

Secretary of State Audit Report

Kate Brown, Secretary of State

Gary Blackmer, Director, Audits Division



State of Oregon

Board of Examiners for Engineering and Land Surveying

A Semi-Independent Agency

For the Biennium Ended June 30, 2009

Contract Auditor: Moss Adams LLP

2010-13
February 2010

<http://www.sos.state.or.us/audits/index.html>

STATE OF OREGON
BOARD OF EXAMINERS FOR
ENGINEERING AND LAND SURVEYING
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 Board of Examiners for Engineering and Land Surveying

We have audited the accompanying financial statements of the governmental activities and the general fund of the Oregon Board of Examiners for Engineering and Land Surveying (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 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 consideration of internal controls 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 Examiners for Engineering and Land Surveying, 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 Board of Examiners for Engineering and Land Surveying 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 is not required, to be part of the basic financial statements. The budgetary comparison information on page 13 is not a required part of the basic financial statements but is 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 21, 2010, 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, and 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.



Eugene, Oregon
January 21, 2010

**STATE BOARD OF EXAMINERS FOR ENGINEERING AND
LAND SURVEYING
(A Semi-Independent Agency of the State of Oregon)
BALANCE SHEET – GENERAL FUND/
STATEMENT OF NET ASSETS
JUNE 30, 2009**

	General Fund	Adjustments (Note 3)	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$1,132,976	\$ -	\$ 1,132,976
Receivables, net	1,063	-	1,063
Civil penalties receivable, net	7,200	-	7,200
Capital assets, net	-	13,908	13,908
Total assets	1,141,239	13,908	1,155,147
LIABILITIES			
Accounts payable	\$ 22,228	\$ -	\$ 22,228
Compensated absences	-	10,885	10,885
Accrued payroll tax	2,448	-	2,448
Deferred revenue	7,200	(7,200)	-
Wages payable	34,087	-	34,087
Total liabilities	65,963	3,685	69,648
FUND BALANCE			
Unreserved	1,075,276	(1,075,276)	-
Total fund balance	1,075,276	(1,075,276)	-
Total liabilities and fund balance	\$1,141,239		
NET ASSETS			
Invested in capital assets, net of related debt		13,908	13,908
Unrestricted		1,071,591	1,071,591
Total net assets		\$ 1,085,499	\$ 1,085,499

**STATE 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 / STATEMENT OF ACTIVITIES
FOR THE BIENNIUM ENDED JUNE 30, 2009**

	General Fund	Adjustments (Note 3)	Statement of Activities
REVENUES			
Licenses and fees	\$ 2,787,097	\$ -	\$ 2,787,097
Interest income	8,464	-	8,464
Civil penalties	11,187	9,000	20,187
Other income	22,062	-	22,062
	<u>2,828,810</u>	<u>9,000</u>	<u>2,837,810</u>
EXPENDITURES/EXPENSES			
Personal services	1,254,755	7,302	1,262,057
Service and supplies	832,791	11,657	844,448
	<u>2,087,546</u>	<u>18,959</u>	<u>2,106,505</u>
Total expenditures/expenses			
	<u>2,087,546</u>	<u>18,959</u>	<u>2,106,505</u>
Excess of revenues over expenditures	<u>741,264</u>	<u>(9,959)</u>	<u>731,305</u>
NET CHANGE IN FUND BALANCE/NET ASSETS			
Fund balance /Net assets - June 30, 2007	334,012	20,182	354,194
Fund balance /Net assets - June 30, 2009	<u>\$ 1,075,276</u>	<u>\$ 10,223</u>	<u>\$ 1,085,499</u>

**STATE 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, 2009**

NOTE 1 - NATURE OF THE ORGANIZATION

The Oregon Board of Examiners for Engineering and Land Surveying's (the Board) mission is to protect the people of Oregon from the dangers of unqualified and improper practice of professional engineering, land surveying and photogrammetry. The Board prescribes qualifications for the practice of professional engineering, land surveying, and photogrammetry, setting standards for the examination of applicants for registration, continuing education, and enforcement of the laws and regulations governing the practice of professional engineering, surveying, and photogrammetry. The Board issues registrations to those who qualify. The Board has the authority to revoke registrations and assess civil penalties against unregistered individuals practicing professional engineering, land surveying and photogrammetry without authority, and against those registered professional engineers, land surveyors, and photogrammetrists practicing improperly.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity - The State Board of Examiners for Engineering and Land Surveying 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 Senate Bill 1127 adopted in 1999, the Board was granted semi-independent status by the Legislature. Additionally, the Board also operates under ORS Chapter 182.

