

ANNUAL FINANCIAL REPORT

FISCAL YEAR 2011



**TEXAS BOARD OF
PROFESSIONAL ENGINEERS**

TEXAS BOARD OF PROFESSIONAL ENGINEERS

AUSTIN, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2011

Lance Kinney, P.E.
Executive Director



TEXAS BOARD OF PROFESSIONAL ENGINEERS

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BOARD MEMBERS

G. KEMBLE BENNETT, Ph.D., P.E.
CHAIR
COLLEGE STATION

DANIEL O. WONG, Ph.D., P.E.
VICE-CHAIR
SUGAR LAND

GARY W. RABA, D. Eng., P.E.
SECRETARY
SAN ANTONIO

EDWARD L. SUMMERS, Ph.D.
TREASURER
AUSTIN

CARRY A. BAKER
AMARILLO

LAMBERTO BALLI, P.E.
HOUSTON

JAMES GREER, P.E.
KELLER

GOVIND NADKARNI, P.E.
CORPUS CHRISTI

ELVIRA REYNA
DENTON COUNTY

LANCE KINNEY, P.E.
EXECUTIVE DIRECTOR

October 11, 2011

Honorable Rick Perry, Governor
Honorable Susan Combs, Texas Comptroller
John O'Brien, Deputy Director, Legislative Budget Board
John Keel, CPA, State Auditor

Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of the Texas Board of Professional Engineers for the year ended August 31, 2011, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all of the requirements in the statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Jeff Mutscher at (512) 440-3063.

Sincerely,

Lance Kinney, P.E.
Executive Director

TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

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TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

EXHIBIT I

Combined Balance Sheet – Governmental Funds

For the Fiscal Year Ended August 31, 2011

	<u>Governmental Fund Type General Fund GAAP Fund 0860</u>	<u>Totals Reporting Entity FY 2011</u>
ASSETS		
Cash in State Treasury	\$ 188,499.40	\$ 188,499.40
Cash (Note 3)		
Cash in Bank	73,430.00	73,430.00
Cash Equivalent-Misc Investments	1,090,864.35	1,090,864.35
Receivables From:		
Accounts Receivable	48,880.00	48,880.00
Consumable Inventories	4,961.36	4,961.36
TOTAL ASSETS	\$ <u>1,406,635.11</u>	\$ <u>1,406,635.11</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Payables From:		
Vouchers Payable	\$ 6,840.00	\$ 6,840.00
Accounts Payable	26,015.42	26,015.42
Payroll Payable	185,904.44	185,904.44
TOTAL LIABILITIES	\$ <u>218,759.86</u>	\$ <u>218,759.86</u>
FUND BALANCES		
Non spendable for Inventory	\$ 4,961.36	\$ 4,961.36
Committed	1,182,913.89	1,182,913.89
TOTAL FUND BALANCES	\$ <u>1,187,875.25</u>	\$ <u>1,187,875.25</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u><u>1,406,635.11</u></u>	\$ <u><u>1,406,635.11</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

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TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

EXHIBIT II

Combined Statement of Revenue, Expenditures, & Changes

In Fund Balance - Governmental Funds

For the Fiscal Year Ended August 31, 2011

	GOVERNMENTAL	TOTALS
	Fund Type	Reporting
	General	Entity
	Fund	FY 2011
	GAAP Fund 0860	FY 2011
REVENUES		
Licenses, Fees & Permits	\$ 4,732,323.14	\$ 4,732,323.14
Interest and Investment Income	5,187.12	5,187.12
Other Revenue-Warrants Voided	1,530.00	1,530.00
TOTAL REVENUES	\$ 4,739,040.26	\$ 4,739,040.26
EXPENDITURES		
Salaries and Wages	\$ 1,700,134.52	\$ 1,700,134.52
Payroll Related Costs	519,650.00	519,650.00
Professional Fees and Services	92,383.18	92,383.18
Travel	28,249.55	28,249.55
Materials and Supplies	164,252.42	164,252.42
Communication and Utilities	47,908.02	47,908.02
Repairs and Maintenance	46,676.87	46,676.87
Rentals & Leases	18,619.95	18,619.95
Printing and Reproduction	67,419.47	67,419.47
Other Expenditures	1,567,060.98	1,567,060.98
Debt Service-Principal-Capital Leases	4,717.03	4,717.03
TOTAL EXPENDITURES	\$ 4,257,071.99	\$ 4,257,071.99
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 481,968.27	\$ 481,968.27
OTHER FINANCING SOURCES (USES)		
Transfers Out (Note 12)	\$ (373,900.00)	(373,900.00)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (373,900.00)	\$ (373,900.00)
EXCESS OF REVENUES & OTHER FINANCING SOURCES OVER EXPENDITURES & OTHER FINANCING USES	\$ 108,068.27	\$ 108,068.27
FUND BALANCES		
Fund Balances--Beginning	\$ 1,079,806.98	1,079,806.98
FUND BALANCES--August 31, 2011	\$ 1,187,875.25	\$ 1,187,875.25

The accompanying notes to the financial statements are an integral part of this statement.

