

# Secretary of State Audit Report

Kate Brown, Secretary of State

Gary Blackmer, Director, Audits Division



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State of Oregon

**Board of Architect Examiners**

A Semi-Independent Agency

For the Biennium Ended June 30, 2009

Contract Auditor: Moss Adams LLP

2010-07  
January 2010

**STATE OF OREGON**  
**BOARD OF ARCHITECT EXAMINERS**  
**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 Members of the Board  
Oregon Board of Architect Examiners

We have audited the accompanying financial statements of the governmental activities and the general fund of the Oregon Board of Architect Examiners (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 Board of Architect Examiners' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 financial statements, assessing the accounting principles used and 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 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 Board of Architect Examiners, as of June 30, 2009, and for the biennium then ended in conformity with accounting principles generally accepted in the United States of America.

The Oregon Board of Architect Examiners 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 12 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 January 13, 2010, on our consideration of the Oregon Board of Architect Examiners' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government 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  
January 13, 2010

**OREGON BOARD OF ARCHITECT EXAMINERS**  
**(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>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 604,760	\$ -	\$ 604,760
Investments	455,997	-	455,997
Civil penalties receivable, net	31,700	-	31,700
	<u>1,092,457</u>	<u>-</u>	<u>1,092,457</u>
Total assets	<u>\$ 1,092,457</u>	<u>\$ -</u>	<u>\$ 1,092,457</u>
<b>LIABILITIES</b>			
Accounts payable	12,166		12,166
Compensated absences	-	9,528	9,528
Deferred revenue	31,700	(31,700)	-
Wages payable	15,020	-	15,020
	<u>58,886</u>	<u>(22,172)</u>	<u>36,714</u>
Total liabilities	<u>58,886</u>	<u>(22,172)</u>	<u>36,714</u>
<b>FUND BALANCE</b>			
Unreserved	<u>1,033,571</u>	<u>(1,033,571)</u>	<u>-</u>
Total fund balance	<u>1,033,571</u>	<u>(1,033,571)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 1,092,457</u>		
<b>NET ASSETS</b>			
Unrestricted		<u>1,055,743</u>	<u>1,055,743</u>
Total net assets		<u>\$ 1,055,743</u>	<u>\$ 1,055,743</u>

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

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	<b>General Fund</b>	<b>Adjustments (Note 3)</b>	<b>Statement of Activities</b>
<b>REVENUES</b>			
Licenses and fees	\$ 866,100	\$ -	\$ 866,100
Interest income	44,794	-	44,794
Civil penalties	51,098	46,770	97,868
Other income	3,243	-	3,243
	<u>965,235</u>	<u>46,770</u>	<u>1,012,005</u>
<b>EXPENDITURES/EXPENSES</b>			
Personal services	395,009	1,218	396,227
Service and supplies	321,251	15,070	336,321
	<u>716,260</u>	<u>16,288</u>	<u>732,548</u>
Total expenditures			
	<u>248,976</u>	<u>30,482</u>	<u>279,458</u>
Excess of revenues over expenditures			
	<u>784,595</u>	<u>(8,310)</u>	<u>776,285</u>
<b>NET CHANGE IN FUND BALANCE/NET ASSETS</b>			
Fund Balance /Net Assets - July 1, 2007	784,595	(8,310)	776,285
Fund Balance /Net Assets - June 30, 2009	<u>\$ 1,033,571</u>	<u>\$ 22,172</u>	<u>\$1,055,743</u>

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

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**NOTE 1 - NATURE OF THE ORGANIZATION**

State Board of Architect Examiners (the Board) prescribes qualifications for the practice of architecture, conducts examination to qualify applicants prior to registration, and issues certificates to those who qualify. The Board has authority to revoke certificates and assess civil penalties against unregistered individuals practicing without statutory authority. The Board is primarily concerned with the quality and safety of the buildings constructed within Oregon's borders.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting entity** - The Board is a semi-independent agency of the State of Oregon. The Board was created in 1919 and operates under Oregon Revised Statutes (ORS) Chapter 671.010 – 671.220. The Board consists of seven members appointed by the governor for four-year terms. Five members are licensed architects and two members are public citizens.

**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 governmental fund, consisting of one general fund.

**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.

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

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 biennium budget to actual expenditures for biennium ending June 30, 2009.

