
Secretary of State

State of Oregon

OREGON BOARD OF OPTOMETRY

For the Year Ended June 30, 1998



Audits Division

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

Secretary of State

State of Oregon

OREGON BOARD OF OPTOMETRY

For the Year Ended June 30, 1998



Audits Division

OFFICE OF THE
SECRETARY OF STATE
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John Lattimer
Director

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Auditing for a Better Oregon

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

Oregon Board of Optometry
3218 Pringle Road SE
Salem, Oregon 97310

This report of the Oregon Board of Optometry 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 10, 1998

State of Oregon
OREGON BOARD OF OPTOMETRY
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

Oregon Board of Optometry
3218 Pringle Road SE
Salem, OR 97310

We have audited the accompanying general purpose financial statements of the Oregon Board of Optometry, 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 Oregon Board of Optometry'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 Oregon Board of Optometry 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 Oregon Board of Optometry's disclosures with respect to the year 2000 issue made in Note 12. Further, we do not provide assurance that the Oregon Board of Optometry is or will be year 2000 ready, that the Oregon Board of Optometry's year 2000 remediation efforts will be successful in whole or in part, or that parties with whom the Oregon Board of Optometry 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 Oregon Board of Optometry 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 10, 1998, on our consideration of the Oregon Board of Optometry'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 Oregon Board of Optometry. 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 10, 1998

GENERAL PURPOSE FINANCIAL STATEMENTS

State of Oregon
OREGON BOARD OF OPTOMETRY
 (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	\$ 133,674			\$ 133,674
Accounts receivable - other	10,100			10,100
Property and equipment		\$ 35,088		35,088
Amount to be provided for payment of accrued compensated absences	3,136		\$ 4,306	7,442
Total assets and other debits	\$ 146,910	\$ 35,088	\$ 4,306	\$ 186,304
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 7,338			\$ 7,338
Accrued payroll	8,159			8,159
Deferred revenue	10,000			10,000
Accrued compensated absences	3,136		\$ 4,306	7,442
Total liabilities	28,633		4,306	32,939
Fund balances:				
Investment in fixed assets		\$ 35,088		35,088
Unreserved, undesignated	118,277			118,277
Total fund balances	118,277	35,088		153,365
Total liabilities and fund balances	\$ 146,910	\$ 35,088	\$ 4,306	\$ 186,304

The accompanying notes are an integral part of these financial statements

State of Oregon
OREGON BOARD OF OPTOMETRY
 (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	\$ 155,434
Civil penalties	4,250
Interest income	4,232
Total revenues	163,916
Expenditures:	
Personal services	94,369
Services and supplies	55,483
Total expenditures	149,852
Excess (deficiency) of revenues over expenditures	14,064
Fund balances:	
Beginning	104,213
Ending	\$ 118,277

The accompanying notes are an integral part of these financial statements

State of Oregon
OREGON BOARD OF OPTOMETRY
 (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	\$337,250	\$168,625	\$155,434	\$(13,191)
Civil penalties	8,000	4,000	4,250	250
Interest income			4,232	4,232
Total revenues	<u>345,250</u>	<u>172,625</u>	<u>163,916</u>	<u>(8,709)</u>
Expenditures:				
Personal services	209,114	104,557	94,369	10,188
Services and supplies	120,019	60,009	55,483	4,526
Total expenditures	<u>329,133</u>	<u>164,566</u>	<u>149,852</u>	<u>14,714</u>
Excess (deficiency) of revenues over expenditures	<u>\$16,117</u>	<u>\$8,059</u>	14,064	<u>\$6,005</u>
Funds balance - beginning			<u>104,213</u>	
Fund balance - ending			<u>\$118,277</u>	

The accompanying notes are an integral part of these financial statements

State of Oregon
OREGON BOARD OF OPTOMETRY
(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 Oregon Board of Optometry (the Board) is a semi-independent agency of the State of Oregon. The Board was created in 1905 and operates under Oregon Revised Statutes (ORS) Chapter 683. The board consists of five members appointed by the governor for three-year terms. Four members are licensed doctors of optometry and the fifth member is a public citizen representing health consumers. 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 optometry 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, civil penalties and interest income. Operating expenditures are recorded in this fund.

State of Oregon
OREGON BOARD OF OPTOMETRY
(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
OREGON BOARD OF OPTOMETRY
(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
OREGON BOARD OF OPTOMETRY
 (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 optometry. The Board prescribes qualifications for the practice of optometry, setting standards for the examination of applicants for licensure and certification, continuing education, and enforcement of the laws and regulations governing the practice. The Board issues certificates to those who do qualify, and has the authority to revoke certificates and assess civil penalties against unregistered individuals practicing optometry without statutory authority and against those licensed optometrists practicing improperly.

(3) Deposits and Cash Equivalents

The Board's deposits at year-end are 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	\$ 12,442	0.00%	Demand
Savings	\$121,232	5.27%	Demand

(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
OREGON BOARD OF OPTOMETRY
 (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	\$35,171	\$431	\$514	\$35,088
Total fixed assets	\$35,171	\$431	\$514	\$35,088

(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	\$5,196	\$3,776	\$4,666	\$4,306

State of Oregon
OREGON BOARD OF OPTOMETRY
(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 \$9,361, \$18,912, and \$10,189, 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

Prior to July 1, 1998 vacation time was earned, subject to a maximum accumulation of 250 to 350 hours depending on employee classification. Sick leave was 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.