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TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

Exhibit J-1 - Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Fiscal Year Ended August 31, 2011

	Beginning Balance September 1, 2010	Additions	Deductions	Ending Balance August 31, 2011
Child Support Employ Deduct Fund 0807				
ASSETS				
Current				
Cash in State Treasury	\$ 2,100.00	\$ 2,100.00	\$ 2,100.00	\$ 2,100.00
Total Assets	<u>\$ 2,100.00</u>	<u>\$ 2,100.00</u>	<u>\$ 2,100.00</u>	<u>\$ 2,100.00</u>
LIABILITIES				
Current				
Funds Held for Others	\$ 2,100.00	\$ 2,100.00	\$ 2,100.00	\$ 2,100.00
Total Liabilities	<u>\$ 2,100.00</u>	<u>\$ 2,100.00</u>	<u>\$ 2,100.00</u>	<u>\$ 2,100.00</u>
Texasaver Hold-Trnsmit 401K Fund 0942				
ASSETS				
Current				
Cash in State Treasury	\$ -	\$ -	\$ -	\$ -
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
Current				
Funds Held for Others	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total - All Agency Funds				
ASSETS				
Cash in State Treasury	\$ 2,100.00	\$ 2,100.00	\$ 2,100.00	\$ 2,100.00
	<u>\$ 2,100.00</u>	<u>\$ 2,100.00</u>	<u>\$ 2,100.00</u>	<u>\$ 2,100.00</u>
LIABILITIES				
Funds Held for Others	\$ 2,100.00	\$ 2,100.00	\$ 2,100.00	\$ 2,100.00
Total Liabilities	<u>\$ 2,100.00</u>	<u>\$ 2,100.00</u>	<u>\$ 2,100.00</u>	<u>\$ 2,100.00</u>

The accompanying notes to the financial statements are an integral part of this statement.

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TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

Exhibit VI - Combined Statement of Net Assets - Fiduciary Funds

For the Fiscal Year Ended August 31, 2011

	<u>Agency Funds (Exhibit J-1)</u>
ASSETS	
Cash in State Treasury	\$ 2,100.00
Total Assets	<u>\$ 2,100.00</u>
LIABILITIES	
Funds Held for Others	\$ 2,100.00
Total Liabilities	<u>\$ 2,100.00</u>
NET ASSETS	
Held in trust for:	
Individuals, Organizations, and Other Governments:	\$ -
Total Net Assets	<u>\$ -</u>

The accompanying notes to the financial statements are an integral part of this statement.

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TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entity

The Texas Board of Professional Engineers (the Board) is a Self-Directed Semi-Independent agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Agencies.

The Board was created in 1937 by the Forty-fifth Legislature to administer the provisions of the Texas Engineering Practice Act (V.T.C.S., Article 3271a). The primary functions of the Board are to examine and license applicants as professional engineers and to enforce the rules and regulations applicable to the practice of engineering as established and defined by the Act in order to protect the public.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

Component Units

No component units have been identified which should have been blended into an appropriated fund, discrete presentation or note disclosure.

Fund Structure

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity.

Governmental Fund Types

General Fund

The General Fund is used to account for all financial resources of the state except those required to be accounted for in another fund. The Board of Professional Engineers Operating Trust Fund (Fund 0860) is restricted to expenditures by Agency 460. It derives its financing from license fees, exam fees, penalty fees, and interest revenues.

Capital Asset Adjustment Fund Type

The Capital Asset Adjustment Fund (Fund 9998) will be used to convert governmental fund type capital assets from modified accrual to full accrual.

Long-Term Liabilities Adjustment Fund Type

The Long-Term Liabilities Adjustment Fund (Fund 9997) will be used to convert governmental fund type debt from modified accrual to full accrual.

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TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

Fiduciary Fund Types

Fiduciary funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. When assets are held under the terms of a formal trust agreement, either a pension trust fund, or a private purpose trust fund is used.

Agency Fund

Child Support Employee Deduct (Fund 0807) and Texasaver Hold-Transmit 401K (Fund 0942) are used to account for assets the government holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Basis of Accounting

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Government fund types that build the fund financial statements are accounted for using the modified accrual method basis of accounting. Under the modified accrual method, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. The State of Texas considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year for Fund Financial Statements prepared on the modified basis of accrual. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

Governmental adjustment fund types that will build the government-wide financial statements are accounted for using the full accrual basis of accounting. This includes capital assets, accumulated depreciation, unpaid Employee Compensable Leave, the unmatured debt service (principal and interest) on general long-term liabilities, long-term capital leases, and long-term claims and judgments and full accrual revenues and expenses. The activity will be recognized in these fund types.

Budget and Budgetary Accounting

The budget is prepared annually using generally accepted accounting principles. The budget is reviewed and approved by the agency's governing Board notwithstanding any other provisions of law, including the General Appropriations Act. No costs are incurred by the General Revenue fund. The agency is responsible for all costs, both direct and indirect.

