



**DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF PROFESSIONAL REGISTRATION
MISSOURI BOARD FOR ARCHITECTS, PROFESSIONAL ENGINEERS,
AND PROFESSIONAL LAND SURVEYORS**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-98
September 26, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2001

The following problems were discovered as a result of an audit conducted by our office of the Department of Economic Development, Division of Professional Registration, Missouri Board for Architects, Professional Engineers, and Professional Land Surveyors.

The Missouri Board for Architects, Professional Engineers, and Professional Land Surveyors will need to very closely monitor its revenues and expenditures in fiscal year 2003 to avoid a cash flow shortage. The board has a biennial license renewal cycle, with the largest number of renewals in odd numbered years for engineers. Our audit noted that the amount that revenues exceed expenditures in the odd numbered years has not been sufficient to cover the amount that expenditures exceed revenues in the even numbered years.

During June 1998, the board proposed a fee increase including an emergency amendment. In August 1998, the board reduced the proposed renewal fee from \$80 to \$70 based upon the recommendation of the Division of Professional Registration's budget personnel and did not pursue the proposed emergency amendment based upon the recommendation of the Department of Economic Development's attorney. It appears that had the emergency amendment been allowed and the \$10 fee reduction not occurred, the cash position of the board's fund would have been significantly improved and further fee increases could have been avoided or at least delayed for several years.

Because the emergency amendment was not pursued and the proposed fee increase was reduced by \$10, the board again determined that funds would not be adequate and proposed another fee increase. This proposal increased renewal license fees from \$70 to \$100 and also increased other fees. Our office noted that the five-years of projected revenues used to calculate this fee increase did not include certain fees.

The in-house investigator does not review the contract investigator's billings for reasonableness. Investigations performed by consultants are much more costly than investigations performed by the board's employees. The board employs one investigator and contracts with one investigative firm. The investigative firm completes investigations that require both general investigative skills and specific expertise in the professions of architects, engineers, and land surveyors. For the year ended June 30, 2000, the board paid the firm \$95,515 for 3,039 hours or an average of \$31 per hour, while the cost of the in-house investigator was approximately \$24 per hour.

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YELLOW SHEET

DEPARTMENT OF ECONOMIC DEVELOPMENT
 DIVISION OF PROFESSIONAL REGISTRATION
 MISSOURI BOARD FOR ARCHITECTS, PROFESSIONAL ENGINEERS, AND
 PROFESSIONAL LAND SURVEYORS

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Joseph L. Driskill, Director
Department of Economic Development
and
Marilyn Williams, Director
Division of Professional Registration
and
Members of the Missouri Board for Architects,
Professional Engineers, and Professional Land Surveyors
Jefferson City, MO 65102

We have audited the Missouri Board for Architects, Professional Engineers, and Professional Land Surveyors. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2000 and 1999. The objectives of this audit were to:

1. Review compliance with certain constitutional provisions, statutes, and attorney general's opinions, as we deemed necessary or appropriate in the circumstances.
2. Review certain management practices.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we also examined the Board's financial and management records, made inquiries of Board employees, and examined other papers and documents as determined appropriate for the audit.

As part of our audit, we assessed the Board's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional

procedures, other information might have come to our attention that would have been included in this report.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the Board's management and was not subjected to the procedures applied in the audit of the Board.

The accompanying Management Advisory Report Section presents our findings arising from our audit of the Board.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill
State Auditor

May 7, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	John Blattel, CPA
In-Charge Auditor:	Joyce Nielson, CPA
Audit Staff:	Mark Rodabaugh

MANAGEMENT ADVISORY REPORT SECTION

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF PROFESSIONAL REGISTRATION
MISSOURI BOARD FOR ARCHITECTS, PROFESSIONAL ENGINEERS, AND
PROFESSIONAL LAND SURVEYORS
SUMMARY OF FINDINGS

1. Financial Condition (pages 6-8)

The Division of Professional Registration denied an emergency amendment and reduced a license fee increase by \$10 that significantly reduced the revenue of the Missouri Board for Architects, Professional Engineers, and Professional Land Surveyors (APELS). As a result, the APELS may encounter cash flow difficulties in the near future. Also, the five-years of projected revenues used to calculate a fee increase did not include certain fees or fees were included at inaccurate amounts.

2. Investigations (pages 8-11)

The investigators do not prepare a plan or estimate of time required to complete investigations. The number of APELS employees used to perform investigations is not sufficient to complete all investigations. The Board's contracts with expert witnesses do not establish separate billing rates for time spent consulting, traveling, and providing clerical services for the witness. As a result, the time spent on travel and clerical services are billed to APELS at a higher rate than may be necessary.