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 measureable 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.

**STATE 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, 2009**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Invested in capital assets - Represents the difference between capital assets less both the accumulated depreciation and the outstanding debt (excluding unexpended proceeds) directly attributable to the acquisition, construction, or improvement of those assets.

Unrestricted - Represents all other net assets that are not restricted and do not meet the definition of investing in capital assets, net of related debt.

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

Compensated absences - Full-time, permanent employees are granted paid time off benefits of varying amounts to specified maximums depending on tenure with the Board.

**STATE 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, 2009**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets - 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 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.

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

Balance Sheet - General Fund / Statement of Net Assets - The governmental fund balance sheet includes reconciliations between the fund balance and net assets as reported in the government wide statement of net assets for the following:

Capital Assets are not financial resources in governmental funds, but are reported in the statement of net assets	\$	13,908
Long-term liabilities are not due and payable in the current period and therefore are not reported in governmental funds:		
Compensated absences	\$	10,885
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 accounting	\$	(7,200)

**STATE 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, 2009**

NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Statement of Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities - 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 receivable	\$	9,000
Change in compensated absences	\$	7,302
Change in allowance for civil penalties receivable	\$	1,800
Governmental funds report capital outlays as expenditures; in the statement of activity the cost of those assets is allocated over their estimated useful lives as depreciated expense:		
Depreciation	\$	9,857

NOTE 4 - CASH AND CASH EQUIVALENTS

Credit risk - State Statutes authorize the State 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 (Restriction on investments under ORS 294.135), ORS 284.135 (Investment maturity dates), and ORS 294.145 (Prohibited conduct for custodial officer). Any revisions or extensions 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. 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 certificates of participation for balances over the 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 institution is West Coast Bank and appears on the State Treasurer Department's list of qualified depositors.

**STATE BOARD OF EXAMINERS FOR ENGINEERING AND
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NOTES TO FINANCIAL STATEMENTS
FOR THE BIENNIUM ENDED JUNE 30, 2009**

NOTE 5 - RECEIVABLES

As described in Note 2, the Board is authorized under state laws to impose civil penalties to enforce certain provisions and professional standards related to professional engineering and land surveying certifications and licensures. Civil penalties receivables as of June 30, 2009 consist of the following:

Civil penalties imposed by Board	\$ 9,000
Less allowance for uncollectible accounts	<u>(1,800)</u>
Total receivables, net	<u><u>\$ 7,200</u></u>

NOTE 6 - CAPITAL ASSETS

The following is a summary of changes in the Board's capital assets during the biennium ended June 30, 2009:

	<u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</u>
<i>Depreciable assets</i>				
Property improvements & equipment	\$ 25,948	\$ -	\$ -	\$ 25,948
Less accumulated depreciation	<u>(2,183)</u>	<u>(9,857)</u>	<u>-</u>	<u>(12,040)</u>
Capital assets, net	<u><u>\$ 23,765</u></u>	<u><u>\$(9,857)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,908</u></u>

NOTE 7 - 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 68th Parkway, Tigard, Oregon 97223.

**STATE BOARD OF EXAMINERS FOR ENGINEERING AND
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NOTES TO FINANCIAL STATEMENTS
FOR THE BIENNIUM ENDED JUNE 30, 2009**

NOTE 7 - 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 ended June 30, 2009, the Board contributed 4.14% 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 payrolls 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 three 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.

**STATE BOARD OF EXAMINERS FOR ENGINEERING AND
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NOTES TO FINANCIAL STATEMENTS
FOR THE BIENNIUM ENDED JUNE 30, 2009**

NOTE 7 - 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 \$38,381.

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:

	For Calendar Year,		
	2007	2008	2009
Board contribution rates - PERS	7.02%	7.29%	7.29%
Bond contribution rates	6.20%	5.95%	5.95%
Employee contribution paid by Board	6.00%	6.00%	6.00%
Payroll covered by PERS	\$ 288,075	\$ 394,791	\$ 407,631
Annual pension and bond costs	\$ 57,296	\$ 69,522	\$ 69,226

NOTE 8 - 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 68th 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. 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%.

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NOTES TO FINANCIAL STATEMENTS
FOR THE BIENNIUM ENDED JUNE 30, 2009**

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

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%.

Board contributions to the plans for the years ended June 30, 2007, 2008 and 2009 were \$761, \$1,024, and \$1,101 respectively, equal to the required contributions each year.

NOTE 9 - 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.

