

Report No. 2008-15

April 21, 2008



Charles A. Hibner, Director, Audits Division

Bill Bradbury, Secretary of State

Secretary of State Audit Report

State of Oregon

**Board of Examiners for
Engineering and Land Surveying**

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

Board of Directors
Oregon Board of Examiners for Engineering and Land Surveying
670 Hawthorne Avenue SE, Suite 220
Salem, Oregon 97301

This report presents audited financial statements of the Oregon Board of Examiners for Engineering and Land Surveying, 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

Charles A. Hibner, CPA
Director

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

FINANCIAL STATEMENTS
AND SUPPLEMENTARY DATA

For the Biennium Ended

June 30, 2007

with

Independent Auditor's Report

MERINA
& COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

5499 AMY STREET · WEST LINN, OR 97068

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Oregon Board of Examiners for Engineering
and Land Surveying
670 Hawthorne Avenue, SE, Suite 220
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 Board of Examiners for Engineering and Land Surveying, 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 Examiners for Engineering and Land Surveying'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 Board of Examiners for Engineering and Land Surveying, 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 25, 2008, on our consideration of the Oregon Board of Examiners for Engineering and Land Surveying'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 25, 2008

OREGON BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
(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	\$ 377,182
Accounts receivable	6,309
Property and equipment	<u>23,765</u>
Total assets	<u><u>\$ 407,256</u></u>
LIABILITIES:	
Accounts payable	\$ 40,899
Accrued payroll taxes	8,580
Compensated absences	<u>3,583</u>
Total liabilities	<u>53,062</u>
NET ASSETS:	
Investment in equipment, net of related debt	23,765
Unrestricted	<u>330,429</u>
Total net assets	<u>354,194</u>
Total liabilities and net assets	<u><u>\$ 407,256</u></u>

The accompanying notes are an integral part of these financial statements

OREGON BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
(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	\$ 1,850,104	\$ (1,850,104)
Total program expenses		<u>(1,850,104)</u>
GENERAL REVENUES:		
General revenues:		
Licenses and fees		1,539,720
Interest income		19,611
Other income		<u>70,300</u>
Total general revenues		<u>1,629,631</u>
Change in net assets		(220,473)
NET ASSETS, BEGINNING		<u>574,667</u>
NET ASSETS, ENDING		<u><u>\$ 354,194</u></u>

The accompanying notes are an integral part of these financial statements

OREGON BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
(A Semi-Independent Agency of the State of Oregon)
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2007

	Total Governmental Fund
ASSETS:	
Cash and cash equivalents	\$ 377,182
Accounts receivable	6,309
	<hr/>
Total assets	\$ 383,491
	<hr/>
LIABILITIES AND FUND BALANCE:	
Accounts payable	\$ 40,899
Accrued payroll taxes	8,580
	<hr/>
Total liabilities	49,479
	<hr/>
FUND BALANCE:	
Unreserved	334,012
	<hr/>
Total fund balance	334,012
	<hr/>
Total liabilities and fund balance	\$ 383,491
	<hr/>
Amounts reported in the statement of net assets are different because:	
Total fund balance	\$ 334,012
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 \$25,948 and the accumulated depreciation is \$2,183.	23,765
Long-term liabilities are not due and payable in the current period and therefore are not reported in funds	<hr/> (3,583)
Net assets of governmental activities	<hr/> \$ 354,194

The accompanying notes are an integral part of these financial statements

**OREGON BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
(A Semi-Independent Agency of the State of Oregon)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
For the Biennium Ended June 30, 2007**

	Total Governmental Fund
REVENUES:	
License and fees	\$ 1,539,720
Interest income	19,611
Other income	70,300
	<hr/>
Total revenues	1,629,631
	<hr/>
EXPENDITURES:	
Personal services	1,028,081
Service and supplies	842,205
	<hr/>
Total expenditures	1,870,286
	<hr/>
Revenues over (under) expenditures	(240,655)
FUND BALANCE, BEGINNING	<hr/> 574,667
FUND BALANCE, ENDING	<hr/> <hr/> \$ 334,012

**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	\$ (240,655)
Change in compensated absences	(3,583)
Capitalized cost of equipment	
Capitalized cost of equipment	25,948
Depreciation	(2,183)
	<hr/>
Change in net assets	<hr/> <hr/> \$ (220,473)

The accompanying notes are an integral part of these financial statements

OREGON BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
(A Semi-Independent Agency of the State of Oregon)
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Biennium Ended June 30, 2007

	Biennial Budget		Actual		Variance
	Original and Final	FY 2006	FY 2007	Biennial	Positive (Negative)
REVENUES:					
License and fees	\$ 1,780,150	\$ 804,914	\$ 734,806	\$ 1,539,720	\$ (240,430)
Interest income	-	11,178	8,433	19,611	19,611
Other income	40,000	32,500	37,800	70,300	30,300
Total revenues	<u>1,820,150</u>	<u>848,592</u>	<u>781,039</u>	<u>1,629,631</u>	<u>(190,519)</u>
EXPENDITURES:					
Personal services	978,412	523,832	504,249	1,028,081	(49,669)
Service and supplies	835,600	382,831	459,374	842,205	(6,605)
Total expenditures	<u>1,814,012</u>	<u>906,663</u>	<u>963,623</u>	<u>1,870,286</u>	<u>(56,274)</u>
Revenues over (under) expenditures	6,138	(58,071)	(182,584)	(240,655)	(246,793)
FUND BALANCES, BEGINNING	<u>574,667</u>	<u>574,667</u>	<u>516,596</u>	<u>574,667</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 580,805</u>	<u>\$ 516,596</u>	<u>\$ 334,012</u>	<u>\$ 334,012</u>	<u>\$ (246,793)</u>

