

LFO REVIEW OF SEMI-INDEPENDENT AGENCY REPORTS

JANUARY 25, 2023

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LEGISLATIVE FISCAL OFFICE



Review Authority and Purpose of Report

1. Board of Architect Examiners
2. Appraiser Certification and Licensure Board
3. Board of Examiners for Engineering and Land Surveying
4. Board of Geologist Examiners
5. Landscape Architect Board
6. Landscape Contractors Board
7. Board of Massage Therapists
8. Board of Optometry
9. Physical Therapist Licensing Board
10. Oregon Patient Safety Commission
11. Oregon Wine Board
12. *Citizens' Initiative Review Commission*

Funding

- The twelve agencies subject to this reporting requirement are mostly self-funded.
- Nine boards are funded by application, examination, license fees, and other program revenue.
- Oregon Patient Safety Commission is funded by annual fees assessed on Oregon healthcare facilities and by state General Fund that comes to the Commission as pass-through funding from the Oregon Health Authority to administer the Early Discussion and Resolution program.
- Oregon Wine Board is funded primarily through an assessment on grapes harvested for wine production and a privilege tax imposed on manufacturers and distributors of wine. Other revenue sources include program fees and grants.

Statutory Differences

The semi-independent agencies subject to this reporting requirement are exempt from statutes regulating state agencies in the following areas:

- ✓ Personnel relations (except for temporary appointments and collective bargaining)
- ✓ Use of state facilities and printing
- ✓ Public contracting and purchasing (except for surplus property and products of the disabled)
- ✓ Interagency services
- ✓ Financial administration
- ✓ Disbursing and investing of funds
- ✓ Salaries and expenses of state officers and employees

Semi-independent agencies subject to this reporting requirement must:

- ✓ Maintain tort liability coverage
- ✓ Adhere to public records and meeting laws
- ✓ Use the services of the Department of Justice for advice and counsel
- ✓ Use the services of the Secretary of State Audits Divisions for financial control through audit or review
- ✓ Maintain continual participation in the state Public Employees Retirement System

Fiscal and Administrative Accountability

- Must establish financial accounts in FDIC-insured banks, ensure that deposits in excess of FDIC limits are collateralized.
- Must follow generally accepted accounting principles (GAAP) and accurately disclose their financial condition and financial operations through this reporting requirement.
- Subject to biennial external independent audits or financial reviews conducted according to governmental audit and review standards.
 - Audits or financial reviews are scrutinized and published by the Secretary of State Audits Division.
- Required to prepare and adopt a biennial operating budget using the public hearing and administrative rule processes.
- Semi-independent agencies subject to this reporting requirement must adopt personnel policies, along with contract and purchasing policies.
 - Policies are submitted to the Department of Administrative Services (DAS) for review and approval
 - DAS makes certain the proposed policies comply with applicable state and federal laws and collective bargaining contracts

Review Process

- Review is focused on the provisions of ORS 182.472 and covers reports submitted by deadline of April 1, 2022.
- Reports were reviewed for compliance with statutory requirements.
- LFO followed up with clarifying questions and met with agencies as needed.
- This review should not be considered an audit, as findings and conclusions are limited to the information provided by agencies in response to ORS 182.472.

Summary of Financial Audits/Reviews

- The statute requires agencies to submit “the most recent audit or financial review of the board”
- Ten agencies submitted a financial review from Moss Adams, LLP., for the biennium ending June 30, 2021
- The reviews included an examination of: 1) internal controls related to financial, accounting, and licensing processes; 2) cash controls; 3) revenue and expense verification, including budget to actual comparison
- The evaluations of these agreed-upon procedures found that, generally, adequate controls were in place

Budget and Fund Analysis

Agencies provided:

- ✓ a balance sheet for the 2019-21 biennium;
- ✓ a comparison of budgeted to actual revenues and expenditures for the 2019-21 biennia;
- ✓ a projected/adopted budget for the 2021-23 biennium;
- ✓ a forecasted balance sheet for the 2021-23 biennium.

