

Report Highlights

Why DLA Performed This Audit

The purpose of the audit was to determine if there is a need for the board's continued existence and whether its termination date should be extended. The board is set to sunset June 30, 2017, and will have one year from that date to conclude its administrative operations.

What DLA Recommends

All prior year recommendations were resolved and there were no new recommendations as part of the current sunset audit.

A Sunset Review of the Department of Commerce, Community, and Economic Development, State Board of Registration for Architects, Engineers, and Land Surveyors (board)

April 27, 2016

Audit Control Number 08-20096-16

REPORT CONCLUSIONS

The board is serving the public's interest by effectively registering and regulating architects, engineers, land surveyors, and landscape architects. The board monitors registrants and works to ensure only qualified individuals practice in Alaska. Furthermore, the board develops and adopts regulations to improve the architect, engineer, land surveyor, and landscape architect occupations.

In accordance with AS 08.03.010(c)(3), the board is scheduled to terminate on June 30, 2017. We recommend that the legislature extend the board's termination date to June 30, 2025.

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ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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June 6, 2016

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 and Title 44 of the Alaska Statutes (sunset legislation), we have reviewed the activities of the State Board of Registration for Architects, Engineers, and Land Surveyors and the attached report is submitted for your review.

DEPARTMENT OF COMMERCE, COMMUNITY,
AND ECONOMIC DEVELOPMENT
STATE BOARD OF REGISTRATION FOR
ARCHITECTS, ENGINEERS, AND LAND SURVEYORS
SUNSET REVIEW

April 27, 2016

Audit Control Number
08-20096-16

The audit was conducted as required by AS 44.66.050(c) and under the authority of AS 24.20.271(1). Per AS 08.03.010(c)(3), the State Board of Registration for Architects, Engineers, and Land Surveyors is scheduled to terminate on June 30, 2017. We recommend that the legislature extend the board's termination date to June 30, 2025.

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Fieldwork procedures utilized in the course of developing the findings and recommendations presented in this report are discussed in the Objectives, Scope, and Methodology.

A handwritten signature in blue ink, appearing to read "Kris Curtis".

Kris Curtis, CPA, CISA
Legislative Auditor

ABBREVIATIONS

AAC	Alaska Administrative Code
ACN	Audit Control Number
AIA	The American Institute of Architects
AS	Alaska Statute
board	State Board of Registration for Architects, Engineers, and Land Surveyors
CISA	Certified Information Systems Auditor
CPA	Certified Public Accountant
DCBPL	Division of Corporations, Business and Professional Licensing
DCCED or department	Department of Commerce, Community, and Economic Development
DLA	Division of Legislative Audit
FY	Fiscal Year
LLC	Limited Liability Company
LLP	Limited Liability Partnership
PE	Professional Engineer
PLS	Professional Land Surveyor
SLA	Session Laws of Alaska
SB	Senate Bill
SE	Structural Engineer

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ORGANIZATION AND FUNCTION

State Board of Registration for Architects, Engineers, and Land Surveyors

The State Board of Registration for Architects, Engineers, and Land Surveyors (board) is a regulatory board consisting of 10 members appointed by the governor. The board consists of two civil engineers, two land surveyors, one mining engineer, one electrical or mechanical engineer, one engineer from another branch of the profession of engineering, two architects, and one public member.¹

Alaska Statute requires each board member to have been a resident of the state for three consecutive years immediately preceding an appointment to the board.

Additionally, except for the public member, board members must be registered and have a minimum of five years of professional practice in their field.

Alaska Statute 08.48.101 and AS 08.48.111 establish the powers of the board. They include adopting regulations for:

1. Describing the contents, conducting, and establishing a minimum score for passing examinations.

Exhibit 1

Board of Registration for Architects, Engineers, and Land Surveyors Members as of March 31, 2016

Eric E. Eriksen
Electrical/Mechanical Engineer

Catherine Fritz, AIA
Architect

Dave C. Hale, PLS
Land Surveyor

Brian R. Hanson, P.E.
Civil Engineer

John B. Kerr
Land Surveyor

Jeffrey P. Koonce
Architect

Colin Maynard, P.E., S.E.
Civil Engineer

Fred W. Wallis, P.E.
Mining Engineer

Kathleen Schedler
Engineer, At Large

Donald (John) G. Christensen
Public Member

Luanne Urfer
*Landscape Architect
Non-Voting/Temporary seat*

¹In November 2015, the board voted to introduce legislation to make the landscape architect representative a full voting member and increase the board to 11 members. Similar legislation has been previously introduced and has been unsuccessful. Currently, the Landscape Architect seat is a non-voting member authorized by the uncodified law of the State of Alaska by Section 31, Chapter 47, SLA 1998 (SB110).

