

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, 2011

Contract Auditor: Moss Adams LLP

Report of Independent Auditors and Financial Statements
with Supplemental Information for
**Oregon State Board of Examiners for
Engineering and Land Surveying**
For the Biennium Ended June 30, 2011

Contents

REPORT OF INDEPENDENT AUDITORS	1
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FINANCIAL STATEMENTS

Balance Sheet - General Fund / Statement of Net Assets	2
Statement of Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities	3
Notes to Financial Statements	4-13

REQUIRED SUPPLEMENTAL INFORMATION

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual	14
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OTHER REPORTS

Report of Independent Auditors 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	15-16
Schedule of Findings and Responses	17-18

REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners
Oregon State 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 State 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, 2011, 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 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 control 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 State Board of Examiners for Engineering and Land Surveying, as of June 30, 2011 and for the biennium then ended in conformity with accounting principles generally accepted in the United States of America.

The Oregon State 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 14 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.

MOSS ADAMS_{LLP}

In accordance with *Government Auditing Standards*, we have also issued our report dated, June 1, 2012, on our consideration of the Oregon State 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.

Moss Adams LLP

Eugene, Oregon
June 1, 2012

**OREGON 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, 2011**

	General Fund	Adjustments (Note 3)	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 1,963,436	\$ -	\$ 1,963,436
Receivables	12,463	-	12,463
Civil penalties receivable	25,350	-	25,350
Other	388	-	388
Capital assets, net	-	5,192	5,192
Total assets	2,001,637	5,192	2,006,829
LIABILITIES			
Accounts payable	\$ 11,525	\$ -	\$ 11,525
Compensated absences	-	14,006	14,006
Deferred revenue	40,934	(25,350)	15,584
Wages payable	39,068	-	39,068
Total liabilities	91,527	(11,344)	80,183
FUND BALANCE			
Unreserved	1,910,110	(1,910,110)	-
Total fund balance	1,910,110	(1,910,110)	-
Total liabilities and fund balance	\$ 2,001,637		
NET ASSETS			
Invested in capital assets, net of related debt		5,192	5,192
Unrestricted		1,921,454	1,921,454
Total net assets		\$ 1,926,646	\$ 1,926,646

**OREGON 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, 2011**

	General Fund	Adjustments (Note 3)	Statement of Activities
REVENUES			
Licenses and fees	\$ 2,985,487	\$ -	\$ 2,985,487
Interest income	1,165	-	1,165
Civil penalties	41,138	16,350	57,488
Other income	18,656	-	18,656
Total revenues	3,046,446	16,350	3,062,796
EXPENDITURES/EXPENSES			
Personal services	1,448,207	3,121	1,451,328
Service and supplies	763,405	6,916	770,321
Total expenditures/expenses	2,211,612	10,037	2,221,649
Excess of revenues over expenditures	834,834	6,313	841,147
NET CHANGE IN FUND BALANCE/NET ASSETS			
Fund balance /Net assets - June 30, 2009	1,075,276	10,223	1,085,499
Fund balance /Net assets - June 30, 2011	\$ 1,910,110	\$ 16,536	\$ 1,926,646

**OREGON 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, 2011**

NOTE 1 - NATURE OF THE ORGANIZATION

The Oregon State 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 Oregon 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.

**OREGON 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, 2011**

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, 2011.

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, 2011 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, net of related debt - 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.

**OREGON 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, 2011**

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	\$ 5,192
Long-term liabilities are not due and payable in the current period and therefore are not reported in governmental funds:	
Compensated absences	\$ 14,006
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	\$ (25,350)

**OREGON 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, 2011**

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:

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds:

Change in civil penalties receivable	\$	16,350
Change in compensated absences	\$	3,121
Change in allowance for civil penalties receivable	\$	(1,800)

Governmental funds report capital outlays as expenditures; in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciated expense:

Depreciation	\$	9,910
Purchase of capital assets	\$	(1,194)

NOTE 4 - CASH AND CASH EQUIVALENTS

Credit risk - State Statutes authorize the 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 294.135), 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.

**OREGON 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, 2011**

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

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 fund depository institutions are West Coast Bank and US Bank both of which appear on the State Treasurer Department's list of qualified depositories.

NOTE 5 - CIVIL PENALTIES 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. No allowance for uncollectible civil penalties accounts was considered necessary as of June 30, 2011.

NOTE 6 - CAPITAL ASSETS

The following is a summary of changes in the Board's capital assets during the biennium ended June 30, 2011:

	<u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
<i>Depreciable assets</i>				
Property improvements & equipment	\$ 25,948	\$ 1,194	\$ -	\$ 27,142
Less accumulated depreciation	(12,040)	(9,910)	-	(21,950)
Capital assets, net	<u>\$ 13,908</u>	<u>\$(8,716)</u>	<u>\$ -</u>	<u>\$ 5,192</u>

**OREGON 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, 2011**

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.

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 biennium ended June 30, 2011, the Board contributed 3.06% 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 OPSRP. The annual required contribution rates for the OPSRP defined benefit pension plan was 2.63% for general service employees as of July 1, 2009.
- 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.

