

STATE OF WEST VIRGINIA
AUDIT REPORT
OF

STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS
FOR THE PERIOD
JULY 1, 1973 - JUNE 30, 1982



OFFICE OF LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305

AUDIT REPORT
STATE BOARD OF REGISTRATION FOR
PROFESSIONAL ENGINEERS
FOR THE PERIOD
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LEGISLATIVE AUDITOR

CHARLESTON

The Honorable Encil Bailey
Legislative Auditor
State Capitol - West Wing
Charleston, West Virginia

Sir:

In compliance with your instructions and the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the accounts of the State Board of Registration for Professional Engineers.

The audit covers the period July 1, 1973 through June 30, 1982. The results of the examination are set forth on the following pages of this report. However, only the financial statements for the years ended June 30, 1982 and June 30, 1981 are included in this report. The financial statements covering the period July 1, 1973 to and including June 30, 1980 are included in the audit workpapers.

Respectfully submitted,

Theford L. Shanklin, CPA, Director
Legislative Postaudit Division

TLS:chw/lst

STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS

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STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS
ACKNOWLEDGMENT

We extend our thanks and appreciation to the
Administrative Assistant and her staff for
their cooperation in supplying information
necessary in preparing this report.

STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS
EXIT CONFERENCE

We held an exit conference on March 12, 1984 with the President and Secretary of the Board and the Administrative Assistant and all findings and recommendations were reviewed and discussed. The above officials concurred with our findings and recommendations.

STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS

INTRODUCTION

The Legislature of the State of West Virginia determined and found that the advancing state of knowledge in mathematical, physical, and engineering sciences as applied in the practice of professional engineering has a critical impact on the lives, property, economy, security and the general health and welfare of our State and our citizens. Therefore, the Legislature declared that in order to protect public health, safety, welfare, property and the general public interest, the practice of professional engineering must be regulated and controlled in order to insure that the privilege of practicing professional engineering shall only be entrusted to persons with necessary qualifications, good character, education, training, and experience. Thus, the West Virginia State Board of Registration for Professional Engineers was created.

The Board consists of five professional engineers appointed by the Governor, by and with the consent of the Senate, each with a term of five years.

The present members of the Board at June 30, 1982 and the expiration dates of their terms are as follows:

A.E. McCaskey, President	June 30, 1982
Huntington	
Robert Scott	June 30, 1985
Elkins	
Dr. Kenneth Means	June 30, 1986
Morgantown	
Stafford E. Thornton, Secretary	June 30, 1984
Charlton Heights	
Robert E. Schmidt	June 30, 1983
Fairmont	

The administrative staff as of June 30, 1982 consists of the following:

Anna Hicks Administrative Assistant
Alta Montgomery Secretary

STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS
SUMMARY OF FINDINGS AND RECOMMENDATIONS

AREAS OF NONCOMPLIANCE

Deposits to the State Treasury

1. The Board was not depositing their collections with the State Treasury as required by Chapter 12, Article 2, Section 2 of the West Virginia Code.

We recommend the funds in the Charleston National Bank checking account be transferred to the State Treasury to the credit of the Board's special revenue account and all collections thereafter be deposited daily in the State Treasury. (See pages 10 and 11.)

Receipts Not Recorded

2. Three receipts were deposited into the bank but were not recorded in the receipt listing. Also, one check on hand on May 10, 1983 was not recorded on the receipt listing.

We recommend a daily itemized record of moneys received be kept as required by the West Virginia Code, Chapter 12, Article 2, Section 2, as amended. (See page 11.)

Bank Balances

3. There were large balances in the Charleston National Bank remaining idle and were not invested because the Board operated from an appropriated account and was not eligible to participate in the investment pool of the West Virginia Board of Investments until

July 1, 1982, when they were assigned a special revenue account.

We recommend any funds in excess of that needed for current operations be made available to the Board of Investments for investment purposes in accordance with Chapter 12, Article 6, Section 8(c) of the West Virginia Code. (See page 12.)

Payroll

4. We noted the Administrative Assistant was overpaid \$36.46 in overtime pay due to using a rate other than the regular rate at which she was employed.

