

An Audit Report on

The Board of Architectural Examiners: A Self-Directed, Semi- Independent Agency

June 2003

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The Board of Architectural Examiners: A Self-Directed, Semi-Independent Agency

Overall Conclusion

The Board of Architectural Examiners' (Board) annual financial report for fiscal year 2002 understated the amount owed to the State's General Revenue Fund by \$624,500. The State loaned these funds to the Board as start-up funds for the self-directed semi-independent agency pilot project. According to Senate Bill 736 (77th Legislature), this loan is to be repaid as funds are available. As of August 31, 2002, the Board had \$831,000 in cash from which the State's General Revenue Fund could have been repaid.

The error described above and other errors cause the Board's annual financial report to be materially inaccurate. In addition, the Board submitted materially inaccurate performance data to the Legislature in a report that is also required by the Self-Directed Semi-Independent Agency Project Act (Vernon's Texas Civil Statutes, Article 8930 [8]). These errors were significant enough to give users of both required reports an incorrect and incomplete understanding of the Board's finances and performance.

Background

The Board regulates registered architects, landscape architects, and interior designers. The Board issued 20,171 licenses in fiscal year 2002.

The Board is one of three agencies that come under the Self-Directed Semi-Independent Agency Project Act (Vernon's Texas Civil Statutes, Article 8930). This pilot program, which also involves the Board of Public Accountancy and the Board of Professional Engineers, removed these agencies from the State's appropriations process. Instead, these agencies establish their own budgets, which they have to support with the revenue they generate.

Unless legislation passes to continue the Self-Directed Semi-Independent Agency Project Act, the three agencies will return to the appropriations process on September 1, 2003. The 78th Legislature is considering bills to extend the pilot project for a length of time varying from 4 years to 12 years.

Summary of Information Technology Review

The Board's automated regulatory system has limitations that hinder its ability to provide pertinent, accurate information:

- It has a limited reporting capability that reduces the Board's ability to access and provide key information.
- It does not have the capacity to hold certain key data, which decreases agency efficiency.
- It does not interact with other Board applications, which creates inefficiencies and increases the likelihood of error.
- It is not designed with sufficient safeguards against entering erroneous data. For example, it is possible to enter data for a fictitious licensee using a current registrant's social security number.



Detailed Results

Chapter 1

The Board of Architectural Examiners Provided Inaccurate and Incomplete Information Regarding Its Finances and Performance

The Board of Architectural Examiners' (Board) annual financial report for fiscal year 2002 understated the amount owed to the State's General Revenue Fund by \$624,500. The State loaned these funds to the Board as start-up funds for the self-directed semi-independent (SDSI) agency pilot project. According to Senate Bill 736 (77th Legislature), this loan is to be repaid as funds are available. As of August 31, 2002, the Board had \$831,000¹ in cash from which the State's General Revenue Fund could have been repaid.

The error described above and other errors caused the Board's annual financial report to be materially inaccurate. The Board also submitted materially inaccurate performance data to the Legislature in a report that is required by the Self-Directed Semi-Independent Agency Project Act (Vernon's Texas Civil Statutes, Article 8930 [8]). These errors were significant enough to give users of both required reports an incorrect and incomplete understanding of the Board's finances and performance.

Chapter 1-A

The Board Provided Materially Inaccurate Financial Information in Its Annual Financial Report

The Board's annual financial report contained errors that were significant enough to give financial statement users an incorrect understanding of the Board's finances. The annual financial report incorrectly shows that most of the Board's \$1.3 million in cash was unobligated. However, the majority of this is money the Board must repay to the State or funds legally set aside for scholarships. As a result, financial statement users, including the Legislature, could make incorrect conclusions regarding the Board's finances if they rely on the annual financial report. The errors, which are shown in detail in Appendix 2, included the following:

- **Failure to Identify a Material Liability.** The Board did not accurately record a liability of \$624,500. Instead, the Board misreported these funds as Unrestricted, Undesignated Fund Balance on its balance sheet. Each of the SDSI agencies was appropriated one half its fiscal year 2001 appropriation. The Board received \$624,500, which is equal to 46 percent of its total assets. The Board has to repay this money to the General Revenue Fund as funds become available.
- **Failure to Reserve Scholarships Funds.** The Board recorded \$252,203 in funds legally reserved for scholarships as Unreserved, Undesignated Fund Balance

¹ Although the Board had a total of \$1.3 million in cash, only \$831,000 was available to repay the \$624,500 owed to the State's General Revenue Fund. The rest of the cash was either reserved or leveraged.

rather than as Reserved Fund Balance. A portion of the licensing fees collected by the Board is placed into a scholarship fund. This money is legally reserved for scholarships to be given to certification exam candidates.