NOTE 10 - EMPLOYEE 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 right to receive sick pay benefits.

Vacation time is earned, subject to a maximum accumulation of 250 to 350 hours, at a rate of eight hours per month to eighteen hours per month depending on 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 \$10,885 at June 30, 2009.

**STATE BOARD OF EXAMINERS FOR ENGINEERING AND
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NOTES TO FINANCIAL STATEMENTS
FOR THE BIENNIUM ENDED JUNE 30, 2009**

NOTE 11 - LEASE COMMITMENT

The Board leases its space from Sage Properties, LLC. The lease expires June 1, 2013. The lease specifies a base rent as listed below. In addition to the base rent, there are certain other contractual fees that apply. These fees include common area maintenance, taxes, utilities, and common area janitorial fees. The monthly fee at the end of the biennium was \$1,832. The amount may be increased by the Landlord. Total lease payments for the biennium ended June 30, 2009 was approximately \$174,158. Future minimum payments under the lease are as follows:

<u>YEAR ENDING JUNE 30, 2009</u>	<u>Amount</u>
2010	\$ 70,800
2011	73,260
2012	<u>75,840</u>
Total future minimum lease payments	<u><u>\$ 219,900</u></u>

REQUIRED SUPPLEMENTAL INFORMATION

**STATE 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 TO ACTUAL
FOR THE BIENNIUM ENDED JUNE 30, 2009**

	Biennial Budget	Actual			Variance Positive (Negative)
	Original & Final	FY 2008	FY 2009	Biennial	
REVENUES					
License and fees	\$1,726,000	\$ 1,149,342	\$ 1,637,755	\$ 2,787,097	\$ 1,061,097
Interest income	-	6,217	2,247	8,464	8,464
Civil penalties	25,000	2,900	8,287	11,187	(13,813)
Other income	50,000	9,699	12,363	22,062	(27,938)
Total revenues	<u>1,801,000</u>	<u>1,168,158</u>	<u>1,660,652</u>	<u>2,828,810</u>	<u>1,027,810</u>
EXPENDITURES					
Personal services	1,164,432	617,956	636,799	1,254,755	90,323
Service and supplies	896,000	413,973	418,818	832,791	(63,209)
Total expenditures	<u>2,060,432</u>	<u>1,031,929</u>	<u>1,055,617</u>	<u>2,087,546</u>	<u>27,114</u>
Excess of revenues over expenditures	(259,432)	136,229	605,035	741,264	1,000,696
FUND BALANCE, BEGINNING	<u>334,012</u>	<u>334,012</u>	<u>470,241</u>	<u>334,012</u>	-
FUND BALANCE, ENDING	<u>\$ 74,580</u>	<u>\$ 470,241</u>	<u>\$ 1,075,276</u>	<u>\$ 1,075,276</u>	<u>\$ 1,000,696</u>

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 Examiners for Engineering and Land Surveying, as of and for the year ended June 30, 2009, 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 21, 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 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 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 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 Examiners for Engineering and Land Surveying's financial statements that is more than inconsequential will not be prevented or detected by the Examiners for Engineering and Land Surveying'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 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, of the significant deficiency described above, we consider item 2009-1 to be 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of management, 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
January 21, 2010

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

Financial Statement Finding

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 of current accounting and disclosure regulation. 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.

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Financial Statement Finding (Continued)

Cause

Semi-independent State Boards such as the Oregon Board of Examiners for Engineering and Land Surveying 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 State Board of Examiners for Engineering and Land Surveying is a small Board with fairly simple financial processes. The Board functions on primarily a cash basis. The Board does agree, to an extent, with the findings of the audit. However, the Board does obtain the services of a CPA to compile the financial statements and issue an accountant's report in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Further, the Board feels that with its current monthly financial oversight in place and the reporting of current financials, on a monthly basis during public meetings, the Board's assets are well guarded.

Because of its size and function, the Board does not have financial expertise internally and secures the services of a CPA to assure it is meeting the requirements necessary to be current with generally accepted accounting principles. This allows the Board to operate effectively and efficiently while relying on professional services to stay current with the constant updates and changes in financial reporting requirements of government entities.

The Board, during its regularly scheduled meeting on March 9, 2010, will discuss a viable solution to this matter. Discussion will be whether the Board enter into an engagement with an independent firm to either review or help prepare its financial statements at the end of each fiscal year. The firm could assure that the Board financials adhere to Generally Accepted Accounting Principles and Government Auditing Standards. This will be at an added expense to the Board but would be a worthy investment to assure that financial accounting standards are being met.