We recommend payment for overtime be computed in accordance with the provisions of Chapter 21, Article 5c, Section 3 of the West Virginia Code and the State be reimbursed for the above overpayment. (See pages 12 and 13.)

5. There were no current deduction registers available nor were there any attendance records maintained by the employees.

We recommend proper records be maintained as defined in Chapter 21, Article 5c, Section 5 of the West Virginia Code. (See page 13.)

Travel

6. A registration fee was charged which included one lunch and three dinners, however, these meals totaling \$24.31 were listed on the travel expense sheet.

We recommend reimbursement be requested for actual expenses incurred

in accordance with the Governor's Travel Regulations and the overpayment of \$24.31 be recovered. (See pages 13 and 14.)

Equipment

7. The Board did not maintain its records on equipment in accordance with the Department of Finance and Administration Handbook of Purchasing Procedures.

We recommend the Board comply with the Department of Finance and Administration Handbook of Purchasing Procedures. (See page 14.)

Report to Governor

8. The Board does not submit to the Governor a report on the transactions and accountings of the Board as required in Chapter 30, Article 13, Section 5 of the West Virginia Code.

We recommend the Board comply with this section of the Code. (See pages 14 and 15.)

INTERNAL CONTROLS AND ACCOUNTING SYSTEM

Index File Cards

9. Three receipts were incorrectly posted to the file cards and seven file cards could not be located.

We recommend all receipts for applications, registrations and renewals be posted to the index file cards and the cards be held in appropriate files. (See page 16.)

10. The Board maintains very poor sick leave records.

We recommend they establish a better system for accounting for sick leave. (See pages 16 and 17.)

STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS

GENERAL REMARKS

INTRODUCTION

We have completed a financial and compliance audit of the State Board of Registration for Professional Engineers. A financial and compliance audit determines whether the financial statements of an audited entity present fairly the financial position and the results of operations in accordance with generally accepted accounting principles and whether the entity has complied with laws and regulations that may have a material effect upon the financial statements. The audit covered the period July 1, 1973 through June 30, 1982.

APPROPRIATED FUNDS

All expenditures required for the general operation of the State Board of Registration for Professional Engineers are made from the appropriated Unclassified Account 5940-06.

The Board is appropriated money each year for expenditures incurred in its operations. Expenditures were limited to the amount of receipts deposited with the State Treasurer and any excess of receipts over expenditures were deposited to the State's General Revenue Fund.

LOCAL ACCOUNTS

During the audit period, the Board operated a checking account with Charleston National Bank. The accounting records are maintained at 608 Union Building in Charleston. Periodically, the office transfers collections to the General Revenue Fund in the State Treasury by check drawn on the local bank checking account.

Collections were derived from the following fees as of June 30, 1982:

Renewal Fee	\$12.75
Application Fee	\$25.00
Registration Fee	\$25.00
Reinstatement Fee	\$25.00
Temporary Permit	\$50.00
Replacement of Lost Certificates	\$10.00
Roster	\$ 5.00
Returned Checks	\$10.00

AREAS OF NONCOMPLIANCE

Chapter 30, Article 13 of the West Virginia Code generally governs the State Board of Registration for Professional Engineers. We tested applicable sections of the above plus general State regulations and other applicable chapters, articles, and sections of the West Virginia Code as they pertain to fiscal matters. Our findings are discussed below.

Deposits to the State Treasury

Collections by the State Board of Registration for Professional Engineers were deposited in a checking account maintained in the Charleston National Bank. These collections were not transferred promptly to the State Treasury as required by the West Virginia Code, Chapter 12, Article 2, Section 2, which states, "All officials and employees of the state authorized by statute to accept moneys due the State of West Virginia shall deposit promptly with the State Treasurer all moneys received or collected by them for or on behalf of the state for any purpose whatsoever." The word "promptly" in the above extract of the Code was replaced by the words "within twenty-four hours" effective July 1, 1981.