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TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

Assets, Liabilities, and Fund Equity

Assets:

Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Inventories and Prepaid Items

Inventories are consumable inventories. Inventories are valued at cost, generally utilizing the last-in, first-out method. The consumption method of accounting is used to account for inventories and prepaid items that appear in the governmental fund types. The cost of these items is expensed when the items are consumed.

Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year should be capitalized, with the exception of software. The capitalization threshold for purchased software is \$100,000. These assets are capitalized at cost or, if any purchased at appraised fair value, as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. Assets are depreciated over the estimated useful life of the asset using the straight-line method. Donated assets are reported at fair value on the acquisition date.

Current Receivables - Other

Other receivables include year-end revenue accruals. This account can appear in governmental and proprietary fund types.

Liabilities:

Accounts Payable

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Current Payables - Other

Payables are the accrual at year-end of expenditure transactions. Payables may be included in either the governmental or proprietary fund types.

Other Liabilities

Other Liabilities represents funds due to the State's General Revenue Fund for professional fees collected.

Employees' Compensable Leave

Employees' Compensable Leave balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net assets.

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TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

Fund Balance/Net Assets:

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary and fiduciary fund statements, and the "Fund Balance" is the difference between fund assets and liabilities on the governmental fund statements.

Reservations of Fund Balance

Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reservations are legally restricted to a specific future use or not available for expenditure.

Committed

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the state's highest level of decision-making authority (the Legislature) are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the Legislature removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Nonspendable for Inventory

Ending nonspendable amount of inventory balance.

Invested in Capital Assets, Net Of Related Debt

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bond, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Interfund Transactions and Balances

The agency has the following types of transactions among funds:

- (1) Transfers: Legally required transfers that are reported when incurred as "Transfers In" by the recipient fund and as "Transfers Out" by the disbursing fund.
- (2) Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.
- (3) Interfund Receivables and Payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter it is classified as "Current", repayment for two (or more) years is classified as "Non-Current".
- (4) Interfund Sales and Purchases: Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

The composition of the agency's Interfund activities and balances are presented in Note 12.

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TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

NOTE 2: CAPITAL ASSETS

A summary of changes in Capital Assets for the year ended August 31, 2011 is presented below:

PRIMARY GOVERNMENT					
	Balance 9/1/10	Adjust/Restate	Additions	Deletions	Balance 8/31/11
Governmental Activities:					
Non-depreciable Assets:					
Land and Land Improvements	\$ 267,036.53	\$	\$	\$	\$ 267,036.53
Total non-depreciable assets:	\$ 267,036.53				\$ 267,036.53
Depreciable Assets:					
Buildings and Building Improvements	\$ 645,539.94	\$	\$	\$	\$ 645,539.94
Furniture and Equipment	92,876.47				92,876.47
Total depreciable assets at historical costs:	\$ 738,416.41				\$ 738,416.41
Less Accumulated Depreciation for:					
Buildings and Building Improvements	\$ (613,262.94)	\$	\$ -	\$	\$ (613,262.94)
Furniture and Equipment	(47,180.83)		(11,152.44)	-	(58,333.27)
Total Accumulated Depreciation:	(660,443.77)		(11,152.44)	-	(671,596.21)
Depreciable Assets Net:	\$ 77,972.64	\$ -	\$ (11,152.44)	\$ -	\$ 66,820.20
Governmental Activities Capital Assets, Net:	\$ 345,009.17	\$ -	\$ (11,152.44)	\$ -	\$ 333,856.73

NOTE 3: DEPOSITS, INVESTMENTS, & REPURCHASE AGREEMENTS

Deposits of Cash in Bank

The Texas Board of Professional Engineers is authorized by statute to deposit funds in the Texas Treasury Safekeeping Trust Company. There were no violations of legal provisions during the period.

As of August 31, 2011, the carrying amount of deposits was \$1,164,294.35 as presented below.

Governmental and Business-Type Activities	
Cash in Bank - Carrying Value	\$73,430.00
Texas Treasury Safekeeping Trust Company	
Cash in Bank per AFR	\$73,430.00

Investments

As of August 31, 2011, the carrying value and fair value of investments are as presented below.

Governmental and Business-Type Activities	Carrying Value	Fair Value
Repurchase Agreement	\$ 1,090,864.35	\$1,090,864.35
Texas Treasury Safekeeping Trust Company		
Total	\$ 1,090,864.35	\$1,090,864.35

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TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

NOTE 4: SHORT-TERM DEBT

Not applicable.

NOTE 5: SUMMARY OF LONG TERM LIABILITIES

During the year ended August 31, 2011 the following changes occurred in liabilities.

