

Report No. 2010-02

January 2010



Gary Blackmer, Director, Audits Division

Kate Brown, Secretary of State

Secretary of State Audit Report

State of Oregon

Landscape Architect Board

A Semi-Independent Agency

For the Biennium Ended June 30, 2009

Contract Auditor: Moss Adams LLP

STATE OF OREGON
LANDSCAPE ARCHITECT BOARD
INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS
(With Supplemental Information)

FOR THE BIENNIUM ENDED

JUNE 30, 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Oregon Landscape Architect Board

We have audited the accompanying financial statements of the governmental activities and the general fund of the Oregon Landscape Architect Board (Board), a semi-independent agency of the State of Oregon, as of and for the biennium ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Oregon Landscape Architect 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal controls over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position and changes in financial position of the governmental activities and the general fund of the Oregon Landscape Architect Board, as of June 30, 2009, for the biennium then ended in conformity with accounting principles generally accepted in the United States of America.

The Oregon Landscape Architect Board has not presented *Management's discussion and analysis* (MD&A) that accounting principles accepted in the United States of America have determined necessary to supplement, but are not required, to be part of the basic financial statements. The budgetary comparison information on page 9 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2009, on our consideration of the Oregon Landscape Architect 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 Audit 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.



Eugene, Oregon
December 29, 2009

OREGON LANDSCAPE ARCHITECT BOARD
(A Semi-Independent Agency of the State of Oregon)
BALANCE SHEET-GENERAL FUND / STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Assets</u>
ASSETS:			
Cash and cash equivalents	\$ 119,498	\$ -	\$ 119,498
Investments	141,572	-	141,572
Total assets	<u>\$ 261,070</u>	<u>\$ -</u>	<u>\$ 261,070</u>
LIABILITIES			
Due to other government	-	77,808	77,808
Total liabilities	-	77,808	77,808
FUND BALANCE			
Unreserved	261,070	(261,070)	-
Total fund balance	261,070	(261,070)	-
Total liabilities and fund balance	<u>\$ 261,070</u>		
NET ASSETS			
Unrestricted		(183,262)	183,262
Total net assets		<u>\$ (183,262)</u>	<u>\$ 183,262</u>

OREGON LANDSCAPE ARCHITECT BOARD
(A Semi-Independent Agency of the State of Oregon)
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCE / STATEMENT OF ACTIVITIES
FOR THE BIENNIUM ENDED JUNE 30, 2009

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
REVENUES			
License and fees	\$ 306,818	\$ -	\$ 306,818
Interest income	11,231	-	11,231
Other income	150	-	150
	<u>318,199</u>	<u>-</u>	<u>318,199</u>
EXPENDITURES/EXPENSES			
Licensing	270,318	(77,808)	348,126
	<u>270,318</u>	<u>(77,808)</u>	<u>348,126</u>
Total expenditures/expenses	<u>270,318</u>	<u>(77,808)</u>	<u>348,126</u>
Excess (deficiency) of revenues over expenditures	<u>47,881</u>	<u>(77,808)</u>	<u>(29,927)</u>
OTHER FINANCING SOURCES			
	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE/NET ASSETS			
Fund balance /Net assets - June 30, 2007	213,189	-	213,189
Fund balance /Net assets - June 30, 2009	<u>\$ 261,070</u>	<u>\$ 77,808</u>	<u>\$ 183,262</u>

OREGON LANDSCAPE ARCHITECT BOARD
(A Semi-Independent Agency of the State of Oregon)
NOTES TO FINANCIAL STATEMENTS
FOR THE BIENNIUM ENDED JUNE 30, 2009

NOTE 1 - NATURE OF THE ORGANIZATION

The Oregon Landscape Architect Board's (the Board) objective is to safeguard the public health, safety, welfare and property in this state by providing qualifying criteria for the practice of landscape architecture. These safeguards are in the practice of landscape architecture as it relates to engineering, architecture, ground water, land use planning, and landscape hazards.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Oregon State Landscape Architect Board is a semi-independent agency of the State of Oregon. The Board operates under Oregon Revised Statutes (ORS) Chapter 672.310 to 671.459, 671.992 and 671.995 and implements these statutes through the Oregon Administrative Rules (OAR) Chapter 804. The Board was granted initial semi-independent status by the Legislature in 1997, and pursuant to Oregon Senate Bill 1127 of the 1999 Legislative Session, additional revisions to the statute occurred. Certain ORS chapters do not apply to the Board, except as otherwise provided by law. The Board is subject to all other statutes governing a state agency that do not conflict with ORS 185.456 to 182.472.

The Board consists of seven members appointed by the governor for four-year terms. Four members are Registered Landscape architects and three members are public citizens.

The Board regulates the practice of landscape architecture by administering examinations to applicants who have met the education and experience requirement; issuing certificates to those who qualify for registration; and disciplining those who violate the law. The Board is concerned with providing safeguards in the practice of landscape architecture as it relates to engineering, architecture, ground water, land use planning, landscape hazards, and the further development of the practice of landscape architecture (ORS 671.312).

