

Report No. 2009-31

December 2009



Kate Brown, Secretary of State  
Gary Blackmer, Director, Audits Division

# Secretary of State Audit Report

State of Oregon

**Board of Optometry**

A Semi-Independent Agency

For the Biennium Ended June 30, 2009

Contract Auditor: Moss Adams LLP

**STATE OF OREGON**  
**BOARD OF OPTOMETRY**  
**INDEPENDENT AUDITOR'S REPORT**  
  
**AND**  
  
**FINANCIAL STATEMENTS**  
**(With Supplemental Information)**  
  
**FOR THE BIENNIUM ENDED**  
  
**JUNE 30, 2009**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners  
Oregon Board of Optometry

We have audited the accompanying financial statements of the governmental activities and the general fund of the Oregon Board of Optometry (Board), a semi-independent agency of the State of Oregon, as of and for the biennium ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Oregon Board of Optometry's management. Our responsibility is to express opinions 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal controls over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position and changes in financial position of the governmental activities and the general fund of the Oregon Board of Optometry, as of June 30, 2009, and for the biennium then ended in conformity with accounting principles generally accepted in the United States of America.

The Oregon Board of Optometry has not presented *Management's discussion and analysis* (MD&A) that accounting principles accepted in the United States of America have determined necessary to supplement, but are not required, to be part of the basic financial statements. The budgetary comparison information on page 12 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2009, on our consideration of the Oregon Board of Optometry's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be considered in assessing the results of our audit. That report is separately presented in the Other Reports section as listed in the table of contents.



Eugene, Oregon  
December 17, 2009

**OREGON BOARD OF OPTOMETRY**  
**(A Semi-Independent Agency of the State of Oregon)**  
**GENERAL FUND - BALANCE SHEET**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Assets</u>
<b>ASSETS:</b>			
Cash	\$ 54,133	\$ -	\$ 54,133
Investments	173,638	-	173,638
	<u>227,771</u>	<u>-</u>	<u>227,771</u>
Total assets	<u>\$ 227,771</u>	<u>\$ -</u>	<u>\$ 227,771</u>
<b>LIABILITIES</b>			
Accounts payable	2,480	-	2,480
Compensated absences	-	24,069	24,069
	<u>2,480</u>	<u>24,069</u>	<u>26,549</u>
Total liabilities	<u>2,480</u>	<u>24,069</u>	<u>26,549</u>
<b>FUND BALANCE</b>			
Unreserved	215,415	(215,415)	-
	<u>215,415</u>	<u>(215,415)</u>	<u>-</u>
Total fund balance	<u>215,415</u>	<u>(215,415)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 217,895</u>		
<b>NET ASSETS</b>			
Unrestricted		27,584	27,584
		<u>27,584</u>	<u>27,584</u>
Total net assets		<u>\$ 27,584</u>	<u>\$ 27,584</u>

**OREGON BOARD OF OPTOMETRY**  
**(A Semi-Independent Agency of the State of Oregon)**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE BIENNIUM ENDED JUNE 30, 2009**

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	<b>General Fund</b>	<b>Adjustments (Note 3)</b>	<b>Statement of Activities</b>
<b>REVENUES</b>			
Licenses and fees	\$ 609,470	\$ -	\$ 609,470
Civil penalties	9,945	-	9,945
Interest income	511	-	511
Miscellaneous	13,637	-	13,637
	<u>633,562</u>	<u>-</u>	<u>633,562</u>
<b>EXPENDITURES / EXPENSES</b>			
Personal service	484,675	(4,062)	480,613
Service and supplies	126,106	-	126,106
	<u>610,781</u>	<u>(4,062)</u>	<u>606,719</u>
Total expenditures / expenses	<u>610,781</u>	<u>(4,062)</u>	<u>606,719</u>
Excess of revenues over expenditures	<u>22,781</u>	<u>(4,062)</u>	<u>26,843</u>
<b>OTHER FINANCING SOURCES</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE/NET ASSETS</b>			
Fund balance /Net assets - June 30, 2007	192,634	18,255	174,379
Fund balance /Net assets - June 30, 2009	<u>\$ 215,415</u>	<u>\$ 14,193</u>	<u>\$ 201,222</u>

**OREGON BOARD OF OPTOMETRY**  
**(A Semi-Independent Agency of the State of Oregon)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE BIENNIUM ENDED JUNE 30, 2009**

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**NOTE 1 - NATURE OF THE ORGANIZATION**