- **Overstatement of Accounts Payable.** The Board overstated its accounts payable by \$74,641. The Board correctly reported \$74,641 as money encumbered to pay obligations that it incurred during fiscal year 2002. However, it also included these same obligations in Accounts Payable in the annual financial statement. Therefore, Accounts Payable were overstated by \$74,641.
- **Other/General Inaccuracies.**
 - ♦ The Board incorrectly reported its revenue of \$33,426 from interest and investment income as sales of goods and services, and it incorrectly reported revenue of \$3,268 from sales of goods and services as interest and investment income.
 - ♦ Assets in the Government Funds Total exceeded the sum of Liabilities and Fund Balances by \$1,855. Assets should equal the sum of Liabilities and Fund Balances.
 - ♦ Note 1 to the Financial Statements, Summary of Significant Accounting Policies, states that the Board has no Special Revenue Funds, when in fact almost all of the Board's funds and financial activities are accounted for in Special Revenue Funds.
 - ♦ Note 3 to the Financial Statements—Deposits, Investments & Repurchase Agreements—is incomplete. It states, "The bank balance of xxxx has been classified," when it should have listed the actual bank balance of \$37,941.

Recommendation

The Board should ensure that financial data in its annual financial report is materially correct. Specifically, the Board should:

- Institute a quality control process for preparing its financial statements. Board personnel should examine financial data before it is submitted to the contractor preparing the annual financial statements.
- Perform a quality control examination on the completed financial statements to detect and prevent errors.

Management's Response

TBAE agrees with the findings of the State Auditor and we appreciate the professional manner in which the audit has been conducted.

It is important to note that at all times the Board fully understood our fiscal circumstances, especially given that under SDSI we are able to spend money only as it becomes available. As the economy has continued to weaken, our revenue has

declined and we have been forced to make difficult decisions. Had we still been subject to the appropriations process we would have continued to spend as we had budgeted rather than adjusting to match actual revenue.

SDSI is a fledgling program and all of the terms are still being defined by the State.

During the time that our annual financial report was prepared, the Board was without a chief accountant and a quality control check was not performed. A further complication was the new reporting requirements under the SDSI program that neither the Comptroller's office nor the pilot agencies were familiar with reporting.

The auditor's review of the AFR has helped us identify ways in which we can improve our financial reporting. Specific strategies:

- *Our new chief accountant has identified and implemented control procedures and will incorporate the auditor's recommendations into future reporting.*
- *An internal review process will include the manager of communications and administration, as well as the executive director, to ensure that all information is reviewed carefully before it is reported.*

Chapter 1-B

Performance Data Provided by the Board Is Inaccurate and Incomplete

Performance data that the Board reported to the Legislature was materially inaccurate in one case and not prepared according to the measure definition in another case. The State Auditor's Office was unable to certify either of these measures because of these problems. In addition, the Board did not report data for three measures required by the Self-Directed Semi-Independent Agency Project Act (Vernon's Texas Civil Statutes, Title 132, Chapter 19, Article 8930). Specifically:

- The Board inaccurately reported that it had resolved 431 complaints in fiscal year 2002. The Board actually resolved 485 complaints in fiscal year 2002, 13 percent more than it reported. The measure is understated because the Board did not include complaints about businesses. The Board has not documented how its employees should collect performance measure data and calculate the results, which may have contributed to this error.
- The Board's procedures for preparing data for its performance measure Number of New Licenses Issued to Individuals do not ensure that the Board reports accurate results. The Board's procedures specify the use of a software query for preparing this performance measure; however, Board staff were unaware of this requirement and used a manual registration log by mistake. While the manual log resulted in the Board accurately reporting that it had issued 533 new individual licenses in fiscal year 2002, the Board cannot ensure the future accuracy of this reported measure. In addition, we found that the software query resulted in inaccurate data because of a data entry error. Due to the lack of an effective review process, the Board did not detect the calculation error or the data entry error.

