



Claire McCaskill

Missouri State Auditor

February 2006

ECONOMIC DEVELOPMENT

Division of Professional Registration

State Board of Cosmetology



Office Of The
State Auditor Of Missouri
Claire McCaskill

February 2006

The following findings were included in our audit report on the Department of Economic Development, Division of Professional Registration, State Board of Barber Examiners.

The State Board of Barber Examiners did not ensure barber shops were inspected annually as required by board policy. The Central Investigative Unit (CIU) of the Division of Professional Registration (DPR) performs inspections and investigations of barber shops, and also performs services for other boards and commissions within the division. The DPR and the board use a licensure and inspection tracking management system to record and monitor license and inspection activity. Each shop cited for unlicensed activity or serious or repeat sanitation violations during an inspection is to be subjected to a follow-up inspection to determine if corrective action has been taken.

The board annually identifies barber shops that did not have the required annual inspection, referred to as overdue inspections. The DPR reported the number of overdue inspections as of June 30, 2005, was 400 of the licensed shops. In addition, of those 400 overdue inspections, at least 40 shops also had not received an inspection in 2004.

The board reported that 16.4 percent of the 1,814 inspections performed in fiscal year 2005 resulted in a violation, with 8.9 percent of inspections identifying unlicensed activity or a serious licensure or sanitation violation. The board indicated that only 1 license was revoked and 6 licenses were suspended as a result of violations. The audit suggested the board consider using their limited inspection resources to concentrate on newly licensed shops and shops with recent violations.

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YELLOW SHEET

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF PROFESSIONAL REGISTRATION
STATE BOARD OF BARBER EXAMINERS

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-7
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION	8-9
 <u>Appendix</u>	
A Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances, Years Ended June 30, 2005, 2004, and 2003	10
B Comparative Statement of Appropriations and Expenditures, Years Ended June 30, 2005, 2004, and 2003	11
C Comparative Statement of Expenditures (from Appropriations) and Transfers, Three Years Ended June 30, 2005	12

STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Greg Steinhoff, Director
Department of Economic Development
and
Alison Craighead, Director
Division of Professional Registration
and
Members of the State Board of Barber Examiners
Jefferson City, MO 65102

We have audited the Department of Economic Development, Division of Professional Registration, State Board of Barber Examiners. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2005, 2004, and 2003. The objectives of this audit were to:

1. Review internal controls over significant management and financial functions.
2. Review compliance with certain legal provisions.
3. Evaluate the efficiency and effectiveness of certain management practices, policies, and operations.

Our methodology to accomplish these objectives included reviewing minutes of meetings, written policies, financial records, and other pertinent documents; interviewing various personnel of the board, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed

and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the board's management and was not subjected to the procedures applied in the audit of the board.

The accompanying Management Advisory Report presents our finding arising from our audit of the Department of Economic Development, Division of Professional Registration, State Board of Barber Examiners.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

September 30, 2005 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	John Blattel, CPA, CFE
In-Charge Auditor:	Dennis Lockwood, CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF PROFESSIONAL REGISTRATION
STATE BOARD OF BARBER EXAMINERS
MANAGEMENT ADVISORY REPORT –
STATE AUDITOR'S FINDINGS

Inspections

The State Board of Barber Examiners did not ensure barber shops were inspected annually as required by board policy. In addition, the licensure and inspection tracking system used by the Division of Professional Registration (DPR) cannot provide reports with historical data that could allow the board to include past licensure activity and inspection results when prioritizing inspections. The board should also consider changes in their inspection policy.

The Central Investigative Unit (CIU) of the DPR performs inspections and investigations of barber shops, and also performs services for other boards and commissions within the division. The DPR and the board use a licensure and inspection tracking management system (PROMO) to record and monitor license and inspection activity. The board estimates 1,814, 1,285, and 1,563 inspections were performed of barber shops during the years ended June 30, 2005, 2004, and 2003, respectively.

- A. Inspections of licensed barber shops are not performed in accordance with board policy. The policy requires shops to be inspected once a year. CIU inspectors examine shops for compliance with licensing and sanitary regulations. Inspectors also ensure the shops are licensed for the correct number of employees or as independent contractors, and that these individuals have a current license. Each shop cited for unlicensed activity or serious or repeat sanitation violations during an inspection is to be subjected to a follow-up inspection to determine if corrective action has been taken. Serious or continuing violations can lead to revocation, suspension, or probation of the shop's or the barber's license.

The board annually identifies barber shops that did not have the required annual inspection. The board refers to those as overdue inspections. The board notifies the inspectors to prioritize inspections of the overdue barber shops. The DPR reported the number of overdue inspections as of June 30, 2005, was 400 of the 1,636 licensed shops (24.4 percent). In addition, it was determined that of the 400 overdue inspections as of June 30, 2005, at least 40 shops also had not received an inspection in 2004. Furthermore, there were 17 shops which the last inspection date in the PROMO system was either missing or incorrect.

Board personnel indicated that effective immediately additional tracking procedures for annual inspections would be developed and used to identify overdue inspections and prioritize inspections. The board indicated that inspections have not been completed on a timely basis because the number of inspector positions was inadequate for the workload and employee turnover created vacancies in those positions.

To preserve public safety and compliance with licensure and sanitation requirements, the board should ensure barber shops are inspected as required by board policy. The State Board of Barber Examiners is empowered by law to ensure that only licensed barbers and instructors are engaged in the occupation of barber and to require the inspection of barber shops to ensure sanitary conditions.