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2. Establishing bylaws governing its meetings and activities.
 3. Publishing a code of ethics or professional conduct for those persons regulated by the board.
 4. Establishing continuing education requirements for persons regulated by the board.

The board may issue registrations to architects, engineers, land surveyors, and landscape architects who meet the standards of education and training determined to be necessary by the board. The board may also suspend, refuse to renew, or revoke registrations.

Department of Commerce, Community, and Economic Development

By statute, the Department of Commerce, Community, and Economic Development's Division of Corporations, Business and Professional Licensing (division) provides administrative support to the board. Administrative support includes budgetary services and functions such as collecting fees, maintaining files, receiving application forms, and publishing notices of examinations and meetings.

Alaska Statute 08.01.087 gives the division authority to act on its own initiative or in response to a complaint. The division may:

1. Conduct an investigation if it appears a person is engaged or about to engage in a prohibited professional practice.
2. Bring an action in Superior Court to enjoin the act.
3. Examine the books and records of a registrant or an individual engaged in practices regulated by the board.
4. Issue subpoenas for the attendance of witnesses and records.

Alaska Statute 08.01.065 requires the department to adopt regulations that establish the amount and manner of payment of application fees, registration fees, permit fees, and investigative fees.

REPORT CONCLUSIONS

In developing our conclusion regarding whether the State Board of Registration for Architects, Engineers, and Land Surveyors' (board) termination date should be extended, its operations were evaluated using the 11 factors set out in AS 44.66.050(c) (included as Appendix A of this report). Under the State's "sunset" law, these factors are to be considered in assessing whether an entity has demonstrated a public policy need for continuing operations.

Overall, the audit found the board is serving the public's interest by effectively registering and regulating architects, engineers, land surveyors, and landscape architects. The board monitors registrants and works to ensure only qualified individuals practice in Alaska. Furthermore, the board develops and adopts regulations to improve the architect, engineer, land surveyor, and landscape architect occupations.

In accordance with AS 08.03.010(c)(3), the board is scheduled to terminate on June 30, 2017. We recommend that the legislature extend the board's termination date to June 30, 2025.

Detailed report conclusions are as follows.

The board operated in the public interest and does not duplicate the efforts of other entities.

Board operations were conducted in an effective manner. The audit found that from July 1, 2012, through February 15, 2016, the board held four meetings each year, which exceeded the minimum number required by statute. A review of eight board meetings held during the audit period found that a quorum was consistently achieved, meetings were public noticed timely, each meeting allowed time for public comment, and there were no vacancies in board positions.

The audit determined investigations were handled timely. There were 287 complaints open or opened between July 1, 2012, and February 15, 2016. Ninety-three investigations resulted from these complaints, of which 67 were closed during the audit period. Of the 26 open investigations, three were open for more than a year; however, records show that the three cases were actively worked by investigative staff.

The board was active in supporting statutory changes and proposing regulatory changes including:

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- Chapter 36 SLA 13 amended AS 08.48.055(a) to include an investigator dedicated to the board; this amendment was supported by both the board and the department. Previously, the board shared one investigator with multiple boards. Having a dedicated investigator with knowledge of board statutes and regulations helps protect the public from incompetent and unlawful registrants and unregistered practice.
 - Regulation 12 AAC 36.106 was amended in March 2012 to include additional branches of engineering. This change was in line with national practices and helps protect the public by recognizing higher degrees of specialization within the engineering profession. The number of registration type designations increased from 12 to 21.

The audit also determined that the board does not duplicate the efforts of another governmental agency or the private sector.

