



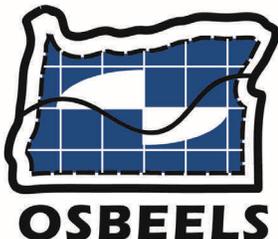
# Biennial Financial Report

State of Oregon

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

A Semi-Independent Agency  
For the Biennium Ended June 30, 2013

Contract Auditor: Talbot, Korvola & Warwick, LLP



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Jenn Gilbert, *Executive Assistant*

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

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>BASIC FINANCIAL STATEMENTS:</b>	
Balance Sheet – General Fund / Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities	5
Notes to Basic Financial Statements	6
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual: General Fund	14
<b>OTHER REPORTS</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Of Financial Statements Performed in Accordance with <i>Government         Auditing Standards</i> ; Independent Auditor's Report	15
Schedule of Findings and Responses	17

**INDEPENDENT AUDITOR'S REPORT**



**Talbot, Korvola  
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## INDEPENDENT AUDITOR'S REPORT

March 20, 2014

Board Members  
Oregon State Board of Examiners  
for Engineering and Land Surveying  
Salem, Oregon

### REPORT ON THE FINANCIAL STATEMENTS

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, Salem, Oregon, (the Board) as of and for the biennium ended June 30, 2013, and the related notes to financial statements, which collectively comprise the Board's basic financial statements as listed in the Table of Contents.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITY

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

Board Members  
Oregon State Board of Examiners  
for Engineering and Land Surveying  
March 20, 2014

### **AUDITOR'S RESPONSIBILITY (Continued)**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **OPINIONS**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Board as of June 30, 2013, and the respective changes in financial position for the biennium then ended in accordance with U.S. GAAP.

### **OTHER MATTERS**

#### *Required Supplementary Information*

The Board has not presented Management's Discussion and Analysis that U.S. GAAP require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The accompanying budgetary comparison information for the General Fund, listed in the Table of Contents as Required Supplementary Information, is not a required part of the basic financial statements but is presented for purposes of additional analysis, and is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information for the General Fund is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **REPORTS ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

#### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2014, on our consideration of the Board'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

**INDEPENDENT AUDITOR'S REPORT (Continued)**

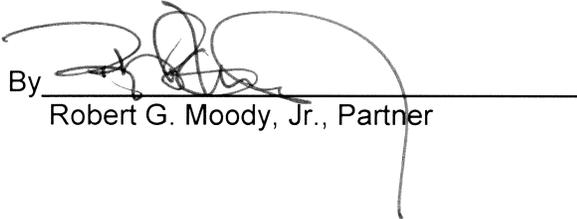
Board Members  
Oregon State Board of Examiners  
for Engineering and Land Surveying  
March 20, 2014

**REPORTS ON OTHER LEGAL AND REGULATORY REQUIREMENTS (Continued)**

*Other Reporting Required by Government Auditing Standards (Continued)*

of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

**TALBOT, KORVOLA & WARWICK, LLP**  
Certified Public Accountants

By  \_\_\_\_\_  
Robert G. Moody, Jr., Partner

**BASIC FINANCIAL STATEMENTS**

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

**BALANCE SHEET - GENERAL FUND / STATEMENT OF NET POSITION**

**JUNE 30, 2013**

	General Fund	Adjustments (Note 3)	Statement of Net Position
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 2,292,338	\$ -	\$ 2,292,338
Civil penalties receivable	721	-	721
Capital assets, net	-	14,450	14,450
<b>TOTAL ASSETS</b>	<b>2,293,059</b>	<b>14,450</b>	<b>2,307,509</b>
 <b>LIABILITIES:</b>			
Accounts payable and accrued expenses	55,641	-	55,641
Accrued compensated absences	-	14,505	14,505
Deferred revenue	21,786	(721)	21,065
Wages payable	55,442	-	55,442
<b>TOTAL LIABILITIES</b>	<b>132,869</b>	<b>13,784</b>	<b>146,653</b>
 <b>FUND BALANCE:</b>			
Assigned to			
Business continuity plan	650,000	(650,000)	-
Litigation reserve	250,000	(250,000)	-
Unassigned	1,260,190	(1,260,190)	-
<b>TOTAL FUND BALANCE</b>	<b>2,160,190</b>	<b>(2,160,190)</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 2,293,059</b>		
 <b>NET POSITION:</b>			
Net investment in capital assets		14,450	14,450
Unrestricted		2,146,406	2,146,406
<b>TOTAL NET POSITION</b>		<b>\$ 2,160,856</b>	<b>\$ 2,160,856</b>

See notes to basic financial statements.

