

Report No. 2008-08

April 9, 2008



Charles A. Hibner, Director, Audits Division

Bill Bradbury, Secretary of State

Secretary of State Audit Report

State of Oregon

Landscape Contractors 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

255 Capitol Street NE, Suite 500
Salem, OR 97310

(503) 986-2255

fax (503) 378-6767

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

Board of Directors
Oregon Landscape Contractors Board
235 Union Street NE
Salem, Oregon 97301

This report presents audited financial statements of the Oregon Landscape Contractors 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 LANDSCAPE CONTRACTORS
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

5499 AMY STREET • WEST LINN, OR 97068
PHONE: (503) 723-0300 • FAX: (503) 723-9946 • WWW.MERINACPAS.COM

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditors' Report.....	1
<u>Basic Financial Statements</u>	
Statement of Net Assets	3
Statement of Activities.....	4
Balance Sheet – Governmental Fund.....	5
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	6
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual	7
<u>Notes to the Basic Financial Statements</u>	8
OTHER REPORTS	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Oregon Landscape Contractors Board
235 Union Street NE
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 Landscape Contractors 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 Landscape Contractors 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.

Management has not adopted a methodology for reviewing the collectability of civil penalties receivable and, accordingly, has not estimated an adequate allowance for uncollectible amounts. Accounting principles generally accepted in the United States of America require that an adequate allowance be provided for uncollectible receivables, which would decrease the assets and fund balances and change the revenues. The amount by which this departure would affect the assets, fund balances, and revenues is not reasonably determinable.

In our opinion, except for the effects of not providing an adequate allowance for uncollectible civil penalties receivable as described in the preceding paragraph, 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 Landscape Contractors 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 30, 2008, on our consideration of the Oregon Landscape Contractors 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 30, 2008

OREGON LANDSCAPE CONTRACTORS 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	\$ 252,702
Accounts receivable	173,204
Investments	313,553
Equipment, net	<u>9,244</u>
Total assets	<u><u>\$ 748,703</u></u>
 LIABILITIES:	
Accounts payable	\$ 19,333
Compensated absences	55,897
Contracts payable	<u>7,979</u>
Total liabilities	<u>83,209</u>
 NET ASSETS:	
Investment in equipment, net of related debt	9,244
Unrestricted	<u>656,250</u>
Total net assets	<u>665,494</u>
Total liabilities and net assets	<u><u>\$ 748,703</u></u>

OREGON LANDSCAPE CONTRACTORS BOARD
(A Semi-Independent Agency of the State of Oregon)
STATEMENT OF ACTIVITIES
For the Biennium Ended June 30, 2007

	<u>Expenses</u>	<u>Net Revenue (Expenses) and Changes in Net Assets</u>
EXPENSES:		
Governmental activities:		
Licensing	<u>\$ 1,064,196</u>	<u>\$ (1,064,196)</u>
Total program expenses		<u>(1,064,196)</u>
GENERAL REVENUES:		
General revenues:		
License fees		813,322
Examination fees		101,225
Civil penalties		249,674
Interest income		36,679
Miscellaneous		<u>306</u>
Total general revenues		<u>1,201,206</u>
Change in net assets		137,010
NET ASSETS, BEGINNING		<u>528,484</u>
NET ASSETS, ENDING		<u><u>\$ 665,494</u></u>

The accompanying notes are an integral part of these financial statements

OREGON LANDSCAPE CONTRACTORS 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	\$ 252,702
Accounts receivable	173,204
Investments	<u>313,553</u>
Total assets	<u>\$ 739,459</u>
LIABILITIES AND FUND BALANCE:	
Accounts payable	\$ 19,333
Contracts payable	<u>7,979</u>
Total liabilities	<u>27,312</u>
FUND BALANCE:	
Unreserved	<u>712,147</u>
Total fund balance	<u>712,147</u>
Total liabilities and fund balance	<u>\$ 739,459</u>
RECONCILIATION TO THE STATEMENT OF NET ASSETS	
Total fund balance	\$ 712,147
Long-term liabilities are not due and payable in the current period and therefore are not reported in funds	(55,897)
Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value. The cost of the assets is \$17,206 and the accumulated depreciation is \$7,961.	<u>9,244</u>
Net assets	<u>\$ 665,494</u>

The accompanying notes are an integral part of these financial statements

OREGON LANDSCAPE CONTRACTORS 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 fees	\$ 813,322
Examination fees	101,225
Civil penalties	249,674
Interest income	36,679
Miscellaneous	306
	<hr/>
Total revenues	1,201,206
	<hr/>
EXPENDITURES:	
Personal service	521,061
Service and supplies	493,361
	<hr/>
Total expenditures	1,014,422
	<hr/>
Revenues over (under) expenditures	186,784
	<hr/>
FUND BALANCE, BEGINNING	525,363
	<hr/>
FUND BALANCE, ENDING	\$ 712,147
	<hr/> <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	\$ 186,784
Change in compensated absences	(55,897)
Capitalized cost of equipment	9,403
Depreciation	(3,280)
	<hr/>
Excess of revenues over expenses	\$ 137,010
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements

