative services			23,194	23,194
Interest income			7,699	7,699
Other income			2,603	2,603
Total revenues	957,768	478,884	483,428	4,544
Expenditures:				
Personal services	474,765	237,380	211,603	25,777
Services and supplies	490,072	259,586	237,912	21,674
Capital outlay		1,236	67,327	(66,091)
Total expenditures	\$ 964,837	498,202	516,842	(18,640)
Excess (deficiency) of revenues over expenditures	\$(7,069)	\$ (19,318)	\$ (33,414)	\$ (14,096)
Funds balance - beginning			279,012	
Fund balance - ending			\$ 245,598	

The accompanying notes are an integral part of these financial statements

State of Oregon
BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
(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 Examiners for Engineering and Land Surveying (the Board) is a semi-independent agency of the State of Oregon. The Board operates under Oregon Revised Statutes (ORS) Chapter 672. The board consists of 11 members appointed by the governor for four-year terms. Two members are registered professional land surveyors, six members are registered professional engineers, one member is both a registered professional engineer and land surveyor and two members are public citizens. The board examines applicants for licensure and imposes disciplinary proceedings against those who violate statutes. The board also makes rules and enforces professional standards for the practice of engineering and land surveying in Oregon.

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, examination fees, civil penalties and interest income. Operating expenditures are recorded in this fund.

State of Oregon
BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
(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. The budget adopted by the Board of Examiners for Engineering and Land Surveying included expenditures only. The adopted budget failed to include beginning fund balances, revenues and ending fund balances.

E. Supplies

Supplies are charged as expenditures when purchased.

State of Oregon
BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
(A Semi-Independent Agency of the State of Oregon)
Notes to Financial Statements (Continued)
June 30, 1998

(1) Summary of Significant Accounting Policies (concluded)

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.

BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING

(A Semi-Independent Agency of the State of Oregon)

Notes to Financial Statements (Continued)

June 30, 1998

(2) Nature of the Organization

The Board's mission is to protect the people of the State of Oregon from the dangers of unqualified and improper practice of professional engineering and land surveying. The Board prescribes qualifications for the practice of professional engineering and land surveying, setting standards for the examination of applicants for licensure, continuing education, and enforcement of the laws and regulations governing the practice of professional engineering and land surveying. The Board issues licenses to those who do qualify, and has the authority to revoke licenses and assess civil penalties against unregistered individuals practicing professional engineering and land surveying without statutory authority and against those licensed professional engineers and land surveyors practicing improperly.

(3) Deposits and Cash Equivalents

The Board's deposits at year-end are covered only by federal depository insurance. The Federal Deposit Insurance Corporation generally limits insurance to \$100,000. Moneys in excess of this amount were not secured at year end by a certification of participation in the State of Oregon collateral pool as required by Oregon Revised Statute 295.

The Board 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	\$ (30,933)	0.00%	Demand
Savings	\$ 352,160	4.62%	Demand
	<u>\$ 321,227</u>		

(4) 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.

State of Oregon
BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
 (A Semi-Independent Agency of the State of Oregon)
 Notes to Financial Statements (Continued)
 June 30, 1998

(5) 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	\$ 28,117	\$ 67,327		\$ 95,444
Total fixed assets	\$ 28,117	\$ 67,327		\$ 95,444

(6) 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	\$ 10,719	\$ 10,303	\$ 12,378	\$ 8,644

State of Oregon
BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
(A Semi-Independent Agency of the State of Oregon)
Notes to Financial Statements (Continued)
June 30, 1998

(7) 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 \$21,237, \$20,834, and \$20,592, 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.

(8) Employee Leave

Sick leave is earned at the rate of 8 hours per month with no maximum limit. Accumulated sick leave at June 30, 1998, can be used in case of an employee's extended illness or injury. When the employee retires, any sick leave accrual terminates and no compensation is made for such hours. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Vacation time is earned, subject to a maximum accumulation of 250 to 350 hours depending on employee classification, at a rate of 8 hours per month to 17.34 hours per month depending on employee classification and length of service. The time off is vested when earned and recorded as an expenditure when paid. Accumulated paid time off, based upon current salary rates, was \$13,910 at June 30, 1998, of which \$5,266 is expected to be used in the short-term.

State of Oregon
BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
(A Semi-Independent Agency of the State of Oregon)
Notes to Financial Statements (Continued)
June 30, 1998

(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.