	Balance 9/1/10	Additions	Reductions	Balance 8/31/10	Amounts Due Within 1 Year	Amounts Due Thereafter
Governmental Activities						
Capital Lease Obligations	\$ 4,717.03	\$ -	\$ (4,717.03)	\$ -	\$ -	\$ -
Employee's Compensable Leave	\$ 165,097.71	\$ 155,741.42	\$ (152,663.28)	\$ 168,175.85	\$ 97,389.66	\$ 70,786.19
Total Governmental Activities	\$ 169,814.74	\$ 155,741.42	\$ (157,380.31)	\$ 168,175.85	\$ 97,389.66	\$ 70,786.19

Employees' Compensable Leave

If a state employee has had continuous employment with the state for at least six months, the state employee is entitled to be paid for all unused vacation time accrued in the event of the employee's resignation, dismissal or separation from state employment. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the statement of net assets. Both an expense and a liability for business-type activities are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. This obligation is usually paid from the same funding source(s) from which the employee's salary or wage compensation was paid.

NOTE 6: BONDED INDEBTEDNESS

Not applicable.

NOTE 7: DERIVATIVES

Not applicable.

NOTE 8: CAPITAL LEASES

The Agency has entered into a long-term lease for financing the purchase of a capital asset. Such leases are classified as capital leases for accounting purposes and, therefore, have been recorded at present value of the future minimum lease payments at the inception of the lease. The following is a summary of original capitalized costs of all such property under lease as well as the accumulated depreciation as of August 31, 2011.

Assets Under Capital Leases	Governmental Activities
Furniture and Equipment	\$ 30,749.79
Less: Accumulated Depreciation	(30,749.79)
Total	\$ -

The capital lease agreement terminated in FY 2011 and the asset is paid for. No future lease payments are required.

Future minimum lease payments	Governmental Activities		
	Principal	Interest	Total
Year	\$ -	\$ -	\$ -
Present Value of Net Minimum Lease Payments	\$ -	\$ -	\$ -

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TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

NOTE 9: RETIREMENT PLANS

Not applicable.

NOTE 10: DEFERRED COMPENSATION

The State of Texas offers a deferred compensation plan to all state employees. This plan is in accordance with Internal Revenue Code Section 457 and permits employees to defer a portion of their salary until future years. All amounts are held in trust by the Employees Retirement System (ERS) Board of Trustees for the exclusive benefit of participants and their beneficiaries. The Board of Trustees is not liable to participating employees for the diminution or loss of participants' deferred amounts or investment income.

The state also administers the TexaSaver 401(k) plan. The assets of this plan do not belong to the state and the state has no liability related to this plan.

NOTE 11: POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Not applicable.

NOTE 12: INTERFUND ACTIVITIES AND TRANSACTIONS

Individual balances and activity at August 31, 2011, follows:

	Transfers Out	Due To Other Agencies	Purpose (Disclosure Required)
General Revenue (01)			
Appd Fund 0001, D23 Fund 0001			
Agency 902, D23 Fund 0001	\$ 373,900.00	\$ -	SB 1382 78th Leg., R.S.
Total Transfers/Due To Other Agencies	\$ 373,900.00	\$ -	

NOTE 13: CONTINUANCE SUBJECT TO REVIEW

Under the Texas Sunset Act, the Board will be abolished effective September 1, 2013, unless continued in existence by the Legislature as provided by the Act.

NOTE 14: ADJUSTMENTS TO FUND BALANCES AND NET ASSETS

Not applicable.

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TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

NOTE 15: CONTINGENCIES AND COMMITMENTS

Not applicable.

NOTE 16: SUBSEQUENT EVENTS

Not applicable.

NOTE 17: RISK MANAGEMENT

The Agency participates in the Statewide Property Insurance Program administered by the State Office of Risk Management. The Agency has a total insured value of \$2,125,000 and the annual premium for the policy is \$1,110. The program provides client agencies a \$100 million per occurrence limit, with sublimits for named storm (\$50M), flood (\$25M), and earthquake (\$25M), shared by all participants when incurring damage from the same occurrence.

NOTE 18: MANAGEMENT DISCUSSION AND ANALYSIS (MATERIAL CHANGES TO AFR)

Not applicable.

NOTE 19: THE FINANCIAL REPORTING ENTITY

As required by Generally Accepted Accounting Principles, the financial statements present the activity of the Texas Board of Professional Engineers. There are no component units, related organizations or parties, and no joint ventures.

NOTE 20: STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY

Not applicable.

NOTE 21: N/A

Not applicable to the Reporting Requirement Process.

NOTE 22: DONOR RESTRICTED ENDOWMENTS

Not applicable.

NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS

Not applicable.

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TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

Not applicable.

NOTE 25: TERMINATION BENEFITS

Not applicable.

NOTE 26: SEGMENT INFORMATION

Not applicable.

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TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

ADDENDUM

STATUTORY AUTHORITY

The Board was created in 1937 by the Forty-fifth Legislature to administer the provisions of the Texas Engineering Practice Act (V.T.C.S., Article 3271a). The Act has been recodified as Texas Occupations Code, Title 6, Chapter 1001.