OREGON LANDSCAPE CONTRACTORS 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 Original & Final	Actual		Actual Biennial	Variance Positive (Negative)
		FY 2006	FY 2007		
REVENUES:					
License fees	\$ 792,005	\$ 400,661	\$ 412,661	\$ 813,322	\$ 21,317
Examination fees	96,468	45,557	55,668	101,225	4,757
Civil penalties	131,110	133,655	116,019	249,674	118,564
Interest income	8,040	14,662	22,017	36,679	28,639
Miscellaneous	808	259	47	306	(502)
Total revenues	<u>1,028,431</u>	<u>594,794</u>	<u>606,412</u>	<u>1,201,206</u>	<u>172,775</u>
EXPENDITURES:					
Personal service	591,709	230,907	290,154	521,061	70,648
Service and supplies	<u>568,254</u>	<u>197,723</u>	<u>295,638</u>	<u>493,361</u>	<u>74,893</u>
Total expenditures	<u>1,159,963</u>	<u>428,630</u>	<u>585,792</u>	<u>1,014,422</u>	<u>145,541</u>
Revenues over (under) expenditures	(131,532)	166,164	20,620	186,784	318,316
FUND BALANCES, BEGINNING	<u>525,363</u>	<u>525,363</u>	<u>691,527</u>	<u>525,363</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 393,831</u>	<u>\$ 691,527</u>	<u>\$ 712,147</u>	<u>\$ 712,147</u>	<u>\$ 318,316</u>

OREGON LANDSCAPE CONTRACTORS 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 Oregon Landscape Contractors Board's (the Board) mission is to promote consumer protection, contractor competency, and fair competition in Oregon's landscape contracting industry. The Board prescribes qualifications for the practice of landscape contractors and landscape businesses, sets criteria for the examination of applicants for licensure, and enforcement of the laws and regulations governing the practice. The Board issues licenses to those individuals who do qualify and pass the examination and to those businesses that submit application and meet the requirements for business licensure. The Board has the authority to revoke and refuse to renew licenses, assess civil penalties against unregistered individuals and businesses practicing as landscape contractors or landscaping businesses without authority, and against those licensed landscape contractors and landscaping businesses practicing improperly.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board is a semi-independent agency of the State of Oregon. The Board was created in 1971 first as an advisory committee and then in 1987 changed to a policy board and currently operates under Oregon Revised Statutes (ORS) Chapter 182. The Board consists of seven (5 industry and 2 public) members appointed by the governor for three-year terms. The Board administers a comprehensive examination to applicants for licensure and insures licensed businesses have either an owner or employee who is an individual licensed landscape contractor supervising the landscape work performed by the landscaping business. The Board also promulgates rules, settles disputes between landscaping businesses and consumers through claim process and enforces the landscape contractor statutes in Oregon specifically ORS 671.510 to 671.955.

Pursuant to House Bill 2127, the Board was granted semi-independent status by the Legislature on July 1, 2002.

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 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.

OREGON LANDSCAPE CONTRACTORS BOARD
(A Semi-Independent Agency of the State of Oregon)
NOTES TO FINANCIAL STATEMENTS
For the Biennium Ended June 30, 2007

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 budgeting.

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 nonappropriated budgets.

The budgetary statement included herein compares the total of annualized nonappropriated 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.

Investments

The Board carries its investment in certificates of deposit at cost which approximates fair market value.

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

Equipment

Equipment is stated at cost. Equipment with a cost of more than \$500 is depreciated over its useful life. Depreciation is computed on the straight-line method over the estimated useful life of five years. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal.

License Fees

Licensee fees are billed monthly for an annual period based upon anniversary date. Fees are recognized as revenue 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.

OREGON LANDSCAPE CONTRACTORS BOARD
(A Semi-Independent Agency of the State of Oregon)
NOTES TO FINANCIAL STATEMENTS
For the Biennium Ended June 30, 2007

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	\$ 210,000
Bonds	25,000
Annuities	78,553
Total investments	<u>\$ 313,553</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 Oregon Landscape Contractors 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 extension 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

OREGON LANDSCAPE CONTRACTORS BOARD
(A Semi-Independent Agency of the State of Oregon)
NOTES TO FINANCIAL STATEMENTS
For the Biennium Ended June 30, 2007

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 \$67,650. All of this deposit was covered by Federal Depository Insurance.

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.

EQUIPMENT

	June 30, 2005	Additions	Deletions	June 30, 2007
Equipment	\$ 7,802	\$ 9,403	\$ -	\$ 17,205
Accumulated depreciation	(4,681)	(3,280)	-	(7,961)
Net fixed assets	\$ 3,121	\$ 6,123	\$ -	\$ 9,244

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 4.43 percent.

OREGON LANDSCAPE CONTRACTORS BOARD
(A Semi-Independent Agency of the State of Oregon)
NOTES TO FINANCIAL STATEMENTS
For the Biennium Ended June 30, 2007

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 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 \$21,304. Contributions for fiscal year 2006 were approximately \$21,866 and \$14,395 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 \$10,929. For fiscal year 2006, contributions were approximately \$9,966; and for fiscal year 2005, contributions were approximately \$9,325.

