

Report No. 2008-04

April 9, 2008



Charles A. Hibner, Director, Audits Division

Bill Bradbury, Secretary of State

Secretary of State Audit Report

State of Oregon

Appraiser Certification and Licensure Board

A Semi-Independent Agency

For the Biennium Ended June 30, 2007

Contract Auditor: Merina & Company, LLP

Office of the Secretary of State

Bill Bradbury
Secretary of State

Jean Straight
Deputy Secretary of State



Audits Division

Charles A. Hibner, CPA
Director

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The Honorable Ted Kulongoski
Governor of Oregon
254 State Capitol
Salem, Oregon 97310-4047

Board of Directors
Oregon Appraiser Certification and Licensure Board
3000 Market Street NE, Suite 541
Salem, Oregon 97303

This report presents audited financial statements of the Oregon Appraiser Certification and Licensure Board, a semi-independent agency of the State of Oregon, as of and for the biennium ended June 30, 2007, and a report on its internal control over financial reporting and on compliance with applicable laws, regulations and contracts. The audit was performed by Merina & Company, LLP for the Secretary of State Audits Division.

Sincerely,
OREGON AUDITS DIVISION

A handwritten signature in blue ink, appearing to read "C.A. Hibner", is written over a light blue rectangular background.

Charles A. Hibner, CPA
Director

**OREGON APPRAISER CERTIFICATION
AND LICENSURE BOARD**

FINANCIAL STATEMENTS
AND SUPPLEMENTARY DATA

For the Biennium Ended

June 30, 2007

with

Independent Auditors' Report

MERINA
& COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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OREGON APPRAISER CERTIFICATION AND LICENSURE
BOARD

For the Biennium Ended June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Oregon Appraiser Certification and Licensure Board
3000 Market Street NE, Suite 541
Salem, OR 97301

Charles Hibner, Director
Oregon Audits Division
255 Capitol Street NE, Suite 500
Salem, OR 97310

We have audited the accompanying financial statements of the governmental activities and the special revenue fund of the Oregon Appraiser Certification and Licensure Board, a semi-independent agency of the State of Oregon, as of and for the two years ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Oregon Appraiser Certification and Licensure Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the special revenue fund of the Oregon Appraiser Certification and Licensure Board, as of June 30, 2007, and the budgetary comparison statement for the special revenue fund for the two years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2008, on our consideration of the Oregon Appraiser Certification and Licensure Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. That report is separately presented in the Other Reports section as listed in the table of contents.


Merina & Company, LLP
West Linn, Oregon
January 22, 2008

APPRAISER CERTIFICATION AND LICENSURE BOARD
(A Semi-Independent Agency of the State of Oregon)
STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 306,534
Interest receivable	548
Investments	<u>325,468</u>
Total assets	<u><u>\$ 632,550</u></u>
LIABILITIES:	
Accounts payable	\$ 12,036
Compensated absences	14,525
Payroll liability	<u>28</u>
Total liabilities	<u>26,589</u>
NET ASSETS:	
Unrestricted	<u>605,961</u>
Total net assets	<u>605,961</u>
Total liabilities and net assets	<u><u>\$ 632,550</u></u>

APPRAISER CERTIFICATION AND LICENSURE BOARD
(A Semi-Independent Agency of the State of Oregon)
STATEMENT OF ACTIVITIES
For the Biennium Ended June 30, 2007

	<u>Expenses</u>	Net Revenue (Expenses) and Changes in Net Assets
EXPENSES:		
Governmental activities:		
Licensing	\$ 927,022	\$ (927,022)
Total program expenses		<u>(927,022)</u>
GENERAL REVENUES:		
General revenues:		
Licenses and fees		923,732
Fines and forfeitures		91,741
Interest		41,116
Miscellaneous		<u>641</u>
Total general revenues		<u>1,057,230</u>
Change in net assets		130,208
NET ASSETS, BEGINNING		<u>475,753</u>
NET ASSETS, ENDING		<u><u>\$ 605,961</u></u>

The accompanying notes are an integral part of these financial statements

APPRAISER CERTIFICATION AND LICENSURE BOARD
(A Semi-Independent Agency of the State of Oregon)
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2007