Identified beginning and ending balances, variances between reported and audited numbers

Agencies operated within their budgets for the 2019-21 biennium. Where there were variances, the agencies provided reasonable explanations.

APPENDIX A

Semi-Independent Agencies: Operations Summary for 2019-21 Biennium

	2019-2021		Board Members		2019-2021	Approximate #			Director	2019-2021	2021-2023	2021-2023	
	Pos.	FTE	Industry	Public	Board Meetings	Individuals	Firms/ Business	Board Stipend	Monthly Salary (as of 6/30/21)	Actual Expenditures	Budgeted Expenditures	Pos.	FTE
Board of Architect Examiners	5	4.13	5	2	13	3,832	881	\$100/day	\$11,903	\$1,383,440	\$1,554,085	5	4.13
Appraiser Certification and Licensure Board	7	6.50	7	1	8	1,551	113	\$0/day	\$8,711	\$2,007,663	\$2,440,572	7	6.50
Board of Examiners for Engineering and Land Surveyors	16	16.00	9	2	19	33,650	-	\$30/day	\$11,903	\$3,932,665	\$4,630,000	13	13.00
Board of Geologist Examiners	2	2.00	4 ⁺	1	8	1,143	-	\$100/day	\$9,812	\$689,381	\$812,791	2	2.00
Landscape Architect Board	u	u	4	3	9	525	206	\$50/day	u	\$381,767	\$499,371	u	u
Landscape Contractors Board	5	4.50	5	2	20	1,557	1,332	\$155/day	\$9,782	\$1,604,922	\$1,827,330	5	4.50
Board of Massage Therapists	6	6.00	4	3	12	7,837	275	\$155/day	\$9,129	\$2,065,520	\$2,507,795	6	6.00
Board of Optometry	2	2.00	4	1	8	1,128	-	\$100/day	\$9,801	\$814,965	\$912,095	2	2.00
Board of Physical Therapy	4	3.60	6	2	18	6,581	-	\$150/day	\$11,351	\$1,349,751	\$1,768,364	4	3.60
Oregon Patient Safety Commission	10	10.00	17	0	14	o	o	None Paid	\$12,007	\$3,030,944	\$3,609,773	10	10.00
Oregon Wine Board	8	8.00	9	0	26	o	o	None Paid	\$19,700	\$5,201,588	\$5,081,918	8	8.00
Citizens' Initiative Review Commission *													

+ Plus one *ex officio* member (State Geologist)

