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**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

**BOARD OF REGISTRATION FOR
PROFESSIONAL ENGINEERS AND LAND SURVEYORS**

DEPARTMENT OF TRANSPORTATION

STATE OF LOUISIANA

JUNE 30, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date June 30, 1998

BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS
AND LAND SURVEYORS

DEPARTMENT OF TRANSPORTATION

STATE OF LOUISIANA

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Zahn, Kenney & Bresette
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Registration For Professional
Engineers and Land Surveyors
Department of Transportation
State of Louisiana

We have audited the accompanying financial statements of the Board of Registration for Professional Engineers and Land Surveyors, a component unit of the Department of Transportation, State of Louisiana, as of and for the year ended June 30, 1998, as listed in the table of contents. These financial statements are the responsibility of the management of Board of Registration for Professional Engineers and Land Surveyors, Department of Transportation, State of Louisiana. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 financial position of the Board of Registration for Professional Engineers and Land Surveyors, as of June 30, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 3, 1998, on our consideration of the Board of Registration for Professional Engineers and Land Surveyors' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules of per diem paid board members and professional service payments made to contractors is presented for purposes of additional analysis and is not a required part of

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the financial statements of the Board of Registration for Professional Engineers and Land Surveyors. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Zahn, Kerney & Bresette
Metairie, Louisiana
August 3, 1998

BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS
AND LAND SURVEYORS

DEPARTMENT OF TRANSPORTATION
STATE OF LOUISIANA

BALANCE SHEET

JUNE 30, 1998

	GOVERNMENTAL <u>FUND TYPE</u> General <u>Fund</u>	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
		General Fixed Assets	General Long-Term Obligations	
<u>ASSETS</u>				
Cash (Note E)	\$ 614,382	\$	\$	\$614,382
Fixed assets (Note H)		188,481		188,481
Amount to be provided for payment of accrued annual leave (Note F)			39,555	39,555
Amount to be provided for retirement of general long-term obligations (Note K)			<u>8,744</u>	<u>8,744</u>
Total assets	<u>\$ 614,382</u>	<u>\$188,481</u>	<u>\$ 48,299</u>	<u>\$851,162</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>Liabilities</u>				
Accounts payable	\$ 37,593	\$	\$	\$ 37,593
Accrued expenses	22,619			22,619
Accrued annual leave			39,555	39,555
Capital lease obligations			<u>8,744</u>	<u>8,744</u>
Total liabilities	60,212		48,299	108,511
<u>Fund Equity</u>				
Investment in general fixed assets		188,481		188,481
Fund Balance, unreserved and undesignated	<u>554,170</u>			<u>554,170</u>
Total liabilities & fund equity	<u>\$ 614,382</u>	<u>\$188,481</u>	<u>\$ 48,299</u>	<u>\$851,162</u>

(See notes to financial statements)

BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS
AND LAND SURVEYORS

DEPARTMENT OF TRANSPORTATION
STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 1998

GENERAL FUND

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>REVENUES</u>			
Licenses, permits and fees	\$ 996,000	\$ 965,860	(30,140)
Use of money and property - interest	10,000	29,427	19,427
Other	<u>4,000</u>	<u>11,169</u>	<u>7,169</u>
Total revenues	<u>\$1,010,000</u>	<u>\$1,006,456</u>	<u>\$ (3,544)</u>
<u>EXPENDITURES</u>			
Personal services & related benefits	\$449,200	\$438,275	\$ 10,925
Operating expenses	346,800	263,395	83,405
Professional services	63,000	60,043	2,957
Other charges (Louisiana Journal)	32,000	31,192	808
Capital outlay	<u>10,800</u>	<u>6,527</u>	<u>4,273</u>
Total expenditures	<u>901,800</u>	<u>799,432</u>	<u>102,368</u>
Excess (deficiency) of revenues over expenditures	108,200	207,024	98,824
<u>FUND BALANCE</u>			
Fund Balance, July 1, 1997	<u>378,973</u>	<u>347,146</u>	<u>(31,827)</u>
Fund Balance, June 30, 1998	<u>\$487,173</u>	<u>\$554,170</u>	<u>\$ 66,997</u>