DEPARTMENT OF ECONOMIC DEVELOPMENT
 DIVISION OF PROFESSIONAL REGISTRATION
 MISSOURI BOARD FOR ARCHITECTS, PROFESSIONAL ENGINEERS, AND
 PROFESSIONAL LAND SURVEYORS
 MANAGEMENT ADVISORY REPORT-
 STATE AUDITOR'S FINDINGS

1.	Financial Condition
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If current trends continue, the Missouri Board for Architects, Professional Engineers, and Professional Land Surveyors (APELS) cash balance will decline further and could significantly effect board operations in early fiscal year 2003. Considering the current operations and projections, the APELS will need to very closely monitor its revenues and expenditures in fiscal year 2003 to avoid a cash flow shortage. The APELS receives most of its license fees during the months of November and December. The APELS has a biennial license renewal cycle, with the largest number of renewals in odd numbered years for engineers. The number of licensees is approximately 4,500 architects, 900 land surveyors, and 15,800 engineers. Because collections fluctuate widely each year, these collections must be managed or expended in a manner that will allow the APELS to cover expenditures on an ongoing basis. Our audit noted that the amount that revenues exceed expenditures in the odd numbered years has not been sufficient to cover the amount that expenditures exceed revenues in the even numbered years as shown below:

	Year Ended June 30,					July 2000 -
	1996	1997	1998	1999	2000	May 2001
Beginning balance \$	1,046,371	779,075	924,704	383,545	422,933	191,486
Revenues	550,426	1,019,967	532,476	1,093,343	760,234	1,353,377
Expenditures	503,622	634,679	703,310	675,795	673,944	585,362
Transfers	314,100	239,659	370,325	378,160	317,737	376,680
Ending balance \$	779,075	924,704	383,545	422,933	191,486	582,821

A. During June 1998, APELS proposed a fee increase including an emergency amendment. As documented in the August 1998 board minutes, the Board proposed to increase the renewal fee from \$60 to \$80 but then reduced the proposed renewal fee from \$80 to \$70 based upon the recommendation of the Division of Professional Registration's (DPR) budget personnel. In addition, the Board, as documented in its minutes, did not pursue the proposed emergency amendment based upon the recommendation of the Department of Economic Development's attorney. Other than the board minutes, there was no other documentation to explain the reasons for the fee reduction and the dropping of the emergency amendment.

The fee increase was filed on October 1, 1998, and became effective May 30, 1999, which caused the fee increase to take effect one year later than would have occurred if the emergency provision had not been dropped, thereby reducing potential revenues. It appears that had the emergency amendment been pursued and the \$10 fee reduction not occurred, the cash position of the Board's fund would have been significantly improved and further fee increases could have been avoided or at least delayed for several years. The following table indicates the effects on revenue had the additional \$10 fee increase and emergency amendment been approved:

	Year Ended June 30,						
	1999	2000	2001	2002	2003	2004	2005
Beginning balance \$	412,769	640,617	417,962	739,506	347,941	647,006	226,160
Revenues	1,251,343	814,234	1,515,095	830,560	1,529,290	842,935	1,547,766
Expenditures	663,153	692,686	814,064	828,300	843,248	858,942	875,422
Transfers	360,342	344,203	379,487	393,825	386,977	404,839	427,094
Ending balance \$	<u>640,617</u>	<u>417,962</u>	<u>739,506</u>	<u>347,941</u>	<u>647,006</u>	<u>226,160</u>	<u>471,410</u>

Because the emergency amendment was not pursued and the proposed fee increase was reduced by \$10, the APELS again determined that funds would not be adequate and proposed another fee increase that was filed November 21, 2000, and became effective May 30, 2001. This proposal increased renewal license fees from \$70 to \$100 and also increased most other fees.

- B. We noted that the five-years of projected revenues used to calculate the fee increases did not include certain fees, including the land surveyor Missouri specific reexamination fee for fiscal years 2001, 2002, 2004, and 2005, and the out-of-state proctor fee for fiscal years 2001, 2004, and 2005. In addition, certain fees were included at inaccurate amounts, including the architect application fee, engineer-in-training and land surveyor-in-training application fees for the fiscal years 2002, 2004, and 2005, and the corporate renewal fee for the fiscal years 2002 and 2004. These errors resulted in a decrease in projected revenues of \$9,210; \$940; \$7,565; and \$7,515 for fiscal years 2002, 2003, 2004, and 2005, respectively. To ensure fee increases are sufficient, APELS must use accurate fee amounts in projecting revenues for the fee increases.