The Board's mission is to protect the people of the State of Oregon from the dangers of unqualified and improper practice of optometry. The Board prescribes qualifications for the practice of optometry, setting standards for the examination of applicants for licensure and certification, continuing education, and enforcement of the laws and regulations governing the practice. The Board issues licenses to those who qualify, and has the authority to revoke licenses, and assess civil penalties against unlicensed individuals practicing optometry without authority, and against those licensed professionals practicing improperly.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity** - The Oregon Board of Optometry (Board) is a semi-independent agency of the State of Oregon. The Board was created in 1905 and operates under Oregon Revised Statutes (ORS) Chapter 683. The Board consists of five members appointed by the governor for three-year terms. Four members are licensed doctors of optometry, and the fifth member is a public citizen representing health consumers. The Board examines applicants for licensure and imposes disciplinary proceedings against those who violate statutes. The Board also makes rules and enforces professional standards for the practice of optometry in Oregon.

Pursuant to Oregon Senate Bill 1127 adopted in 1999, the Board was granted semi-independent status by the Legislature. The Oregon Board of Optometry is subject to the provisions of ORS 182.456 through ORS 182.472.

**Basis of presentation** - The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to government entities. The accounts of the Board are organized on the basis of a governmental fund. Revenues are from license fees, service fees, civil penalties and interest income.

The Board presents both governmental fund financial statements and government-wide financial statements which report on separate measurement focuses. Due to these differences, certain adjustments are necessary to reconcile between governmental fund financial statement and the government-wide statements. Those adjustments are described in Note 3.

**Government-wide Statements** - The statement of net assets and the statement of activities display information about the Board as a whole. These statements include all the financial activities of the Board. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**OREGON BOARD OF OPTOMETRY**  
**(A Semi-Independent Agency of the State of Oregon)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE BIENNIUM ENDED JUNE 30, 2009**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund balance** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated for a specific future use. Fund balance reported as of June 30, 2009 was unreserved.

**Net assets** - Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Board or through external restriction imposed by creditors, grantors, laws, or regulation of other governments. Net assets as of June 30, 2009 were unrestricted.

**Governmental fund financial statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available except for license fees which are recognized when received. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term compensated absences are recorded only when payment is due.

**Budget** - The Board is required to adopt budgets on a biennial basis. The Board may adopt or modify a budget only after holding a public hearing and must give notice of budget hearings to all licensees and interested parties.

Unlike most budgets in state government where the agency budgets are enacted into law by the Legislature, the Board's budget is not subject to review and approval by the Legislature or to future modification by the Legislature or the Emergency Board. For this reason, the budgets adopted by the Board are considered to be non-appropriated budgets. The budgetary statement included herein compares the total of annualized non-appropriated budgets for fiscal years ending 2008 and 2009 to actual expenditures for the two years ended June 30, 2009.

**Cash and cash equivalents** - Cash includes cash on hand and demand deposits.

**Investments** - Investments are certificates of deposits.

**Supplies** - Supplies are charged as expenditures when purchased.

**Compensated Absences** - Full-time, permanent employees are granted paid time off benefits of varying amounts to specified maximums depending on tenure with the Board. An annual fiscal year-end analysis and subsequent general ledger journal entry is booked to maintain a relevant accrual liability for compensated absence that have been earned but not yet taken.

**Equipment** - Equipment with a cost of more than \$5,000 is depreciated over its useful life. Currently, the Board does not have any equipment with a cost basis greater than \$5,000.

**OREGON BOARD OF OPTOMETRY**  
**(A Semi-Independent Agency of the State of Oregon)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE BIENNIUM ENDED JUNE 30, 2009**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Civil penalties* - The Board is authorized under state laws to impose civil penalties to enforce certain provisions and professional standards. Civil penalties are recognized upon board motion to impose disciplinary action.

*Use of estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions which affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

*Reconciliation of government-wide and fund financial statements* - The governmental fund balance sheet includes reconciliation between the fund balance and net assets as reported in the government wide statement of net assets for the following:

Long-term liabilities are not due and payable in the current period and therefore are not reported in governmental funds:	\$ 24,069
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The governmental fund statement of revenues, expenditures, and changes in fund balance includes reconciliation between the government-wide statement of activities for the following:

Change in compensated absences	\$ (4,062)
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**NOTE 4 - CASH AND INVESTMENTS**

*Interest rate risk* - The Board currently does not have a formal investment policy that limits investments as a means of managing its exposure to fluctuating interest rates. However, the Board approves all investments on an individual basis and has invested in certificates of deposit in order to reduce interest rate risk as once the investment is made, the interest rate does not change.