The passage of Senate Bill 1438, 76th Legislature, authorized the Board and two other state agencies with exemplary performance to participate in the Self-Directed Semi-Independent (SDSI) Project Agency Act. This program is not subject to the appropriation process and allows the project agencies to exercise greater autonomy over fiscal operations. Originally implemented for a two-year period, the SDSI program has been extended until September 1, 2013, with the passage of House Bill 3249, 80th Legislature (Regular Session). Since September 2001, this program has allowed for operational flexibility and has saved state resources. We have identified quality service and fiscal responsibility as our top priorities under the SDSI status. This approach establishes that the agency will be successfully run for the next three to five years by a strong focus on responsive services, responsible spending, and efficient operations in the achievement of the agency's mission objectives and financial commitments. The Board has also taken this opportunity to "think outside the box" – we are pursuing innovative technologies, such as an electronic document management system and leveraging online communications to provide more efficient and effective service to the public. At the same time, we are using the fiscal flexibility to strengthen our compliance efforts. The Board believes the SDSI program is an innovative idea in state government management. It prioritizes state resources, yet continues to provide accountability.

BOARD MEMBERS

<u>Board Member</u>	<u>Hometown</u>	<u>Term Expires</u>
G. Kemble Bennett, Ph.D., P.E. Chairman	College Station	September 26, 2011*
Daniel Wong, Ph.D., P.E., Vice Chair	Sugar Land	September 26, 2013
Edward L. Summers, Ph.D., Treasurer	Austin	September 26, 2011**
Gary W. Raba, D. Eng., P.E., Secretary	San Antonio	September 26, 2013
Govind Nadkarni, P.E.,	Corpus Christi	September 26, 2011**
Carry Ann Baker	Amarillo	September 26, 2015
Gary W. Raba, D. Eng., P.E.	San Antonio	September 26, 2013
James Greer, P.E.	Keller	September 26, 2015
Lamberto (Bobby) Balli, P.E.	Houston	September 26, 2015

* Chair appointed by Governor

** Awaiting replacement or reappointment nomination by Governor's Office

AGENCY VISION STATEMENT

"A Well Engineered Texas"

AGENCY MISSION

Our mission is to protect the health, safety, and welfare of the people in Texas by regulating the practice of engineering through licensure of qualified individuals and compliance with the laws and rules.

AGENCY PHILOSOPHY

As professionals, we value:

- ethics
- communication
- learning
- innovation
- efficiency
- accountability

MISCELLANEOUS COMMENTS

The Board's administrative office is located at 1917 IH 35 South, Austin, Texas.

The agency's primary service populations are the consumers of consulting and public sector engineering services: transportation providers, builders, developers, cities, counties, etc. The secondary service population is composed of professional engineers who look to the Board for the establishment and maintenance of the rules regarding proper and ethical practice, and applicants who seek an engineering license. Historically, the consumer service population increases demands on the agency during a strong economy; these demands are primarily on the Compliance & Enforcement Division. Service demands from engineers are relatively constant; demands from applicants historically increase during weaker economic conditions. During FY 2011, the agency issued 2,651 new licenses, bringing the total number of licensed professional engineers to over 55,000. Texas has the second largest licensed engineer population after California. The public views the agency as the entity of state government responsible for protecting the health, safety and welfare through the licensure of qualified professional engineers and through the regulation of the engineering profession in Texas. The engineering profession views the agency as a source of information concerning ethical and professional practice issues related to engineering.

The agency and all of its operations are located in Austin. All geographic regions of the state are served from this location. Most engineers and engineering activities are concentrated in the urban areas of the state, especially Bexar, Dallas, El Paso, Harris, Tarrant, and Travis counties. This situation can often affect the cost of complaints and other activities because of delays in communications and travel; subsequently, expenses for these services can be high. However, the overall cost of this operation is still less than would be reasonably expected if the Board were to operate satellite offices around the state. The agency is working to counter these costs through outreach efforts. The Board publishes a yearly newsletter and interim activities are regularly posted on the Board's Web site. Based on feedback from our customers, we are constantly updating our Web site so that information is up-to-date and easy to obtain.

Management and Staff

The agency has 30 full-time positions, which includes one exempt position. Using EEO definitions, there are currently 1 administrator (ED), 10 professional, 17 administrative support, and 2 technician positions. Five Professional Engineers are on staff to analyze and evaluate technical engineering issues and the technical/professional credentials of applicants. The ethnic distribution of the staff is 57% White, 35% Hispanic, and 7% Black. Women make up 60% of the agency's work force. The average tenure for an agency employee is just under 8 years. The average employee turnover rate for the past two years was 17%.

The agency is divided into four main functions: Licensing, Compliance & Enforcement, Finance, and IT & Communications. Each function is responsible for implementing particular portions of the Act and Board rules and for preventing variances from the agency's statutory role. The executive staff is composed of the Executive Director, Deputy Executive Director, Director of Licensing, Director of Compliance & Enforcement, Director of Financial Services, Director of IT/Communications, and Executive Assistant. No employee is separated from the senior management team by more than one supervisor. The organizational structure is designed to delegate tasks among the divisions based on the assigned areas of statutory responsibility. This is done to minimize response time to the public and to provide accountability and consistency in the application of public policy.

