

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

**PROFESSIONAL ENGINEERS' FUND
FINANCIAL STATEMENT AUDIT**

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2010**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



September 26, 2011

Nicholas A. Majett
Director
Department of Consumer and Regulatory Affairs
1100 4th Street, S.W.
Washington, D.C. 20024

Eugene Bentley, III, Ph.D.
Chairman of the Board of Directors
District of Columbia, Board of Professional Engineers
1100 4th Street, S.W.
Washington, D.C. 20024

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 Mr. Majett, Dr. Bentley, and Dr. Gandhi:

The Office of the Inspector General has completed an audit (OIG No.11-1-09CR) of the comparative balance sheet of the District of Columbia Professional Engineers' Fund (PEF), as of September 30, 2010, and the related statements of revenues, expenditures, and change in fund balance for the year then ended. The District Department of Consumer and Regulatory Affairs and the Office of the Chief Financial Officer administer the PEF for the District of Columbia government.

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 one instance of noncompliance that is 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 present fairly, in all material respects, in conformity with generally accepted accounting principles, the PEF's assets and liabilities as of September 30, 2010, and its revenues, expenditures, and change in fund balance for the year then ended.

We have not found any major issues of internal control weaknesses or noncompliance with regulations that we consider material or significant deficiencies during our fiscal year 2010 audit.

We appreciate the cooperation and courtesies extended to our staff during this audit. If you have any questions, please contact me or Ronald W. King, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,



Charles J. Willoughby
Inspector General

CJW/js

Enclosure

cc: See Distribution List

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Mr. Conrad Bridges, Agency Fiscal Officer, Office of the Chief Financial Officer,
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Mr. Adolf Tengen, Financial Reporting Manager, Office of the Chief Financial Officer,
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**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
PROFESSIONAL ENGINEERS' FUND
FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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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, 2010. 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.

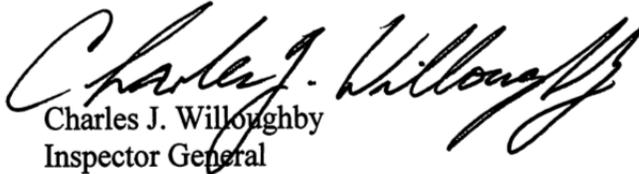
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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, 2010, and the results of its operations for the year ended 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 September 26, 2011, on our consideration of the Professional Engineers' Fund'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

September 26, 2011

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
PROFESSIONAL ENGINEERS' FUND
FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

BALANCE SHEET

Assets	<u>2010</u>	<u>2009</u>
Cash & Investments	\$ 460,780	\$ 67,674
Advances	35,242	32,957
Receivables	<u>29,985</u>	<u>5,455</u>
Total Assets	<u><u>\$ 526,007</u></u>	<u><u>\$ 106,086</u></u>
 Liabilities And Fund Balance		
Accounts Payable	21,637	839
Unprocessed Applications	<u>35,242</u>	<u>32,957</u>
Total Liabilities	<u><u>56,879</u></u>	<u><u>33,796</u></u>
 Fund Balances:		
Restricted	469,128	72,290
Unrestricted	<u>-</u>	<u>-</u>
Total Fund Balance	<u><u>469,128</u></u>	<u><u>72,290</u></u>
 Total Liabilities & Fund Balance	 <u><u>\$ 526,007</u></u>	 <u><u>\$ 106,086</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, 2010**

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

	<u>2010</u>	<u>2009</u>
Revenues		
License Fees	\$ 798,880	\$ 179,780
Total Revenue	<u>798,880</u>	<u>179,780</u>
Expenditures:		
Commissions	309,335	40,810
Supplies	1,851	3,000
Membership Dues	6,500	6,500
Travel/Parking	18,066	20,899
Other Expenditures	28,290	29,902
Printing	38,000	25,000
Equipment	-	1,379
Total Expenditures	<u>402,042</u>	<u>127,490</u>
Excess (Deficiency) Revenues Over Expenditures	396,838	52,290
Other Financing Sources (Uses):		
Transfer to General Fund	-	(1,477,235)
Net Change in Fund Balance	396,838	(1,424,945)
Fund Balance at October 1	<u>72,290</u>	<u>1,497,235</u>
Fund Balance at September 30	<u>\$ 469,128</u>	<u>\$ 72,290</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, 2010**

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 §§ 47-2886.01-18 (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 expenditures determined to be necessary and proper by the Board of 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, licensing qualified persons as Professional Engineers and Land Surveyors and certifying Engineering and Land Surveyor Interns. The Board has the additional responsibility of safeguarding life, health, and property, and promoting public welfare, the practice of engineering, and the practice of land surveying in the District of Columbia. The Board thereby regulates in the public interest.

Basis of Presentation

The financial statements of the PEF are 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 in the District's System of Accounting and Reporting (SOAR). The special purpose revenue classification is used to denote restricted use of the PEF's fund balance through legislative authority.