u Contracted services from Board of Geologist Examiners

£ Emeritus Status no longer included in count

o Not a licensing agency

* Deactivated

APPENDIX B

Semi-Independent Agencies: Budget to Actual Summary for 2019-21 Biennium

	2019-2021 Actual Beginning Fund Balance	2019-2021 Approved Budgeted Revenues	2019-2021 Actual Revenues	2019-2021 Approved Budgeted Expenditures	2019-2021 Actual Expenditures	2019-2021 Budgeted Ending Fund Balance	2019-2021 Actual Ending Fund Balance	2021-2023 Adopted Budgeted Revenues	2021-2023 Adopted Budgeted Expenditures	2021-2023 Budgeted Ending Fund Balance
Board of Architect Examiners	\$1,006,833	\$1,068,065	\$1,057,358	\$1,459,467	\$1,383,440	\$615,431	\$680,752	\$1,351,619	\$1,554,085	\$478,286
Appraiser Certification and Licensure Board	\$866,627	\$2,178,624	\$2,316,142	\$2,173,751	\$2,007,663	\$871,500	\$1,175,106	\$2,441,925	\$2,440,572	\$1,176,459
Board of Examiners for Engineering and Land Surveyors	\$1,670,710	\$3,919,569	\$3,710,022	\$3,950,000	\$3,932,665	\$1,640,279	\$1,448,067	\$4,010,740	\$4,630,000	\$828,807
Board of Geologist Examiners	\$297,207	\$666,400	\$676,221	\$717,361	\$689,381	\$246,246	\$284,047	\$686,240	\$812,791	\$157,496
Landscape Architect Board	\$321,872	\$470,950	\$469,324	\$468,290	\$381,767	\$324,532	\$409,429	\$475,800	\$499,371	\$385,858
Landscape Contractors Board	\$380,988	\$1,852,540	\$1,909,916	\$1,778,957	\$1,604,922	\$454,571	<i>\$685,982</i>	\$1,827,310	\$1,827,330	<i>\$685,962</i>
Board of Massage Therapists	\$345,778	\$2,417,004	\$2,285,884	\$2,417,000	\$2,065,520	\$345,782	\$566,142	\$2,513,241	\$2,507,795	<i>\$571,588</i>
Board of Optometry	\$241,977	\$786,000	\$776,070	\$839,562	\$814,965	\$188,415	\$203,082	\$817,950	\$912,095	\$108,937
Board of Physical Therapy	\$1,014,745	\$1,219,710	\$1,296,585	\$1,616,173	\$1,349,751	\$618,282	\$961,579	\$1,615,413	\$1,768,364	\$808,629
Oregon Patient Safety Commission	\$1,375,641	\$3,415,970	\$3,363,841	\$3,415,970	\$3,030,944	\$1,375,641	<i>\$1,708,538</i>	\$3,609,773	\$3,609,773	<i>\$1,708,538</i>
Oregon Wine Board	\$1,004,720	\$5,570,042	\$5,145,568	\$6,160,458	\$5,201,588	\$414,304	\$948,700	\$4,965,328	\$5,081,918	\$832,110
Citizens' Initiative Review Commission										

Italicized numbers denote where agency-reported ending balance and actual biennial ending balance differ; further information included in the text of the report as needed.

Sample Budget Analysis

LANDSCAPE CONTRACTORS BOARD

	2017-19 Budget	2017-2019 Actual	2019-21 Budget	2019-21 Actual	2021-23 Budget
Total Funds	\$1,448,332	\$1,458,240	\$1,778,957	\$1,604,922	\$1,827,330
Positions	5	5	5	5	5
FTE	4.50	4.50	4.50	4.50	4.50

Overview

The Landscape Contractors Board (LCB) regulates the landscape industry in Oregon, to protect the public by promoting a fair and competitive business environment through education, licensing, dispute resolution, and enforcement. The Board is responsible for administering examinations, issuing and renewing licenses, investigating complaints, and monitoring the continuing education of its licensees. The seven-member board is composed of five professionals and two public members.

Revenue Sources

The Board is funded by revenue generated from application and annual licensure fees for individuals and businesses. Other miscellaneous sources include civil penalties, late fees, and interest income. Revenue in 2021-23 is projected at \$1,826,510, a 4.3% decrease from 2019-21 actual revenues. All but one license and renewal fee were increased for the 2019-21 biennium. Notably, individual application and renewal fees were increased from \$100 to \$170; business application fees from \$150 to \$255; and business licensing and renewal fees from \$275 to \$345.

Budget Environment and Licensing and Enforcement Activities

The Board licenses around 1,570 individuals and 1,330 businesses. In total, business and individual licensee numbers increased by approximately 7% from the 2017-19 biennium.

In January 2021, the Board created a new Certified Arborists category for licensees that allows a licensee who holds an International Society of Arboriculture (ISA) certification to perform work specific to the planting, removal, and maintenance of trees. LCB also implemented a new online licensing software in May 2020 which allows for electronic processing of applications and renewals.

In 2019-21, consumer complaints against licensed landscape contractors totaled 99, up from 94 in 2017-19 and 76 in 2015-17. An increase in demand for landscaping work has occurred as the economy has improved, which is likely the cause of the increase in complaints.