- The Board did not report the following required performance measures in its report to the Legislature:
 - ♦ The number of examination candidates (1,987)
 - ♦ The number of opened enforcement cases (587)
 - ♦ The number of certificate holders (20,171 individuals, 1,382 firms)

Recommendation

The Board should ensure that it reports accurate and complete performance data. To improve its performance reporting, the Board should:

- Report all required performance measures.
- Ensure that procedures for producing the performance data are correct and current. Management should ensure that staff members preparing the data know and follow the procedures.
- Ensure that staff members use the most reliable data sources to prepare performance data.
- Institute a quality control process in which all performance data is checked prior to being reported.

Management's Response

We identify two issues that should be addressed in relation to the performance measures: reporting the right performance measures and reporting them accurately.

Reporting performance measures under SDSI was somewhat confusing in terms of which measures to continue to report. We were not sure whether we were required to (1) report performance measures to the Legislative Budget Board even though we were no longer subject to the appropriations process, or (2) submit the biennial report regarding the SDSI program to the legislature.

The auditor's evaluation has helped us determine that all performance measures should be reported, including the extra measures required by the SDSI act.

The second issue is the accuracy of the data collected. We see two ways to improve the collection of performance measure data: First, to improve the Board's automated systems, and second, to implement management review of all performance measures.

Replacing the data system will result in greater accuracy of data collection, and is our ultimate goal. Specific controls:

- *An internal review process of all performance measures will be conducted by communications and administration manager to ensure reporting accuracy.*

- *All legislative reports will be reviewed by a review team for accuracy and readability.*
- *We will review the cost and consider modifying the existing database to automatically report the performance measures.*
- *If a new automated data system is purchased, we will ensure that the data requested by the legislature can be captured and reported.*

Chapter 2

Limitations and Weaknesses in the Board's Regulatory Software Reduce Its Ability to Provide Accurate Information

The Board's automated regulatory system has limitations that hinder its ability to provide pertinent, accurate information:

- It has a limited reporting capability that reduces the Board's ability to access and provide key information.
- It does not have the capacity to hold certain key data, which decreases agency efficiency.
- It does not interact with other Board applications, which creates inefficiencies and increases the likelihood of error.
- It is not designed with sufficient safeguards against entering erroneous data.

Chapter 2-A

Limitations in the Regulatory Software's Usefulness Create Inefficiencies and Hamper the Board's Ability to Access and Provide Key Regulatory Information

The software applications that contain the Board's regulatory data lack the capacity to manage the information that the Board needs to monitor the professionals it regulates.

The regulatory system has a limited reporting capability, which reduces the Board's ability to provide key information to stakeholders.

- The Board has difficulty fulfilling some information requests from external groups and legislators due to reporting shortcomings within its regulatory systems. Stakeholders need this information in order to make sound decisions regarding the Board's performance. When fulfilling the request is possible, the Board may need to incur significant expense to its vendor to pay for the programming to extract the necessary data.
- The regulatory database's ability to extract historical data is limited. For example, one of the Board's performance measures addresses the number of new

licensees registered each quarter. According to management, the Board must print out the permanent registration list on the last day of the quarter and staff must manually count the number of new licensees.

The regulatory database does not have the capacity to hold certain key data, which decreases the Board's efficiency.

- Licensees' exam grades and information on their educational backgrounds are lost from the regulatory systems shortly after exam candidates earn their licenses, when their information is moved from the exam database to the registrant database. The Board states that it must frequently report this information to other states or national organizations, so the data must be maintained on paper or transferred to microfiche. The Board spent approximately \$10,000 to transfer data to microfiche in fiscal year 2002. Extracting information from microfiche or paper records is less efficient than downloading it from most automated systems.
- The database does not have fields for registrant/exam candidate phone numbers or e-mail addresses. Not having this information makes it difficult for the Board to contact the registrants or exam candidates when an enforcement action must be taken or to help the public contact registrants.