The board registered businesses and individuals according to statutes and regulations.

The board also operated in the public's interest by registering businesses and individuals in accordance with state laws and regulations. From FY 13 through FY 15, the board issued 1,611 new registrations (see Exhibit 2). As of February 15, 2016, there were 7,386 registered professional architects, engineers, land surveyors, and landscape architects in Alaska. This represents a 28 percent increase in licensees when compared to the 2008 sunset audit.²

As part of the audit, a sample of 25 registrant applications was tested for compliance with statutes and regulations. All 25 renewed or initial registrations were found to have been issued in compliance with law. However, the audit could not confirm that the Division of Corporation, Business and Professional Licensing (DCBPL) staff monitored registrants' continuing professional education as required by regulation.

Regulations require five percent of applicants for renewal be audited to confirm continuing professional education was accurately reported. During the audit period, continuing education audits performed by DCBPL staff were not maintained. As a result, DCBPL's compliance with the continuing education audit requirements could not be verified.

²The prior audit identified 5,792 total registrants as of June 30, 2008 (ACN 08-20058-08).

Exhibit 2

**State Board of Registration for Architects, Engineers, and Land Surveyors
Registration Activity
FY 13 through February 15, 2016**

	New Registrations Issued (Exclusive of Renewals)			Total Registrations as of February 15, 2016
	FY 13	FY 14	FY 15	
Architect	41	26	38	613
Agriculture Engineer (New 2012)	2	0	0	2
Corporation	49	32	33	499
Limited Liability Company	37	20	37	204
Limited Liability Partnership	1	0	1	5
Chemical Engineer	7	15	14	136
Civil Engineer	133	138	149	3,133
Control Systems Engineer (New 2012)	12	17	3	35
Electrical Engineer	34	48	47	739
Environmental Engineer (New 2012)	14	94	15	128
Fire Protection Engineer (New 2012)	10	14	11	39
Industrial Engineer (New 2012)	1	0	0	1
Land Surveyor	12	22	22	484
Landscape Architect	0	1	2	50
Mechanical Engineer	48	67	52	850
Metallurgical and Materials Engineer (New 2012)	0	1	0	2
Mining and Mineral Processing Engineer*	4	4	2	50
Naval Architect and Marine Engineer (New 2012)	5	3	5	18
Nuclear Engineer (New 2012)	1	0	0	1
Petroleum Engineer	4	4	6	119
Structural Engineer (New 2012)	63	148	42	278
Totals	478	654	479	7,386

Source: Compiled from DCBPL licensing database.

*In FY 12, Mineral Processing was added to this registration.

DCBPL management and the board adjusted fees to cover the cost of board operations.

According to DCBPL management, as of FY 16, continuing education audits are documented in the new licensing system which maintains an electronic record of communication with registrants.

Primarily, the board receives its revenue from registration and renewal fees. Renewals are conducted on a biennial basis, creating a two-year cycle in board revenues. As shown in Exhibit 3, the board had a \$743,460 surplus at the end of FY 15, the second year of its biennial licensing period. In response to the surplus, fees were reduced for the FY 16 through FY 17 licensing period. Per DCBPL management, fee levels will be re-evaluated prior to the next registration cycle.

Exhibit 4 is a schedule of fees from FY 13 through FY 16. It shows fees were adjusted in FY 14 to address a deficit and in FY 16 to address a surplus. The FY 16 fee change was calculated using DCBPL's new fee calculation tool.

The audit evaluated DCBPL's tool used to set registration fees and identified potential weaknesses. The potential weaknesses include:

- Formula errors which do not correctly use registrant statistics for the applicable fee type.
- The estimated number of new registrants was based on prior year actual number of new registrants rather than an average over a period of time.

The FY 16 fee calculation was the first year the fee tool was used, and DCBPL management has since amended the process to correct the formula errors. In addition to correcting the formula errors found in the fee tool, DCBPL management should also consider using a full biennium of registrant statistics when projecting registrant levels.

Consideration should be given to making the temporary non-voting landscape architect a permanent voting board member.