2019-21 Budget to Actual

Actual revenue for 2019-21 was \$1,909,916, about 3.1% higher than budgeted. The Board's 2019-21 actual expenditures were \$1,604,922, approximately 9.8% lower than the \$1,778,957 budgeted; this was due to lower than anticipated administrative printing, staff travel, and legal expenses.

2021-23 Budget

The 2021-23 adopted budget of \$1,827,330 represents a 2.7% increase from the 2019-21 adopted budget. The Board's projected ending cash balance of \$685,962 equals approximately 9 months of operating costs. The 2021-23 ending balance of \$757,891 included in the report submitted by LCB does not account for the one month's worth of operating capital that the Board holds in reserve and excludes outstanding liabilities and payroll expenses billed and paid in different biennia.

Board of Architect Examiners

	2019-2021		Board Members		2019-2021	Approximate #		Director	2019-2021	2021-2023	2021-2023		
	Pos.	FTE	Industry	Public	Board Meetings	Individuals	Firms/ Business		Board Stipend	Monthly Salary (as of 6/30/21)	Actual Expenditures	Budgeted Expenditures	Pos.
Board of Architect Examiners	5	4.13	5	2	13	3,832	881	\$100/day	\$11,903	\$1,383,440	\$1,554,085	5	4.13

- Fee increase for firms, effective July 1, 2021, and fee increase for individuals effective July 1, 2022

Appraiser Certification and Licensure Board

	2019-2021		Board Members		2019-2021	Approximate #		Director	2019-2021	2021-2023	2021-2023		
	Pos.	FTE	Industry	Public	Board Meetings	Individuals	Firms/ Business		Board Stipend	Monthly Salary (as of 6/30/21)	Actual Expenditures	Budgeted Expenditures	Pos.
Appraiser Certification and Licensure Board	7	6.50	7	1	8	1,551	113	\$0/day	\$8,711	\$2,007,663	\$2,440,572	7	6.50

- Increased most fees in the Appraiser and AMC programs, and introduced three new fees

Board of Examiners for Engineering and Land Surveying

	2019-2021		Board Members		2019-2021	Licensees			Director	2019-2021	2021-2023	2021-2023	
	Pos.	FTE	Industry	Public	Board Meetings	Individuals	Firms/ Business	Board Stipend	Monthly Salary (as of 6/30/21)	Actual Expenditures	Budgeted Expenditures	Pos.	FTE
Board of Examiners for Engineering and Land Surveyors	16	16.00	9	2	19	33,650	-	\$30/day	\$11,903	\$3,932,665	\$4,630,000	13	13.00

- Increased renewal fees as of October 2021
- Launched MyOSBEELS; online database
- Eliminated 3 vacant positions
- 17.9% decrease in licensing activities due to the COVID-19 pandemic

Landscape Contractors Board

	2019-2021		Board Members		2019-2021	Licensees			Director	2019-2021	2021-2023	2021-2023	
	Pos.	FTE	Industry	Public	Board Meetings	Individuals	Firms/ Business	Board Stipend	Monthly Salary (as of 6/30/21)	Actual Expenditures	Budgeted Expenditures	Pos.	FTE
Landscape Contractors Board	5	4.50	5	2	20	1,557	1,332	\$155/day	\$9,782	\$1,604,922	\$1,827,330	5	4.50

- All but one license and renewal fee were increased in 2019-21 biennium
- The Board created a new Certified Arborists category for licensees in January of 2021
- Implemented online licensing software in May 2020

Board of Geologist Examiners

	2019-2021		Board Members		2019-2021	Licensees		Director	2019-2021	2021-2023	2021-2023		
	Pos.	FTE	Industry	Public	Board Meetings	Individuals	Firms/ Business		Board Stipend	Monthly Salary (as of 6/30/21)	Actual Expenditures	Budgeted Expenditures	Pos.
Board of Geologist Examiners	2	2.00	4 ⁺	1	8	1,143	-	\$100/day	\$9,812	\$689,381	\$812,791	2	2.00

