

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

**PROFESSIONAL ENGINEERS' FUND
FINANCIAL STATEMENT AUDIT**

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2009**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



September 30, 2010

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

The Office of the Inspector General has completed an audit (OIG No. 10-1-07CR) of the balance sheet of the Professional Engineers' Fund, Department of Consumer and Regulatory Affairs for the year ended September 30, 2009, and the related statements of revenues, expenditures, and changes in fund balance 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, 2009, 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 2009 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

DISTRIBUTION:

The Honorable Adrian M. Fenty, Mayor, District of Columbia (1 copy)
Mr. Neil O. Albert, City Administrator and Deputy Mayor, District of Columbia (1 copy)
Ms. Valerie Santos, Deputy Mayor for Planning and Economic Development, District of Columbia (1 copy)
The Honorable Vincent C. Gray, Chairman, Council of the District of Columbia (1 copy)
The Honorable Mary M. Cheh, Chairperson, Committee on Government Operations and the Environment, Council of the District of Columbia (1 copy)
The Honorable Muriel Bowser, Chair Person, Committee on Public Services and Consumer Affairs (1 Copy)
Ms. Kai A. Blissett, Interim General Counsel to the Mayor (1 copy)
Ms. Carrie Kohns, Chief of Staff, Office of the Mayor (1 copy)
Ms. Bridget Davis, Director, Office of Policy and Legislative Affairs (1 copy)
Ms. Mafara Hobson, Director, Office of Communications (1 copy)
Ms. Merav Bushlin, Chief of Budget Development and Execution, Office of the City Administrator (1 copy)
Ms. Cynthia Brock-Smith, Secretary to the Council (13 copies)
Mr. Peter Nickles, Attorney General for the District of Columbia (1 copy)
Mr. William DiVello, Executive Director, Office of Integrity and Oversight, Office of the Chief Financial Officer (1 copy)
Ms. Deborah K. Nichols, D.C. Auditor (1 copy)
Mr. Andrew T. Richardson, III, Interim Director and Chief Risk Officer, Office of Risk Management (1 copy)
Ms. Jeanette M. Franzel, Managing Director, FMA, GAO, Attention: Norma J. Samuel (1 copy)
The Honorable Eleanor Holmes Norton, D.C. Delegate, House of Representatives, Attention: Bradley Truding (1 copy)
The Honorable Edolphus Towns, Chairman, House Committee on Oversight and Government Reform, Attention: Ron Stroman (1 copy)
The Honorable Darrell Issa, Ranking Member, House Committee on Oversight and Government Reform (1 copy)
The Honorable Stephen F. Lynch, Chairman, House Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia, Attention: William Miles (1 copy)
The Honorable Jason Chaffetz, Ranking Member, House Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia (1 copy)
The Honorable Joseph Lieberman, Chairman, Senate Committee on Homeland Security and Governmental Affairs, Attention: Holly Idelson (1 copy)
The Honorable Susan Collins, Ranking Member, Senate Committee on Homeland Security and Governmental Affairs (1 copy)
The Honorable Daniel K. Akaka, Chairman, Senate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia (1 copy)

The Honorable George Voinovich, Ranking Member, Senate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia (1 copy)
The Honorable David Obey, Chairman, House Committee on Appropriations,
Attention: Beverly Pheto (1 copy)
The Honorable Jerry Lewis, Ranking Member, House Committee on Appropriations (1 copy)
The Honorable José E. Serrano, Chairman, House Subcommittee on Financial Services and General Government, Attention: Dale Oak (1 copy)
The Honorable Jo Ann Emerson, Ranking Member, House Subcommittee on Financial Services and General Government (1 copy)
The Honorable Daniel K. Inouye, Chairman, Senate Committee on Appropriations,
Attention: Charles Houy (1 copy)
The Honorable Thad Cochran, Ranking Member, Senate Committee on Appropriations (1 copy)
The Honorable Richard Durbin, Chairman, Senate Subcommittee on Financial Services and General Government (1 copy)
The Honorable Susan Collins, Ranking Member, Senate Subcommittee on Financial Services and General Government (1 copy)
Mr. Clifford Cooks, OPLD Administrator, Department of Consumer and Regulatory Affairs (1 copy)
Mr. Conrad Bridges, OCFO Agency Fiscal Officer, Department of Consumer and Regulatory Affairs (1 copy)
Mr. Adolf Tengen, OCFO Financial Reporting Manager, Department of Consumer and Regulatory Affairs (1 copy)

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
PROFESSIONAL ENGINEERS' FUND
FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

TABLE OF CONTENTS

	Page
Independent Auditor's Report.....	1
Balance Sheet.....	2
Statements of Revenues, Expenditures, and Changes in Fund Balance.....	3
Notes to the Financial Statements.....	4
Report on Internal Control Over Financial Reporting and on Compliance.....	7

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, 2009. 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, 2009, and the results of its operations for the year ended in conformity with accounting principles generally accepted in the United States of America.