	Total Governmental Fund
ASSETS:	
Cash and cash equivalents	\$ 306,534
Interest receivable	548
Investments	<u>325,468</u>
Total assets	<u><u>\$ 632,550</u></u>
 LIABILITIES AND FUND BALANCE:	
Accounts payable	\$ 12,036
Payroll liabilities	<u>28</u>
Total liabilities	<u>12,064</u>
 FUND BALANCE:	
Unreserved	620,486
Total fund balance	<u>620,486</u>
Total liabilities and fund balance	<u><u>\$ 632,550</u></u>

RECONCILIATION TO THE STATEMENT OF NET ASSETS

Total fund balance	\$ 620,486
Long-term liabilities are not due and payable in the current period and therefore are not reported in funds	<u>(14,525)</u>
Net assets of governmental activities	<u><u>\$ 605,961</u></u>

APPRAISER CERTIFICATION AND LICENSURE BOARD
(A Semi-Independent Agency of the State of Oregon)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
For the Biennium Ended June 30, 2007

	Total Governmental Fund
REVENUES:	
License and fees	\$ 923,732
Fines and forfeitures	91,741
Interest	41,116
Miscellaneous	641
	<hr/>
Total revenues	1,057,230
	<hr/>
EXPENDITURES:	
Personal services	483,166
Service and supplies	429,331
	<hr/>
Total expenditures	912,497
	<hr/>
Revenues over (under) expenditures	144,733
	<hr/>
FUND BALANCE, BEGINNING	475,753
	<hr/>
FUND BALANCE, ENDING	<u>\$ 620,486</u>
	<hr/>
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	
Excess of revenues over (under) expenditures	\$ 144,733
Change in compensated absences	<hr/> (14,525)
Change in net assets	<hr/> <u>\$ 130,208</u>

APPRAISER CERTIFICATION AND LICENSURE BOARD
(A Semi-Independent Agency of the State of Oregon)
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Biennium Ended June 30, 2007

	Biennial	Actual			Variance
	Budget	FY 2006		Biennial	Positive
	Original &				(Negative)
	Final		FY 2007		
REVENUES:					
License and fees	\$ 852,880	\$ 472,190	\$ 451,542	\$ 923,732	\$ 70,852
Fines and forfeitures	90,000	32,475	59,266	91,741	1,741
Interest	2,400	12,065	29,051	41,116	38,716
Miscellaneous	1,500	521	120	641	(859)
Total revenues	946,780	517,251	539,979	1,057,230	110,450
EXPENDITURES:					
Personal services	532,105	246,361	236,805	483,166	48,939
Service and supplies	548,926	235,799	193,532	429,331	119,595
Total expenditures	1,081,031	482,160	430,337	912,497	168,534
Revenues over (under) expenditures	(134,251)	35,091	109,642	144,733	278,984
FUND BALANCES, BEGINNING	-	475,753	510,844	475,753	475,753
FUND BALANCES, ENDING	\$ (134,251)	\$ 510,844	\$ 620,486	\$ 620,486	\$ 754,737

APPRAISER CERTIFICATION AND LICENSURE BOARD
(A Semi-Independent Agency of the State of Oregon)
NOTES TO FINANCIAL STATEMENTS
For the Biennium Ended June 30, 2007

NATURE OF THE ORGANIZATION

The Appraiser Certification and Licensure Board (the Board) is responsible for the regulation of real estate appraisal activity in the State of Oregon. The Board licenses, certifies, supervises, and disciplines real estate appraisers and registers assistant appraisers in Oregon. As of January 1, 2007, the Board oversees 806 licensed appraisers (790 active / 16 inactive), 345 certified residential appraisers (345 active / 0 inactive), 534 certified general appraisers (512 active / 22 inactive), and 322 registered appraiser assistants.