Continuing Education

Senate Bill 277 (78th Regular Session, 2003) mandated the development of a Continuing Education Program for Professional Engineers. The Board has developed a program based on the National Council of Examiners for Engineering and Surveying (NCEES) model law and an extensive review of continuing education programs currently in place from other state engineering boards. The intent of the program is largely self-regulated and does not impose an undue burden on the license holders. The Board feels that the program will enhance the engineering profession and help protect the public by encouraging license holders to continue to increase their knowledge throughout their careers. The program has been in place since 2005, has been well received by the regulated community, and has resulted in an increase in outreach activities presented by the board especially in engineering ethics. An audit system is in place to verify compliance with the program, and the results show the license holders are complying with both the letter and the spirit of the law.

Policy Advisory Opinions

Senate Bill 277 (78th Regular Session, 2003) directed the Board to develop and implement a process to prepare written policy advisory opinions. The Board develops these policy advisory opinions in response to requests by the public or internally concerning interpretations of the Board rules and other engineering issues. By statute, the Board has 180 days to respond to these requests. To date, the board has received 31 requests, including such topics as water quality planning, use of the engineer title, and comprehensive building design by engineers.

Fees

Senate Bill 277 (78th Regular Session, 2003) mandates that the Board establish fees in amounts that are reasonable and necessary to cover the costs of administering the different licenses, exams and other activities of the Board. Due to strict financial controls, responsible budget management, and a comprehensive planning process, the Board has not had to raise any fees for engineering licensure or firm registration in the last year, while still meeting all budgetary and operating requirements. The annual renewal fee for license holders accounts for approximately two-thirds of the agency's revenues and has been set at \$35 since FY 2004. The \$200 professional fee paid by licensees generated nearly \$7 million in contributions to the State's general revenue fund this year. SDSI has allowed the board the flexibility to manage its own spending and revenue streams and still achieve an increase in value and services for the state.

SERVICE DEMOGRAPHICS

Changes in the rate of engineering licensure have historically been affected by economic factors such as "right-sizing," high-tech start-ups or layoffs, petroleum prices, real estate development, and infrastructure investment. The change in the rate of licensure usually lags the controlling condition by about a year. The overall rate of licensure has remained fairly constant over the history of the Board.

The Board licenses qualified individuals in 26 different disciplines, with Civil, Mechanical, Electrical, and Structural engineering representing almost 80% of the total population. To qualify for licensure as a professional engineer, an individual must have graduated from a curriculum in engineering or a closely related science such as physics, mathematics, chemistry, or computer science. Depending on educational qualifications, each applicant must demonstrate a minimum of four years of creditable engineering experience in active practice. Most applicants must also pass specialized national examinations in the fundamental principles of engineering and a specialized exam in their area of expertise. Applicant ages range from the mid 20's to the 60's and 70's for those who are beginning

second careers. Individuals licensed in other jurisdictions can apply for licensure in Texas and are fairly evenly distributed in age.

Until the early 1970's, the engineering profession was almost completely dominated by white males. While the trend is slowly reversing in engineering schools with an emphasis on women in engineering, the demographics of licensing will probably remain relatively unchanged in the near future.

Technology Innovations

The Board continues to use technology as a tool to offer better customer service while keeping expenses to a minimum. Although the agency has a relatively small IT department, all programming, database administration, email maintenance and desktop services are handled by the internal staff.

The Board's SDSI status has allowed the IT staff to purchase upgrades as necessary and utilize industry standard technology solutions. The Agency uses DIR's cooperative contracts for bulk purchasing discounts and approved technology vendors whenever possible. Technology projects utilize the DIR Project Delivery Framework for documentation and are achieving the maximum return on investment while minimizing risk.

The agency utilizes industry standard database systems with custom applications programmed to meet the business processes. These applications, outlined below, are written in standard programming languages such as Microsoft Access and Visual Basic for internal applications and Microsoft ASP for Internet applications. This software does not require exorbitant software license agreements or expensive vendor maintenance contracts.

Recent changes to enhance workplace productivity include the implementation of an agency instant messaging system, an agency Wiki for documentation, and desktop system enhancements. On the horizon, the agency is working towards a document management system for ease in file storage, retrieval, and archiving as well as improvements to the existing online applications enabling users to find information quickly and enter more information online which reduces data entry errors and customer support calls.

The agency migrated away from a legacy database system in 2003. Some recent agency improvements include upgrading the network to a gigabit Ethernet by replacing outdated cabling, network cards and servers. The IT department recently setup a SAN (Storage Area Network) for flexibility regarding file storage and upgraded to mirrored servers with flexibility regarding processors and storage. All agency servers are now virtualized enabling quick reboots, quick updates and flexibility regarding memory allocations.

All IT assets are tracked using real-time, open-source software. This enables the staff to track software installations, monitor hardware usage and ensure that licensees are in check with usage and the devices are being used to their full potential.