To ensure sufficient cash is on-hand to pay bills, the APELS must make accurate revenue projections. This is particularly important in the first few months of fiscal year 2003 when the projected cash balance taking into effect the changes discussed above, is expected to be less than \$80,000. This estimated balance does not include any unforeseen expenditures or transfers that could cause additional decreases in the fund's projected cash balance.

WE RECOMMEND:

- A. The DPR fully document its decisions regarding board fee increase requests and ensure all of these decisions are based on complete and accurate financial analyses.
- B. The APELS closely monitor the revenues, expenditures, and cash balance of its fund and prepare accurate and timely projections to ensure an adequate cash balance is maintained.

AUDITEE'S RESPONSE

A. *Division Response:*

The Division of Professional Registration concurs with the recommendation and has implemented improvements in this area.

Board Response:

The Missouri Board for Architects, Professional Engineers and Professional Land Surveyors (Board) concurs with the recommendation of the State Auditor and has been advised that the Division of Professional Registration has already implemented improvements in this area.

B. *Board Response:*

The Board concurs with the recommendation of the State Auditor. There is cause to review the need for accurate revenue projections; therefore, the Board is studying and developing a new procedure for monitoring the revenues, expenditures, and cash balance of its fund and will certainly be looking to arrive at a procedure which will be accurate and timely as well as one that will ensure the reporting of consistent statistics so that an adequate cash balance is maintained.

2. Investigations

The Missouri Board for Architects, Professional Engineers and Professional Land Surveyors (APELS) had 101 investigations in process on January 1, 2000, and received 63 additional complaints during the year ended December 31, 2000, on which investigations must be completed within three years. These investigations are performed by using both staff investigators of the APELS and contracted investigative services. Our review of the investigation processes noted the following:

- A. A written plan for investigating a case or an estimate of the time required to complete the investigation is not prepared. In addition, the APELS has not reviewed the procedures used for investigations and the in-house investigator does

not review the contract investigator's billings for reasonableness. Once the APELS has assigned a case to an investigator, the APELS has little involvement with the case. The investigators do give verbal interim reports on investigations in process at the quarterly board meetings.

To ensure investigations are completed timely and to allow the APELS to manage its expenditures, the investigators should submit a plan and an estimate of the time required to complete an investigation to the APELS for their approval before the investigator begins work on the case. An alternative would be for the APELS to establish time estimates for completing investigations by type of case. Then the APELS could require the investigators to inform the APELS when an investigation cannot be completed within the established time estimates. In addition, the in-house investigator should review the contractor's billings for reasonableness.

- B. Investigations performed by consultants are much more costly than investigations performed by APELS employees. The APELS employs one investigator. In addition, the APELS contracts with one investigative firm that has several investigators who work on APELS cases. The investigative firm completes investigations that require both general investigative skills and specific expertise in the professions of architects, engineers, and land surveyors.

For the year ended June 30, 2000, the APELS paid the investigative firm \$95,515 for 3,039 hours, or an average of more than \$31 per hour. A significant number of these hours were for general investigative work. For the year ended June 30, 2000, the cost of the in-house investigator was approximately \$24 per hour.

The APELS could easily employ an additional investigator. With an additional investigator, the APELS would save approximately \$16,000 per year in investigative costs. The APELS should continually evaluate the number of employees necessary to complete the investigations and employ additional investigators if needed in future years.

- C. The APELS contracts with expert witnesses for investigations at one rate for all of the witness's time, including time spent consulting, traveling, and providing clerical services. The APELS incurred approximately \$69,000 in expert witness fees during the year ended June 30, 2000. The Division of Professional Registration (DPR) generally uses a request for proposal (RFP) form for investigative services that requires separate billing rates for time spent investigating, traveling, and providing clerical services. Investigation time is usually billed at a higher rate than travel and clerical services. The APELS should use a form similar to the DPR's RFP form so the billing rates of the expert witness reflect the level of expertise required for the task being performed.

WE RECOMMEND the APELS:

- A. Require its investigators to submit a plan and an estimate of the time required to complete an investigation to the APELS for its approval before the investigator begins work on the case. As an alternative, the APELS could establish time estimates to complete investigations by type of case and require investigators to inform the APELS when an investigation cannot be completed within the established time estimate. In addition, the APELS should review procedures being used by investigators for appropriateness and to monitor investigative costs. Furthermore, the in-house investigator should review the contractor's billings for reasonableness.
- B. Request, through the budget process, an additional employee for an investigator position to reduce the number of investigations that must be performed by consultants.
- C. Use the DPR's RFP form to establish billing rates for expert witnesses that reflect the level of expertise required for the task being performed.