The regulatory databases do not interact with other Board applications, which creates inefficiencies and increases the likelihood of error.

- The lack of interaction between databases increases the risks that the Board will improperly register ineligible persons. According to management, there have been two instances in which improper registration has occurred in the last five years. The Board's databases for recording licensee information and for tracking enforcement actions are separate and do not interact. Therefore, Board staff do not receive an automated warning from the enforcement actions database in cases where persons sanctioned by the Board for illegally practicing Board-regulated professions subsequently apply for licenses. In addition, address changes in one system are not captured by the other, so staff must enter data twice.
- The regulatory databases do not interact with the Board's accounting application, which increases the risk of inaccuracy and decreases efficiency. For example, the Board documented a February 2003 incident in which a cash amount was entered incorrectly into the regulatory system, causing the system to show six interior designers as delinquent in paying registration fees. The accounting system correctly recorded receipt of the funds. The Board uses the regulatory system instead of the accounting system to identify delinquent license holders, and the systems do not interact. Therefore, Board staff caught the error only when the interior designers began to ask why they were receiving letters about being delinquent.

The Board paid its vendor \$77,000 in licensing fees to use these regulatory applications in fiscal year 2002.

Recommendation

The Board needs to ensure that it can access critical data in a timely manner and maximize efficiency through well-designed automated applications. The Board should investigate its options, including:

- Purchasing a regulatory system that meets its needs.
- Investigating system upgrades for its current system with its vendor.

Management's Response

For many years we have wanted to replace the licensing software system, which was created in 1989, but due to the expense of replacing the software have been unable to do so. While microfiche is not efficient, it is cheap and reliable. We have paid for upgrades to the current system over the past several years, but we prefer a complete replacement of the entire database. Our intention is to replace the automated system, possibly by leveraging open source code available through other state agencies and paying for reprogramming, as funds are available.

Chapter 2-B

The Board's Regulatory Software Is Not Designed to Have Sufficient Safeguards Against Entering Erroneous Data

Board applications lack safeguards to prevent the entry or inadvertent creation of incorrect information. Of 48 fields we tested in the licensing application, 39 (81 percent) had data entry edit weaknesses. For example:

- As part of an audit test of system security, Board staff successfully entered data for a fictitious licensee using a current registrant's social security number and a different name. The system should have been designed to reject the duplicate social security number.
- When fewer than nine digits are entered for a candidate's or registrant's social security number, the application inserts zeros at the beginning of the number rather than rejecting the data and requiring re-entry.
- The system frequently does not alert users through error messages that it has rejected data.

There is a risk of errors being introduced into the data because these basic safeguards are not in place. Due to the system's reporting weaknesses, which are discussed in Chapter 2-A, the Board could not readily provide system data for us to test in order to identify data errors. The Board would have had to pay its vendor \$4,200 to \$6,000 for the programming changes necessary to provide this data.

Recommendation

The Board needs to institute effective data entry controls to decrease the risk that key data is inaccurate. The Board should investigate its options, including:

- Purchasing a regulatory system that meets its needs.
- Investigating system upgrades for its current system with its vendor.

Management's Response

We currently have data entry and process controls in place to help minimize errors. Both will be reevaluated by the manager of communications and administration. We will also present our software vendor with a list of suggested changes and determine if we should invest in improving the existing data system.

It is our belief that the information system of an organization is the infrastructure that drives the agency's daily business. Our goal is to create a database that allows us to grow with technology, serve the needs of the public, and efficiently conduct the state's business. Given available technology and assuming we have funding, we believe that this goal is within reach.

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

Our audit objectives were:

- To verify the accuracy of certain key financial statement balances and the effectiveness of key financial controls at the Board of Architectural Examiners (Board).
- To verify the accuracy of certain key Board performance measures and the controls responsible for ensuring that they are accurate.

Scope

The scope of this audit included examining data submitted by the Board to the 78th Legislature to fulfill the requirements of Vernon's Texas Civil Statutes, Article 8930 (8), Self-Directed Semi-Independent Agency Project Act.

