

Report No. 2008-06

April 9, 2008



Charles A. Hibner, Director, Audits Division

Bill Bradbury, Secretary of State

# Secretary of State Audit Report

State of Oregon

**Board of Geologist Examiners**

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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Salem, OR 97310

(503) 986-2255

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

Board of Directors  
Oregon Board of Geologist Examiners  
1193 Royvonne Avenue SE, No. 24  
Salem, Oregon 97302

This report presents audited financial statements of the Oregon Board of Geologist Examiners, 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 BOARD OF GEOLOGIST  
EXAMINERS**

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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**STATE BOARD OF GEOLOGIST EXAMINERS  
(A Semi-Independent Agency of the State of Oregon)  
For the Biennium Ended June 30, 2007**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Oregon Board of Geologist Examiners  
1193 Royvonne Avenue SE, #24  
Salem, OR 97302

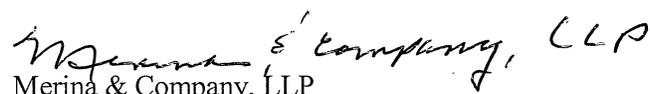
Charles Hibner, Director  
Oregon Audits Division  
255 Capitol Street NE, Suite 500  
Salem, OR 97310

We have audited the accompanying financial statements of the governmental activities and the special revenue fund of the Oregon Board of Geologist Examiners, 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 Board of Geologist Examiners' 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 Board of Geologist Examiners, as of June 30, 2007, and the respective changes in financial position and the budgetary comparison statement 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 Board of Geologist Examiners' 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

**STATE BOARD OF GEOLOGIST EXAMINERS**  
**(A Semi-Independent Agency of the State of Oregon)**  
**STATEMENT OF NET ASSETS**  
**June 30, 2007**

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	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 125,508
Investments	<u>61,000</u>
Total assets	<u><u>\$ 186,508</u></u>
 <b>LIABILITIES:</b>	
Accounts payable	\$ 2,054
Compensated absences	<u>1,582</u>
Total liabilities	<u>3,636</u>
 <b>NET ASSETS:</b>	
Unrestricted	<u>182,872</u>
Total net assets	<u>182,872</u>
Total liabilities and net assets	<u><u>\$ 186,508</u></u>

**STATE BOARD OF GEOLOGIST EXAMINERS**  
**(A Semi-Independent Agency of the State of Oregon)**  
**STATEMENT OF ACTIVITIES**  
**For the Biennium Ended June 30, 2007**

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	<u>Expenses</u>	Net Revenue (Expenses) and Changes in Net Assets
<b>EXPENSES:</b>		
Governmental activities:		
Licensing	\$ 357,656	\$ (357,656)
Total program expenses		<u>(357,656)</u>
<b>GENERAL REVENUES:</b>		
General revenues:		
Licenses and fees		245,482
Administration fees		108,000
Interest income		10,466
Other income		<u>351</u>
Total general revenues		<u>364,299</u>
Change in net assets		6,643
<b>NET ASSETS, BEGINNING</b>		<u>176,229</u>
<b>NET ASSETS, ENDING</b>		<u><u>\$ 182,872</u></u>

The accompanying notes are an integral part of these financial statements

**STATE BOARD OF GEOLOGIST EXAMINERS**  
**(A Semi-Independent Agency of the State of Oregon)**  
**BALANCE SHEET - GOVERNMENTAL FUND**  
**June 30, 2007**

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	Total Governmental Fund
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 125,508
Investments	<u>61,000</u>
Total assets	<u><u>\$ 186,508</u></u>
<b>LIABILITIES AND FUND BALANCE:</b>	
Accounts payable	<u>\$ 2,054</u>
Total liabilities	<u>2,054</u>
<b>FUND BALANCE:</b>	
Unreserved	<u>184,454</u>
Total fund balance	<u>184,454</u>
Total liabilities and fund balance	<u><u>\$ 186,508</u></u>
<b>RECONCILIATION TO THE STATEMENT OF NET ASSETS</b>	
Total fund balance	\$ 184,454
Long-term liabilities are not due and payable in the current period and therefore are not reported in funds	<u>(1,582)</u>
Net assets of governmental activities	<u><u>\$ 182,872</u></u>