**OREGON BOARD OF OPTOMETRY**  
**(A Semi-Independent Agency of the State of Oregon)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE BIENNIUM ENDED JUNE 30, 2009**

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**NOTE 4 - CASH AND INVESTMENTS (Continued)**

*Credit risk* - State statutes authorize the Oregon Board of Optometry to invest in general obligations of the U.S. Government and its agencies, certain debt obligations of Oregon, California, Washington, and Idaho, bank repurchase agreements, bankers' acceptances, and certain corporate debt obligations, among others.

*Concentration of credit risk* - All investments of the Board shall be made in accordance with Oregon Revised Statutes: ORS 294.035 (Investment of surplus funds of political subdivisions; approved investments), ORS 294.040 (Restriction on investments under ORS 294.035), ORS 294.135 (Investment maturity dates), and ORS 294.145 (Prohibited conduct for custodial officer). Any revisions or extensions of these sections of the ORS shall be assumed to be part of this investment policy immediately upon being enacted.

*Custodial credit risk - deposits* - HB 2901, which passed during the 2007 legislative session, significantly revised ORS 295 (Depositories of Public Funds and Securities) which governs the collateralization of public funds deposits. The changes streamline the collateralization process and eliminate the need to request and maintain Certificates of Participation (COP's). The Bill created a shared liability structure of the qualified depositories.

Under the new law, government entities no longer have to request the issuance of a COP for balances over the \$100,000 FDIC insured amount when using a qualified depository. Government entities only need to verify that the bank they use as a depository appears on the list of qualified depositories with the State Treasurers Department.

The Oregon Board of Optometry's funds depository institution is U.S Bank National Association. The U.S. Bank National Association does appear on the State Treasurer Department's list of qualified depositors.

**NOTE 5 - DEFINED BENEFIT PENSION PLAN**

*Public Employees Retirement System (PERS)* - PERS plan members also participate in a cost-sharing multiple-employer defined benefit pension plan. The Board is required by statute to contribute actuarially computed amounts as determined by the PERS Board. The rates are subject to change as a result of subsequent actuarial valuations. During the two year biennium period ending June 30, 2009, the Board contributed 5.03% of covered salary.

*Oregon Public Service Retirement Plan (OPSRP)* - OPSRP is a cost-sharing multiple-employer defined benefit and defined contribution pension plan created by the Oregon Legislative Assembly in 2003 as a successor plan for PERS.

**OREGON BOARD OF OPTOMETRY**  
**(A Semi-Independent Agency of the State of Oregon)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE BIENNIUM ENDED JUNE 30, 2009**

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**NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)**

- The defined benefit pension plan is provided to members who were hired on or after August 29, 2003. Employer contributions are required by state statute and are made at actuarially determined rates as adopted by the PERB. The annual required contribution rates for the OPSRP defined benefit pension plan was 7.74% for general service employees as of July 1, 2007.
- The defined contribution pension plan (called the Individual Account Program or IAP) is provided to all members or their beneficiaries who are PERS or OPSRP eligible. State statutes require covered employees to contribute 6% of their annual covered salary to the IAP plan effective January 1, 2004. PERS members retain their existing PERS accounts; however, member contributions have been deposited in the member's IAP since the beginning of 2004 rather than into the member's PERS account.

*Actuarial assumptions* - Required contributions are determined using the projected unit credit actuarial cost method. Under this method, the Tier 1/Tier 2 regular UAL and Retiree Healthcare UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed 20-year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 years from the odd-year valuation in which they are first recognized. Amortization of a change in Tier 1/Tier 2 UAL and Retiree Healthcare UAL due to a change in the actuarial cost method is amortized as a level percentage of combined valuation over a rolling three-year period. Contributions are credited toward the payment of this change in UAL beginning July 1, 2007. For OPSRP UAL, amortization for gains and losses between odd-year valuations are amortized as a level percentage of combined payroll over 16 years from the odd-year valuation in which they are first recognized. The actuarial value of OPERS assets is reported at fair market value. In order to reduce year-to-year volatility in contribution requirements due to changes in asset value, new contribution rates are confined to a collar based on the prior contribution rate. New contribution rates will not increase or decrease by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage drops below 80% or increases above 120%, the size of the collar doubles.