Per AS 08.48.011(b), there are 10 designated board seats. The board registers four professions: architects, engineers, land surveyors, and landscape architects. All of the registered professions, except for the landscape architect, are represented on the board by a permanent voting member. To provide representation for the landscape architects, a temporary, non-voting landscape architect was established in

Exhibit 3

State Board of Registration for Architects, Engineers, and Land Surveyors
Schedule of License Revenue and Expenditures
As of February 29, 2016
(Unaudited)

	FY 12	FY 13	FY 14	FY 15	July 1, 2015 - February 29, 2016
Revenue					
Licensing Fees	845,362	162,223	1,983,134	309,524	1,244,307
Other Sources	-	-	5,931	7,156	-
Total Revenues	<u>845,362</u>	<u>162,223</u>	<u>1,989,065</u>	<u>316,680</u>	<u>1,244,307</u>
Direct Expenditures					
Personal Services	260,469	248,834	287,835	283,855	196,125
Travel	48,940	41,597	53,408	42,799	16,611
Services	59,439	32,998	88,077	54,433	25,046
Commodities	2,922	6,779	2,054	1,075	1,152
Total Direct Expenditures	<u>371,770</u>	<u>330,208</u>	<u>431,374</u>	<u>382,162</u>	<u>238,934</u>
Indirect Expenditures	<u>396,542</u>	<u>431,350</u>	<u>290,377</u>	<u>198,406</u>	<u>121,068*</u>
Total Expenditures	<u>768,312</u>	<u>761,558</u>	<u>721,751</u>	<u>580,568</u>	<u>360,002</u>
Annual Surplus (Deficit)	<u>77,050</u>	<u>(599,335)</u>	<u>1,267,314</u>	<u>(263,888)</u>	<u>884,305</u>
Beginning Cumulative Surplus (Deficit)	262,319	339,369	(259,966)	1,007,348	743,460
Ending Cumulative Surplus (Deficit)	<u>339,369</u>	<u>(259,966)</u>	<u>1,007,348</u>	<u>743,460</u>	<u>1,627,765</u>

Source: DCBPL management.

*Indirect expenditures are estimated based on actuals as of February 29, 2016, using the prior year allocation percentage for the board.

Exhibit 4

**State Board of Registered Architects, Engineers and Land Surveyors
License Fees
(FY 13 through FY 16)**

	FY13	FY14	FY15	FY16
Application fee for Corporations, LLCs, and LLPs	\$50	\$100	\$100	\$100
Review fee for registration by comity	100	170	170	100
Initial biennial registration fee	125	250	250	150
Renewal biennial registration renewal fee	125	250	250	150
Initial biennial certification fee for Corporations, LLCs, and LLPs	125	500	500	400
Renewal biennial fee for Corporations, LLCs and LLPs	125	500	500	400
Amendment to Corporate, LLC, and LLP certification	50	100	100	75
Fee for having examination proctored out of state	50	50	repealed	repealed
Examination review fee	100	100	100	100
Retired status registration one-time fee	50	50	50	25
Alaska Land Surveying Exam	100	200	200	100
Landscape Architect Registration Examination Sections C and E	350	350	repealed	repealed

Source: DCBPL regulations

uncodified law.³ Since 1998, the non-voting landscape architect position has participated in all aspects of the board's activities, and related travel and per diem costs are reimbursed in the same manner as permanent voting positions.

Per the board chair, the intent behind the temporary board seat was to assist the board in drafting regulations and representing the landscape architect profession. The seven board members interviewed as part of the audit all support making the temporary board seat a permanent voting member. Board members believed it was important that each licensed profession be represented on the board by a voting member. Additionally, board members believed the input of a professional landscape architect on all board matters would be appropriate. Given that the landscape architect position has been an active board participant since 1998, consideration should be given to making the temporary non-voting seat a permanent voting member of the board.

³Chapter 47, SLA 1998 (SB 110).

FINDINGS AND RECOMMENDATIONS

The prior 2008 sunset audit⁴ made three recommendations:

- The Division of Corporations, Business and Professional Licensing (DCBPL) director, in conjunction with the State Board of Registration for Architects, Engineers, and Land Surveyors (board) should review registration fees as provided by statute and consider decreasing fees.
- The DCBPL director should ensure that the board registrants that are corporations, limited liability companies, and limited liability partnerships are licensed in accordance with state regulations.
- The Office of the Governor should fill vacant seats on the board in a timely manner.