The Board's mission is to protect the public and Oregon financial institutions through regulation and supervision of licensed and certified real estate appraisers in Oregon. To fulfill this mission, the Board:

- develops appraisal education and experience criteria;
- establishes minimum licensing and registration requirements;
- licenses and certifies real estate appraisers conducting real estate appraisal activity in the State of Oregon and registers appraiser assistants;
- provides temporary registration for out-of-state appraisers;
- oversees training programs for appraiser assistants;
- ensures that real estate appraisals are issued in writing and conducted in compliance with State and Federal guidelines and Uniform Standards of Professional Appraisal Practice (USPAP);
- provides information to consumers and businesses that utilize real estate appraisal services;
- investigates consumer complaints filed with the Board; and
- initiates complaints against licensed/certified appraisers and who fail to comply with Oregon appraisal law or administrative rules. or against individuals conducting unlicensed appraisal activity.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board was created in 1991 and operates under Oregon Revised Statutes (ORS) Chapter 674. Pursuant to Oregon Senate Bill 304 adopted in 2001, the Board was granted semi-independent status by the Legislature.

The Board consists of seven members that are appointed by the governor. Each member serves a four-year term and may not serve more than two consecutive terms. The Board examines applicants for licensing and imposes disciplinary proceedings against individuals who violate statutes and/or administrative rules. The Board also makes rules and enforces professional standards for the conducting real estate appraisal activity in Oregon.

APPRAISER CERTIFICATION AND LICENSURE BOARD
(A Semi-Independent Agency of the State of Oregon)
NOTES TO FINANCIAL STATEMENTS
For the Biennium Ended June 30, 2007

Basis of Presentation and Method of Accounting

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to government entities. The accounts of the Board are organized on the basis of a special revenue fund. Revenues are generated from license fees, education fees, civil penalties imposed for violations of Oregon Law, and interest income.

Government-wide Statements

The statement of net assets and the statement of activities display information about the Board as a whole. These statements include all the financial activities of the Board.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available except for license fees which are recognized when received. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term compensated absences are recorded only when payment is due.

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 Board uses the modified accrual basis of accounting for budget purposes.

Unlike most budgets in state government where the agency budgets are enacted into law by the Legislature, the Board's budget is not subject to review and approval by the Legislature or to future modification by the Legislature or the Emergency Board. For this reason, the budgets adopted by the Board are considered to be non-appropriated budgets. The budgetary statement included herein compares the total of annualized non-appropriated budgets for fiscal years 2006 and 2007 to actual expenditures for the two years ended June 30, 2007.

Cash and Cash Equivalents

The Board's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with an original maturity of three months or less from the date of acquisition.

APPRAISER CERTIFICATION AND LICENSURE BOARD
(A Semi-Independent Agency of the State of Oregon)
NOTES TO FINANCIAL STATEMENTS
For the Biennium Ended June 30, 2007

Investments

The Board has adopted the State of Oregon's investment policies which restrict investment types and maturities.

Supplies

Supplies are charged as expenditures when purchased.

License Fees

License fees are paid to the Board on a bi-annual basis based upon anniversary date. Appraiser Assistant registration fees are paid annually. Education fees are paid when courses are submitted for approval. Civil penalties are paid as accrued. All funds are recognized when received.

Compensated Absences

Full-time, permanent employees are granted paid time off benefits of varying amounts to specified maximums depending on tenure with the Board.

Equipment

Equipment with a cost of more than \$5,000 is depreciated over its useful life. Currently, the Board does not have any equipment with a cost basis greater than \$5,000.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 estimates.

CASH AND INVESTMENTS

The following is the investment balance as of June 30, 2007:

	<u>Fair Value</u>
Certificate of Deposit	<u>\$ 325,468</u>

APPRAISER CERTIFICATION AND LICENSURE BOARD
(A Semi-Independent Agency of the State of Oregon)
NOTES TO FINANCIAL STATEMENTS
For the Biennium Ended June 30, 2007

Interest rate risk

The Board approves all investments on an individual basis and has invested in certificates of deposit in order to reduce interest rate risk as. When the investment is made, the interest rate does not change.

Credit risk

State Statutes authorize the Appraiser Certification and Licensure Board to invest in general obligations of the U.S. Government and its agencies, certain debt obligations of Oregon, California, Washington and Idaho, bank repurchase agreements, bankers' acceptances, and certain corporate debt obligations, among others.