On a regular basis, the agency conducts outreach presentations to thousands of engineers all over the state. The agency is currently researching options regarding online webinars and conference systems as a means to reach more individuals while saving the agency time and resources.

As part of our focus on improving communications with our customers and the public, the agency is now using several social media systems to distribute information quickly and efficiently. Using Twitter, Facebook, and RSS News Feeds allows users to get up-to-date information and augments the agency's website, newsletter, and other communication channels.

TIDE (Texas Informational Database of Engineers)

TIDE is the agency's custom database and information management system. This system has been used to improve agency processes and increase efficiency by making data more accessible, integrating the database with other desktop systems such as Microsoft Word or Excel, and reducing time-consuming duplicate data entry.

ECHO (Engineers Cash Handling Online)

ECHO is an online system that allows license holders to update and modify their personal information and to record continuing education hours. It also allows license holders to pay their license renewal with their credit card. Currently, approximately 70% of all renewals are paid online through this system. This simplifies the data entry and cash processing significantly for the agency. A recent enhancement to the system allows engineering firms to renew their registration online as well. Approximately 45% of all firm renewals are processed online.

Document Imaging

The agency has eliminated all future microfilm imaging and has moved to a completely digital document storage process in order to allow the staff a more efficient retrieval of documents, the ability to email documents, and more efficient disaster recovery methods. To date, all enforcement case documents have been imaged as well as licensing applications and firm registration documents from 2001 forward. The agency will continue to image all new documents and is planning on incorporating new document types into the system. Efforts are also being made to image all historical data for the agency for long-term retention.

Web site Improvements

The agency website is highly utilized by both licensees and the public for information gathering and online transactions. Applicants entering the licensure process can obtain all their forms online and keep abreast of the latest law and rule documents. Every exam registration cycle, over 95% of the registrations are conducted online. Grades are also posted online through a secure login retrieval method.

Additionally, the website contains extensive information on the enforcement complaint process and online forms are available to aid in the filing of a complaint. The Policy Advisory Opinion process is also outlined and any advisory opinions can be monitored for their progression and responses from the public.

Board members utilize the website to download agendas and review meeting materials. Video recordings of quarterly Board meetings are posted on the website for the general public to view. This format uses a free, readily-available viewer with small file sizes to accommodate any type of internet connection. The video of the full meeting is also edited into segments according to the agenda to enable ease of viewing.

Internal and Email Communication

The agency uses an internal Wiki system which allows staff to create, edit, and share internal documents online. This Wiki not only allows up-to-date development of process documents and provides information to agency staff, it also tracks who makes the changes, when documents were changed, and allows for documents to be reverted to a previous version if desired.

A majority of communication with license holders, applicants, and examinees is done electronically via email. Nearly 90% of all licensed engineers can be communicated via email.

Information Security

The security of our customers' data is vital, and all data is encrypted and backed up daily on an offsite server. An advanced spam filtering process is in place. Virus protection is provided at the server level with daily scans of each workstation in case of accidental infection. Users are not allowed to install any non-approved programs and are monitored to prevent use of agency bandwidth or resources for personal use and any substantial waste of agency resources. Any transfer of confidential information is encrypted to ensure maximum security. Web databases do not contain credit card information or complete social security numbers.

Audit by State Auditor's Office

An extensive audit was conducted by the SAO from March through June 2009 to verify the accuracy of key financial controls, to verify the accuracy and trends in selected performance measures, and to evaluate the Agency's process for setting fees and penalties. The audit concluded that the Agency reported accurate financial statement balances in fiscal year 2008 and has implemented well-designed financial controls. The Agency also has well-designed and documented processes for setting fee and penalty amounts. The Agency reported accurate performance measures to the Legislature and the Office of the Governor for fiscal years 2006 through 2008.

Statistical Analysis of Complaints

As required by §1001.254(b), the Texas Board of Professional Engineers submits the following statistical analysis of complaints filed with the Board during the preceding year. The statistics indicated below are for the reporting period of Fiscal Year 2011: September 1, 2010, through August 31, 2011.

1. Number of complaints filed: **714**
2. Categorization of complaints filed according to the basis of the complaint and the number of complaints in each category:

Type	Category	Number of Cases Opened
A	Applicant Matter	0
B	Unlicensed Practice	263
C	Illegal Use-Seal or Certificate	0
D	Inquiries Involving P.E. Registrants	81
E	Illegal Use-Engineering Title or Term	15
F	Corporate Name Inquiry	173
G	Neglect by Public Official	6
H	Miscellaneous Inquiry	162
P	Preliminary Complaint Reviews	14
Z	Failures	0