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

Salem, Oregon

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE / STATEMENT OF ACTIVITIES**

**FOR THE BIENNIUM ENDED JUNE 30, 2013**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Licenses and fees	\$ 2,725,147	\$ (24,629)	\$ 2,700,518
Interest income	70	-	70
Civil penalties	9,700	-	9,700
Other income	29,029	-	29,029
	<hr/>	<hr/>	<hr/>
Total revenues	2,763,946	(24,629)	2,739,317
	<hr/>	<hr/>	<hr/>
<b>Expenditures / Expenses</b>			
Personal services	1,671,186	499	1,671,685
Services and supplies	842,680	(9,258)	833,422
	<hr/>	<hr/>	<hr/>
Total expenditures / expenses	2,513,866	(8,759)	2,505,107
	<hr/>	<hr/>	<hr/>
<b>Excess of revenues over expenditures</b>	<b>250,080</b>	<b>(15,870)</b>	<b>234,210</b>
	<hr/>	<hr/>	<hr/>
<b>NET CHANGE IN FUND BALANCE / NET POSITION</b>			
<b>FUND BALANCE / NET POSITION, June 30, 2011</b>	<u>1,910,110</u>	<u>16,536</u>	<u>1,926,646</u>
<b>FUND BALANCE / NET POSITION, June 30, 2013</b>	<u>\$ 2,160,190</u>	<u>\$ 666</u>	<u>\$ 2,160,856</u>

See notes to basic financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE BIENNIUM ENDED JUNE 30, 2013**

**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. Effective January 1, 2012, under Senate Bill 126 (2011 Legislative Session), the Board may adopt rules to regulate Certified Water Right Examiners, and can include rules that establish standards of professional conduct and rules establishing continuing education requirements. The Board prescribes qualifications for the practice of professional engineering, land surveying, photogrammetry, and certified water rights examinations, 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, photogrammetry, and certified water right examinations. The Board issues registrations to those who qualify. The Board has the authority to address problems by investigating alleged or suspected violations, which may result in revoking, suspending or modifying registrations or certificates, and assessing civil penalties against unregistered individuals practicing professional engineering, land surveying, photogrammetry, and certified water right examinations without authority, and against those registered professional engineers, land surveyors, photogrammetrists and certified water right examiners practicing improperly.

The Board is a semi-independent agency of the State of Oregon, and operates under Oregon Revised Statutes (ORS) Chapter 672. The Board consists of eleven members appointed by the Governor for four-year terms as follows:

- Two members shall be licensed professional land surveyors.
- Five members shall be registered professional engineers.
- One member shall be registered as both a registered professional engineer and as a professional land surveyor. If a qualified individual is not available, the Governor may appoint either a registered professional engineer or a registered professional land surveyor.
- One member is a registered photogrammetrist. If a qualified individual is not available, the Governor may appoint either a registered professional engineer or a registered professional land surveyor.
- Two members shall be members of the general public.

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.

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

***Basis of presentation*** - The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to government entities. The accounts of the Board are organized within a single governmental fund, the General Fund.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**FOR THE BIENNIUM ENDED JUNE 30, 2013**

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

***Government-wide statements and governmental fund financial statements*** - The government-wide and General Fund financial statements have been combined as allowed for single-purpose governmental entities. The Statement of Net Position and the General Fund Balance Sheet have been combined into a single presentation, with adjustments indicated to move from fund totals to the entity-wide totals. Similarly, the Statement of Activities and the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance have also been combined.

General Fund activities 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. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenues collected within 60 days of the end of the biennium are considered available for satisfaction of current liabilities. Expenditures generally are recorded when a liability is incurred. However, compensated absences are recorded only when payment is due as in an employee's separation from the Board. The Statement of Net Position and the Statement of Activities display information about the Board as a whole. These statements include all the financial activities of the Board and 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 information included herein compares the total of annualized non-appropriated biennium budget to actual expenditures for the biennium ended June 30, 2013.