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
PROFESSIONAL ENGINEERS' FUND
FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

Basis of Accounting

The PEF's financial statements are prepared in accordance with generally accepted accounting principles applicable to state and local governmental entities established by the Governmental Accounting Standards Board (GASB).

The PEF is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of the PEF present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) resulting in net change in fund balance. The fund balance represents a measure of spendable resources, restricted by law, available to the PEF.

Under the modified accrual basis of accounting, revenues of the PEF are recognized in the year they become susceptible to accrual, both measurable and available to pay current liabilities.

Cash and Investments

Cash from the PEF is deposited in the District's cash management pool. The PEF does not earn interest on the amount of cash that is deposited through the cash management pool account. Currently, the PEF does not have any investments.

Receivables and Payables

Receivables include licensing fees and other fees (including interest and penalties on delinquent fees that have not been collected, canceled, or abated).

Accounts payable are amounts owed to vendors for goods or services purchased and received at end of the fiscal year but have not been paid.

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 required information is received. Until then, fees are not recognized as revenue. A corresponding liability is reported for the liability owed the applicant for service, which equals the receivable amount. The amount reported as of September 30, 2010, and September 30, 2009, was \$35,242 and \$32,957, respectively.

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
PROFESSIONAL ENGINEERS' FUND
FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

Revenue and Expenditure 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 2008 and August 2010. Renewal license revenues received in FY 2010 were for the license period September 1, 2010, through August 31, 2012. 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 expenditures in even years as compared to odd years.

The main categories of expenditures of the PEF are commissions to the contractor, Board member travel, membership dues, publications, and meeting costs. No administrative overhead is currently charged to the PEF by DCRA.

Fund Balance

Fund Balance represents 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 licensing activity in the general fund. Because the opening balance could not be determined by reasonable audit procedures, a zero "Fund Balance" was used. Currently, the fund balance total is \$469,128.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect: 1) the reported amounts of assets and liabilities; 2) the disclosure of contingent assets and liabilities at the date of the financial statements; and 3) the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance**

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, 2010, and have issued our report thereon dated September 26, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the PEF's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the PEF's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the PEF's internal control over financial reporting.

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 deficiency in internal control over financial reporting exists when the design or operations 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 significant deficiency is a deficiency, or 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. A material weakness is a deficiency, or combination of deficiencies, in internal controls, 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 in internal control that we consider to be significant deficiencies or material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about 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 the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Office of the Chief Financial Officer for the Department of Consumer and Regulatory Affairs (OCFO/DCRA), which administers the PEF, charged approximately \$20,543 in expenditures to the PEF that were not applicable to the PEF.

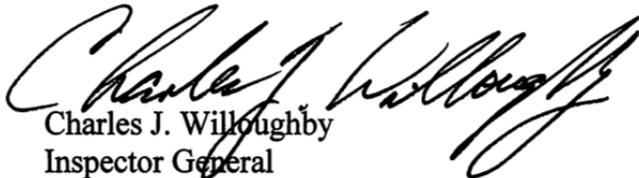
D.C. Code § 47-2886.13(d) states:

The Board [of Registration for Professional Engineers] may make expenditures from this Fund for any purpose which, in the opinion of the Board, is reasonably necessary for the proper performance of its duties under this part[.] . . .

Further, D.C. Code § 47-368.01(a) states:

[T]he term "Other-Type Funds" means District revenues . . . generated from fees, fines, assessments, or reimbursements by [the] District of Columbia or its agencies or instrumentalities . . . earmarked for special purposes and accounted for or placed in a fund for such purposes[.] . . .

The \$20,543 in expenditures for other Boards, which OCFO/DCRA charged to the PEF, did not meet the above criteria. OCFO/DCRA management, after communication by OIG auditors, concurred with our finding and implemented the necessary corrective actions in fiscal year 2011. The results of our tests disclosed no other instances of noncompliance that are required to be reported under *Government Auditing Standards*.


Charles J. Willoughby
Inspector General

September 26, 2011

EXHIBIT: MANAGEMENT RESPONSE – DCRA

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER
ECONOMIC DEVELOPMENT AND REGULATION CLUSTER**



September 12, 2011

Charles Willoughby
Inspector General
Office of the Inspector General
717 14th Street N. W.
Washington, DC 20005

Dear Mr. Willoughby:

We are providing this letter in connection with your audit of the District of Columbia's Department of Consumer and Regulatory Affairs (DCRA) Professional Engineers' Fund (PEF) Financial Statements issued September 2011 for the fiscal year ended September 30, 2010, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the revenues and expenditures of the PEF in conformity with generally accepted accounting principles.

The management team at OCFO/DCRA concurs with the findings of the Inspector General that \$20,543 in expenditures for other Boards charged to the PEF should not have occurred. OCFO/DCRA management will make the necessary adjustment in the following fiscal year to correct the error.

DCRA and OCFO will ensure that all requisitions are properly coded. Additionally, all direct voucher payment requests will be reviewed by OCFO to ensure that expenditures are properly and accurately charged to the appropriate expenditure code/line.

Sincerely,

Agency Fiscal Officer
Department of Consumer and Regulatory Affairs