Annual pension cost - Contributions actually made are equivalent the annual pension cost. The Board's contributions were equal to the annually required contributions. The following table presents three-year information related to funding of the Board's defined benefit pension plans:

	2007	2008	2009
Board contribution rates	5%	5%	5%
Employee contribution paid by Board	6%	6%	6%
Payroll covered by PERS	\$ 140,112	\$ 154,211	\$ 167,361
Annual pension cost and bond assessment	20,867	23,335	21,060
Net pension obligation	-	-	-

**OREGON BOARD OF OPTOMETRY**  
**(A Semi-Independent Agency of the State of Oregon)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE BIENNIUM ENDED JUNE 30, 2009**

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**NOTE 6 - OTHER POSTEMPLOYMENT BENEFIT PLANS**

The Board's employees may be eligible to participate in health insurance plans and other benefit plans after retirement, collectively known as Other Postemployment Benefit Plans (OPEB). OPEB plans are offered through the Public Employees Retirement System (PERS) as established by Oregon Revised Statutes (ORS) 238.410 and the Public Employees Benefit Board (PEBB) as established by ORS 243.302. A copy of the Oregon Public Employees Retirement System annual financial report may be obtained from PERS Fiscal Services Division, 11410 SW 68<sup>th</sup> Parkway, Tigard, Oregon 97223.

***Retirement Health Insurance Account*** - The Retirement Health Insurance Account (RHIA) is a cost-sharing multiple-employer OPEB plan which provides a payment of up to \$60 toward the month cost of health insurance for eligible PER members. To be eligible for the RHIA subsidiary, the member must have eight years of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, receive both Medicare parts A and B coverage, and enroll in a PERS sponsored health insurance plan. The Board is required by statutes to contribute actuarially computed amounts as determined by PERS. Rates are subject to change as the result of subsequent actuarial valuations. The rate of each covered employees salary for the biennium ended June 30, 2009 was .37%, which is embedded in within the PERS contribution rate as described above in Note 5.

***Retiree Health Insurance Premium Account*** - The Retiree Health Insurance Premium Account (RHIPA) is a single-employer OPEB plan that provides for payment of the average difference between the health insurance premiums paid by retired state employees a, under contracts entered into by the PERS Board and health insurance premiums paid by state employees who are not retired. Retired state employees are qualified to receive the RHIPA subsidy if they had eight or more years of qualifying service in PERS at the time of retirement or are receiving disability pension calculated as if they had eight or more years of qualifying services, but are not eligible for federal Medicare coverage. The Board is required to contribute actuarially computed amounts as determined by PERS. Rates are subject to changes as the result of subsequent actuarially determined valuations. The rate of each covered employ's salary for the biennium ended June 30, 2009 was .10% which is embedded within the total PERS contribution rate as described in Note 5.

Board contributions to the plans for the years ended June 30, 2007, 2008 and 2009 were \$406, \$447, and \$485 respectively, equal to the required contributions each year.

**OREGON BOARD OF OPTOMETRY**  
**(A Semi-Independent Agency of the State of Oregon)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE BIENNIUM ENDED JUNE 30, 2009**

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**NOTE 7 - COMPENSATED ABSENCES**

PTO leave time (paid time off) is earned monthly by employees at an annual rate of 24 to 35 days, depending on length of service, with a maximum accumulation of 60 days per full-time employee. PTO leave is vested when earned and recorded as an expenditure when taken.

Accumulated PTO, based on current salary rates, was \$24,069 at June 30, 2009.

**NOTE 8 - INSURANCE**

Insurance programs are administered for the Board by the Risk Management Division of the Oregon Department of Administrative Services, which provides insurance coverage to all state agencies with a blanket honesty and faithful performance bond, general liability and vehicle liability self-insurance, and self-insurance property damage program. The cost of servicing insurance claims and payments is covered by charging an assessment to each State entity is based upon its share of services provided in a prior period. The Board's total liability insurance expense for the biennium ended June 30, 2009 was \$3,500.

**NOTE 9 - LEASES**

The Board leases office space at 1900 Hines Street SE, Salem, Oregon. It is in the final year of five-year lease agreement which will expire June 30, 2010. The Board has the ability to renew the lease for another five-year period. The current monthly lease payments are \$1,939.

The Board's total lease expense for the biennium ended June 30, 2009 was \$45,349.