**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.

**Cash and cash equivalents** - Cash includes cash on hand and demand deposits.

**Civil penalties** - The Board is authorized under state laws to impose civil penalties to enforce certain provisions and professional standards. The Board records the balance of civil penalties net of an allowance for uncollectible accounts. As of June 30, 2009, the Board had imposed civil penalties in the amount of \$46,770 and recorded an allowance for uncollectible account in the amount of \$15,070.

**Supplies** - Supplies are charged as expenditures when 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. An annual fiscal year-end analysis and subsequent general ledger journal entry is booked to maintain a relevant accrual liability for compensated absences that have been earned but not yet taken.

**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.

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

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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**

As described in Note 2, 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 statements and the government-wide 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 for the following:

Long-term liabilities are not due and payable in the current period and therefore are not reported in governmental funds	\$ 9,528
Certain imposed civil penalties will be collected after year-end but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in governmental funds	\$(31,700)

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 civil penalties receivables, net	\$ 46,770
Change in compensated absences	\$ 1,218
Change in allowance for civil penalties	\$ 15,070

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

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**NOTE 4 - CASH AND INVESTMENTS**

*Credit risk* - State Statutes authorize the Oregon Board of Architect Examiners to invest in general obligations of the U.S. Government and its agencies, certain debt obligations of Oregon, California, Washington, and Idaho, bank repurchase agreements, bankers' acceptances, and certain corporate debt obligations, among others. During the 2007-2009 biennium the Oregon Board of Architect Examiners did not hold any outside investments. Its cash reserves were held either in a money market account or in a demand deposit account.

*Concentration of credit risk* - All investments of the Board shall be made in accordance with Oregon Revised Statutes: ORS 182.470 (Depository accounts for moneys collected or received by semi-independent state agencies); 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 \$100,000 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 Board's funds depository institutions are U.S. Bank National Association, West Coast Bank and Washington Federal Savings Bank. The depository institutions do appear on the State Treasurer Department's list of qualified depositors.

**NOTE 5 - DEFINED BENEFIT PENSION PLAN**

*Plan description* - The Board is a participating employer in the Oregon Public Employees Retirement System (PERS). Board employees hired after August 28, 2003, participate in the Oregon Public Service Retirement Plan (OPSRP). 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 actuarially determined contributions from the employer and an employee contribution of six 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 from PERS Fiscal Services Division, 11410 SW 68<sup>th</sup> Parkway, Tigard, Oregon 97223.

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

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**NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)**

*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 the two year biennium period ending June 30, 2009, the Board contributed 4.15% of covered salary.

*Oregon Public Service Retirement Plan (OPSRP)* - OPSRP is a cost-sharing multiple-employer defined benefit and defined contribution pension plan created by the Oregon Legislative Assembly in 2003 as a successor plan for PERS.

- The defined benefit pension plan is provided to members who were hired on or after August 29, 2003. Employer contributions are required by state statute and are made at actuarially determined rates as adopted by the PERB. The annual required contribution rates for the OPSRP defined benefit pension plan was 7.74% for general service employees as of July 1, 2007.
- The defined contribution pension plan (called the Individual Account Program or IAP) is provided to all members or their beneficiaries who are PERS or OPSRP eligible. State statutes require covered employees to contribute 6% of their annual covered salary to the IAP plan effective January 1, 2004. PERS members retain their existing PERS accounts; however, member contributions have been deposited in the member's IAP since the beginning of 2004 rather than into the member's PERS account.

*Actuarial assumptions* - Required contributions are determined using the projected unit credit actuarial cost method. Under this method, the Tier 1/Tier 2 regular UAL and Retiree Healthcare UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed 20-year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 years from the odd-year valuation in which they are first recognized. Amortization of a change in Tier 1/Tier 2 UAL and Retiree Healthcare UAL due to a change in the actuarial cost method is amortized as a level percentage of combined valuation over a rolling three-year period. Contributions are credited toward the payment of this change in UAL beginning July 1, 2007. For OPSRP UAL, amortization for gains and losses between odd-year valuations are amortized as a level percentage of combined payroll over 16 years from the odd-year valuation in which they are first recognized. The actuarial value of PERS assets is reported at fair market value. In order to reduce year-to-year volatility in contribution requirements due to changes in asset value, new contribution rates are confined to a collar based on the prior contribution rate. New contribution rates will not increase or decrease by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage drops below 80% or increases above 120%, the size of the collar doubles.