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 general fund. Revenues are from license fees, service fees, civil penalties and interest income.

The Board presents both governmental fund financial statements and government-wide financial statements which report on separate measurement focuses. Due to these differences, certain adjustments are necessary to reconcile between governmental fund financial statement and the government-wide financial statements. Those adjustments are described in Note 3.

OREGON LANDSCAPE ARCHITECT BOARD
(A Semi-Independent Agency of the State of Oregon)
NOTES TO FINANCIAL STATEMENTS
FOR THE BIENNIUM ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Fund balance - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated for a specific future use. Fund balance reported as of June 30, 2009 was unreserved.

Net assets - Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Board or through external restriction imposed by creditors, grantors, laws, or regulation of other governments. Net assets as of June 30, 2009 were unrestricted.

Budget - The Board is required to adopt budgets on a biennial basis through the Public Hearing Process. 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 non-appropriated budgets. The budgetary statement included herein compares the total of annualized non-appropriated biennium budget to actual expenditures for biennium ending June 30, 2009.

Cash and cash equivalents - The Board's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with an original maturity of under twenty four months from the date of acquisition. Investments are carried at fair value.

OREGON LANDSCAPE ARCHITECT BOARD
(A Semi-Independent Agency of the State of Oregon)
NOTES TO FINANCIAL STATEMENTS
FOR THE BIENNIUM ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences - The Board currently has no employees on payroll. Administrative functions of the Board are handled through an inter-agency agreement with the Oregon State Board of Geologist Examiners.

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.

Civil penalties - The Board is authorized under state laws to impose civil penalties to enforce certain provisions and professional standards.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions which affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund balance sheet includes reconciliation between the fund balance and net assets as reported in the government wide statement of net assets:

Long-term liabilities are not due and payable in the current period and therefore are not reported in governmental funds:	\$ 77,808
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The governmental fund statement of revenues, expenditures, and changes in fund balance includes reconciliation between the government-wide statement of activities for the following:

Change in licensing expenses	\$(77,808)
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OREGON LANDSCAPE ARCHITECT BOARD
(A Semi-Independent Agency of the State of Oregon)
NOTES TO FINANCIAL STATEMENTS
FOR THE BIENNIUM ENDED JUNE 30, 2009

NOTE 4 - CASH AND INVESTMENTS

As of June 30, 2009, the Board's bank balance was \$119,498. This deposit was covered by Federal Depository Insurance. The CD investment balance as of June 30, 2009 was \$141,572.

Credit risk - State statutes authorize the Oregon State Landscape Architect Board to invest in general obligations of the U.S. Government and its agencies, certain debt obligations of Oregon, California, Washington and Idaho, bank repurchase agreements, bankers' acceptances, and certain corporate debt obligations, among others.

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

Custodial credit risk - deposits - HB 2901, which passed during the 2007 Legislative Session, significantly revised ORS 295 (Depositories of Public Funds and Securities) which governs the collateralization of public funds deposits. The changes streamline the collateralization process and eliminate the need to request and maintain Certificates of Participation (COP's). The Bill created a shared liability structure of the qualified depositories. Under the new law, government entities no longer have to request and maintain the issuance of a COP for balances over the \$250,000 FDIC insured amount when using a qualified depository. Government entities only need to verify that the bank they use as a depository appears on the list of qualified depositories with the State Treasurers Department. The Oregon Landscape Architect Board funds depository institution is Pioneer Trust Bank. The balance in this account was less than the FDIC insurance limit and Pioneer Trust Bank has a branch in Oregon.

Custodial credit risk - investments - In the case of investments, this is the risk that the Board will not be able to recover the value of its investments or collateral security that is not held in the Board's name but is in the possession of an outside party.

NOTE 5 - 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 is based upon its share of services provided in a prior period. The Board's total liability insurance expense for the biennium ended June 30, 2009 was \$3,500.

OREGON LANDSCAPE ARCHITECT BOARD
(A Semi-Independent Agency of the State of Oregon)
NOTES TO FINANCIAL STATEMENTS
FOR THE BIENNIUM ENDED JUNE 30, 2009

NOTE 6 - LEASES

Operating lease - The Board leased space under a year-to-year lease expiring June 30, 2009. Total lease payments for the biennium were \$7,522.

The Board relocated its primary offices on July 1, 2009, and entered into a new operating lease agreement. The new operating lease agreement is on a month-to-month basis, with monthly rent of \$465.

Future lease payments are based on a base rent of \$465 per month. However, the base rent will increase by 3% in year 2 (\$479); by 3% of year 2 base for year 3 (\$493).