The accompanying notes are an integral part of these financial statements

**STATE BOARD OF GEOLOGIST EXAMINERS**  
**(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**

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	Total Governmental Fund
<b>REVENUES:</b>	
License and fees	\$ 245,482
Administration fees	108,000
Interest income	10,466
Other income	351
	<hr/>
Total revenues	364,299
	<hr/>
<b>EXPENDITURES:</b>	
Personal services	213,947
Service and supplies	142,127
	<hr/>
Total expenditures	356,074
	<hr/>
Revenues over (under) expenditures	8,225
	<hr/>
<b>FUND BALANCE, BEGINNING</b>	176,229
	<hr/>
<b>FUND BALANCE, ENDING</b>	<u>\$ 184,454</u>
	<hr/>
<b>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS</b>	
Excess of revenues over (under) expenditures	\$ 8,225
Change in compensated absences	<hr/> (1,582)
Change in net assets	<hr/> <u>\$ 6,643</u>

The accompanying notes are an integral part of these financial statements

**STATE BOARD OF GEOLOGIST EXAMINERS**  
**(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 Budget		Actual		Variance Positive (Negative)
	Original & Final	FY 2006	FY 2007	Biennial	
<b>REVENUES:</b>					
License and fees	\$ 244,950	\$ 124,727	\$ 120,755	\$ 245,482	\$ 532
Administration fees	108,000	48,000	60,000	108,000	-
Interest income	2,400	3,533	6,933	10,466	8,066
Other income	-	226	125	351	351
Total revenues	<u>355,350</u>	<u>176,486</u>	<u>187,813</u>	<u>364,299</u>	<u>8,949</u>
<b>EXPENDITURES:</b>					
Personal services	197,002	90,975	122,972	213,947	(16,945)
Service and supplies	<u>133,074</u>	<u>69,347</u>	<u>72,780</u>	<u>142,127</u>	<u>(9,053)</u>
Total expenditures	<u>330,076</u>	<u>160,322</u>	<u>195,752</u>	<u>356,074</u>	<u>(25,998)</u>
Revenues over (under) expenditures	25,274	16,164	(7,939)	8,225	(17,049)
<b>FUND BALANCES, BEGINNING</b>	<u>92,389</u>	<u>176,229</u>	<u>192,393</u>	<u>176,229</u>	<u>83,840</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 117,663</u>	<u>\$ 192,393</u>	<u>\$ 184,454</u>	<u>\$ 184,454</u>	<u>\$ 66,791</u>

The accompanying notes are an integral part of these financial statements

**STATE BOARD OF GEOLOGIST EXAMINERS  
(A Semi-Independent Agency of the State of Oregon)  
NOTES TO FINANCIAL STATEMENTS  
For the Biennium Ended June 30, 2007**

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***NATURE OF THE ORGANIZATION***

The State Board of Geologist Examiners' (the Board) objective is to safeguard the health, welfare, and property of Oregonians affected by the geologic fields of ground water, land-use planning, mineral exploration and development, geologic hazards and the further development of the science of geology. The Board has the authority to determine qualifications, examine and register geologists, certify those with an engineering specialty, grant reciprocity for comparable requirements in other states, and suspend, revoke, or refuse to renew registration or certification and to assess civil penalties when warranted.

***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

*Reporting Entity*

The State Board of Geologist Examiners is a semi-independent agency of the State of Oregon. The Board operates under Oregon Revised Statutes (ORS) Chapter 672.505 to 672.991 created in 1977. The Board consists of five members appointed by the governor for three-year terms. Four members are registered geologists and the fifth member is a public citizen. Oregon's State Geologist serves as an ex-officio sixth member of the Board.

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 geology in Oregon.

Pursuant to Oregon Senate Bill 546 adopted in 1997, the Board was granted semi-independent status by the Legislature. In the 1999 legislative session, Oregon Senate Bill 1127 made additional revisions.

*Basis of Presentation*

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 from license fees, civil penalties, 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.

**STATE BOARD OF GEOLOGIST EXAMINERS**  
**(A Semi-Independent Agency of the State of Oregon)**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Biennium Ended June 30, 2007**

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*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 registrants.

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 a non-appropriated budget. 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*

Cash includes cash on hand and demand deposits.

*Supplies*

Supplies are charged as expenditures when purchased.

*Registration Fees*

Registration fees are billed monthly based upon anniversary date for an annual period. Fees are recognized when collected.

*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.