- Interagency agreement between Board of Geologist Examiners and Landscape Architect Board
- 2021-23 budget represents a 13.3% increase from the 2019-21 budget

Landscape Architect Board

	2019-2021		Board Members		2019-2021	Licensees		Director	2019-2021	2021-2023	2021-2023		
	Pos.	FTE	Industry	Public	Board Meetings	Individuals	Firms/ Business		Board Stipend	Monthly Salary (as of 6/30/21)	Actual Expenditures	Budgeted Expenditures	Pos.
Landscape Architect Board	u	u	4	3	9	525	206	\$50/day	u	\$381,767	\$499,371	u	u

- Board staff include a contracted Administrator and Registration Specialist who are employed by the Board of Geologist Examiners but work part-time (totaling 1.00 FTE) at OSLAB through an interagency agreement that is subject to renegotiation each biennium
- Actual expenditures for the 2019-21 biennium were 18.5% underbudget

Board of Massage Therapists

	2019-2021		Board Members		2019-2021	Licensees			Director	2019-2021	2021-2023	2021-2023	
	Pos.	FTE	Industry	Public	Board Meetings	Individuals	Firms/ Business	Board Stipend	Monthly Salary (as of 6/30/21)	Actual Expenditures	Budgeted Expenditures	Pos.	FTE
Board of Massage Therapists	6	6.00	4	3	12	7,837	275	\$155/day	\$9,129	\$2,065,520	\$2,507,795	6	6.00

- Decreased number of licensees due to COVID-19 pandemic (8,076 in June 2019 vs. 7,562 in June 2021)
- Revenue impact mitigated due to increased civil penalty collections from changed compliance/collection processes, more assessments due to increase in illegal massage facilities
- Agency was 14.5% underbudget for 2019-21 due largely to decreases in Personal Services, legal and investigation costs during early days of COVID-19 pandemic

Board of Optometry

	2019-2021		Board Members		2019-2021	Licensees			Director	2019-2021	2021-2023	2021-2023	
	Pos.	FTE	Industry	Public	Board Meetings	Individuals	Firms/ Business	Board Stipend	Monthly Salary (as of 6/30/21)	Actual Expenditures	Budgeted Expenditures	Pos.	FTE
Board of Optometry	2	2.00	4	1	8	1,128	-	\$100/day	\$9,801	\$814,965	\$912,095	2	2.00

- Decreased number of older licensees due to COVID-19 pandemic partially offset by new licensees

Board of Physical Therapy

	2019-2021		Board Members		2019-2021	Licensees		Director	2019-2021	2021-2023	2021-2023		
	Pos.	FTE	Industry	Public	Board Meetings	Individuals	Firms/ Business		Board Stipend	Monthly Salary (as of 6/30/21)	Actual Expenditures	Budgeted Expenditures	Pos.
Board of Physical Therapy	4	3.60	6	2	18	6,581	-	\$150/day	\$11,351	\$1,349,751	\$1,768,364	4	3.60

- Increased initial licensing and renewal fees as of 2021-23 biennium
- 16.5% underbudget in 2019-21 due to savings related to legal billings, less travel due to COVID-19

Oregon Patient Safety Commission

	2019-2021		Board Members		2019-2021	Licensees		Director	2019-2021	2021-2023	2021-2023		
	Pos.	FTE	Industry	Public	Board Meetings	Individuals	Firms/ Business		Board Stipend	Monthly Salary (as of 6/30/21)	Actual Expenditures	Budgeted Expenditures	Pos.
Oregon Patient Safety Commission	10	10.00	17	0	14	o	o	None Paid	\$12,007	\$3,030,944	\$3,609,773	10	10.00

- Includes Patient Safety Reporting Program, and Early Discussion and Resolution program
- Annual fees assessed on Oregon healthcare facilities and state General Fund passed through Oregon Health Authority (decreased from \$1.95 to \$1.76 million 2019-21 due to state agency budget reductions); authorized to pursue grants
- 12.7% underbudget in 2019-21 due to elimination of grant work and reduction of one permanent position, savings related to legal billings, less travel due to COVID-19