(See notes to financial statements)

BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS
AND LAND SURVEYORS

DEPARTMENT OF TRANSPORTATION
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Board of Registration for Professional Engineers and Land Surveyors is a component unit of the State of Louisiana created within the Louisiana Department of Transportation, as provided by Louisiana Revised Statutes 37:681 through 37:703, 36:509C and 36:803. The Board is composed of eleven members, appointed by the Governor, who serve for terms of six years, not to be reappointed. The Board is charged with the responsibility of administering the registration law for professional engineers and land surveyors. The Board shall have the power to make, adopt, alter, amend, and promulgate all bylaws and rules not inconsistent with the constitution and laws of the state, which may be reasonably necessary for the proper performance of its duties and the regulation of the proceedings before it. Operations of the Board are funded with money received directly from applicants and registrants of the Board. The Board is not to receive state funds through appropriations or otherwise; and shall not expend any such state funds.

The Board of Registration for Professional Engineers and Land Surveyors prepares its financial statements in accordance with the standards established by the GASB. GASB Codification Section 2100 establishes criteria for determining the governmental reporting entity and has defined the governmental reporting entity to be the State of Louisiana. The accompanying statements present only transactions of the Board of Registration for Professional Engineers and Land Surveyors, a component unit of the State of Louisiana.

Annually the State of Louisiana issues general purpose financial statements which include the activity contained in the accompanying financial statements. The general purpose financial statements are issued by the Louisiana Division of Administration-Office of Statewide Reporting and Accounting Policy and audited by the Louisiana Legislative Auditor.

B. FUND ACCOUNTING

The accounts of the Board of Registration for Professional Engineers and Land Surveyors are organized into a General Fund and two account groups, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

The fund and account groups presented in the financial statements are described as follows:

General Fund

The general fund is used to account for the general operations of the Board. The various revenues and expenditures are accounted for in this fund.

Account Groups

The two account groups are not "Funds." They are concerned only with the measurement of financial position, not with measurement of results of operations.

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The Board's records are maintained on the modified accrual basis of accounting. Under the modified accrual basis of accounting all revenue is recognized when measurable and available rather than when earned, and all expenditures are recognized when the obligation is incurred.

D. BUDGET PRACTICES

The Board of Registration for Professional Engineers and Land Surveyors utilizes the following budgetary practices:

On November 4, 1997 the Board approved the 1998-99 budget which was subsequently submitted to the Department of Transportation. The Board does not use encumbrance accounting. The budget is prepared using historical data and projections. The Chairman of the Board is empowered to authorize disbursement of funds, in the beneficial interest of the Board and without its prior approval, up to an aggregate amount of two-thousand dollars (\$2,000). Disbursements made under this authorization are reported to and ratified by the Board at its next regular meeting.

E. CASH AND CASH EQUIVALENTS

For reporting purposes, cash and cash equivalents include cash, demand deposits, time deposits and certificates of deposit. Under state law the Board of Registration for Professional Engineers and Land Surveyors may deposit funds within a fiscal agent bank selected and designated by the Board. Further, the Board may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state-chartered credit unions.

As reflected on Statement A, the Board had cash and cash equivalents totaling \$614,382 at June 30, 1998. Cash and cash equivalents are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. As of June 30, 1998, the amount on deposit was in excess of \$100,000. The deposits at June 30, 1998 were secured as follows:

	<u>Cash</u>
Carrying Amount on Balance Sheet	<u>\$614,382</u>
Bank Balance:	
1. Insured (FDIC)	\$100,000
2. Uncollateralized, including any securities held for the entity but not in the entity's name	<u>514,382</u>
Total Bank Balances	<u>\$614,382</u>

F. VACATION AND SICK LEAVE

The Board of Registration for Professional Engineers and Land Surveyors has the following policy related to vacation and sick leave:

Every full-time employee, earns annual and sick leave for each hour of regular duty, including time the employee is on paid leave or observing a paid holiday. Leave earned is calculated by multiplying hours worked during the pay period by a rate multiplier from a table based on years of state service. Annual and sick leave can be carried forward without limit; however, upon separation no sick leave will be paid and only 300 hours of annual leave will be paid.