***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, 2013, was unreserved.

***Net position*** - Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on 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 capital assets less both the accumulated depreciation and any outstanding debt (excluding unexpended proceeds) directly attributable to the acquisition, construction, or improvement of those assets.
- *Unrestricted* represents all other net position amounts that are not otherwise restricted.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**FOR THE BIENNIUM ENDED JUNE 30, 2013**

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

**Use of estimates** - The preparation of financial statements in conformity with U.S. GAAP requires that management make estimates and assumptions which affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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

**Compensated absences** - The Board follows the State Department of Administrative Services (DAS) statewide policy with respect to Accrual Rates. Full-time, permanent employees are granted paid time off benefits of varying amounts to specified maximums depending on tenure with the Board. Employees earn vacation leave in accordance with the Oregon Department of Administrative Services Statewide Policy 60.000.05(1)(e).

**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.

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

**Balance Sheet- General Fund/Statement of Net Position** - The financial statements include a reconciliation between fund balance and net position as follows:

Total fund balance reported in the General Fund	\$ 2,160,190
Capital assets are not financial resources in the General Fund, but are reported in the Statement of Net Position	14,450
Long-term liabilities are not due and payable in the current period and therefore are not reported in the General Fund: Compensated absences	(14,505)
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 the General Fund	<u>721</u>
Net Position reported in the Statement of Net Position	<u>\$ 2,160,856</u>

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**FOR THE BIENNIUM ENDED JUNE 30, 2013**

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

***Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities*** - The General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance reconciles to the Statement of Activities as follows:

Change in fund balance reported in the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 250,080
The General Fund reports 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	\$ 14,300
Purchase of capital assets	(5,042)
	9,258
Receivables that do not meet the measurable and available criteria are not recognized as revenue in the General Fund. In the Statement of Activities, revenues are recognized as earned.	(24,629)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the General Fund.	(499)
Change in net position reported in the Statement of Activities	\$ 234,210

**NOTE 4 - CASH AND CASH EQUIVALENTS**

***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.

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.

***Custodial credit risk - deposits*** - ORS 295 (Depositories of Public Funds and Securities) governs the collateralization of public funds deposits. Government entities are required to verify that the 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.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**FOR THE BIENNIUM ENDED JUNE 30, 2013**

**NOTE 5 - CAPITAL ASSETS**

The following is a summary of changes in the Board's capital assets during the biennium ended June 30, 2013:

<u>Depreciable Assets</u>	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,2013</u>
Property improvements and equipment	\$ 27,142	\$ 14,300	\$ -	\$ 41,442
Less accumulated depreciation	<u>(21,950)</u>	<u>(5,042)</u>	<u>-</u>	<u>(26,992)</u>
Capital assets, net	<u>\$ 5,192</u>	<u>\$ 9,258</u>	<u>\$ -</u>	<u>\$ 14,450</u>

**NOTE 6 - DEFINED BENEFIT PENSION PLAN**

**Plan description** - The Board contributes to the Oregon Public Employees Retirement System (OPERS) and to the Oregon Public Service Retirement Plan (OPSRP). OPERS is an agent multi-employer defined benefit plan public employee retirement system. OPSRP is a hybrid retirement plan with two components: the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan) and the Individual Account Program (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan). A defined benefit plan is benefit-based and uses predictable criteria such as a pension determined by salary multiplied by length of service multiplied by a factor. A defined contribution plan has no guarantee. OPSRP is administered by OPERS, which acts as a common investment and administrative agent.

The 1995 Oregon Legislature established a different level of benefits for employees who began their six-month waiting period on or after January 1, 1996 called Tier Two. The 2003 Oregon Legislature established OPSRP for public employees hired on or after August 29, 2003, unless membership was previously established in OPERS. Benefits generally vest after five years of continuous service. Retirement benefits based on salary and length of service are calculated using a formula and are payable in a lump sum or monthly using several payment options. OPERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statute.

The State of Oregon OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700 or by calling 1-888-320-7377.