Other Semi-Independent Agencies

- ORS 377.838 requires the *Oregon Travel Information Council* to file with the Governor, Legislative Assembly, and Legislative Fiscal Office an annual report of its activities and operations.
- ORS 284.335 requires the *Oregon Film and Video Office* to file with the Governor, Legislative Assembly, and Legislative Fiscal Office a biennial report of its activities and operations.
- Because the Oregon Travel Information Council and Oregon Film and Video Office are required to present their budgets and agency operations information to a legislative committee, this report does not include a detailed review.

Other Semi-Independent Agencies

- *Oregon Tourism Commission (Travel Oregon)* files copies of its adopted or modified budget and financial statements with LFO
- Commission also submits a report to LFO by October 1st of each year that identifies:
 - Funds received by the Commission from transient lodging tax.
 - The awards and commitments approved by the Commission of these funds for the fiscal year.
 - Other information requested by LFO including information on grants of \$2 million or more
- 2019-21 budget reductions- transient lodging tax revenues impacted by COVID-19 pandemic
- Statutory requirement to spend transient lodging tax:
 - 65% or more to fund state tourism programs.
 - 20% to implement a regional cooperative tourism program- distributes revenue to regions in proportion to the amount of lodging tax revenue collected in each region.
 - 10% for a competitive grant program which may include tourism-related facilities and tourism-generating events

Reporting guidelines for 2024

Report Checklist

Section I: Copy of Audit or Financial Review

- Audit or review for biennium ending June 30, 2023, including financial statements used to support review
 - Budget to actuals
 - Budget to actuals variance analysis
 - Balance sheet
- Risk assessment and agreed-upon procedures for an appraisal of internal controls
 - Board member recruitment, appointment, training, and duties
 - Information technology systems security
 - Licensing processes
 - Rulemaking process
 - Requests for proposals
 - Procurement contracts
 - Vendor relationships, including contract management
 - Inventory, if applicable
- Follow up on prior recommendations
- Copies of management response

Section II: Budget Comparison

- Beginning and ending balances for 2021-23 and 2023-25 with description of any variances
- Balance sheet for the 2021-23 biennium
- Forecasted balance sheet for the 2023-25 biennium
- Line item comparison of budget to actual revenues and expenditures for 2021-23 biennium
 - Include percentage change between budget and actuals, and discuss reason for any major variances
- Line item comparison of 2021-23 and 2023-25 budgets
 - Include percentage change between biennia, and discuss reason for any major variances
- Table of fee changes made in 2021-23 or proposed for 2023-25
 - Discussion of reason for any fee changes
- For non-licensing agencies, include information on any changes in revenue sources or amounts*

Section III: Rule Making Activities

- Table which includes description of all rules adopted in the 2021-23 biennium
- Description of the public hearing process to establish/modify the adopted budget, including adopted budget amount

Section IV: Consumer Protection

- Overview of consumer protection activities using Consumer Protection table format provided by LFO
- Examples of agency materials or publications to promote consumer protection
- For non-licensing agencies, include annual performance reports for industry stakeholders to illustrate performance*

Section V: Licensing Activities and Disciplinary Actions

- Copy of updated Licensing and Enforcement Activity table provided by LFO, covering past 10 years
- Discussion of major changes in licensing numbers, number of complaints, case resolution timeliness, case aging etc.

Section VI: Other Board Activities

- Organizational chart with positions and FTE
 - Brief narrative of any changes in number of positions, FTE, or staffing
- Copy of Agency Operations table provided by LFO, covering past 10 years
- Board Best Practices self-assessment provided by LFO
 - Brief narrative describing number of Board members responding and when administered
- Discussion of other agency accomplishments and performance results (customer service surveys, improvements made or planned)
- For non-licensing agencies, report on selected high-level outcome-oriented key performance measures*

Questions?

