

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

**PROFESSIONAL ENGINEERS' FUND
FINANCIAL STATEMENT AUDIT**

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2006**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



November 5, 2007

Linda K. Argo
Director
Department of Consumer and Regulatory Affairs
941 North Capitol Street, N.E., Suite 9500
Washington, D.C. 20002

Eugene Bentley, III, Ph.D.
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, Ph.D.
Chief Financial Officer
Office of the Chief Financial Officer
The John A. Wilson building
1350 Pennsylvania Avenue, N.W., Room 209
Washington, D.C. 20004

Dear Ms. Argo, Dr. Bentley, and Dr. Gandhi:

The Office of the Inspector General has completed an audit (OIG No. 07-1-07CR) of the statement of net assets of the Professional Engineers' Fund, Department of Consumer and Regulatory Affairs for the year ended September 30, 2006, 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.

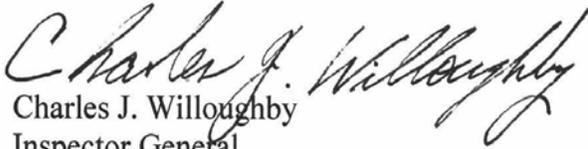
Unqualified Opinion on Financial Statements

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, 2006, 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 deficiencies or non-compliance with regulations that we consider significant deficiencies or material weaknesses during our fiscal year 2006 audit.

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,


Charles J. Willoughby
Inspector General

CJW/sf

Enclosure

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DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS

**PROFESSIONAL ENGINEERS' FUND
FINANCIAL STATEMENT AUDIT**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

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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's Department of Consumer and Regulatory Affairs as of and for the year ended September 30, 2006. 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.

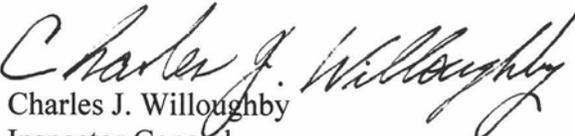
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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, 2006, the results of its operations, changes in net assets, and cash flows for the year ended September 30, 2006, 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 November 5, 2007, 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.


Charles J. Willoughby
Inspector General

November 5, 2007

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
PROFESSIONAL ENGINEERS' FUND
FINANCIAL STATEMENT AUDIT
STATEMENTS OF NET ASSETS
SEPTEMBER 30, 2006 and 2005**

ASSETS	<u>2006</u>	<u>2005</u>
Current Assets:		
Cash & Investments	1,095,926	766,077
Advances	37,437	56,930
Receivables	<u>16,693</u>	<u>2,185</u>
Total Assets	<u>\$ 1,150,056</u>	<u>\$ 825,192</u>
LIABILITIES		
Accounts Payable	2,701	4,265
Unprocessed Applications	<u>37,437</u>	<u>56,930</u>
Total Liabilities	<u>40,138</u>	<u>61,195</u>
NET ASSETS	<u>\$1,109,918</u>	<u>\$ 763,997</u>

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

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
PROFESSIONAL ENGINEERS' FUND
FINANCIAL STATEMENT AUDIT
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS**

SEPTEMBER 30, 2006 and 2005

	2006	2005
Revenues		
License Fees	\$641,423	\$ 129,735
Other Fees	-	-
Total Revenue	641,423	129,735
Expenses		
Commissions	258,380	33,525
Supplies	2,139	-
Membership Dues	2,700	20,705
Travel/Parking	11,895	10,892
Other Expenses	20,388	(20,150)
Accrued Expenditures	-	-
Total Net Expenditures	295,502	44,972
Excess of Revenues over Expenses	345,921	84,763
Net Assets at October 1, 2006 and 2005	763,997	679,234
Total Net Assets at September 30	\$1,109,918	\$ 763,997

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

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
PROFESSIONAL ENGINEERS' FUND
FINANCIAL STATEMENT AUDIT
STATEMENTS OF CASH FLOWS**

SEPTEMBER 30, 2006 and 2005

Cash Flows from Operating Activities	<u>2006</u>	<u>2005</u>
Net Operating Income	\$ 345,921	\$ 84,763
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Decrease (Increase) in Advances	19,493	(7,348)
Decrease (Increase) in Accounts Receivable	(14,508)	121,915
Increase (Decrease) in Accounts Payable	(1,564)	(141,002)
Increase (Decrease) in Unprocessed Applications	<u>(19,493)</u>	<u>7,348</u>
Net Cash Provided by Operating Activities	329,849	65,676
Cash at Beginning of Year	<u>\$ 766,077</u>	<u>700,401</u>
 Cash at End of Year	 <u><u>\$1,095,926</u></u>	 <u><u>\$ 766,077</u></u>

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

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
PROFESSIONAL ENGINEERS' FUND
NOTES TO THE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2006

(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 to be necessary and proper by the District of Columbia Board of Registration for Professional Engineers (the Board).

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.

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
PROFESSIONAL ENGINEERS' FUND
NOTES TO THE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2006

(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 Governmental Accounting Standards Board (GASB) 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 is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this type of measurement focus, only current assets and current liabilities are generally 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 and surveyors renew their licenses every even year in August, except for new registrations and licensing, reinstatements, and requests for duplicate licenses. The last two renewal dates were August 2004 and August 2006. Renewal license revenues received in FY 2006 were for the license period September 1, 2006, through August 31, 2008. The OCFO does not defer revenues to future periods and recognized renewals received as revenue in FY 2006. This will cause higher revenues and commission expenses in even years as compared to odd years.

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
PROFESSIONAL ENGINEERS' FUND
NOTES TO THE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2006

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 overhead is currently charged to the PEF by DCRA.

(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 \$1,109,918.

(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 amounts reported as of September 30, 2006, and September 30, 2005, were \$37,437 and 56,930, respectively.

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, 2006, and have issued our report thereon dated November 5, 2007. 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.

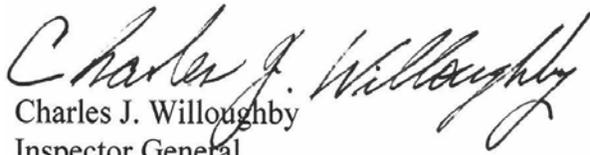
Internal Control Over Financial Reporting

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 control deficiency 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 and corrected 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.

Compliance and Other Matters

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, the 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*.


Charles J. Willoughby
Inspector General

November 5, 2007