Charles J. Willoughby
Inspector General

September 30, 2010

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
PROFESSIONAL ENGINEERS' FUND
FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

BALANCE SHEET

Assets	<u>2009</u>	<u>2008</u>
Cash & Investments	\$ 67,674	\$ 1,486,747
Advances	32,957	42,147
Receivables	<u>5,455</u>	<u>22,200</u>
Total Assets	<u><u>\$ 106,086</u></u>	<u><u>\$ 1,551,094</u></u>
Liabilities And Fund Balance		
Accounts Payable	839	11,712
Unprocessed Applications	<u>32,957</u>	<u>42,147</u>
Total Liabilities	<u>33,796</u>	<u>53,859</u>
Fund Balances:		
Restricted	72,290	1,497,235
Unrestricted	<u>-</u>	<u>-</u>
Total Fund Balance	<u>72,290</u>	<u>1,497,235</u>
 Total Liabilities & Fund Balance	 <u><u>\$ 106,086</u></u>	 <u><u>\$ 1,551,094</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, 2009**

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

	2009	2008
Revenues		
License Fees	\$ 179,780	\$ 699,495
Total Revenue	179,780	699,495
Expenditures:		
Commissions	40,810	273,035
Supplies	3,000	3,182
Membership Dues	6,500	16,800
Travel/Parking	20,899	441
Other Expenditures	29,902	38,199
Printing	25,000	-
Equipment	1,379	2,000
Total Expenditures	127,490	333,657
Excess (Deficiency) revenues over expenditures	52,290	365,838
Other Financing Sources (Uses):		
Transfer to General Fund ¹	(1,477,235)	-
Net change in fund balance	(1,424,945)	365,838
Fund balance at October 1	1,497,235	1,131,397
Fund Balance at September 30	\$ 72,290	\$ 1,497,235

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

¹ Fund balance amount transferred from the Professional Engineers' Fund to the District's local fund authorized through legislation passed in the "Fiscal Year 2009 Balanced Budget Support Temporary Amendment Act of 2008" and the "Fiscal Year 2010 Budget Support Second Emergency Act of 2009."

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
PROFESSIONAL ENGINEERS' FUND
FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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; and provides for the licensure of qualified persons as Professional Engineers and Land Surveyors, and for the certification of Engineering and Land Surveyor Interns. It also has the additional responsibility of safeguarding life, health, and property, 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 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 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, 2009**

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 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) in net change in fund balance. Restricted fund balance represents a measure of spendable resources 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 the 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 the 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, 2009, and September 30, 2008, was \$32,957 and \$42,147, respectively.

**DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
PROFESSIONAL ENGINEERS' FUND
FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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 2006 and August 2008. Renewal license revenues received in FY 2008 were for the license period September 1, 2008, through August 31, 2010.

Accordingly, license revenues realized during fiscal year 2009 do not include any renewal fees. 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, travel of the Board members, membership dues, publications, and meeting costs. No administrative overhead is currently charged to the PEF by DCRA.

Other Funding Sources and Uses

During FY 2009, legislation was enacted through the "Fiscal Year 2009 Balanced Budget Support Temporary Amendment Act of 2008" (D.C. Law 17-0326) and the "Fiscal Year 2010 Budget Support Second Emergency Act of 2009" (D.C. Act 18-0207) authorizing the OCFO to transfer from the PEF \$1,111,397 and \$365,838 respectively to the local fund of the District of Columbia.

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 totals \$72,290 after the transfer of \$1,477,235 to the District's local fund.

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, 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.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



**Report on Internal Control over Financial Reporting and on
Compliance 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, 2009, and have issued our report thereon dated September 30, 2010. 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 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 PEF's internal control over financial reporting.

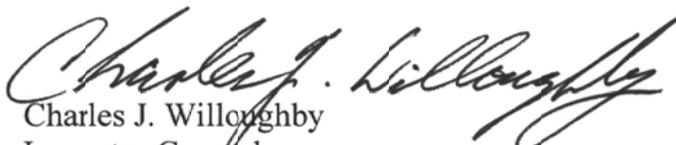
Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the PEF'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 PEF's financial statements that is more than inconsequential will not be prevented or detected by the PEF's internal control.

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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.


Charles J. Willoughby
Inspector General

September 30, 2010