

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

**PROFESSIONAL ENGINEERS' FUND  
FINANCIAL STATEMENT AUDIT**

**FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2008**



**CHARLES J. WILLOUGHBY  
INSPECTOR GENERAL**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



September 9, 2009

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. 09-1-08CR) of the statement of net assets of the Professional Engineers' Fund, Department of Consumer and Regulatory Affairs for the year ended September 30, 2008, 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. 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, 2008, 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 2008 audit.

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

Sincerely,

  
Charles J. Willoughby  
Inspector General

CJW/sf

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, 2008**

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**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



Independent Auditor's Report

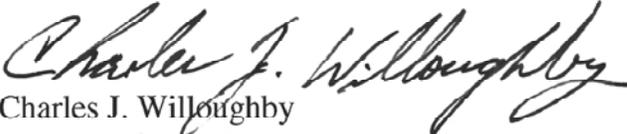
To the Director, Department of Consumer and Regulatory Affairs, Government of the District of Columbia; Chairman of the District of Columbia Board of Professional Engineers; and Chief Financial Officer, Government of the District of Columbia:

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, 2008. 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 present fairly, in all material respects, the financial position of the PEF as of September 30, 2008, the results of its operations, changes in net assets, and cash flows for the year ended September 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

  
Charles J. Willoughby  
Inspector General

September 9, 2009

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**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS  
PROFESSIONAL ENGINEERS' FUND  
FINANCIAL STATEMENT AUDIT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

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**STATEMENTS OF NET ASSETS**

<b>ASSETS</b>	<b>2008</b>	<b>2007</b>
<b>Current Assets:</b>		
Cash & Investments	\$ 1,486,747	\$ 1,126,300 *
Advances	42,147	42,292
Receivables	22,200	7,250
<b>Total Assets</b>	<b>\$ 1,551,094</b>	<b>\$ 1,175,842</b>
<b>LIABILITIES</b>		
Accounts Payable	11,712	2,153
Unprocessed Applications	42,147	42,292
<b>Total Liabilities</b>	<b>53,859</b>	<b>44,445</b>
<b>NET ASSETS</b>	<b>\$ 1,497,235</b>	<b>\$ 1,131,397</b>

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

\* To adjust fiscal year (FY) 2007 cash & investment balance incorrectly recorded as \$1,133,390 in last year's audit report.

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**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS  
PROFESSIONAL ENGINEERS' FUND  
FINANCIAL STATEMENT AUDIT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

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

	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
License Fees "Renewal"	\$ 684,545	\$ 128,900
Accrued Revenue	14,950	-
<b>Total Revenue</b>	<u>699,495</u>	<u>128,900</u>
<b>Expenses</b>		
Commissions	273,035	21,075
Supplies	3,182	737
Membership Dues	16,800	9,650
Travel/Parking	441	42,090
Other Expenses	28,640	27,328
Accrued Expenditures	9,559	(549)
Equipment	2,000	-
<b>Total Net Expenditures</b>	<u>333,657</u>	<u>100,331</u>
Excess of Revenues over Expenses	365,838	28,569
<b>Net Assets at October 1</b>	<u>1,131,397</u>	<u>1,102,828</u>
<b>Total Net Assets at September 30</b>	<u>\$ 1,497,235</u>	<u>\$ 1,131,397</u>

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

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

<b>Cash Flows from Operating Activities</b>	<u>2008</u>	<u>2007</u>
Net Operating Income	\$ 365,838	\$ 28,569
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Decrease (Increase) in Advances	145	(4,855)
Decrease (Increase) in Accounts Receivable	(14,950)	9,443
Increase (Decrease) in Accounts Payable	9,559	(548)
Increase (Decrease) in Unprocessed Applications	<u>(145)</u>	<u>4,855</u>
<b>Net Cash Provided by Operating Activities</b>	360,447	37,464
<b>Cash at Beginning of Year</b>	<u>\$ 1,126,300</u>	<u>\$ 1,088,836</u>
<b>Cash at End of Year</b>	<u><u>\$ 1,486,747</u></u>	<u><u>\$ 1,126,300</u></u>

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

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**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS  
PROFESSIONAL ENGINEERS' FUND  
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FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Summary of Significant Accounting Policies**

**PEF Organization**

The District of Columbia Professional Engineers' Registration Act of 1950, as codified under D.C. Code §§7-2886.01-.18 (2005), established the Professional Engineers' Fund (PEF) of the District of Columbia Department of Consumer and Regulatory Affairs (DCRA). The PEF 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 (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.

**Basis of Presentation**

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 classified as a special purpose revenue fund within the general fund. Special purpose revenue funds are used to account for a specific activity of the government.

The PEF applies all Government Auditing 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 the GASB pronouncements.

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**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS  
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**Basis of Accounting**

The special purpose 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 OCFO provides accounting services to the DCRA for the PEF. Accounting activity for the PEF is accounted separately from the general fund through the District of Columbia's accounting information system – System of Accounting and Reporting (SOAR). The DCRA has used a service contract to collect revenue for the registration and licensing of engineers since January 1999.

**Cash and Investments**

Cash from the PEF is deposited in the District's pooled cash account. Currently, there are no investments made by the PEF.

**Receivables and Payables**

Receivables are for licensing fees paid, processed, and issued but where payment has not been collected. The payables represent amounts owed to vendors for goods and services purchased and received.

**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 periods were August 2006 and August 2008. Renewal license revenues received in FY 2008 were for the license period September 1, 2008, through August 31, 2010. The OCFO does not defer revenues to future periods or establish receivables for fees not yet received. License fee revenues are recognized when realized. This will cause higher revenues and commission expenses in even years as compared to odd years.

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.

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**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS  
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**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 \$1,497,235.

**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.

**Advances and 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, 2008, and September 30, 2007, was \$42,147 and \$42,292, 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, 2008, and have issued our report thereon dated September 9, 2009. 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 the 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. Accordingly, we do not express an opinion on the effectiveness of the PEF's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A significant deficiency is a deficiency in internal control, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

## Compliance

As part of obtaining reasonable assurance whether the PEF's 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

September 9, 2009