At June 30, 1998, the liability for up to 300 hours of annual leave accumulated by Board employees totaled \$39,555 which has been recorded as a general long-term obligation.

G. TOTAL COLUMNS ON STATEMENTS

The total column on the Balance Sheet is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

H. GENERAL FIXED ASSETS

Fixed assets used in the governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Depreciation has not been provided for on these fixed assets. All fixed assets are valued at historical cost or estimated historical cost.

The changes in general fixed assets (all furniture and equipment) follows:

Balance at June 30, 1997	\$185,385
Additions	6,527
Deletions	<u>(3,431)</u>
Balance at June 30, 1998	<u>\$188,481</u>

I. PENSION PLAN

All full-time employees, both classified and unclassified, participate in the State of Louisiana's Retirement Plan, LASER. In addition to the employee contribution withheld at 7.5% of gross salary, the Board contributes an additional 13% of gross salary. Contributions to the system are funded through employee and employer contributions of \$24,500 and \$42,500 respectively. The total current year payroll of the agency was \$370,100 and its current year payroll covered by the retirement system was \$326,900. Under present statutes, the Board does not guarantee any of the benefits granted by the retirement system.

J. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

At June 30, 1998 there are two retired persons that participates in the Board's group benefit program. The premiums paid for the year ended June 30, 1998 are \$192, which consists solely of life insurance. The participants are liable for one-half of the life insurance premium with the Board matching the participants' portion.

K. LEASES

The Board of Registration for Professional Engineers and Land Surveyors records items under capital leases as an asset and an obligation in the accompanying financial statements. Total rental and lease expenditures for equipment for fiscal year ended June 30, 1998 amounted to \$4,900.

The following is a summary of future minimum payments under capital leases and the present value of the net minimum lease payments as of June 30, 1998:

Fiscal Year ending June 30:		
	1999	5,770
	2000	<u>\$ 3,713</u>
Total minimum lease payments		9,483
Less: Amounts representing executory costs		<u>-0-</u>
Net minimum lease payments		9,483
Less: Amount representing interest		<u>739</u>
Present value of net minimum lease payments		<u>\$ 8,744</u>

The minimum annual commitments under a noncancelable operating lease for office space is as follows:

Fiscal Year ending June 30:		
	1999	63,523
	2000	<u>26,468</u>
Total		<u>\$ 89,991</u>

L. GENERAL LONG-TERM OBLIGATIONS

Long-term obligations expected to be financed from governmental funds are accounted for in the general long-term obligation account group, not in the governmental funds.

The following is a summary of the long-term obligation transactions during the year:

Long-term obligations payable	
at July 1, 1997	\$ 47,328
Additions	3,901
Deductions	<u>(2,930)</u>
Long-term obligations payable	
at June 30, 1998	<u>\$ 48,299</u>

Zahn, Kenney & Bresette
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Registration For Professional
Engineers and Land Surveyors
Department of Transportation
State of Louisiana

We have audited the financial statements of the Board of Registration for Professional Engineers and Land Surveyors, a component unit of the Department of Transportation, State of Louisiana, as of and for the year ended June 30, 1998, and have issued our report thereon dated August 3, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Board of Registration for Professional Engineers and Land Surveyors' financial statements are free of material misstatement, we performed tests of the Board's compliance with certain provisions of laws, regulations, contracts, and grants, 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 the following instance of noncompliance that is required to be reported herein, under Government Auditing Standards.