The noncompliance with the above stated section of the West Virginia Code was due to the Board operating from an appropriation funded from the General Revenue Fund with the expenditures limited to the amount of collections deposited in the State Treasury during any one fiscal year. Since the licenses issued by the Board expire on June 30 of each year, the major portion of the revenue for the new licenses is collected in April, May and

June. If the Board deposited these collections in the State Treasury in compliance with the Code, they would have no funds from which to operate in the new fiscal year.

However, effective July 1, 1982 the Board was converted to a special revenue account and balances remaining in the account hereafter at June 30 will be forwarded to the new fiscal year.

We recommend the funds in the Charleston National Bank be transferred to the State Treasury and all future collections be deposited daily in the State Treasury in compliance with the West Virginia Code, Chapter 12, Article 2, Section 2, as amended.

Receipts Not Recorded

We noted three differences between the deposits made to the Charleston National Bank and the Board's receipt listing supporting these bank deposits. The differences were as follows: Deposit of March 18, 1982 - \$25.00; deposit of July 8, 1982 - \$13.00; and, deposit of January 24, 1983 - \$25.00. The differences were due to the omission of receipts on the receipt listing.

We also noted when we counted the cash on hand that one check had not been recorded on the receipt listing. The check was not listed because the Board was awaiting information from the National Council of Engineering Examiners. This information was needed in order to determine whether the individual was a qualified engineer.

The West Virginia Code, Chapter 12, Article 2, Section 2 states, "All officials and employees of the state authorized by statute to accept moneys due the State of West Virginia, shall keep a daily itemized record of such moneys so received"

We recommend all receipts be recorded on the receipt listing daily in compliance with the West Virginia Code.

Bank Balances

We noted large bank balances in the Charleston National Bank remaining idle. The balance in the bank on June 30, 1982 was \$93,210.52 and the balance on April 29, 1983 was \$30,443.27.

The West Virginia Code, Chapter 12, Article 6, Section 8, paragraph (c) states, "Each board, commission, department, official or agency charged with the administration of state funds is hereby authorized to make moneys available to the board of investments."

Prior to July 1, 1982 the State Board of Registration for Professional Engineers was not assigned a special revenue account and operated from an appropriated account making it impossible for them to participate in the investment pool. The operations of the Board were converted to a special revenue account effective July 1, 1982 thereby making it eligible to participate in the investment pool of the West Virginia Board of Investments.

We recommend any funds in excess of that needed for current operations be made available to the Board of Investments.

Payroll

We noted on Transmittal No. 33 for the pay period November 1-15, 1980, the Administrative Assistant was paid overtime of \$273.36. This was for 17 hours overtime at a rate of \$10.72 at time and one-half. We computed the overtime at a rate of \$9.29 at time and one-half, which was the rate on the Current Gross Register, and the amount of overtime pay was \$236.90, or a difference of \$36.46.

The West Virginia Code, Chapter 21, Article 5c, Section 3 states, "... no employer shall employ any of his employees for a work week longer than forty hours, unless such employee receives compensation for his employment in excess of the hours above specified at a rate of not less than one and one-half times the regular rate at which he is employed." According to

available records, this rate for the Administrative Assistant was \$9.29 per hour.

We recommend overtime be computed in accordance with the provisions of Chapter 21, Article 5c, Section 3 of the West Virginia Code and the State be reimbursed for the overpayment of \$36.46.

We also noted there were no current deduction registers available nor were there any attendance records maintained by the employees. Chapter 21, Article 5c, Section 5 of the West Virginia Code states, "Every employer subject to the provisions of this article shall make or cause to be made, and shall keep and preserve at his place of business ... a written record or records of the name and address of each of his employees as herein defined, his rate of pay, hours of employment, payroll deductions, and amount paid him for each pay period." These records are necessary for verification of the types of deductions and as supporting documentation for the payroll and also for sick and annual leave records.

We recommend proper records be maintained as defined in the above section of the West Virginia Code.

Travel

During our test of travel, we noted on Transmittal No. 19 a registration fee of \$157.00 was charged. According to the records this fee was to include one lunch and three dinners; however, lunch and dinner were claimed for each day of the meeting, August 10-12, 1981. The total overclaimed amounted to \$24.31.