Methodology

We gained an understanding of the Board's overall control structure (control environment, control procedures, and accounting systems) to determine the extent of our audit plan. We tested internal controls and significant accounts as deemed necessary to determine the accuracy of financial data in the 2002 annual financial statement. In addition, we tested select performance data that the Board was required to include in its report to the Legislature and the internal controls in the system that produced that data.

Tests of significant account balances and classes of transactions included tests of detailed supporting transactions. For performance measures, we gained an understanding of the performance measure definitions and compared actual results with reported results. In addition, we performed analytic procedures, interviewed Board personnel, and reviewed the annual financial statements.

Project Information

Field work was conducted between March 2003 and May 2003. We conducted this audit in accordance with generally accepted government auditing standards. The following members of the State Auditor's staff conducted this audit:

- Greg Adams, CPA, CGFM, MPA (Project Manager)
- Victoria Harris (Assistant Project Manager)
- Bev Bavousett, CPA
- Fred Bednarski
- Lori Field
- Gary Leach, CQA, MBA
- Jennifer Lehman
- Anthony Patrick, MBA (Quality Control Reviewer)
- Nick Villalpando, CPA, MBA (Audit Manager)
- Frank N. Vito, CPA (Audit Director)

Adjusted Financial Statements**Statement of Net Assets as of August 31, 2002**

Account	Statement of Net Assets August 31, 2002	Total Adjustments to all Funds	Adjusted Statement of Net Assets August 31, 2002
Assets			
Current Assets			
Cash and Temporary Investments			
Cash on Hand	\$ 0	\$ 0	\$ 0
Cash in Bank	37,941	0	37,941
Cash in State Treasury	1,297,022	0	1,297,022
Interfund Receivables	0	29,813 ^a	29,813
Consumable Inventories	2,966	0	2,966
Total Current Assets	\$ 1,337,929	\$ 29,813	\$ 1,367,742
Non-current Assets			
Capital Assets:			
Non-Depreciable	\$ 0	\$ 0	\$ 0
Depreciable			
Furniture and Equipment	49,539	0	49,539
Accumulated Depreciation	(31,878)	(551) ^b	(32,429)
Total Non-Current Assets	\$ 17,661	\$ (551)	\$ 17,110
Total Assets	\$ 1,355,590	\$ 29,262	\$ 1,384,852
Liabilities and Fund Balance			
Current Liabilities			
Payables from			
Accounts Payable	\$ 155,856	\$ (74,641) ^c	\$ 81,215
Payroll Payable	95,298	0	95,298
Interfund Payable	0	0	0
Employees Compensable Leave	53,629	0	53,629
Interfund Payable - General Revenue Fund	0	0	0
Total Current Liabilities	\$ 304,783	\$ (74,641)	\$ 230,142
Non-Current Liabilities			
Employees Compensable Leave	\$ 30,503	\$ 0	\$ 30,503
Other Non-Current Liabilities	0	624,500 ^d	624,500
Total Non-Current Liabilities	\$ 30,503	\$ 624,500	\$ 655,003
Total Liabilities	\$ 335,286	\$ 549,859	\$ 885,145

Statement of Net Assets as of August 31, 2002

Account	Statement of Net Assets August 31, 2002	Total Adjustments to all Funds	Adjusted Statement of Net Assets August 31, 2002
Fund Financial Statement-Fund Balances			
Fund Balances (Deficits)			
Reserved			
Encumbrances	\$ 74,641	\$ 0	\$ 74,641
Imprest Accounts	0	0	-
Inventories	2,966	0	2,966
Other	0	252,203 ^e	252,203
Unreserved Designated			
Designated Other	0	213,793 ^f	213,793
Undesignated	1,011,024	(987,897) ^g	23,127
Total Fund Balance	\$ 1,088,631	\$ (521,901)	\$ 566,730
Total Liabilities and Fund Balance	\$ 1,423,917	\$ 27,958	\$ 1,451,875
Total Assets - (Liabilities + Fund Balance)	\$ (68,327)	\$ 1,304	\$ (67,023)
Total Assets - (Liabilities + Fund Balance + Total Net Assets)	\$ 1,855	\$ 1,855	\$ 0