**STATE BOARD OF GEOLOGIST EXAMINERS  
(A Semi-Independent Agency of the State of Oregon)  
NOTES TO FINANCIAL STATEMENTS  
For the Biennium Ended June 30, 2007**

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*Accounting 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 are the investment balance as of June 30, 2007:

	Fair Value
Certificates of deposit	<u>\$ 61,000</u>
Total investments	<u><u>\$ 61,000</u></u>

*Interest rate risk*

The Board currently does not have a formal investment policy that limits investments as a means of managing its exposure to fluctuating interest rates. However, the Board approves all investments on an individual basis and has invested in certificates of deposit in order to reduce interest rate risk as once the investment is made, the interest rate does not change.

*Credit risk*

State Statutes authorize the State Board of Geologist Examiners 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%

**STATE BOARD OF GEOLOGIST EXAMINERS  
(A Semi-Independent Agency of the State of Oregon)  
NOTES TO FINANCIAL STATEMENTS  
For the Biennium Ended June 30, 2007**

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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 \$125,268. Of this amount, \$100,000 was covered by Federal Depository Insurance and \$25,268 was covered by a collateral certificate held in the pledging financial institution's trust department or agent, in the Board's name.

*Custodial credit risk – investments*

For an investment, this is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities, if any, that are in the possession of an outside party.

**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 Board 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 fiscal year 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 for fiscal year 2007 was 6 percent.

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

**STATE BOARD OF GEOLOGIST EXAMINERS**  
**(A Semi-Independent Agency of the State of Oregon)**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Biennium Ended June 30, 2007**

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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 percent 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 of the IAP remain in the members' PERS accounts.

Board retirement contributions for the year ending June 30, 2007, were approximately \$11,781. Contributions for fiscal year 2006 were approximately \$7,086 and \$4,779 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 \$5,199. For fiscal year 2006, contributions were approximately \$3,715; and for fiscal year 2005, contributions were approximately \$3,371.

***EMPLOYEE LEAVE***

Sick leave is earned at the rate of eight hours per month with no maximum limit. Accumulated sick leave at June 30, 2007 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 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 eight 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. Accumulated paid time-off, based on current salary rates, was \$1,582 at June 30, 2007.

**STATE BOARD OF GEOLOGIST EXAMINERS  
(A Semi-Independent Agency of the State of Oregon)  
NOTES TO FINANCIAL STATEMENTS  
For the Biennium Ended June 30, 2007**

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***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***

The Board leases space under a one year lease expiring December 31, 2007. Total lease payments for the two years ended June 30, 2007 were \$7,352. Future minimum lease payments for the year ending June 30, 2008 is \$3,704.

***INTERAGENCY AGREEMENT***

From July 1, 2005 through June 30, 2007, the Board entered an interagency agreement to provide administrative support services for the Oregon Landscape Architects Board (OLAB) at a rate of \$4,000 per month for the first year. From July 1, 2006 to June 30, 2007 the rate increased to \$5,000.

**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 Board of Geologist Examiners  
1193 Royvonne Avenue SE, #24  
Salem, Oregon 97302

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 Board of Geologist Examiners, as of and for the two years ended June 30, 2007, which collectively comprise the Oregon Board of Geologist Examiners' 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 Board of Geologist Examiners' 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 Board of Geologist Examiners' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Oregon Board of Geologist Examiners' 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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Board of Geologist Examiners' 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 Board of Geologist Examiners' financial statements that is more than inconsequential will not be prevented or detected by the Oregon Board of Geologist Examiners' 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. The 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 Board of Geologist Examiners' 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 the significant deficiency described above is not a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Oregon Board of Geologist Examiners' 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 Board of Geologist Examiners, in a separate letter dated February 7, 2008.

Oregon Board of Geologist Examiners' response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit Oregon Board of Geologist Examiners' 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 BOARD OF GEOLOGIST EXAMINERS**  
**(A Semi-Independent Agency of the State of Oregon)**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2007**

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Financial Statement Findings

2007-1

Condition

Journal entries were neither supported by adequate documentation nor approved by management.

Criteria

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

Effect

Lack of journal entry review and approval potentially increases the risk of misstatements in the financial reports.

Cause

A journal entry documentation standard and approval process has not been implemented.

Recommendation

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

Response

Journal Entries are currently made monthly at bank reconciliation time, and primarily represent the monthly bank interest posted on the bank statement. Both the bank statement and the bank reconciliation printout are reviewed and signed off monthly by the Board Chair. That interest figure is posted on the bank statement and required for balancing the bank statement. The Administrator will now print out and initial the monthly journal entries posted by other staff and file the paperwork in a separate location for future audit review.

# **ABOUT THE SECRETARY OF STATE AUDITS DIVISION**

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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