**Funding policy** – The rate of employers' contributions to OPERS is determined periodically by OPERS based on actuarial valuations performed at least every two years. The Board is required by statute to contribute at an actuarially determined rate. For the biennium ended June 30, 2013, the Board was required to contribute 8.80% of covered Tier One and Tier Two employees' salaries. For OPSRP employees, the Board contributed 7.44% of eligible general service salaries to the plan. These contribution rates were determined based on actuarial

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**FOR THE BIENNIUM ENDED JUNE 30, 2013**

**NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)**

**Funding policy** – valuations as of December 31, 2009 and were effective for the period beginning July 1, 2011 through June 30, 2013. These rates exclude contributions to the Individual Account Program (IAP) and debt service for pension obligation bonds.

Members of OPERS and OPSRP are required to contribute 6% of their salary covered under the plan. The required employee contribution of 6% of covered compensation is paid by the Board. Effective January 1, 2004, this 6% contribution is remitted to the IAP. The contribution requirements for plan members and the Board are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

**Pension cost** – For the biennium ended June 30, 2013, the Board's pension cost for OPERS was equal to the Board's required and actual contributions and totaled approximately \$144,000.

**Actuarial methods and assumptions** – The actuarial assumptions include:

- An underlying long-term assumed rate of inflation of 2.75%.
- An assumed rate of healthcare cost inflation graded from 7% in 2010 to 4.5% in 2029.
- An investment rate of return of 8.0% compounded annually on system assets.
- Interest crediting of 8.0% compounded annually on members' regular account balances and 8.5% compounded annually on members' variable account balances.
- Projected general wage inflation of 3.75% per year.

The actuarial valuation method used is the Projected Unit Credit (PUC) method. Plan assets are valued at market value, excluding reserves. The Employers' unfunded actuarial liability is being amortized as a level percentage of combined valuation payroll over a 20 year period.

***Three-year trend information -***

	For Fiscal Year,		
	2011	2012	2013
Board contribution rate - PERS	3.06 %	8.80 %	8.80 %
Bond contribution rates	5.95	6.33	6.33
Employee contribution paid by Board	6.00	6.00	6.00
Payroll covered by PERS	\$ 476,101	513,188	520,910
Annual pension and bond costs	26,072	29,874	33,379

**Other charges** - Oregon General Obligation Pension Bonds were issued to fund the State's share of the Unfunded Actuarial Liability, and \$2 billion was delivered directly to OPERS. Over the remaining term 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 5.95% at the beginning of the biennium to 6.33%. The Board's total Oregon General Obligation Pension Bond expense for the biennium ended June 30, 2013 was approximately \$68,000.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**FOR THE BIENNIUM ENDED JUNE 30, 2013**

**NOTE 7 - 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 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, 2013, was 0.50%.

***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, 2013, was .11%. Board contributions to the plans for the years ended June 30, 2011, 2012 and 2013, were \$1,704, \$2,659 and \$3,153 respectively, equal to the required contributions each year.

**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 based upon its share of services provided in a prior period. The Board's total liability insurance expense for the biennium ended June 30, 2013, was \$2,227.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**FOR THE BIENNIUM ENDED JUNE 30, 2013**

**NOTE 9 - EMPLOYEE LEAVE**

Sick leave is earned at the rate of eight hours per month with no maximum limit. Accumulated sick leave at June 30, 2013, 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 the 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 when paid or used. Accumulated paid time off, based on current salary rates, was \$14,505 at June, 30, 2013.

**NOTE 10 - LEASE COMMITMENT**

The Board leases its space from Sage Properties, LLC. The lease expired May 31, 2013, but the Board exercised the lease option to extend for five years. 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 \$2,310. The amount may be increased by the landlord. Total lease payments for the biennium ended June 30, 2013, were approximately \$187,000.

Future minimum payments under the lease are as follows:

<u>Year Ending December 31,</u>	
2014	\$ 91,100
2015	94,875
2016	97,645
2017	100,500
2018	103,450
Thereafter	<u>151,385</u>
Total	<u>\$ 638,955</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE BIENNIUM ENDED JUNE 30, 2013**