The prior audit recommendation to decrease fees was addressed by DCBPL and the board. As noted in Exhibit 3, during the scope of the audit, board costs exceeded revenues, thereby resulting in a deficit in FY 13. Fees were increased in FY 14 to address the deficit.

The recommended improvement to registration for corporations, limited liability companies, and partnerships was implemented. The audit found that businesses submitted the required certification statement that documented a registered individual accepting responsibility for the business in the registered area of expertise.

Additionally, the prior audit recommendation to fill vacant board seats in a timely manner was implemented. The audit did not identify significant board vacancies during the scope of the audit.

There were no new recommendations as part of the current sunset audit.

⁴*Department of Commerce, Community, and Economic Development State Board of Registration for Architects, Engineers, and Land Surveyors, Sunset Audit, September 22, 2008 (ACN 08-20058-08).*

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OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Title 24 and 44 of the Alaska Statutes, we have reviewed the activities of the State Board of Registration for Architects, Engineers, and Land Surveyors (board) to determine if there is a demonstrated public need for its continued existence and if it has been operating in an efficient and effective manner.

As required by AS 44.66.050(a), this report shall be considered by the committee of reference during the legislative oversight process in determining whether the board should be reestablished. Currently, under AS 08.03.010(c)(3), the board will terminate on June 30, 2017, and will have one year from that date to conclude its administrative operations.

Objectives

The four central, interrelated objectives of our report are:

1. To determine if the termination date of the board should be extended.
2. To determine if the board is operating in the public's interest.
3. To determine if the board has exercised appropriate regulatory oversight of architects, engineers, land surveyors, and landscape architects.
4. To determine the status of recommendations made in the prior sunset audit.

Scope

The assessment of operations and performance of the board was based on criteria set out in AS 44.66.050(c). Criteria set out in this statute relates to the determination of a demonstrated public need for the board. We reviewed the board's activities from July 1, 2012, through February 15, 2016. Financial information is presented, unaudited, from July 1, 2012, through February 29, 2016.

Methodology

During the course of our audit we reviewed and evaluated the following:

- The prior sunset audit report (ACN 08-20058-08) to identify issues affecting the board and to identify prior sunset audit recommendations.
- Applicable statutes and regulations to identify board functions and responsibilities, determine whether statutory or regulatory changes enhanced or impeded board activities, and help ascertain if the board operated in the public interest.
- The state's online public notice system to verify the board meetings and regulation changes proposed by the board were adequately public noticed.
- Board meeting minutes and annual reports to gain an understanding of board proceedings and activities, goals and objectives, the nature and extent of public input, whether a quorum was maintained, and whether board vacancies impeded operations.
- Expenditure, revenue, and fee levels for the board to determine whether fee levels covered the costs of operations.
- Investigation case data for the board to identify cases open for greater than one year.
- Various state and news related websites to identify complaints against the board or other board related concerns.
- Various state and federal websites containing information for potential duplication of board activities.
- Internal controls over the licensing database and investigative case management system were assessed to determine if controls were properly designed and implemented.

To identify and evaluate the various issues relating to board activities, we conducted interviews with state agency staff and board members. Specific issues of inquiry included board operations, duplication of effort, and complaints against the board. Additional inquiry was

performed regarding the non-voting temporary board member position and availability of exam locations.

The following samples were selected:

- A random sample of 25 initial and renewal registrant applications was selected from 7,495 licensees that were active between July 1, 2012, and February 15, 2016. Applications were assessed for statutory and regulatory compliance. The sample size was based on a low inherent risk. The sampled items were to include at least five corporate registrants. Test results were projected to the population.
- A sample of eight board meeting minutes was selected from 15 meetings held between July 2012 and February 2016. The systematic sample selected every other board meeting minutes beginning with the first meeting in FY 13. The sample size was considered appropriate as results of the review of board meeting minutes were significant to the evaluation of board operations. Test results were not projected to the population.