The Governor's Travel Regulations state, "Duplicate Reimbursements - No official or employee shall receive reimbursement for any expense actually incurred in instances in which such expenses have been paid or are to be paid by the State as part of a registration fee."

We recommend reimbursement for expenses incurred be requested in accordance with the Governor's Travel Regulations and the above overpayment of \$24.31 be recovered.

Equipment

During our audit of equipment, we noted the Board did not maintain any equipment inventory record nor was any office equipment tagged with State tag numbers. Also, no inventory list from the Department of Finance and Administration was available at the Board.

The Department of Finance and Administration Handbook of Purchasing Procedures, page 61 states, "... a tag identifying the property as owned by the State of West Virginia and a sequential number (State of WV xxxx) must be affixed to each piece of personal property." Also, on page 59, Registering Equipment states, "Equipment owned by the State must be tagged with the initials of the buying agency, the division where it is located and a number." Equipment Lost, Stolen and/or Damaged, page 59 of the Handbook of Purchasing Procedures states, "An annual inventory must be taken by all agencies. When the agency receives its computer read-out of equipment, they should check it against what they have."

We recommend the Board comply with the Department of Finance and Administration Handbook of Purchasing Procedures.

Report to Governor

The Board does not submit to the Governor a report on the transactions of the Board, including an accounting of all moneys received and disbursed.

The West Virginia Code, Chapter 30, Article 13, Section 5, paragraph (a) (9) states, "The board shall ... submit to the governor a report on the transactions of the board, including an accounting of all moneys received and

disbursed...."

We recommend the Board comply with the West Virginia Code, Chapter 30, Article 13, Section 5, as amended.

INTERNAL CONTROLS AND ACCOUNTING SYSTEM

As a part of our examination, we reviewed and tested the system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements.

Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal accounting control for the period July 1, 1973 through June 30, 1982, which was made for the purpose set forth in the first paragraph above, would not necessarily disclose all weaknesses in the system. However, such study and evaluation disclosed conditions that we believe to be weaknesses and are discussed as follows.

Index File Cards

We noted in our testing of receipts that three receipts were not properly posted to the individual index file cards. These file cards are used to determine the current status of all engineers registered with the Board and the date their registration expires or becomes delinquent. Failure to properly post receipts to these index file cards results in the incorrect dates of registration being shown on the index file cards. We also observed in our testing that seven individual's file cards could not be located.

Good internal control would include a plan that assures availability of all cards and the posting of each receipt to the individual file cards so as to properly show the payment of application, registration or renewal fees in order to determine proper registration date.

We recommend all receipts for applications, registrations and renewals be posted to the index file cards and the cards be held in appropriate files.

Sick and Annual Leave Records

During our test of annual leave records, we noted the Administrative

Assistant's annual leave was overstated by 1¼ days. This overstatement was caused by three posting errors to the leave records. We pointed out these errors and the balance was corrected.

The Board's sick leave records were in very poor condition. The records indicate only the date sick leave was taken and the balance is not carried. We believe the Board should maintain a more detailed record than described above. The agency could follow Section 16.14 of the West Virginia Civil Service System's Rules and Regulations which requires the agencies under civil service to maintain sick leave records showing month, days earned, date leave taken and leave balance.

We recommend the Board establish a better system for accounting for sick leave.

AUDITORS' OPINION

The Honorable Encil Bailey
Legislative Auditor
State Capitol - West Wing
Charleston, West Virginia

Sir:

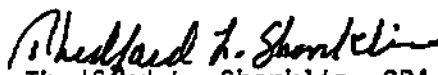
We have examined the statement of revenues, expenditures and changes in cash balance of the State Board of Registration for Professional Engineers for the years ended June 30, 1982 and June 30, 1981. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As more fully described in Note A, the Board's policy is to prepare its financial statement on the modified cash and cash basis of accounting. Accordingly, the financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the statement of revenues, expenditures and changes in cash balance of the State Board of Registration for Professional Engineers presents fairly the cash transactions for the years ended June 30, 1982 and June 30, 1981 on a basis consistent with the preceding year.