Concentration of credit risk

All investments of the Board shall be made in accordance with Oregon Revised Statutes: ORS 294.035 (Investment of surplus funds of political subdivisions; approved investments), ORS 294.040 (Restriction on investments under ORS 294.035), ORS 294.135 (Investment maturity dates), and ORS 294.145 (Prohibited conduct for custodial officer). Any revisions or extensions of these sections of the ORS shall be assumed to be part of this investment policy immediately upon being enacted.

Custodial credit risk – deposits

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager security having a value of not less than 25% of the outstanding certificates of participation issued by the pool manager. However, in accordance with State statutes, the State Treasurer allows certain depository banks to be the custodian with respect to their own pledged collateral securities. For these institutions, the State Treasurer is the collateral pool manager. As of June 30, 2007, the Board's bank balance was \$314,486 in demand accounts, plus the \$325,468 Certificate of Deposit listed above, for a total of \$639,954. Of this amount, \$300,000 was covered by Federal Depository Insurance. A balance of \$101,229 in excess of federal deposit insurance was covered by \$400,000 in collateral certificates held by the pledging financial institutions' trust department or agent, but not in the Board's name. The remaining balance of \$238,725 in excess of federal deposit insurance was both uninsured and uncollateralized.

APPRAISER CERTIFICATION AND LICENSURE BOARD
(A Semi-Independent Agency of the State of Oregon)
NOTES TO FINANCIAL STATEMENTS
For the Biennium Ended June 30, 2007

EMPLOYEE LEAVE

Vacation leave paid time off is earned monthly, depending upon length of service, with a maximum accumulation of 250 hours for non management and 350 hours for management employees. The time off is vested when earned and recorded as an expenditure. Accumulated paid time off, based upon current salary rates, was \$14,525 at June 30, 2007.

PENSION PLAN

Employee Retirement Plan

Board employees hired after August 28, 2003, participate in the Oregon Public Service Retirement Plan (OPSRP) which is a part of the Public Employees Retirement System (PERS). Employees hired on, or before, this date are PERS members. All Lottery employees who work over 600 hours per year are eligible to participate in the plans after completing six months of employment with a PERS/OPSRP covered employer. Both plans require an actuarially determined contribution from the employer and an employee contribution of 6 percent of covered salary. The Board pays the employee's contribution as allowed by law. Both plans are administered by the Public Employees Retirement Board under the guidelines of Oregon Revised Statutes, Chapter 238 and 238A. Both plans provide retirement benefits and cost-of-living adjustments, as well as disability, post-employment healthcare, and death benefits to plan members and beneficiaries. A copy of the Oregon Public Employees Retirement System annual financial report may be obtained by writing to the Oregon Public Employee Retirement System, PO Box 23700, Tigard, Oregon 97281-3700.

Board contributions for the biennium ended 2007 equaled what was required.

Defined Benefit Plans

Oregon Public Service Retirement Plan (OPSRP) The Pension Program of OPSRP is a cost-sharing multiple-employer defined benefit pension plan. The Board is required by statute to contribute actuarially computed amounts as determined by the PERS Board. Rates are subject to change as a result of actuarial valuations. The rate for a covered employee's salary at June 30, 2007 was 8.02%.

Public Employees Retirement System (PERS) PERS plan members also participate in a cost-sharing multiple-employer defined benefit pension plan. The Board is required by statute to contribute actuarially computed amounts as determined by the PERS Board. The rates are subject to change as a result of subsequent actuarial valuations. During fiscal year 2007, the Board contributed 8.69% of covered salary.

Defined Contribution

The Individual Account Program (IAP) is the defined contribution portion of OPSRP. The IAP is administered by the PERS Board. It is applicable to non-PERS members as of August 29, 2003, and applicable to active PERS members as of January 1, 2004. Contributions made prior to establishment

APPRAISER CERTIFICATION AND LICENSURE BOARD
(A Semi-Independent Agency of the State of Oregon)
NOTES TO FINANCIAL STATEMENTS
For the Biennium Ended June 30, 2007

of the IAP remain in the members' PERS accounts. Covered employees are required by State Statute to contribute 6% of their salary to IAP.

Board retirement contributions for the year ending June 30, 2007, were approximately \$21,381. Contributions for fiscal year 2006 were approximately \$23,506 and \$16,830 for fiscal year 2005.