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APPENDICES

SUMMARY

Appendix A — Analysis of Public Need

In developing our conclusion regarding whether the board's termination date should be extended, its operations were evaluated using the 11 factors set out in AS 44.66.050(c). Under the State's "sunset" law, these factors are to be considered in assessing whether an entity has demonstrated a public policy need for continuing operations.

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APPENDIX A

Analysis Of Public Need Criteria (AS 44.66.050(c))

A determination as to whether a board or commission has demonstrated a public need for its continued existence must take into consideration the following factors:

- (1) the extent to which the board or commission has operated in the public interest;
- (2) the extent to which the operation of the board or commission has been impeded or enhanced by existing statutes, procedures, and practices that it has adopted, and any other matter, including budgetary, resource, and personnel matters;
- (3) the extent to which the board or commission has recommended statutory changes that are generally of benefit to the public interest;
- (4) the extent to which the board or commission has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of service, economy of service, and availability of service that it has provided;
- (5) the extent to which the board or commission has encouraged public participation in the making of its regulations and decisions;
- (6) the efficiency with which public inquiries or complaints regarding the activities of the board or commission filed with it, with the department to which a board or commission is administratively assigned, or with the office of victims' rights or the office of the ombudsman have been processed and resolved;
- (7) the extent to which a board or commission that regulates entry into an occupation or profession has presented qualified applicants to serve the public;
- (8) the extent to which state personnel practices, including affirmative action requirements, have been complied with by the board or commission to its own activities and the area of activity or interest;

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-
- (9) the extent to which statutory, regulatory, budgeting, or other changes are necessary to enable the board or commission to better serve the interests of the public and to comply with the factors enumerated in this subsection;
 - (10) the extent to which the board or commission has effectively attained its objectives and purposes and the efficiency with which the board or commission has operated;
 - (11) the extent to which the board or commission duplicates the activities of another governmental agency or the private sector.

Agency Response from the Department of Commerce, Community, and Economic Development



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Commerce, Community,
and Economic Development

OFFICE OF THE COMMISSIONER

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SEP 07 2016

LEGISLATIVE AUDIT

September 7, 2016

Kris Curtis, CPA, CISA
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811

Re: Confidential Preliminary Audit Report, Department of Commerce, Community, and Economic Development (DCCED), State Board of Registration for Architects, Engineers, and Land Surveyors, April 27, 2016

Dear Ms. Curtis:

Thank you for the opportunity to comment on the Confidential Preliminary Report regarding the State Board of Registration for Architects, Engineers, and Land Surveyors. I am pleased to know that you are recommending a full extension of this board to June 30, 2025, and have no recommendations for this audit period.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chris Hladick".

Chris Hladick
Commissioner

cc: Janey Hovenden, Director, Division of Corporations, Business and Professional Licensing
Micaela Fowler, Legislative Liaison, DCCED

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Agency Response from the State Board of Registration for Architects, Engineers, and Land Surveyors



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Commerce, Community,
and Economic Development

DIVISION OF CORPORATIONS, BUSINESS AND
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LEGISLATIVE AUDIT

MEMORANDUM

TO: Kris Curtis, CPA, CISA

DATE: Tuesday, September 20, 2016

FROM: Brian Hanson, PE, Chair AELS Board

RE: AELS Sunset Audit 2016

I have reviewed the April 27, 2016 Audit and agree with the findings. In reviewing the audit there are no new recommendations however there were three ongoing recommendations. In response to those recommendations, the AELS Board in conjunction with the DCBPL recently reviewed fees and lowered the fees to address the budget surplus. We anticipate fees either remaining the same or being lowered during the next renewal cycle, depending on the financial situation at the time.

The AELS Board recently passed regulations requiring corporations, limited liability companies and partnerships to place their physical address as well as corporate authorization number on all stamped plans. This will help to ensure those entities are properly licensed.

The AELS Board currently has one vacancy due to an unexpected departure. From discussions with the Governor's staff they are vetting candidates and forwarding for consideration shortly. A selection will be made as soon as possible however confirmation by the legislature will not occur until early next year.

Thank you for the opportunity to comment.

A handwritten signature in blue ink, appearing to read "Brian".

Brian Hanson, PE, Chair AELS

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