Louisiana Revised Statutes 49:312 states that "(s)tate depositing authorities shall require as security for deposits of state funds...securities" the market value of which "...shall be equal to one hundred percent of the amount on deposit...except that portion of the deposits insured by any governmental agency insuring bank deposits which is organized under the laws of the United States." The Board's deposits, in excess of the amount covered by FDIC, were not secured. At June 30, 1998 the Board had \$614,232 on deposit, of which \$514,232 was unsecured.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board of Registration for Professional Engineers and Land Surveyors' internal control over financial reporting in order to determine our auditing procedures for the purpose of

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expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. A reportable condition involves a matter coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Board of Registration for Professional Engineers and Land Surveyors' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We consider the following to be a reportable condition:

Certain fixed assets acquired during the prior and the current fiscal years were not included on the fixed asset inventory at June 30, 1998. This condition exists because the Board does not have procedures to ensure that assets are added to the inventory as acquired. This leads to assets being "over-looked" when the inventory is updated at a later date. This is a repeat finding from the prior fiscal year.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is a material weakness.

This report is intended for the information of the Board, management, and the Legislative Audit Advisory Committee. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Board, is a matter of public record.

Zahn Kenney & Brevette
Metairie, Louisiana
August 3, 1998

BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS
AND LAND SURVEYORS

DEPARTMENT OF TRANSPORTATION

STATE OF LOUISIANA

SCHEDULE OF PER DIEM PAID BOARD MEMBERS

FOR THE YEAR ENDED JUNE 30, 1998

<u>Name</u>	<u>Amount</u>
Jorge M. Ferrer	3,718
Allison J.P. Launey	2,160
Jerry G. Lazenby	2,400
Lawrence Mann, Jr.	890
Charles L. McDonald	480
Frank L. Messinger, III	2,640
Merlin A. Pistorius	1,590
Bobby Price	240
Richard M. Primeaux	2,320
Richard E. Ruckstuhl	4,250
Sam L. Sullivan, Jr.	<u>1,520</u>
 Total	 <u>\$22,208</u>

(Schedule 1)

BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS
AND LAND SURVEYORS

DEPARTMENT OF TRANSPORTATION

STATE OF LOUISIANA

SCHEDULE OF PROFESSIONAL SERVICE PAYMENTS
MADE TO CONTRACTORS

FOR THE YEAR ENDED JUNE 30, 1998

<u>Name</u>	<u>Amount</u>
Chaffe, McCall, Phillips, Toler & Sarpy, L.L.P.	\$31,556
Zahn, Kenney & Bresette, CPAs	11,300
John H. Stinson	7,475
Mary Johnson	5,017
L.A. Champagne & Company, L.L.P.	3,000
L. Abraham McKee	<u>1,365</u>
Total	<u>\$59,713</u>

(Schedule 2)

Summary of Prior Year Audit Findings

In our letter dated July 23, 1997 we noted the following items which we considered weaknesses in the Board's internal controls:

- 1.) The lack of segregation of duties and the failure to reconcile cash received to registrations issued. We recommended the following:
 - a.) Segregation of access to checks received from the issuance of registration documents and both of those duties from the recordation of revenue.
 - b.) Procedures should be established to allow for the reconciliation of checks received to checks deposited to registration documents issued.

The Board complied with our recommendations and this matter has been fully resolved.

- 2.) Fixed assets acquired during the fiscal year were not included on the fixed asset inventory as of June 30, 1997. This condition existed due to lack of policies regarding the updating of the Board's fixed assets inventory. We recommend that the Board establish policies to require that fixed assets be added to the inventory records when the invoice is approved for payment for the acquisition of the asset.

The Board has not resolved this matter and this finding is repeated in the current year audit.

- 3.) Expenses were included in the incorrect accounting period. This condition was caused by checks being excluded from the monthly work mailed to the accounting firm for monthly processing and then being included in the subsequent month's work. We recommended that management stress to the accountant the importance of including all checks written during each month with that month's work when sending it to the accounting firm for processing. Additionally, we recommended a supervisory review of the work prior to mailing could ensure that all checks all included.