The accompanying notes are an integral part of these financial statements

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Pursuant to Oregon State Bill 1127 adopted in 1999, the Board was granted semi-independent status by the Legislature.

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.

OREGON BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
(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.

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

Cash and cash equivalents are defined as all short term, highly-liquid, investments with maturities of three months or less.

Supplies

Supplies are charged as expenditures are purchased.

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. Leasehold improvements are recorded at cost and amortized over the term of the building lease on the straight-line basis.

All property and equipment acquired is owned by the Board while used in its operations. However, the State of Oregon's Department of Administrative Services has a reversionary

OREGON BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
(A Semi-Independent Agency of the State of Oregon)
NOTES TO FINANCIAL STATEMENTS
For the Biennium Ended June 30, 2007

interest in the property and equipment purchased by the Board. All property and equipment must be transferred to the State's surplus property program upon disposition.

Licensee Fees

Licensee Fees have been recorded on the cash basis due to the uncertainty of collections.

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

Credit Risk

State statutes authorize the Oregon Board of Examiners for Engineering and Land Surveying 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 (Restrictions 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 collateral securities. For these institutions, the State Treasurer is the collateral pool manager. As of June 30, 2007, the Board's bank balance was \$385,898. Of this deposit, \$100,000 was covered by Federal Depository Insurance. The

OREGON BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
(A Semi-Independent Agency of the State of Oregon)
NOTES TO FINANCIAL STATEMENTS
For the Biennium Ended June 30, 2007

remaining balance of \$285,898 was covered by \$700,000 in collateral certificates held in the pledging financial institution's trust department or agent, in the Board's name.

PROPERTY AND EQUIPMENT

Property and equipment consists as the following:

Business-type activities totals	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, depreciable:				
Property improvements	\$ -	\$ 8,808	\$ -	\$ 8,808
Equipment	-	17,140	-	17,140
Total capital assets, depreciable	-	25,948	-	25,948
Less accumulated depreciation for:				
Infrastructure	-	(1,363)	-	(1,363)
Vehicles	-	(820)	-	(820)
Total accumulated depreciation	-	(2,183)	-	(2,183)
Net capital assets	\$ -	\$ 23,765	\$ -	\$ 23,765

Depreciation expense for the two years ended June 30, 2007 totaled \$2,183.

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.

OREGON BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
(A Semi-Independent Agency of the State of Oregon)
NOTES TO FINANCIAL STATEMENTS
For the Biennium Ended June 30, 2007

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.

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 \$40,952 Contributions for fiscal year 2006 were approximately \$41,553 and \$26,840 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 \$17,779. For fiscal year 2006, contributions were approximately \$19,221.

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

OREGON BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
(A Semi-Independent Agency of the State of Oregon)
NOTES TO FINANCIAL STATEMENTS
For the Biennium Ended June 30, 2007

earned and recorded as an expenditure. Accumulated paid time off, based on current salary rates, was \$3,583 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.

LEASE COMMITMENT

The Board leases its space from Sage Properties, LLC. The lease expires June 1, 2013. Total lease payments for the two years ended June 30, 2007, were \$122,118. Future minimum lease payments for the next six years:

<u>Year Ending June 30,</u>	<u>Amounts</u>
2008	\$ 64,025
2009	66,255
2010	68,600
2011	71,005
2012	73,475
2013	<u>69,520</u>
Total	<u>\$ 412,880</u>

RELATED PARTY TRANSACTIONS

The Board entered into transactions with the Executive Assistant’s husband for hardware/software services. The Board was aware of the relationship between the Executive Assistant and the 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 \$21,095. The amount of \$1,020 was 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 Board of Examiners for Engineering
and Land Surveying
670 Hawthorne Avenue, SE, Suite 220
Salem, Oregon 97301

Charles A. Hibner, Director
Oregon 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 Examiners for Engineering and Land Surveying, as of and for the two years ended June 30, 2007, which collectively comprise the Oregon Board of Examiners for Engineering and Land Surveying's basic financial statements and have issued our report thereon dated January 25, 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 Examiners for Engineering and Land Surveying'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 Board of Examiners for Engineering and Land Surveying's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Oregon Board of Examiners for Engineering and Land Surveying'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 Board of Examiners for Engineering and Land Surveying'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 Board of Examiners for Engineering and Land Surveying's financial statements that is more than inconsequential will not be prevented or detected by the Oregon Board of Examiners for Engineering and Land Surveying'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, 2007-2, and 2007-3.

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 Examiners for Engineering and Land Surveying's internal control.