AUDITEE'S RESPONSE

The Board provided the following responses:

- A. *In compliance with the State Auditor's recommendation, if and when contract investigative services are utilized, the Board's investigator will be responsible for monitoring the contract investigator's activities and billable hours by requiring the submission of a written plan which is to include an estimate of the time required to complete the investigation. In addition, he will also be responsible for reviewing the contract investigator's invoices for propriety and reasonableness. Any identified problems are to be properly documented before presenting invoices to the Executive Director for review and approval.*
- B. *We concur in principle with the State Auditor's conclusion that by requesting an additional in-house investigator position the number of investigations that are referred to the contract investigators will be reduced. However, at this particular point in time, the caseload is such that the Board's current investigator is able to handle it with limited assistance from the contract investigators; therefore, the hiring of an additional investigator is not warranted. If this situation should change at some future date, this issue will then be revisited. However, given the complexity of some of the Board's cases, the Board needs to retain the ability and avenue of using contract investigators who have specialized knowledge and skills in the areas of land surveying, architecture and engineering.*
- C. *The Board concurs with the State Auditor's recommendation and has already implemented a procedure to ensure that billing rates for expert witnesses are broken*

down showing time spent consulting, traveling, and providing clerical services so as to actually reflect the level of expertise required for the task being performed.

This report is intended for the information of the management of the Department of Economic Development, Division of Professional Registration, Missouri Board for Architects, Professional Engineers, and Professional Land Surveyors. However, this report is a matter of public record and its distribution is not limited.

STATISTICAL SECTION

History, Organization, and
Statistical Information

DEPARTMENT OF ECONOMIC DEVELOPMENT
 DIVISION OF PROFESSIONAL REGISTRATION
 MISSOURI BOARD FOR ARCHITECTS, PROFESSIONAL ENGINEERS, AND
 PROFESSIONAL LAND SURVEYORS
 HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Missouri Board for Architects, Professional Engineers, and Professional Land Surveyors was originally created by the legislature as the State Board of Registration for Architects and Professional Engineers. In 1955, the Sixty-Eighth General Assembly placed registration of land surveyors under the Board's jurisdiction. The Board was transferred to the Division of Professional Registration under the Omnibus State Reorganization Act of 1974.

The Board determines the ability of applicants to practice architecture, engineering, or surveying. The Board also registers and regulates the members of the profession. Currently, the Board has issued the following licenses: architects - 4,519; professional engineers - 15,787; and professional land surveyors - 912.

The Board consists of eleven members, including one voting public member, each nominated by the director of Department of Economic Development, and appointed by the governor, with the advice and consent of the Senate, for a four-year term.

Members of the Board must have been residents of Missouri for at least five years and, except for the public member, must be licensed under this board in accordance with the Missouri law. The Board members must have been actively engaged in their respective profession for ten consecutive years immediately prior to their appointment. The Board members at June 30, 2000, were:

<u>Member</u>	<u>Term Expires</u>
Paul Munger, Chairman of the Board	October 3, 2001
Mary L. Butts Bruntrager, Public Member	August 16, 2002
Architectural Division:	
Victoria L. Noteis, Chairman	September 1, 2000*
Stuart S. Scroggs, Member	October 3, 2001
Charles C. Hill, Member	August 28, 2003
Professional Engineering Division:	
Donald L. Hiatte, Chairman	December 13, 2001
Josephine L. Emerick, Member	September 1, 2000*
Cheri J. Leigh, Member	September 28, 2003
Professional Land Surveying Division:	
James S. Anderson, Chairman	September 28, 2001
Richard J. Barr, Member	September 28, 2000*
Thomas J. Mathis, III, Member	September 28, 2002