Our examination was made for the purpose of forming an opinion on the basic financial statement taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Respectfully submitted,



Theford L. Shanklin, CPA, Director
Legislative Postaudit Division

May 31, 1983

Auditors: James R. Blake, Supervisor-in-Charge
P. Michael McKown, Auditor-in-Charge
Sheila L. LeRoy

STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN CASH BALANCE
BUDGET AND ACTUAL

	<u>Year Ended June 30, 1982</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues	\$128,000.00	\$ 99,813.88	(\$ 28,186.12)
Expenditures:			
Personal Services	53,998.00	38,749.99	(15,248.01)
Current Expenses	71,502.00	47,182.99	(24,319.01)
Equipment	2,500.00	1,765.00	(735.00)
	<u>128,000.00</u>	<u>87,697.98</u>	<u>(40,302.02)</u>
Revenues Over Expenditures	-0-	12,115.90	(12,115.90)
Expirations	-0-	(8,402.02)	8,402.02
Beginning Balance	-0-	89,496.64	(89,496.64)
Ending Balance	<u>\$ -0-</u>	<u>\$ 93,210.52</u>	<u>(\$ 93,210.52)</u>

See Notes to Financial Statement

Year Ended June 30, 1981

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
\$ 97,000.00	\$ 89,020.05	(\$ 7,979.95)
48,690.00	32,741.02	(15,948.98)
48,310.00	48,079.07	(230.93)
-0-	4,171.25	4,171.25
<u>97,000.00</u>	<u>84,991.34</u>	<u>(12,008.66)</u>
-0-	4,028.71	(4,028.71)
-0-	(4,834.66)	4,834.66
<u>-0-</u>	<u>90,302.59</u>	<u>(90,302.59)</u>
<u>\$ -0-</u>	<u>\$ 84,496.64</u>	<u>(\$ 89,496.64)</u>

STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS

NOTES TO FINANCIAL STATEMENT

Note A - Accounting Method

Accounting Method: The modified cash basis of accounting is followed for the General Revenue Fund. The major modification from the cash basis is that a 30-day carry-over period is provided at the end of each fiscal year for the payment of obligations incurred in that year. The balances of the General Revenue appropriations for each fiscal year expire on the last day of such fiscal year and revert to the unappropriated surplus of the fund from which the appropriation was made, except that expenditures encumbered prior to the end of the fiscal year may be paid up to 30 days after the fiscal year-end.

Note B - Expirations

The Board operates from fees collected from the professional engineers practicing in the State. The West Virginia Legislature appropriates each year a ceiling on the amount of funds the Board may expend. The appropriations were \$128,000.00 and \$97,000.00 for fiscal years ending June 30, 1982 and June 30, 1981, respectively. The Board expired certain amounts of moneys transferred to the appropriated account calculated as follows:

	<u>Year Ended June 30,</u>	
	<u>1982</u>	<u>1981</u>
Amount Transferred to Appropriated Account	\$96,100.00	\$89,826.00
Amount Expended from Appropriated Account	<u>87,697.98</u>	<u>84,991.34</u>
Amount Expired	<u>\$ 8,402.02</u>	<u>\$ 4,834.66</u>

Note C - Pension Plan

All eligible employees are members of the West Virginia Public Employees' Retirement System. Employees' contributions are 4% percent of their annual compensation and employees are vested under certain circumstances. The State Board of Registration for Professional Engineers matches contributions at 9% percent of the annual compensation of the employees.

Contributions to the pension and retirement plan were as follows:

<u>June 30, 1982</u>	<u>June 30, 1981</u>
<u>\$3,071.37</u>	<u>\$2,460.63</u>

SUPPLEMENTAL INFORMATION

STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS

BANK RECONCILIATION

JUNE 30, 1982

Collection Account

Balance per Bank and Book

\$93,210.52

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Encil Bailey, Legislative Auditor, do hereby certify that the report of audit appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 8th day of May,
1984.

Encil Bailey

Encil Bailey, Legislative Auditor

Copy forwarded to the Commissioner of the Department of Finance and Administration to be filed as a public record. Copies forwarded to the State Board of Registration for Professional Engineers; Governor; Attorney General; and, State Auditor.