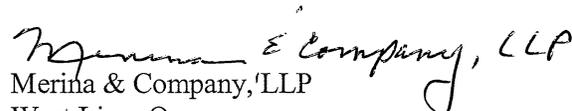
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose 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 Board of Examiners for Engineering and Land Surveying'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2007-4.

We noted certain matters that we reported to management of Oregon Board of Examiners for Engineering and Land Surveying, in a separate letter dated January 30, 2008.

This report is intended solely for the information and use of management, 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 25, 2008

OREGON BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
(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 are not approved by management and a documentation standard for journal entries has not been implemented.

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 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 Executive Secretary and/or a Board member.

Response

As suggested by the auditors (Merina & Company, LLC) who performed the 03-05 Audit, the Executive Assistant creates journal entries for the only purpose of documenting debit/credit card receivables. The journal entries are created using exact accounting codes for reconciliation at the end of each month. Although the Executive Secretary and Board President have not been reviewing or approving these journal entries, the support documentation exists. Therefore, effective with journal entries made as of January 1, 2008, the Executive Secretary and Board President will conduct the review and approval of journal entries.

2007-2

Condition

The personnel in charge of preparing and processing check disbursements is an individual who also an authorized check signer.

Criteria

To minimize the risk of checks not being properly authorized and recorded, the personnel in charge of preparing checks should not be an authorized check signer.

Effect

Lack of segregating these duties potentially increases the risk of unauthorized checks being processed.

**OREGON BOARD OF EXAMINERS FOR ENGINEERING AND LAND SURVEYING
(A Semi-Independent Agency of the State of Oregon)
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2007**

Cause

Due to its size, the Board feels it is necessary to allow the Executive Assistant, the personnel in charge of processing disbursements, to be an authorized check signer to approve disbursements to the Executive Secretary.

Recommendation

We recommend that the Executive Assistant be removed as an authorized check signer and disbursements to the Executive Secretary be approved by the Board to ensure all checks are appropriately authorized and recorded.

Response

Effective April 1, 2008, the Executive Assistant, who is the person currently responsible for preparing and processing check disbursements will be removed as an authorized signatory for the Board. As a result of the removal, the Executive Assistant will no longer be authorized by the Board's Financial Institution to retain a debit card. Another individual of the Board Staff, who is not responsible for preparing and processing check disbursements will have authorization to sign checks.

Check disbursements to the Executive Secretary will not be prepared for signature until the reimbursement request and support documentation is reviewed and approved by either the Finance Committee or the President of the Board. Upon approval, the Executive Assistant will prepare the check, and the alternate authorized signatory will sign the check. During the following Board meeting, either the Finance Committee Chair or the Board President will report the disbursement

2007-3

Condition

Payroll expenses are not being properly coded into the correct accounts and therefore cannot be agreed to the payroll records.

Criteria

To minimize the risk payroll expenses not being properly recorded, the Board should utilize a payroll processing company that generates reports that are understandable to personnel recording payroll.

Effect

Lack of understanding of payroll reports increases the risk of payroll expenses not being properly recorded.

Cause

The Board currently contracts with a payroll processing company whose reports are difficult to understand; therefore the Board records payroll based on payroll-related checks actually cut, which does not provide adequate support for properly coding payroll expenses into the correct accounts.

Recommendation

We recommend that the personnel in charge of processing payroll receive training and the Board either:

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- 1) Work with the current payroll processing company to generate reports that are easily understandable by the Board's personnel, or
- 2) Contract with another payroll processing company (i.e. Paychecks or ADP) whose reports are more user-friendly.

Response

During the December 2007 and February 2008 Finance Committee meetings, it was reported that the general business administration and tax service company used by the Board for payroll is also knowledgeable with the PeachTree accounting software. Therefore, the Finance Committee decided this company will assist in the migration of information upon the conclusion of the 05-07 Audit. Other services they will provide will include assistance in developing more precise codes for revenues and expenses prior to the PeachTree migration. As of January 1, 2008, this company also transferred to a new payroll software which generates the detailed reports needed to input the payroll expenses accordingly.

2007-4

Condition

Payroll taxes were not calculated and paid for bonuses that were distributed to employees within the biennial year ended June 30, 2007.

Criteria

To minimize the risk of non-compliance with applicable laws, the Board should utilize the payroll processing company to handle bonuses paid.

Effect

Lack of expertise in handling bonuses paid increases the risk of improper payments and non-compliance with applicable laws.

Cause

The Board was unaware of the legal requirements applicable to payment of bonuses.

Recommendation

We recommend that the Board review its bonuses policy and work with a payroll processing company to ensure bonuses are being paid in accordance with applicable laws.

Response

Staff was informed previously of this information by its AAG from the Labor and Employment Section of the Department of Justice while reviewing the Board's Employee Handbook and complimentary policies in 2007. As a result, a draft policy and procedure for bonuses paid by the Board have been completed but not yet approved. Therefore, no bonuses were paid for the year 2007 and will not be until these documents are approved by the Board. Upon approval of the policy, the company used by the Board for payroll will also process all bonuses paid by the Board in accordance with applicable laws.