NOTE 7 - INTERAGENCY AGREEMENT

From July 1, 2007 through June 30, 2009, the Board entered an Interagency Agreement with the Oregon State Board of Geologist Examiners (OSBGE) to provide administrative support services for the Oregon State Landscape Architect Board (OSLAB) at a rate of \$5,500.00 per month for the first year. From July 1, 2008 to June 30, 2009 the rate increased to \$7,300.00.

REQUIRED SUPPLEMENTAL INFORMATION

OREGON LANDSCAPE ARCHITECT 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, 2009

	Biennial	Actual			Variance Positive (Negative)
	Budget Original & Final	FY 2008	FY 2009	Biennial	
REVENUES					
License and fees	\$ 285,460	\$ 148,817	\$ 155,102	\$ 303,918	\$ 18,458
Fines and forfeitures	1,500	1,300	1,600	2,900	1,400
Interest income	7,200	4,133	1,418	5,552	(1,648)
Other income	200	2,877	2,952	5,829	5,629
Total revenues	294,360	157,127	161,072	318,199	23,839
EXPENDITURES					
Personal service	161,400	8,935	1,697	10,632	(150,768)
Service and supplies	129,765	112,429	147,257	259,686	129,921
Total expenditures	291,165	121,364	148,954	270,318	(20,847)
Revenues over expenditures	3,195	35,763	12,118	47,881	44,686
FUND BALANCE, BEGINNING	60,951	213,189	248,952	213,189	152,238
FUND BALANCE, ENDING	\$ 64,146	\$ 248,952	\$ 261,070	\$ 261,070	\$ 196,924

**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***

We have audited the financial statements of the governmental activities and the general fund of the Oregon Landscape Architect Board, as of and for the biennium ended June 30, 2009, which collectively comprise the Oregon Landscape Architect Board's basic financial statements and have issued our report thereon dated December 29, 2009. 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 Architect 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 Architect Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Oregon Landscape Architect 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 Architect 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 Architect Board's financial statements that is more than inconsequential will not be prevented or detected by the Oregon Landscape Architect Board's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a significant deficiency in internal control over financial reporting. This deficiency is listed as 2009-1.

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 Landscape Architect 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. We believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Oregon Landscape Architect 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*.

Oregon Landscape Architect 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 Architects 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 Commissioners, 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.

Moss Adams LLP

Eugene, Oregon
December 29, 2009

OREGON LANDSCAPE ARCHITECT BOARD
(A Semi-Independent Agency of the State of Oregon)
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2009

Financial Statement Findings

2009-1

Condition

The internal control structure of the Board has focused primarily on the objective of effectiveness and efficiency of operations. However, the system of internal control over the objectives of reliability of financial reporting contains certain deficiencies. A key element of financial reporting is the ability of management to select and apply appropriate accounting principles to prepare financial statements in accordance with generally accepted accounting principles.

Management of the Board maintains accounting records primarily on a cash basis of accounting. Preparation of a GAAP-based financial statement for the Board requires sufficient knowledge about full accrual, modified accrual, and budgetary basis accounting. As a result, certain adjustments were required to be made to the financial statements subsequent to the start of the audit process. Adjustments included the recognition of differences between the government wide financial statements and the fund financial statements. Management required assistance with certain disclosures that included the pension plans and other post employment benefits. Also, as described in the *Independent Auditors Report*, Management has not presented *Management's discussion and analysis* (MD&A) that accounting principles accepted in the United States of America have determined necessary to supplement, the basic financial statements.

The cumulative effect of these observations regarding internal control over the financial close and reporting process could result in a material misstatement of the financial statements; this deficiency is deemed to be a material weakness.

Criteria

To minimize the risk of material errors in the financial statements, management should possess sufficient understanding of the basic reporting requirements as required under generally accepted accounting practices in the United States.

Effect

Lack of internal controls and management education about GAAP significantly increases the risk of material accounting errors in Board financial statements.

OREGON LANDSCAPE ARCHITECT BOARD
(A Semi-Independent Agency of the State of Oregon)
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2009

Financial Statement Findings (Continued)

Cause

Semi-independent State Board's such as the Landscape Architect Board are required to produce GAAP financial statements on a biennium basis. The infrequent nature of financial reporting creates conditions which diminish the significance for possessing a thorough understanding about GAAP reporting requirements.

Recommendations

Management and the Agency's governing body should assess the adequacy of the design of its policies and procedures related to preparation of financial statements and design appropriate controls as necessary to rectify inadequacies.

Response

The Oregon Landscape Architect Board agrees that the financial statements were not prepared by staff with GAAP-based knowledge. However, prior to the audit, the financial statements were reviewed by a neutral third party to confirm that the information was properly recorded. The Board notes the following statement on page 11 of the audit report: "The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*."

The audit's financial statement finding presents a concern regarding a possible misstatement of the financial statement due to the lack of GAAP education and the possible cumulative effect of this lack of GAAP knowledge. The Board will take this concern into consideration at its next regularly scheduled meeting. An assessment will be made by the Board to determine what policy or procedure might be established to address this finding relative to the preparation of financial statements.