(10) Lease Commitment

The Board entered into a thirty month lease for its office space beginning on January 1, 1998. Beginning in the second year of the lease and for each year thereafter the amount of the base rental is to be increased by the Consumer Price Index for All Urban Consumers.

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

Year ended June 30:	
1999	\$ 28,000
2000	\$ 28,000
2001	<u>\$ 14,000</u>
Total	<u>\$ 70,000</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.

State of Oregon
BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
(A Semi-Independent Agency of the State of Oregon)
Notes to Financial Statements (Continued)
June 30, 1998

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 Examiners for Engineering and Land Surveying 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, would have upon the Board's operations and financial reporting.

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.

SUPPLEMENTAL INFORMATION

BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
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>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues</u>			
Licenses and fees:			
Annual renewal fees		\$ 240,693	\$ 240,693
Certificate fees		64,840	64,840
Comity and Temporary fees		46,390	46,390
Late payment fees		3,621	3,621
Examination Fees		92,628	92,628
Other fees	\$ 478,884	1,760	(477,124)
Total licenses and fees	478,884	449,932	(28,952)
Administrative Services Provided to Board of Geologists			
Interest income		23,194	23,194
Other income		7,699	7,699
		2,603	2,603
Total revenues	478,884	483,428	4,544
<u>Personal Services</u>			
Employee payroll		153,548	(153,548)
Board stipend		660	(660)
Retirement		16,771	(16,771)
Payroll taxes		16,980	(16,980)
Insurance		23,644	(23,644)
Other	237,380		237,380
Total Personal Services	237,380	211,603	25,777

BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
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>Services and supplies</u>			
Office supplies		395	(395)
Office services		2,640	(2,640)
Office other	23,656	7,784	15,872
Printing and reproduction		7,017	(7,017)
Postage		18,718	(18,718)
Professional fees	8,670	26,338	(17,668)
Attorney General services	15,048	7,162	7,886
Equipment rental		3,179	(3,179)
Telecommunications	8,700	6,603	2,097
Data processing and services	42,679	18,761	23,918
Insurance		375	(375)
Repairs and maintenance		1,067	(1,067)
Contract services		3,493	(3,493)
Rent	20,907	24,326	(3,419)
Employee development	3,400	4,288	(888)
Travel expenses	15,083	21,706	(6,623)
Dues and subscriptions	2,535	2,532	3
State government services	19,772	5,866	13,906
Publications	14,200		14,200
Other		2,490	(2,490)
Examination services	84,936	73,172	11,764
 Total Services and Supplies	 259,586	 237,912	 21,674

BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
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>	<u>Variance Favorable (Unfavorable)</u>
<u>Capital Outlay</u>			
Data processing hardware		19,662	(19,662)
System development costs		44,776	(44,776)
Other capital items	1,236	2,889	(1,653)
	<u>1,236</u>	<u>67,327</u>	<u>(66,091)</u>
Total capital outlay			
	<u>1,236</u>	<u>67,327</u>	<u>(66,091)</u>
Total Expenditures	<u>498,202</u>	<u>516,842</u>	<u>(18,640)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (19,318)</u>	<u>(33,414)</u>	<u>\$ (14,096)</u>
Fund Balance, beginning		<u>279,012</u>	
Fund Balance, ending		<u>\$ 245,598</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 Examiners for Engineering and Land Surveying
3218 Pringle Road SE
Salem, OR 97310

We have audited the general purpose financial statements of the Board of Examiners for Engineering and Land Surveying, as of and for the year ended June 30, 1998, and have issued our report thereon dated December 30, 1998. In our report, our opinion was qualified due to a lack of sufficient audit evidence to support the Board of Examiners for Engineering and Land Surveying's 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 Examiners for Engineering and Land Surveying's 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*.

Senate Bill 546 requires a Board to ensure that sufficient collateral secures any amount of funds on deposit that exceed the limits of the Federal Deposit Insurance Corporation in a manner consistent with ORS Chapter 295. For the months of December 1997 to June 1998 certain moneys were on deposit in a financial institution with U. S. Government securities as collateral. Chapter 295 requires a certificate of participation in a collateral pool as security, and does not address the use of U. S. Government securities as an alternative. Prior to December, 1997 the Board's fund were under the custody of the Oregon State Department of Administrative Services.

Senate Bill 546 required the Board to adopt budgets on a biennial basis using classifications of revenues and expenditures required by ORS 291.206(1). The Board adopted as a permanent budget for the biennium ending June 30, 1999, the temporary Governor's budget which included the proper classifications. However, the operating budget filed as the permanent administrative rule with the Secretary of State included expenditures but not revenues.

