

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS

**PROFESSIONAL ENGINEERS' FUND
FINANCIAL STATEMENT AUDIT**

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2003**



**AUSTIN A. ANDERSEN
INTERIM INSPECTOR GENERAL**

October 22, 2004

David A. Clark
Director
Department of Consumer and Regulatory Affairs
941 North Capitol Street, N.E., Suite 9500
Washington, D.C. 20002

Eugene Bentley
Chairman of the Board of Directors
District of Columbia, Board of Professional Engineers
941 North Capitol Street, N.E., Suite 7200
Washington, D.C. 20002

Natwar M. Gandhi
Chief Financial Officer
Office of the Chief Financial Officer
John A. Wilson Building
1350 Pennsylvania Avenue, N.W., Room 209
Washington, D.C. 20004

Dear Mr. Clark, Dr. Bentley, and Dr. Gandhi:

The Office of the Inspector General has completed an audit (OIG No. 04-1-15CR) of the net assets of the Department of Consumer and Regulatory Affairs-Professional Engineers' Fund for the year ended September 30, 2003, and the related statements of revenues, expenditures, and changes in net assets for the year then ended.

Our audit included a review of existing internal controls for the purpose of expressing an opinion on financial accounting records and determining the extent of substantive testing required. The review was not intended to be an exhaustive study of the internal controls for making detailed recommendations, and would not have necessarily disclosed all weaknesses in the system. Additionally, we tested for compliance with the provisions of selected laws and regulations and found no instances of noncompliance that would be reportable under generally accepted government auditing standards. However, the objective of our audit was not to provide an opinion on overall compliance with such provisions.

Unqualified Opinion on Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department of Consumer and Regulatory Affairs-Professional Engineers' Fund as of September 30, 2003, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

We have not found any major issues of internal control weaknesses or non-compliance with regulations that we consider material or reportable conditions during our fiscal year 2003 audit. However, we will issue a management letter covering areas such as client waivers and cash receipts, where improvements can be made in the administration of the fund.

We appreciate the cooperation and courtesies extended to our staff during this audit. If you have questions, please call William J. DiVello, Assistant Inspector General for Audits, or me at (202) 727-2540.

Sincerely,


Austin A. Andersen
Interim Inspector General

AAA/js

Enclosure

cc: See Distribution List

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**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
PROFESSIONAL ENGINEERS' FUND
FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

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GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



Independent Auditor's Report

To the Director, Department of Consumer and Regulatory Affairs, Government of the District of Columbia; Chairman of the District of Columbia Board of Professional Engineers; and Chief Financial Officer, Government of the District of Columbia:

We have audited the accompanying financial statements of the Professional Engineers' Fund of the Government of the District of Columbia Department of Consumer and Regulatory Affairs as of and for the year ended September 30, 2003. These financial statements are the responsibility of the Professional Engineers' Fund (PEF) management and the Office of the Chief Financial Officer (OCFO). Our responsibility is to express an opinion 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 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 PEF as of September 30, 2003, the results of its operations, changes in net assets, and cash flows for the year ended September 30, 2003, in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report
Professional Engineers' Fund

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2004, on our consideration of the PEF's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. A management letter detailing areas where improvements can be made in the administration of the Fund will be issued later.



Austin A. Andersen
Interim Inspector General

October 22, 2004

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
PROFESSIONAL ENGINEERS' FUND
FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

STATEMENTS OF NET ASSETS

ASSETS	September 30, 2003	September 30, 2002
	<u> </u>	<u> </u>
Current Assets:		
Cash & Investments	429,134	378,852
Advances	46,185	47,904
Receivable	2,801	7,253
Prepaid Expenses	-	224,160
Total Assets	<u><u>\$ 478,120</u></u>	<u><u>\$ 658,169</u></u>
 LIABILITIES		
Accounts Payable	3,034	-
Deferred Revenue	-	336,240
Unprocessed Applications	46,185	47,904
Long-Term Liabilities	-	-
Total Liabilities	<u>49,219</u>	<u>384,144</u>
 NET ASSETS	 <u><u>\$ 428,901</u></u>	 <u><u>\$ 274,025</u></u>

The accompanying notes are an integral part of these financial statements.

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
PROFESSIONAL ENGINEERS' FUND
FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

**STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS**

	September 30, 2003	September 30, 2002
Revenues		
License Renewals	\$ 20,640	\$ 162,515
Other Fees	83,013	60,503
Total Revenue	103,653	223,018
Expenses		
Commissions	38,305	140,445
Membership Dues	8,150	-
License Fee Waivers	4,651	-
Travel	9,751	-
Total Net Expenditures	60,857	140,445
Excess of Revenues over Expenses	42,796	82,573
Net Assets at October 1	274,025	191,452
Prior Period Adjustment (Note 1)	112,080	-
Adjusted Net Assets at October 1	386,105	191,452
Total Net Assets at September 30	\$ 428,901	\$ 274,025

The accompanying notes are an integral part of these financial statements.

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
PROFESSIONAL ENGINEERS' FUND
FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

STATEMENTS OF CASH FLOWS

Cash Flows from Operating Activities	FY 2003	FY 2002
Net Operating Income	\$ 42,796	\$ 82,573
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Decrease (Increase) in Advances	1,719	(39,231)
Decrease (Increase) in Prepaid Expenses	224,160	(109,135)
Decrease (Increase) in Accounts Receivable	4,452	(7,253)
Increase (Decrease) in Deferred Revenues	(336,240)	173,725
Increase (Decrease) in Accounts Payable	3,034	-
Increase (Decrease) in Unprocessed Applications	(1,719)	39,231
Net Cash Provided by Operating Activities	(61,798)	139,910
Cash at Beginning of Year	378,852	238,942
Prior Period Adjustment	112,080	-
Cash at End of Year	<u>\$ 429,134</u>	<u>\$ 378,852</u>

The accompanying notes are an integral part of these financial statements.