EMPLOYEE LEAVE

Vacation leave paid time off is earned monthly, depending upon length of service, with a maximum accumulation of 250 hours for any one employee. The time off is vested when earned and recorded as an expenditure. Accumulated paid time off, based upon current salary rates, was \$55,897 at June 30, 2007.

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.

OREGON LANDSCAPE CONTRACTORS BOARD
(A Semi-Independent Agency of the State of Oregon)
NOTES TO FINANCIAL STATEMENTS
For the Biennium Ended June 30, 2007

LEASE COMMITMENT

The Board leases its space from Starbuck Properties, LLC. The lease expires June 30, 2013. Total lease payments for the two years ended June 30, 2007, were \$28,754. Future minimum lease payments for the next six years:

Fiscal Year	Lease Commitment
2008	\$ 23,382
2009	24,911
2010	26,441
2011	27,971
2012	29,500
2013	31,248
Total	\$ 163,453

RELATED PARTY TRANSACTIONS

The Board entered into transactions with the Administrator's brother for information technology (IT) services. The Board was aware of the relationship between the Administrator and the IT contractor and approved the contract before the hire of the related party. During the biennium ended June 30, 2007, payments to the related party totaled \$6,433. There were no amounts payable to the related party for these transactions as of June 30, 2007.

**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 Landscape Contractors Board
235 Union Street NE
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 Landscape Contractors Board, as of and for the two years ended June 30, 2007, which collectively comprise the Oregon Landscape Contractors Board's basic financial statements and have issued our report thereon dated January 30, 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 Landscape Contractors 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 Landscape Contractors Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Oregon Landscape Contractors 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 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 Landscape Contractors 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 Landscape Contractors Board's financial statements that is more than inconsequential will not be prevented or detected by the Oregon Landscape Contractors Board's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting. These deficiencies are listed as 2007-1 and 2007-2.

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 Landscape Contractors 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, of the significant deficiencies described above, we consider item 2007-2 to be a material weakness.

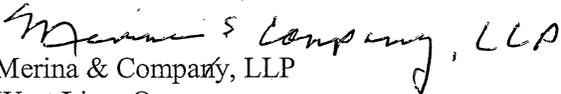
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Oregon Landscape Contractors 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 Landscape Contractors Board, in a separate letter dated February 8, 2008.

Oregon Landscape Contractors 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 Landscape Contractors 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, and federal awarding agencies and pass-through entities 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 30, 2008

OREGON LANDSCAPE CONTRACTORS 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 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

All journal entries for recording deposits into checking are currently approved before entered. Our policy of suspending civil penalties requires a journal entry when the condition of a settlement is met and this is documented on the journal entry with a reference to the case. Our policy of writing off civil penalties as uncollectable or doubtful are done based upon our policy for civil penalty management and are referenced to the cases that are affected by this policy. The administrator has delegated authority to the Program Analyst and Administration Specialist for approving and entering these adjustments to the A/R that are on the books. Any other journal entries regarding depreciation or entries requested by our internal CPA are approved by the Administrator.

2007-2

Condition

Receivables are booked for civil penalties; however, the Board regularly enters into agreements with violators in which, depending on certain conditions determined by the Board, portions of the total amount can be suspended once those conditions are met. Suspensions are assessed on a case by case basis. A policy of when civil penalties receivables are suspended or determined uncollectible is not set and the allowance for doubtful account is only booked once a receivable is sent to the collection agency; therefore the amount of civil penalties actually expected to be collected cannot be accurately estimated.

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

Criteria

To appropriately record a proper carrying value for civil penalties receivable, a method, based on past history, should be established to estimate the allowance for doubtful accounts, taking into account the history of suspensions.

Effect

Lack of a reasonable method to estimate the allowance for doubtful accounts does not reduce civil penalties to a reasonably accurate receivable balance, which overstates the receivable and revenue balances.

Cause

The allowance for doubtful account is only booked once a receivable is sent to the collection agency, which does not provide a sufficient basis for estimating an allowance for doubtful accounts that reduces civil penalties to a reasonably accurate receivable balance.

Recommendation

We recommend that the Board analyze the past history of civil penalties assessed and received to determine a method to estimate that allowance for doubtful accounts, taking into account suspensions. This method should provide an estimated allowance to reduce civil penalties to a reasonably accurate receivable balance.

Response

The agency has been struggling with this issue and we will, during the next couple of months meet with our independent CPA and review our policy and amend the policy to incorporate a history of actual collection of civil penalties based upon aging. We have started a spread sheet to track settlement agreements and the amount suspended over the period of the settlement and the amount that became unsuspended due to failure to meet the terms of the agreement during the settlement period. This is a new procedure and this too will possibly provide more reliability to our A/R report. We hope to resolve this issue for future audits and appreciate the opportunity to do so.

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

Auditing to Protect the Public Interest and Improve Oregon Government