Government-Wide Statement - Net Assets

Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 17,660	\$ (551) ^b	\$ 17,109
Convert from Fund Balances to Net Assets (CPA)			
Restricted	0	0	0
Unrestricted	(84,132)	0	(84,132)
Total Net Assets	\$ (66,472)	\$ (551)	\$ (67,023)

Explanation of Adjustments

^a The Board reported that it paid its statewide cost allocation plan fee of \$29,813 twice. Correcting this error requires these adjustments:

- Interfund Receivables increases by \$29,813.
- Unreserved, Undesignated Fund Balance increases by \$29,813 (see note g).
- Other Operating Expenditures on the Statement of Activities decreases by \$29,813. (See note i on the Statement of Activities.)

^b The Board understated Accumulated Depreciation for Furniture and Equipment by \$551, resulting in the following adjustments:

- Accumulated Depreciation for Furniture and Equipment increases by \$551.
- Invested in Capital Assets, Net of Related Debt decreases by \$551.
- Depreciation Expense on the Statement of Activities increases by \$551. (See note j on the Statement of Activities.)

^c The Board overstated Accounts Payable by \$74,641. The Board correctly reported \$74,641 as money encumbered to pay obligations that it incurred during fiscal year 2002. However, it also included these same obligations in Accounts Payable. Correcting this error requires two adjustments to the Statement of Net Assets: Accounts Payable decreases by the amount of the overstatement, and the Unreserved, Designated Other Fund Balance increases by the same amount (see note f).

^d The Board did not accurately record a liability of \$624,500. The Board misreported these funds as Unrestricted, Undesignated Fund Balance. Correcting this error requires two adjustments on the Statement of Net Assets: Other Non-Current Liabilities increases by the amount of the liability and Unreserved, Designated Other Fund Balance decreases by the same amount. (The Board originally recorded these funds in Undesignated Fund Balance; the Comptroller of Public Accounts subsequently transferred the entire amount recorded in Undesignated Fund Balance to Designated Other. See note f.)

^e The Board incorrectly recorded \$252,203 legally reserved for scholarships as Unreserved, Undesignated Fund Balance rather than as Reserved Fund Balance. Correcting this error requires two adjustments on the Statement of Net Assets: Unreserved, Undesignated Fund Balance decreases by the amount of the scholarships and Reserved Fund Balance increases by the same amount. (The Board originally recorded these funds in Undesignated Fund Balance; the Comptroller of Public Accounts subsequently transferred the entire amount recorded in Undesignated Fund Balance to Designated Other. See note f.)

Explanation of Adjustments

- ^f This increase of \$213,793 in the Unreserved, Designated Other Fund Balance is the sum of the following adjustments:
- An increase of \$74,641 discussed in note c.
 - A decrease of \$624,500 discussed in note d.
 - A decrease of \$252,203 discussed in note e.
 - An increase of \$1,015,855 resulting from the Comptroller of Public Accounts' transferring Special Revenue Fund Balances from Undesignated to Designated.
- ^g This decrease of \$987,897 in the Unreserved, Undesignated Fund Balance is the sum of three adjustments:
- An increase of \$29,813 discussed in note a.
 - A decrease of \$1,015,855 related to the transfer by the Comptroller of Public Accounts discussed in note f.
 - A decrease of \$1,855. The Board incorrectly reported this amount in its Governmental Funds Total, causing assets to exceed the sum of liabilities and fund balance.