**REQUIRED SUPPLEMENTAL INFORMATION**

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**OREGON BOARD OF OPTOMETRY**  
**(A Semi-Independent Agency of the State of Oregon)**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET TO ACTUAL**  
**FOR THE BIENNIUM ENDED JUNE 30, 2009**

	Biennial Budget	Actual			Variance Positive (Negative)
	Original & Final	FY 2008	FY 2009	Biennial	
<b>REVENUES</b>					
License and fees	\$ 596,745	\$ 303,895	\$ 312,484	\$ 616,379	\$ 19,634
Interest income	7,000	8,681	4,541	13,222	6,222
Other income	4,200	2,205	1,756	3,961	(239)
Total revenues	<u>607,945</u>	<u>314,781</u>	<u>318,781</u>	<u>633,562</u>	<u>25,617</u>
<b>EXPENDITURES</b>					
Personal service	482,259	228,620	256,055	484,675	(2,416)
Service and supplies	135,645	58,958	67,148	126,106	9,539
Total expenditures	<u>617,904</u>	<u>287,578</u>	<u>323,203</u>	<u>610,781</u>	<u>7,123</u>
Revenues over (under) expenditures	(9,959)	27,203	(4,422)	22,781	32,740
FUND BALANCE, BEGINNING	<u>192,634</u>	<u>192,634</u>	<u>219,837</u>	<u>192,634</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 182,675</u>	<u>\$ 219,837</u>	<u>\$ 215,415</u>	<u>\$ 215,415</u>	<u>\$ 32,740</u>

## **OTHER REPORTS**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

We have audited the financial statements of the governmental activities and the general fund of the Oregon Board of Optometry, as of and for the biennium ended June 30, 2009, which collectively comprise the Oregon Board of Optometry's basic financial statements and have issued our report thereon dated December 17, 2009. 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 Oregon Board of Optometry's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Oregon Board of Optometry's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Oregon Board of Optometry'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. However, as discussed below, we identified certain 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 Oregon Board of Optometry'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 Oregon Board of Optometry's financial statements that is more than inconsequential will not be prevented or detected by the Oregon Board of Optometry's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting. This deficiency is listed as 2009-1.

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 by the Oregon Board of Optometry's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiency described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Oregon Board of Optometry's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

Oregon Board of Optometry's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit Oregon Board of Optometry's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, Board of Commissioners, the Governor of the State of Oregon, and the Oregon Legislative Assembly, and is not intended to be and should not be used by anyone other than these specified parties.

*Moss Adams LLP*

Eugene, Oregon  
December 17, 2009

**OREGON BOARD OF OPTOMETRY**  
**(A Semi-Independent Agency of the State of Oregon)**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2009**

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**Financial Statement Findings**

2009-1

Condition

The internal control structure of the Board has focused primarily on the objective of effectiveness and efficiency of operations. However, the system of internal control over the objectives of reliability of financial reporting contains certain deficiencies. A key element of financial reporting is the ability of management to select and apply appropriate accounting principles to prepare financial statements in accordance with generally accepted accounting principles.

Management of the Board maintains accounting records primarily on a cash basis of accounting. Preparation of a GAAP-based financial statement for the Board requires sufficient knowledge about full accrual, modified accrual, and budgetary basis accounting. As a result, certain adjustments were required to be made to the financial statements subsequent to the start of the audit process. Adjustments included the recognition of differences between the government wide financial statements and the fund financial statements. Management required assistance with certain disclosures that included the pension plans and other post employment benefits. Also, as described in the *Independent Auditors Report*, Management has not presented *Management's discussion and analysis* (MD&A) that accounting principles accepted in the United States of America have determined necessary to supplement, the basic financial statements.

The cumulative effect of these observations regarding internal control over the financial close and reporting process could result in a material misstatement of the financial statements; this deficiency is deemed to be a material weakness.

Criteria

To minimize the risk of material errors in the financial statements, management should possess sufficient understanding of the basic reporting requirements as required under generally accepted accounting practices in the United States.

Effect

Lack of internal controls and management education about GAAP significantly increases the risk of material accounting errors in Board financial statements.

**OREGON BOARD OF OPTOMETRY**  
**(A Semi-Independent Agency of the State of Oregon)**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2009**

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**Financial Statement Findings (Continued)**

Cause

Semi-independent State Board's such as the Oregon Board of Optometry are required to produce GAAP financial statements on a biennium basis. The infrequent nature of financial reporting creates conditions which diminish the significance for possessing a thorough understanding about GAAP reporting requirements.

Recommendations

Management and the Agency's governing body should assess the adequacy of the design of its policies and procedures related to preparation of financial statements and design appropriate controls as necessary to rectify inadequacies.

Response

Management does not agree that this finding rises to the level of a material weakness. Due to the small size of our agency and the insignificance of this finding to the operation and general financial reporting of the agency's activities, we feel that this finding is not material. We readily agree that we haven't kept entirely abreast of the latest GAAP standards and that there have been some recent changes of which we were not aware.

Management agrees that it will explore with the Board during the current biennium the adequacy of OBO policies and procedures related to preparation of financial statements and will implement any additional or revised controls determined to be reasonable and can be financially accommodated.