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

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**NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)**

*Other charges* - Oregon General Obligation Pension Bonds were issued to fund the States' share of the Unfunded Actuarial Liability, and \$2 billion was delivered directly to PERS. Over the next 23 years the state will be obligated to make the principal and interest payments on the pension obligation bonds. All benefiting agencies are charged the same rate to pay this debt service. The rate is applied to subject salaries and during this biennium the rate fluctuated from 6.20% at the beginning of the biennium to 5.95%. The Board's total Oregon General Obligation Pension Bond expense for the biennium ended June 30, 2009 was \$24,790, and is included in the Board's annual pension cost described in the table below.

*Annual pension cost* - Contributions actually made are equivalent to the annual pension cost. The Board's contributions were equal to the annually required contributions. The following table presents three-year information related to funding of the Board's pension plans:

	2007	2008	2009
Board contribution rates Tier 1 & Tier 2	2.06%	2.06%	2.06%
Board contribution rates OPSRP	2.84%	2.84%	2.84%
Employee contribution paid by Board	6%	6%	6%
Payroll covered by PERS	\$ 64,765	\$ 144,118	\$ 69,109
Annual pension cost and bond assessment	\$ 4,111	\$ 8,355	\$ 4,241

**NOTE 6 - OTHER POSTEMPLOYMENT BENEFIT PLANS**

The Board's employees may be eligible to participate in health insurance plans and other benefit plans after retirement, collectively known as Other Postemployment Benefit Plans (OPEB). OPEB plans are offered through the Public Employees Retirement System (PERS) as established by Oregon Revised Statutes (ORS) 238.410 and the Public Employees Benefit Board (PEBB) as established by ORS 243.302. A copy of the Oregon Public Employees Retirement System annual financial report may be obtained from PERS Fiscal Services Division, 11410 SW 68<sup>th</sup> Parkway, Tigard, Oregon 97223.

*Retirement Health Insurance Account* - The Retirement Health Insurance Account (RHIA) is a cost-sharing multiple-employer OPEB plan which provides a payment of up to \$60 toward the monthly cost of health insurance for eligible PERS members. To be eligible for the RHIA subsidy, the member must have eight years of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, receive both Medicare parts A and B coverage, and enroll in a PERS sponsored health insurance plan. The Board is required by statutes to contribute actuarially computed amounts as determined by PERS.

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

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**NOTE 6 - OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)**

Rates are subject to change as the result of subsequent actuarial valuations. The rate of each covered employee's salary for the biennium ended June 30, 2009 was .26% for the OPSRP employees and .37% for the Tier 1/Tier 2 employees.

***Retiree Health Insurance Premium Account*** - The Retiree Health Insurance Premium Account (RHIPA) is a single-employer OPEB plan that provides for payment of the average difference between the health insurance premiums paid by retired state employees under contracts entered into by the PERS Board and health insurance premiums paid by state employees who are not retired. Retired state employees are qualified to receive the RHIPA subsidy if they had eight or more years of qualifying service in PERS at the time of retirement or are receiving disability pension calculated as if they had eight or more years of qualifying services, but are not eligible for federal Medicare coverage. The Board is required to contribute actuarially computed amounts as determined by PERS. Rates are subject to changes as the result of subsequent actuarially determined valuations. The rate of each covered employee's salary for the biennium ended June 30, 2009 was .03% for the OPSRP employees and .10% for the Tier1/Tier2 employees.

Board contributions to the plans for the years ended June 30, 2007, 2008 and 2009 were \$54.16 \$121.44, and \$56.86 respectively, equal to the required contributions each year.

**NOTE 7 - COMPENSATED ABSENCES**

***Sick leave*** - Sick leave is earned at the rate of eight hours per month with no maximum limit. Accumulated sick leave at June 30, 2009 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 leave*** - Vacation time is earned, subject to a maximum accumulation of 250 to 350 hours depending on employee classification, at a rate of 8.0 hours per month to 17.34 hours per month depending on employee classification and length of service. The time off is vested when earned and recorded as an expenditure. Accumulated paid time off, based on current salary rates, was \$9,528 at June 30, 2009.

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

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**NOTE 8 - 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 \$3,507.