Other Charges

The Board is also required to pay a share of the debt service requirements for a \$2 billion bond issued to reduce the unfunded liability of PERS. PERS began collection of the amounts in May 2004. The Board contributions for debt service requirements for the year ending June 30, 2007, were approximately \$9,722. For fiscal year 2006, contributions were approximately \$10,971; and for fiscal year 2005, contributions were approximately \$10,558.

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.

LEASE COMMITMENT

During the biennium, the Board leased its space at 1860 Hawthorne Avenue NE, Suite 200, Salem, Oregon, under a lease which expired December 31, 2006 and continued on a month-to-month basis. On July 11, 2007, the Board signed a new five year lease agreement to expire in August 2012. Total lease payments for the two years ended June 30, 2007 were \$45,000.

Future minimum lease payments are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2008	\$ 33,588
2009	34,428
2010	35,268
2011	36,108
2012	36,948
Total	<u>\$ 176,340</u>

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

Board of Directors
Oregon Appraiser Certification and Licensure Board
3000 Market Street NE, Suite 541
Salem, Oregon 97301

Charles A. Hibner, Director
State Audits Division
255 Capitol Street NE, Suite 500
Salem, Oregon 97310

We have audited the financial statements of the governmental activities and the special revenue fund of the Oregon Appraiser Certification and Licensure Board, as of and for the two years ended June 30, 2007, which collectively comprise the Oregon Appraiser Certification and Licensure Board's basic financial statements and have issued our report thereon dated January 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Oregon Appraiser Certification and Licensure Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Oregon Appraiser Certification and Licensure Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Oregon Appraiser Certification and Licensure Board's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Oregon Appraiser Certification and Licensure Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Oregon Appraiser Certification and Licensure Board's financial statements that is more than inconsequential will not be prevented or detected by the Oregon Appraiser Certification and Licensure Board's internal control.

We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a significant deficiency in internal control over financial reporting. This deficiency is listed as 2007-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Oregon Appraiser Certification and Licensure Board's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Oregon Appraiser Certification and Licensure Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Oregon Appraiser Certification and Licensure Board, in a separate letter dated January 31, 2008.

Oregon Appraiser Certification and Licensure Board's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit Oregon Appraiser Certification and Licensure Board's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, Board of Directors, the Governor of the State of Oregon and the Oregon Legislative Assembly, and is not intended to be and should not be used by anyone other than these specified parties.


Merina & Company, LLP
West Linn, Oregon
January 22, 2008

OREGON APPRAISER CERTIFICATION AND LICENSURE BOARD
(A Semi-Independent Agency of the State of Oregon)
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2007

Financial Statement Findings

2007-1

Condition-

Journal entries made during the year were not approved by management or someone other than person making the journal entry.

Criteria

To minimize the risk of misstatement occurring in the financial statements, all journal entries should include supporting documentation and be approved by someone other than the individual making the entry.

Effect

Lack of journal entry approval potentially increases the risk of misstatements in financial reporting.

Cause

A journal entry approval process has not been implemented due to the small size of the organization.

Recommendations

We recommend that journal entries include support documentation and be approved by the Executive Director.

Response

The Board has implemented a policy regarding all Journal Entries, the steps of which follow:

- 1 Staff receives source document requiring Journal Entry.
2. Journal Entry is made and a print out of the entry is generated.
3. Source document and Journal Entry print out are reviewed and each is approved by Board Administrator. Approval is indicated by "Approved" stamp, Administrator's signature/initials, and date approved.
- 4 All approved Journal Entries and supporting documentation will be maintained by category in a designated file until 2007-2009 audit is completed, and then scanned, and saved to the 2007-2009 Secretary of State electronic file.

This policy is applicable to all Journal Entries made on or after July 1, 2007.

ABOUT THE SECRETARY OF STATE AUDITS DIVISION

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	Charles A. Hibner, CPA
Deputy Director	William K. Garber, MPA, CGFM
Deputy Director	Mary E. Wenger, CPA

This report, a public record, is intended to promote the best possible management of public resources. Copies may be obtained from:

internet: <http://www.sos.state.or.us/audits/index.html>

phone: 503-986-2255

mail: Oregon Audits Division
255 Capitol Street NE, Suite 500
Salem, OR 97310