An annual financial statement of Board revenues and expenditures for the year ended June 30, 1998 was not provided to the Department of Administrative Services within ninety days of the state fiscal year end as required by Senate Bill 546.

Senate Bill 546 requires the Board to follow generally accepted accounting principles and keep financial and statistical information as necessary to completely and accurately disclose the financial condition and financial operations of the Board as may be required by the Secretary of State. Appropriate software has been installed but not properly implemented in a manner that would permit compliance with this section of the Senate Bill.

We considered these instances of noncompliance in forming our opinion on whether the Board of Examiners for Engineering and Land Surveying's general-purpose financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated December 30, 1998 on those general-purpose financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Board of Examiners for Engineering and Land Surveying's 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 Examiners for Engineering and Land Surveying's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The matters that we consider to be reportable conditions are:

Due to an absence of a sufficient level of control consciousness within the organization, there is no overall internal control design. This deficiency has resulted in a system that fails to provide complete and accurate output consistent with objectives and current needs.

The is no segregation of duties except with regard to cash receipts.

There are no review and approvals of transactions, accounting entries or systems output.

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 over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider all the reportable conditions described above to be material weaknesses.

We considered these instances of material weaknesses in forming our opinion on whether the Board of Examiners for Engineering and Land Surveying's general purpose financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles. We adjusted the nature, timing and scope of our audit procedures to compensate for these material weaknesses and, accordingly, this report does not affect our report dated December 30, 1998 on those general-purpose financial statements.

This report is intended for the information of the Board of Examiners for Engineering and Land Surveying's 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 30, 1998

BOARD'S RESPONSE TO THE AUDIT REPORT



Oregon

**State Board of Examiners for
Engineering & Land Surveying**

728 Hawthorne Avenue NE

Salem OR 97301

Telephone (503) 362-2666

FAX (503) 362-5454

E-mail: osbeels@transport.com

January 21, 1999

Secretary of State,
Audits Division

Re: Financial Statements with Independent Auditors' Report for year ending June 30, 1998.

I have reviewed the above noted material and submit the following comments:

I contend the adopted budget does include beginning balances, revenue, expenditures, and ending balances. The budget was adopted in strict compliance with ORS 183 as required in SB 546. The document that formed the basis for the 1997 - 1999 budget was the same documentation utilized by other agencies and is cited in the adopted budget rule. The wording in the rule is consistent with language contained in legislatively approved budgets in that the rule only cites expenditures.

I am fully satisfied that all deposits are insured and the excess over \$100,000 is fully collateralized. Senate Bill 546 requires that the responsible party, "In a manner consistent with...ORS 295", ensure sufficient collateral exists. The agreement and attachment from the depository bank includes language that confirms this position. The Board is in compliance with this requirement.

I take exception to the statement concerning the implementation of our accounting software. The transition from the DAS system (SFMS) to utilization of commercial software was initiated in February of 1998. Financial reporting for the first seven months of the subject year was provided by DAS and the only major flaw cited in the report occurred during that time period. The software is serving the agency well and we fully expect to gain greater utilization through experience and training. The financial records of the agency are sound and the information used to reach this conclusion was provided through the implemented software, even though documentation of internal control did not meet the auditor's expectation.

I agree that the methods of control within the agency could be modified. Significant changes are anticipated in the review and approval of all financial transactions, including accounting and cashing. I will point out that no conditions of irregularity were identified, nor were any problems attributed to the level of oversight in the agency and I strongly disagree with the auditor's choice of words used to describe their observations. The Office Manager and this administrator continuously exchange information related to the business transactions of the agency. The Office Manager is empowered to make decisions without the continuous administrator involvement, and at no time does the Office Manager operate without authority and supervisory support. This portion of the auditor's report is offensive, inutile and illustrates a gross misunderstanding on the part of the auditors as to the way this agency functions.

Save and except those issues cited above, I find the remainder of the reports to be presented with all good intention, and found the personnel from Merina, McCoy & Company to be courteous and professional while conducting their work. All of the matters addressed in the reports are considered significant to this administrator, whether exceptions were taken or not, and will be addressed as soon as practical. Thank you for this opportunity to comment.

Respectfully Submitted;

Edward B. Graham
Executive Secretary

Users/ed/misc/audit comments 1599.doc

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

Sharron E. Walker, CPA, CFE

Catherine E. Pollino, CGFM



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

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

Auditing to Protect the Public Interest and Improve Oregon Government