Statement of Activities for the Fiscal Year Ended August 31, 2002

<u>Account</u>	<u>Statement of Activities August 31, 2002</u>	<u>Total Adjustments to All Funds</u>	<u>Adjusted Statement of Activities August 31, 2002</u>
<u>Revenues</u>			
Licenses, Fees, and Permits	\$ 3,117,523	\$ 0	\$ 3,117,523
Interest and Investment Income	3,268	(3,268) h	33,426
		33,426	
Sales of Goods and Services	33,426	(33,426) h	3,268
		3,268	
Other Revenues	(1,738)	0	(1,738)
Total Revenues	\$ 3,152,479	\$ 0	\$ 3,152,479
<u>Expenditures</u>			
Salaries and Wages	\$ 938,563	\$ 0	\$ 938,563
Payroll Related Costs	220,193	0	220,193
Professional Fees and Services	123,728	0	123,728
Travel	41,390	0	41,390
Materials and Supplies	106,214	0	106,214
Communications and Utilities	21,776	0	21,776
Repairs and Maintenance	18,272	0	18,272
Rentals and Leases	11,883	0	11,883
Printing and Reproduction	24,904	0	24,904
Other Operating Expenditures	689,769	(29,813) i	659,956
Capital Outlay	6,981	0	6,981
Depreciation Expense	8,024	551 j	8,575
Total Expenditures/Expenses	\$ 2,211,697	\$ (29,262)	\$ 2,182,435
Excess of Revenues over Expenditures	\$ 940,782	\$ 29,262	\$ 970,044
<u>Other Financing Sources (Uses)</u>			
Net Change in Reserve for Inventories	\$ 0	\$ 0	\$ 0
Operating Transfers In	5,364,618	0	5,364,618
Operating Transfers Out	(5,445,268)	0	(5,445,268)
Legislative Transfers Out	0	0	0
Total Other Financing Sources (Uses)	\$ (80,650)	\$ 0	\$ (80,650)
<u>Special Items</u>			
Extraordinary Items	\$ 0	\$ 0	\$ 0
Total Special Items	\$ 0	\$ 0	\$ 0
Net Change in Fund Balances/Net Assets	\$ 860,132	\$ 29,262	\$ 889,394

Statement of Activities for the Fiscal Year Ended August 31, 2002

Account	Statement of Activities	Total Adjustments	Adjusted Statement of Activities
Fund Balances, Beginning	\$ 846,472	\$ 0	\$ 846,472
Restatement	0	0	0
Fund Balances, September 1, 2001, as Restated	846,472	0	846,472
Appropriations Lapsed	(626,429)	0	(626,429)
Adjustments Affecting Fund Balance	0	(542,707) ^k	(542,707)
Fund Balances, August 31, 2002	\$ 1,080,175	\$ (513,445)	\$ 566,730

Government-Wide Statement - Net Assets

Net Assets Sept. 1, 2001, as Restated and Adjusted	\$ (59,870)	\$ 0	\$ (59,870)
Change in Net Assets	(6,602)	(551)	(7,153)
Net Assets August 31, 2002	\$ (66,472)	\$ (551)	\$ (67,023)

Explanation of Adjustments

^h The Board incorrectly transposed the amount reported for Interest and Investment Income with the amount reported for Sales of Goods and Services.

ⁱ The Board reported that it paid its statewide cost allocation plan fee of \$29,813 twice. To correct this error, Other Operating Expenditures decreases by the amount of the fee. On the Statement of Net Assets, Interfund Receivables and Unreserved, Undesignated Fund Balance each increase by the amount of the fee. (See note a on the Statement of Net Assets.)

^j The Board understated Accumulated Depreciation for Furniture and Equipment by \$551. Correcting the understatement causes Depreciation Expense to increase by the amount of the understatement. On the Statement of Net Assets, Accumulated Depreciation for Furniture and Equipment increases and Invested in Capital Assets, Net of Related Debt decreases by \$551. (See note b on the Statement of Net Assets.)

^k Adjustments Affecting Fund Balance include the following adjustments to the Fund Balance:

- An increase of \$74,641 discussed in note c on the Statement of Net Assets.
- A decrease of \$624,500 discussed in note d on the Statement of Net Assets.
- A decrease of \$1,855 that the Board incorrectly reported in its Governmental Funds Total Fund Balance.

(The transfer of \$1,015,855 from Undesignated to Designated Fund Balance and the misreported \$252,203 discussed in note e on the Statement of Net Assets are not part of the Adjustments Affecting Fund Balance because they occurred within the overall Fund Balance. In addition, the increase of \$29,813 to correct the overpayment of the statewide cost allocation plan fee is not listed here because it is already accounted for in the Statement of Activities in note i.)

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