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
PROFESSIONAL ENGINEERS' FUND
FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

NOTES TO THE FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

(a) PEF Organization

The District of Columbia Professional Engineers' Registration Act of 1950 established the Professional Engineers' Fund (Fund) of the District of Columbia Department of Consumer and Regulatory Affairs (DCRA). The Fund was established to account for the collection of application, registration, and related fees associated with professional engineers and engineers-in-training. This separate revenue fund is allocable toward those expenses, determined by the District of Columbia Board of Registration for Professional Engineers (the Board) to be necessary and proper.

The Mayor of the District of Columbia appoints the seven-member board. The Board has the responsibility of regulating the practice of engineering and land surveying; and provides for the licensure of qualified persons as Professional Engineers and Land Surveyors and for the certification of Engineering Interns and Land Surveyor Interns. It also has the additional responsibility of safeguarding life, health, and property, and of promoting public welfare, the practice of engineering and the practice of land surveying in the District of Columbia. The Board is thereby subject to regulate in the public interest.

(b) Basis of Accounting

The PEF is maintained in accordance with the principles of fund accounting to ensure the observance of limitations and restrictions on the resources available. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities, fund equity or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The PEF is administered as a special revenue fund.

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
PROFESSIONAL ENGINEERS' FUND
FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

NOTES TO THE FINANCIAL STATEMENTS

(c) Special Revenue Governmental Fund

The PEF is a special revenue governmental fund. Governmental funds are used to account for general activity of the government.

The PEF applies all GASB (Governmental Accounting Standards Board) pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

(d) Method of Accounting

The Special Revenue Fund uses the modified accrual basis of accounting. Under the modified accrual method, only current assets and current liabilities are included on the balance sheet. Operating statements of the fund present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The Office of the Chief Financial Officer (OCFO) provides accounting services to the DCRA for the PEF. Revenue collections for the PEF are now accounted separately from the District of Columbia General Fund. The District of Columbia Government's accounting information system – System of Accounting and Reporting (SOAR) was not utilized to track or identify the amounts of revenue of the PEF that were deposited to the General Fund until May 2001. The DCRA initiated a service contract to collect revenue for the registration and licensing of engineers in January 1999.

(2) Revenue and Expense Recognition

The engineers renew their licenses every even year in August, except for new registrations and licensing, and requests for duplicate licenses. The last two renewal dates were August 2000 and August 2002. For fiscal year 2003, revenue was recognized when realized. (See Note 6 on Prior Period Adjustment.)

The main categories of expenses of the PEF are commissions to the contractor, travel of the Board members, membership dues, publications, and meeting costs. No administrative overheads are currently charged to the PEF by DCRA.

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
PROFESSIONAL ENGINEERS' FUND
FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

NOTES TO THE FINANCIAL STATEMENTS

(3) Net Assets

Net assets represent the amount of equity the PEF has accumulated since the audit of the fiscal year ended September 30, 2000, which was the first audit of the PEF. Before that audit, DCRA commingled all PEF receipts with other DCRA activity in the general fund. Because the opening balance could not be determined by reasonable audit procedures, a zero "net asset" balance was used. Currently, net assets total \$428,901.

(4) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

(5) Advances or Unprocessed Applications

Advances represent fees received by the contractor from applicants whose applications could not be processed because the applications were incomplete. These applications are not processed until all the required information is received. Until then, fees are not recognized as revenue. A corresponding liability is reported which equals the asset amount. The amount reported as of September 30, 2003, and September 30, 2002, was \$46,185 and \$47,904, respectively.

(6) Prior Period Adjustment

The basis for accounting for license fees and contractor expenditures related to processing applications was changed in fiscal year 2003. License fees which had been recognized on a deferred basis during FY 2002 are now recognized when cash from application fees is realized. Similarly, commission expenses are recognized when the contractor receives its fees.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



**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***

To the Director, Department of Consumer and Regulatory Affairs, Government of the District of Columbia; Chairman of the District of Columbia Board of Professional Engineers; and Chief Financial Officer, Government of the District of Columbia:

We have audited the financial statements of the District of Columbia Professional Engineers' Fund (PEF) as of and for the year ended September 30, 2003, and have issued our report thereon dated October 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered PEF's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we will issue a management letter covering areas where improvement is needed in the administration of the Fund.

The status of prior fiscal years' reportable conditions is included at Exhibit I.

Compliance

As part of obtaining reasonable assurance whether the PEF 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*.



Austin A. Andersen
Interim Inspector General

October 22, 2004

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DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS

**PROFESSIONAL ENGINEERS' FUND
FINANCIAL STATEMENT AUDIT**

FOR THE YEAR ENDED SEPTEMBER 30, 2003

**STATUS OF PRIOR FISCAL YEARS'
REPORTABLE CONDITIONS**

EXHIBIT I

STATUS OF PRIOR FISCAL YEARS' REPORTABLE CONDITIONS

Description of Findings From 2000	Finding Present During Audit for Fiscal Year Ended:				Resolved Yes/No
	9/30/03	9/30/02	9/30/01	9/30/00	
Board did not publish a roster of professional engineers as required	No	Yes	Yes	Yes	Yes
The Board's annual report to the Mayor was incomplete	No	Yes	N/A	Yes	Yes
Balances and transactions comprising the PEF are not reflected in the District's accounting system (SOAR)	No	Yes	Yes	Yes	Yes