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

(8) Employee Leave (Concluded)

Effective July 1, 1998 the Board adopted a plan wherein total vacation and sick leave paid time off is earned monthly at an annual rate of 24 to 35 days, depending upon length of service, with a maximum accumulation of 60 days for any one employee. The time off is vested when earned and recorded as an expenditure when paid. Accumulated paid time off, based upon current salary rates, was \$7,442 at June 30, 1998, of which \$3,136 is expected to be used in the short-term.

(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 leases its building space under a joint lease involving seven other State agencies. The lease expires June 30, 2003. Total lease payments for the year ended June 30, 1998, were \$13,420, which was charged to expense.

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

Year ended June 30:	
1999	\$ 18,051
2000	19,956
2001	20,531
2002	21,123
2003	<u>21,734</u>
Total	<u>\$101,395</u>

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

(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 Optometry has not 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 will 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

OREGON BOARD OF OPTOMETRY
 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	\$123,075	\$113,920	\$(9,155)
New license applications	7,500	5,400	(2,100)
Disciplinary fees	17,625	17,030	(595)
Late payment fees	4,500	2,900	(1,600)
Continuing education	5,875	5,680	(195)
Other fees	10,050	10,504	454
Total licenses and fees	<u>168,625</u>	<u>155,434</u>	<u>(13,191)</u>
Civil penalties	4,000	4,250	250
Interest income		<u>4,232</u>	<u>4,232</u>
Total revenues	<u>172,625</u>	<u>163,916</u>	<u>(8,709)</u>
<u>Personal Services</u>			
Employee payroll	68,814	68,292	522
Board stipend	3,375	1,527	1,848
Temporary payroll	3,947		3,947
Retirement	10,690	10,188	502
Payroll taxes	5,825	5,346	479
Insurance	9,953	8,104	1,849
Other	1,953	912	1,041
Total Personal Services	<u>104,557</u>	<u>94,369</u>	<u>10,188</u>

OREGON BOARD OF OPTOMETRY
 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	2,280	1,373	907
Office services	175	1,012	(837)
Printing and reproduction	400	3,102	(2,702)
Postage	750	4,254	(3,504)
Professional fees	14,478	7,060	7,418
Attorney General services	12,000	10,070	1,930
Equipment rental	1,200	1,129	71
Telecommunications	4,200	6,031	(1,831)
Data processing and services	825	2,059	(1,234)
Insurance	375	750	(375)
Rent	12,494	13,420	(926)
Travel expenses	4,100	3,481	619
Dues and subscriptions	875	828	47
Expendable property	4,780		4,780
Other	1,077	914	163
	<u>60,009</u>	<u>55,483</u>	<u>4,526</u>
 Total Expenditures	 <u>164,566</u>	 <u>149,852</u>	 <u>14,714</u>
 Excess (deficiency) of revenues over expenditures	 <u>\$8,059</u>	 14,064	 <u>\$6,005</u>
 Fund Balance, beginning		 <u>104,213</u>	
 Fund Balance, ending		 <u>\$118,277</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

Oregon Board of Optometry
3218 Pringle Road SE
Salem, OR 97310

We have audited the general purpose financial statements of the Oregon Board of Optometry, as of and for the year ended June 30, 1998, and have issued our report thereon dated December 10, 1998. In our report, our opinion was qualified due to a lack of sufficient audit evidence to support the Oregon Board of Optometry'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 Oregon Board of Optometry'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 instance of noncompliance that is required to be reported under *Government Auditing Standards*.

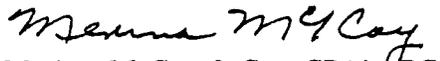
Deposits in financial institutions were not fully-insured during the months of October 1997 through January 1998. Effective January 26, 1998, a certificate of participation in a collateral pool was obtained, thereby curing the insurance shortfall.

We considered this instance of noncompliance in forming our opinion on whether the Oregon Board of Optometry'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 10, 1998 on those general-purpose financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Oregon Board of Optometry'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. 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 material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

This report is intended for the information of the Oregon Board of Optometry'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 10, 1998

BOARD'S RESPONSE TO THE AUDIT REPORT

January 19, 1999

Oregon

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

BOARD OF
OPTOMETRY

Re: Response to Audit

Dear Mr. Lattimer:

The independent auditors' report and informal management letter from Merina, McCoy & Co., P.C. have been reviewed. The Board's response to these matters follows:

Audit Report Noncompliance: **Deposits in financial institutions were not fully insured during the months of October 1997 through January 1998. Effective January 26, 1998, a certificate of participation in a collateral pool was obtained, thereby curing the insurance shortfall.**

Due to the many new procedures and processes that were required to be set up by the Board with the implementation of SB 546, the certificate of participation did not get obtained in a timely manner. The amount of money on deposit not fully insured during this time was relatively small. The Board will monitor this closely to make sure all money on deposit in financial institutions is fully insured.

Informal Management Letter Recommendations: **1. That the first employee match her receipt listing to the original, stamped deposit slip after the second employee makes the deposit. Because the first employee has the initial access to receipts and because she has fewer duties relating to cash, this change would improve controls over the depositing and recording of receipts.**

2. That the Director (when reconciling bank accounts) compare the deposits per the bank statements to the listing prepared by the first employee as referenced above.

The Board agrees with both of these recommendations and has already implemented them in our cash control procedures.

If any additional information is needed in this regard, please call or write the Board's office.

Sincerely,



David W. Plunkett
Executive Director



3218 Pringle Rd SE Ste 100
Salem, OR 97302-6306
(503) 373-7721
FAX (503) 378-3616

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

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