**NOTE 9 - LEASES**

*Operating lease* - The Board leases space under a five year lease expiring August 31, 2011. Total lease payments for the biennium ending June 30, 2009 were \$64,362. Future minimum lease payments are as follows:

<u>YEAR ENDING JUNE 30,</u>	
2010	\$ 32,974
2011	<u>32,974</u>
Total future minimum lease payments	<u><u>\$ 65,948</u></u>

Future minimum lease payments are based on a base rent of \$2,748 per month. The agreement has another two-year option with the monthly lease amount to be determined at that time, and is to be based on the percentage change in the Consumer Price Index published by the United State Bureau of Labor Statistics - which is undeterminable at this time.

**REQUIRED SUPPLEMENTAL INFORMATION**

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**OREGON BOARD OF ARCHITECT EXAMINERS**  
**(A Semi-Independent Agency of the State of Oregon)**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET TO ACTUAL**  
**FOR THE BIENNIUM ENDED JUNE 30, 2009**

	Biennial	Actual			Variance
	Budget				Positive
	Original &				(Negative)
	Final	FY 2008	FY 2009	Biennial	
<b>REVENUES</b>					
Licenses and fees	\$ 688,090	\$ 493,478	\$ 387,692	\$ 866,100	\$ 178,010
Interest income	41,509	22,153	22,641	44,794	3,285
Civil penalties	11,500	23,165	27,933	51,098	39,598
Other income	3,170	578	2,665	3,243	73
Total revenues	744,269	539,374	440,931	965,235	220,966
<b>EXPENDITURES</b>					
Personal service	396,050	194,167	200,842	395,009	1,041
Service and supplies	313,950	153,864	182,456	321,251	(7,301)
Total expenditures	710,000	348,031	383,298	716,260	(6,260)
Revenues over expenditures	34,269	191,343	57,633	248,976	214,707
FUND BALANCE, BEGINNING	784,595	784,595	975,938	784,595	-
FUND BALANCE, ENDING	\$ 818,864	\$ 975,938	\$ 1,033,571	\$ 1,033,571	\$ 214,707

## **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 *GOVERNMENT AUDITING STANDARDS***

We have audited the financial statements of the governmental activities and the general fund of the Oregon Board of Architect Examiners, as of and for the biennium ended June 30, 2009, which collectively comprise the Oregon Board of Architect Examiners' basic financial statements and have issued our report thereon dated January 13, 2010. 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 Architect Examiners' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Oregon Board of Architect Examiners' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Oregon Board of Architect Examiners' internal control over financial reporting.

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. 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 Board of Architect Examiners' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Oregon Board of Architect Examiners' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Oregon Board of Architect Examiners' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, Members of the Board, 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  
January 13, 2010

**OREGON BOARD OF ARCHITECT EXAMINERS**  
**(A Semi-Independent Agency of the State of Oregon)**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE BIENNIUM ENDED JUNE 30, 2009**

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**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 BOARD OF ARCHITECT EXAMINERS  
(A Semi-Independent Agency of the State of Oregon)  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE BIENNIUM ENDED JUNE 30, 2009**

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**Financial Statement Findings (Continued)**

Cause

Semi-independent State Boards such as the Oregon Board of Architect Examiners 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 Board'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 Board of Architect Examiners is a small agency with fairly simple financial processes. The Board operates primarily on a cash basis of accounting with reports of monthly activities prepared for the Board to consider after the close of each month's books - after 45 days following the end of each month, and a review of bank statements and other financial information by the Board's chair. Financial statements are prepared only once each year, at best.

Management and staff may not have the scope and knowledge of a CPA, and management does not totally understand and maintain the level of awareness necessary to be current with generally accepted accounting principles. This could especially be true with the frequent updates and changes in financial reporting requirements of government entities. However, the Board has, in the past, relied more heavily on the involvement of the CPAs in the firms conducting audits. More recent audits have left those CPAs less and less of a resource to the agency and more of a truly independent reporter of the financial information and condition of the agency. The Board also has used the services of a bookkeeper, who is not a CPA but is familiar with governmental accounting practices and QuickBooks software, to assist the agency in preparation for audits and in situations that develop in between. It appears the Board may have outgrown this arrangement.

However, even if an error or omission occurred in the actual reporting or formatting of the financial statements, the risk would not rise to a level of concern. With its current monthly financial oversight in place, its internal controls, its yearly financial reporting, and the ability to hire outside services, the Board's assets are well protected.

As a solution to this matter, management could partner with a CPA firm to either review or help prepare its annual financial statements rather than using the services of a bookkeeper. The CPA could assure that the Board financials adhere to GAAP. This will likely be at an increased expense to the Board, but would be sufficient to assure that financial accounting standards are being met.