	<u>Biennial Budget</u> Original & Final	<u>Actual</u>	<u>Variance</u>
<b>REVENUES:</b>			
Licenses and fees	\$ 3,043,610	\$ 2,725,147	\$ (318,463)
Interest income	1,134	70	(1,064)
Civil penalties	46,349	9,700	(36,649)
Other income	18,506	29,029	10,523
<b>TOTAL REVENUES</b>	<u>3,109,599</u>	<u>2,763,946</u>	<u>(345,653)</u>
<b>EXPENDITURES:</b>			
Personnel services	1,997,576	1,671,186	326,390
Supplies and services	682,009	842,680	(160,671)
<b>TOTAL EXPENDITURES</b>	<u>2,679,585</u>	<u>2,513,866</u>	<u>165,719</u>
<b>NET CHANGE IN FUND BALANCE</b>	430,014	250,080	(179,934)
<b>FUND BALANCE</b> , beginning of year	<u>2,063,497</u>	<u>1,910,110</u>	<u>(153,387)</u>
<b>FUND BALANCE</b> , end of year	<u>\$ 2,493,511</u>	<u>\$ 2,160,190</u>	<u>\$ (333,321)</u>

**OTHER REPORTS**



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**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**

**INDEPENDENT AUDITOR'S REPORT**

March 20, 2014

Board Members  
Oregon State Board of Examiners for Engineering and Land Surveying  
Salem, Oregon

We have audited 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, the financial statements of the governmental activities and the General Fund of the Oregon State Board of Examiners for Engineering and Land Surveying (the Board) as of and for the biennium ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated March 20, 2014.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

*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 a 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 did not identify any deficiencies that we consider to be material weaknesses.

**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 (Continued)**

**INDEPENDENT AUDITOR'S REPORT (Continued)**

**INTERNAL CONTROL OVER FINANCIAL REPORTING (Continued)**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-01 and 2013-02 to be significant deficiencies.

**COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Board's financial statements are free from 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 a matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-01.

**PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

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

Salem, Oregon

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**BIENNIUM ENDED JUNE 30, 2013**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2013-01**

Criteria: The Board should have in place a system of internal controls over financial reporting to ensure complete and accurate reporting of material amounts in the financial statements. Within the framework of internal control should be included specific control elements over cash receipts and related revenues.

Condition: The Board identified instances of fraud during the period under audit, in which small amounts of payments received to the Board were taken and the related source documents were destroyed.

Context: The thefts, related to license renewal applications filed with the Board, were insignificant individually and in the aggregate to the financial statements. Three (3) separate instances were identified by Board staff. The Board met their obligation to report under ORS 297.120, and the thefts were investigated by local authorities.

Effect: Total loss identified in relation to the thefts was approximately \$525.

Cause: The thefts appear to have resulted in part due to a lack of effective oversight and control of cash receipts to the Board's office.

Recommendation: The Board took steps upon discovery of the thefts to better secure renewal applications and related payments. We recommend that the Board continue to look for opportunities to strengthen internal control over cash receipts.

Views of responsible officials: The Board understands and concurs with the finding.

**Finding 2013-02**

Criteria: The Board should have adequate segregation of duties involving review and oversight with respect to the initiation and authorization of financial transactions and processing such that misstatements of the financial statement would be prevented, or detected and corrected by management or employees in the normal course of their duties.

Condition: Instances were noted during the audit of the Board's financial statements that certain transactions and procedures lacked evidence of proper management review and approval consistent with a strong system of internal control.

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

Salem, Oregon

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

**BIENNIUM ENDED JUNE 30, 2013**

**Finding 2013-02 (Continued)**

Context: Several instances were noted, none of which were significant individually or in the aggregate to the financial statements:

- Certain journal entries proposed by the Board's external bookkeeping service bore no evidence of management's review and approval either prior to, or subsequent to posting to the Board's financial accounting records.
- Expenses of \$469.89 charged to the Board's credit cards were not properly accrued at the end of the year, indicating a lack of effective oversight related to year end expenditure cutoff.
- Sixteen (16) vacation hours used and reported per an employee's timecard were not recorded in the Accrual Leave Tracking Sheet used by management, resulting in inconsistencies in the records versus actual leave balances.

Cause: The Board has a small administrative staff making effective segregation of duties a challenge.

Effect: While there was no significant actual impact on the Board's financial statements, without independent review and approval by another individual, there is an opportunity for error or fraud that may result in misstatement of the financial statements.

Recommendation: We recommend the Board design and implement procedures such that key accounting transactions and functions are reviewed and approved by someone not directly involved in those transactions and functions.

Views of responsible officials: The Board understands and concurs with the finding.