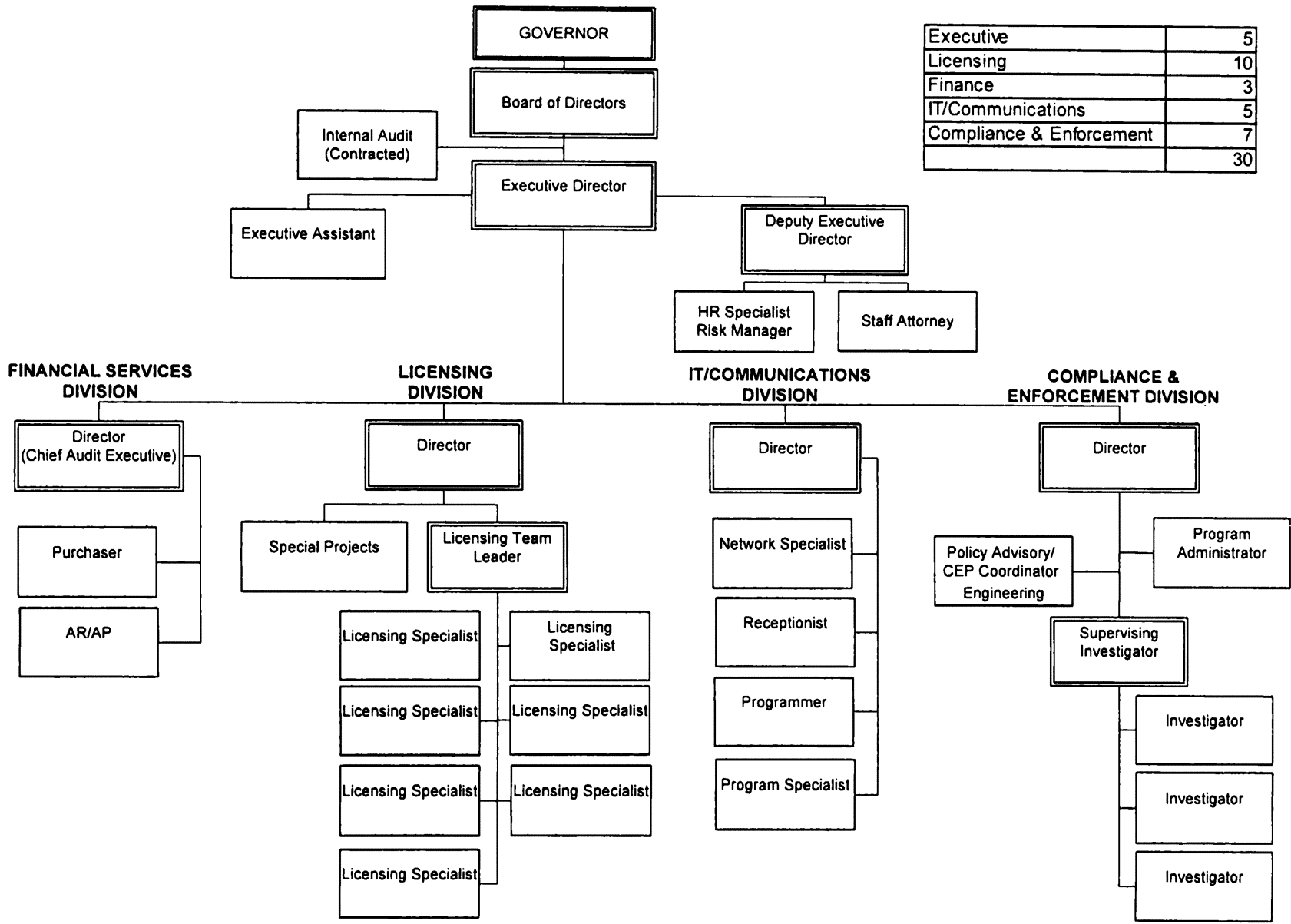
3. Number of complaints filed by Board staff: **301**
4. Number of complaints filed by persons other than Board staff: **413**
5. Average length of time required to resolve a complaint: **85 days**
6. Number of complaints resolved and the manner in which they were resolved: **693, of which 462 were closed as voluntary compliance.**
 - a. The number of complaints dismissed and the reasons for dismissal: **99 These cases were dismissed for insufficient evidence to indicate a violation or were not under the agency's jurisdiction.**
 - b. The number of complaints resulting in disciplinary action: **46**

The following table shows the distribution of the actions taken by how they were imposed. Defaults and Final Orders are results from formal hearings at the State Office of Administrative Hearings.

Action Taken	Number of Cases Closed By:			
	Consent Order	Agreed Board Order	Default	Final Order
Cease & Desist	9	4	0	0
Informal Reprimand	8	3	0	0
Formal Reprimand	3	0	0	0
Probated Suspension	9	3	0	0
Suspension	1	0	0	0
Refuse to Renew License	0	0	0	0
Revocation	1	1	0	0
Ethics Course	8	2	0	0
Administrative Penalty	33	4	0	0
Other	0	2	0	0

7. Number of complaints filed that were unresolved (remain open) is: **216**
 The number of those complaints filed by Board staff is: **48**
 The number of those complaints filed by persons other than Board staff is: **168**
 The average length of time the unresolved complaints have been on file is: **181 days**

Texas Board of Professional Engineers



Executive	5
Licensing	10
Finance	3
IT/Communications	5
Compliance & Enforcement	7
	30