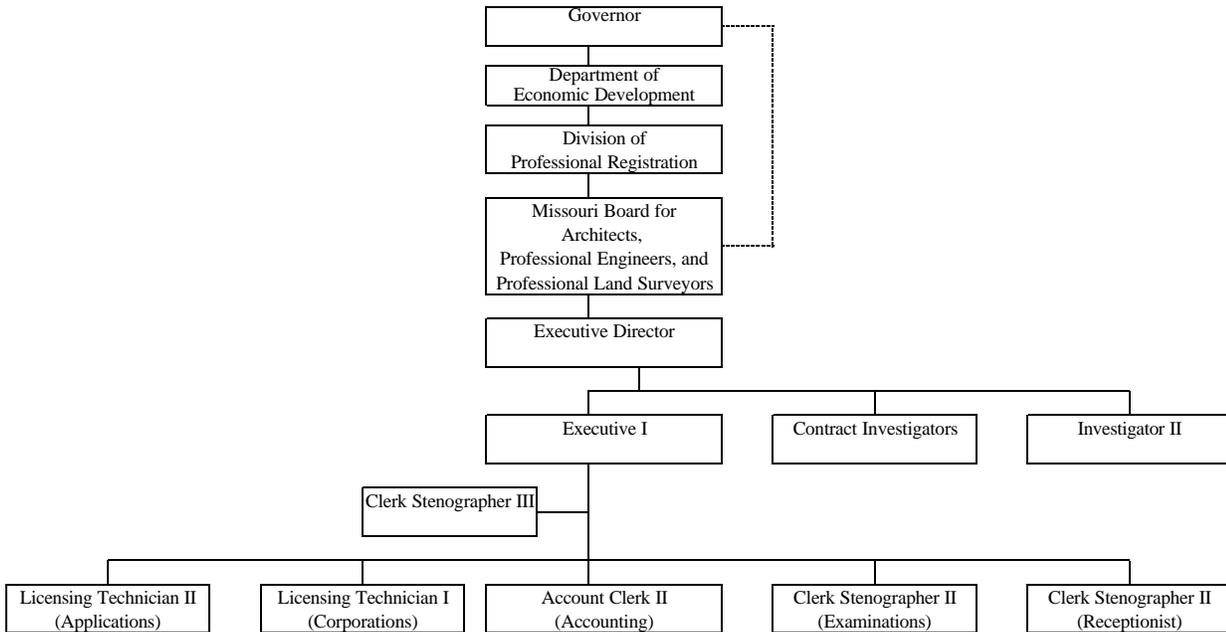
* Full member until a replacement is appointed.

Other Board members between July 1, 1998, and June 30, 2000, were Karl A. Grice, Gerard J. Harms, Sharon L. Thomas, and Robert G. Wade.

Board members receive a \$50 per diem compensation and expenses while performing their duties. The Board appoints an executive director to perform the administrative duties of the Board. Brenda Crain served as Executive Director until she retired on May 1, 2000. C. Michael Perry served as Acting Executive Director from May 1, 2000, through June 15, 2000. Milton F. Barr served as Executive Director from June 15, 2000, until he resigned on February 6, 2001. Judy Kempker served as Acting Executive Director from February 6, 2001, through May 4, 2001 when she was appointed as the Executive Director. The Board has eight full-time employees.

An organization chart follows.

DEPARTMENT OF ECONOMIC DEVELOPMENT
 DIVISION OF PROFESSIONAL REGISTRATION
 MISSOURI BOARD FOR ARCHITECTS, PROFESSIONAL ENGINEERS, AND PROFESSIONAL LAND SURVEYORS
 ORGANIZATION CHART
 JUNE 30, 2000



APPENDIX

DEPARTMENT OF ECONOMIC DEVELOPMENT
 DIVISION OF PROFESSIONAL REGISTRATION
 MISSOURI BOARD FOR ARCHITECTS, PROFESSIONAL ENGINEERS, AND PROFESSIONAL LAND SURVEYORS FUND
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN CASH AND INVESTMENTS
 FIVE YEARS ENDED JUNE 30, 2000

	Year Ended June 30,				
	2000	1999	1998	1997	1996
Revenue	\$ 760,234	1,093,343	532,476	1,019,967	550,426
Board controlled expenditures					
Personal service	238,468	222,495	205,709	189,411	187,268
Per diem	3,913	21,438	26,253	31,151	22,809
Expense and equipment	431,563	431,862	471,348	414,117	293,545
Total expenditures	673,944	675,795	703,310	634,679	503,622
Board related transfers					
Rent	25,198	23,842	23,011	23,225	22,956
Utilities	0	0	1,514	5,458	5,728
Workers compensation fund	0	142	609	2,854	0
Hancock refunds	13,754	47,055	48,637	0	0
General revenue	82,120	95,583	148,424	65,553	108,616
Fringe benefits	66,611	66,748	57,038	54,654	53,409
Refunds	2,410	2,266	0	0	0
Division transfers					
Professional registration	96,543	66,238	64,218	66,082	86,846
Optical imaging	1,402	0	0	0	0
Licensing system	1,322	36,394	0	0	0
Department transfers					
Administration/MIS/QED/mailroom	28,377	39,892	26,874	21,833	36,545
Total transfers	317,737	378,160	370,325	239,659	314,100
Total expenditures and transfers	991,681	1,053,955	1,073,635	874,338	817,722
Revenues over (under) expenditures and transfers	(231,447)	39,388	(541,159)	145,629	(267,296)
Cash and Investments, July 1	422,933	383,545	924,704	779,075	1,046,371
Cash and Investments, June 30	\$ 191,486	422,933	383,545	924,704	779,075

* * * * *