**OREGON 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, 2011**

NOTE 7 - DEFINED BENEFIT PENSION PLAN (Continued)

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, 2009 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, 2009. 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.

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 21 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, 2011 was \$50,861.

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,		
	2009	2010	2011
Board contribution rates - PERS	7.29%	3.06%	3.06%
Bond contribution rates	5.95%	5.95%	5.95%
Employee contribution paid by Board	6.00%	6.00%	6.00%
Payroll covered by PERS	\$ 407,631	\$ 453,662	\$ 476,101
Annual pension and bond costs	\$ 69,226	\$ 26,437	\$ 26,072

**OREGON 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, 2011**

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, 2011 was .19%.

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, 2011 was .02%.

Board contributions to the plans for the years ended June 30, 2009, 2010 and 2011 were \$1,101 \$936 and \$1,704 respectively, equal to the required contributions each year.

**OREGON 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, 2011**

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, 2011 was \$2,268.

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, 2011 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 is 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 300 hours, at a rate of eight hours per month to sixteen 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 \$14,006 at June 30, 2011.

**OREGON 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, 2011**

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, including the monthly fee, for the biennium ended June 30, 2011 was approximately \$192,000. Future minimum payments under the lease are as follows:

<u>YEAR ENDING JUNE 30,</u>	<u>Amount</u>
2012	\$ 73,260
2013	<u>75,840</u>
Total future minimum lease payments	<u>\$ 149,100</u>

NOTE 12 - SUBSEQUENT EVENTS

No events have occurred subsequent to the balance-sheet date and through the date of this report that would require disclosure in the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

**OREGON 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, 2011**

	Biennial Budget	Actual			Variance Positive (Negative)
	Original & Final	FY 2010	FY 2011	Biennial	
REVENUES					
License and fees	\$ 3,276,750	\$ 1,527,900	\$ 1,457,587	\$ 2,985,487	\$ (291,263)
Interest income	2,500	568	597	1,165	(1,335)
Civil penalties	15,000	15,788	25,350	41,138	26,138
Other income	65,000	9,256	9,400	18,656	(46,344)
Total revenues	<u>3,359,250</u>	<u>1,553,512</u>	<u>1,492,934</u>	<u>3,046,446</u>	<u>(312,804)</u>
EXPENDITURES					
Personal services	1,818,470	716,270	731,937	1,448,207	(370,263)
Service and supplies	759,500	397,643	365,762	763,405	3,905
Total expenditures	<u>2,577,970</u>	<u>1,113,913</u>	<u>1,097,699</u>	<u>2,211,612</u>	<u>(366,358)</u>
Excess of revenues over expenditures	781,280	439,599	395,235	834,834	53,554
FUND BALANCE, BEGINNING	<u>1,075,276</u>	<u>1,075,276</u>	<u>1,514,875</u>	<u>1,075,276</u>	<u>-</u>
FUND BALANCE, ENDING	<u><u>\$ 1,856,556</u></u>	<u><u>\$ 1,514,875</u></u>	<u><u>\$ 1,910,110</u></u>	<u><u>\$ 1,910,110</u></u>	<u><u>\$ 53,554</u></u>

OTHER REPORTS

REPORT OF INDEPENDENT AUDITORS 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 State Board of Examiners for Engineering and Land Surveying as of and for the biennium ended June 30, 2011, and have issued our report thereon dated June 1, 2012. 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

Management of the Oregon State Board of Examiners for Engineering and Land Surveying is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Oregon State 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Oregon State Board of Examiners for Engineering and Land Surveying's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Oregon State Board of Examiners for Engineering and Land Surveying's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. The deficiency is listed as 2009-01 (Repeat Finding).

MOSS ADAMS_{LLP}**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Oregon State Board of Examiners for Engineering and Land Surveying 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*.

The Oregon State 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 State 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.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, slightly slanted style.

Eugene, Oregon
June 1, 2012

**OREGON 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, 2011**

Financial Statement Finding

2009-01 (Repeat Finding)

Condition

As indicated in the prior biennium financial statement finding, the internal control structure of the Board focuses 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 Report of Independent Auditors, 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 STATE BOARD OF EXAMINERS FOR ENGINEERING
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SCHEDULE OF FINDINGS AND RESPONSES
FOR THE BIENNIUM ENDED JUNE 30, 2011**

Financial Statement Finding (Continued)

Cause

Semi-independent State Boards such as the Oregon State 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

During its regularly scheduled meeting on May 8, 2012, the Board discussed the material weakness, common with boards or commissions of similar size. As users of the financial statements and with limited resources, the Board determined to retain the services of another CPA or independent firm. As a result, a Request for Proposal (RFP) will be announced. The RFP will include that the CPA or independent firm awarded must adhere to Generally Accepted Accounting Principles and Government Auditing Standards as well as assisting staff with it financial statements on a quarterly basis. Although this will be at an added expense to the Board, it would be a worthy investment to assure that financial accounting standards are met and the material weakness is removed.