The Board complied with our recommendations and this matter has been fully resolved.

- 4.) Cash disbursements were being coded to the incorrect account. This condition was the result of human error and the lack of supervisory review of the classification of cash disbursements. We recommended that the Board establish supervisory review of the account classification of all cash disbursements prior to forwarding to accounting firm for processing.

The Board complied with our recommendations and this matter has been fully resolved.

- 5.) There was no subsidiary account for each participant in the Board's medical reimbursement plan. Thus, the Board was not able to determine its liability to each participant at any given time. This condition was due to an oversight in the establishment of the accounting used to record the medical reimbursement accounts. We

recommended that the board establish a subsidiary ledger to account for the activity in the medical reimbursement plan.

The Board established separate general ledger accounts for each participant. This matter has been fully resolved.

- 6.) Checks were being deposited one to five days after the date of receipt. The revenue was being recorded on the date of deposit rather than the date of receipt. The checks were being held in the office until deposit. This condition existed because of the backlog in processing registration documents during the periods of increased registration activity. In addition, the accountant was responsible for making deposits and in her absence the deposits awaited her return. We recommended that the checks be separated from the registration processing and be deposited daily upon receipt; that the checks be deposited by someone other than the accountant; and that a back-up person be responsible to make the daily deposit in the primary person's absence.

The Board complied with our recommendations and this matter has been fully resolved.

- 7.) The only signature required for disposal of fixed assets was that of the custodian of fixed assets who is also the Board's accountant. Thus, the potential existed for fixed assets to be disposed of without proper authorization. This condition existed due to the lack of a policy requiring the documentation of authorization for disposal. We recommended that the Board institute a policy requiring documentation of supervisory approval prior to the disposal of fixed assets.

The Board complied with our recommendations and this matter has been fully resolved.

- 8.) Documentation related to the purchase of computer equipment under state purchasing contract was not properly filed and could not be located initially. This condition existed due to the lack of policies regarding proper maintenance of files related to fixed asset purchase transactions. We recommended that the Board institute a policy regarding the proper maintenance of all documents related purchase transactions.

The Board complied with our recommendations and this matter has been fully resolved.

Jorge M. Ferrer, P.E.
Chairman

Merlin A. Pistorius, P.E., P.L.S.
Vice Chairman

Allison J.P. Launey, P.E.
Secretary

Jerry G. Lazenby, P.E., P.L.S.
Secretary/Treasurer

H. Glen Kent, Jr., P.L.S.
Executive Secretary



BOARD OF REGISTRATION FOR
PROFESSIONAL ENGINEERS AND LAND SURVEYORS

Charles G. Coyle, P.E., P.L.S.

Lawrence Mann, Jr., P.E.

Frank L. Messinger, III, P.L.S.

Bobby E. Price, P.E.

Richard M. Primeaux, P.E., P.L.S.

Richard E. Ruckstuhl, P.E., P.L.S.

Morgan M. Watson, P.E.

September 25, 1998

Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

In response to the audit findings in Zahn, Kenney & Bresette's audit report dated August 3, 1998 for the fiscal year ended June 30, 1998 we offer the following Corrective Action Plan:

1. We contacted Union Planters Bank regarding the failure to have our funds on deposit collateralized by pledged securities. Upon opening the account with the bank on August 1, 1997, we had clearly explained that all funds of this board were "public funds" and required collateralization. The failure to collateralize was caused by an omission on the part of the bank. We now have written documentation from Union Planters Bank that we are fully collateralized effective August 5, 1998 (see attachment "A").
2. We have appointed the Administrative Secretary of the board as the new property manager (see attachment "B"). Further, we will insure that all documentation related to fixed asset additions and deletions is promptly routed to the property manager. The property manager will be responsible monthly to update the fixed asset inventory for all additions and deletions.

We hope this plan is adequate to address the audit findings. If not, please notify us of additional action necessary.

Sincerely,

H. Glen Kent, Jr.
Executive Secretary

Attachments