- B. The board reported that 299 of the 1,814 inspections (16.4 percent) performed in fiscal year 2005 resulted in a violation. They indicated that 165 of the inspections noted violations for unlicensed activity or serious or repeat sanitation violations that resulted in a follow-up inspection to ensure corrective action was taken. Based upon that information, 8.9 percent of inspections identified unlicensed activity or a serious licensure or sanitation violation. They also indicated that 1 license was revoked and 6 licenses were suspended as a result of violations. It appears only 0.4 percent of inspections result in a revocation or suspension. The board indicated that the total direct cost of the inspection program, including personnel service, benefits, and travel costs, for inspectors paid by the board in 2005 was \$49,313. That cost does not include recording the inspection and violation data, monitoring the inspection activity, or the cost of resolving violations.

As noted in Section A above, the board did not ensure annual inspections were performed due to lack of resources. However, the low number of instances in which significant violations are noted during the inspections that are being performed may indicate that available resources should be directed toward inspections of new licensees and those licensees with a history of noncompliance.

The board should consider alternative approaches to enforcement of licensure and sanitation requirements and policies on the frequency of inspections. For instance, the board might consider requiring inspections of newly licensed shops and shops with recent violations at least annually while requiring one inspection during the two-year licensure period for shops that do not have a history of violations.

WE RECOMMEND the board and the division:

- A. Ensure barber shop inspections are performed as required by board policy.

- B. Consider alternative approaches to enforcement of licensure and sanitation requirements such as basing the frequency of barber shop inspections upon violation history.

AUDITEE'S RESPONSE

- A. *The board and division concur. Prior to the conclusion of the audit, the board, as well as the Division of Professional Registration, recognized that administrative oversight of the inspectors should be under the direct supervision of the Missouri State Board of Cosmetology. State inspectors are now only responsible for inspecting barber and cosmetology establishments. Also, additional tracking procedures and reconciliations for annual inspections have been developed and will be used to identify overdue inspections in the future.*
- B. *With the implementation of the new tracking procedure and reconciliations, the board believes that inspections of all barber shops will be completed annually and barber schools will be inspected at least twice a year. In the event the board finds that the inspectors are unable to meet these goals, the board will consider alternative approaches to conducting inspections based on the establishment's violation history.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF PROFESSIONAL REGISTRATION
STATE BOARD OF BARBER EXAMINERS
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The State Board of Barber Examiners was created by an Act of the Legislature approved May 5, 1899, entitled "An act to establish a board of examiners for barbers and to regulate the occupation of a Barber in this state and to prevent the spreading of contagious diseases."

The board consists of three licensed practicing barbers and one public member. Board members are appointed by the Governor with the advice and consent of the Senate.

The responsibility of the board is to adopt and revise, as necessary, sanitary rules and regulations necessary to prevent the spread of contagious and infectious diseases in barber shops and barber schools; prescribe minimum standards for educating students of barbering, examine for licensure all qualified candidates, and renew the licenses of qualified applicants; respond to consumer complaints; make investigations and bring formal complaints against licensees who violated the barber law; license barber schools and barber shops which have met requirements for licensure, as well as provide for the inspections of barber schools and barber shops to insure compliance with the sanitary regulations.

It is the objective of the board to protect the public by ensuring that only qualified persons are examined and licensed to practice barbering in clean sanitary shops; and that the course of study in barber schools adequately prepares persons to practice barbering.

The board, which licenses barbers, barber shops, schools, instructors, and students, issued 677, 4,762, and 574 licenses during fiscal years 2005, 2004, and 2003, respectively. Licenses are renewed biennially and expire on February 28 of each even-numbered year. The board members as of June 30, 2005 were:

<u>Member</u>	<u>Term Expires</u>
Donald McCulloch, President	May 2006
Jasper Kee, Vice-President	April 2005*
Annie Dixon, Secretary, Public Member	September 2006
Arlene McClendon, Member	April 2008

* Continues to serve until a replacement is appointed.

Board members receive a \$50 per diem compensation and expenses while performing their duties. The board appoints an executive director to perform, on a part time basis, the executive and administrative duties of the board. The Executive Director at June 30, 2005, was Darla Fox. At June 30, 2005, the State Board of Barber Examiners had one full time employee.

Appendix A

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF PROFESSIONAL REGISTRATION
BOARD OF BARBER EXAMINERS FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

	Year Ended June 30,		
	2005	2004	2003
Revenues			
Licenses	\$ 39,491	448,660	37,920
Fees	10,960	9,999	7,504
Penalties	6,855	3,300	4,650
Total Revenues	<u>57,306</u>	<u>461,959</u>	<u>50,074</u>
Expenditures			
Travel	8,090	7,960	11,254
Supplies, Postage and Other	13,706	3,556	9,124
Professional development	2,195	965	400
Services	6,809	7,330	5,806
Equipment	2,104	0	394
Rental and leases	1,500	1,800	2,100
Transfers (1)	147,539	146,048	138,031
Total Expenditures	<u>181,943</u>	<u>167,659</u>	<u>167,109</u>
Revenues Over (Under) Expenditures	(124,637)	294,300	(117,035)
Fund Balance - Beginning	571,704	277,404	394,439
Fund Balance - Ending	<u>\$ 447,067</u>	<u>571,704</u>	<u>277,404</u>

- (1) Reimbursement for personnel services, employee benefits, and allocated share of DPR operational costs that are paid from other funds.

Appendix B

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF PROFESSIONAL REGISTRATION
BOARD OF BARBER EXAMINERS FUND
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

		Year Ended June 30,								
		2005			2004			2003		
		Appropriation	Lapsed		Appropriation	Lapsed		Appropriation	Lapsed	
		Authority	Expenditures	Balances	Authority	Expenditures	Balances	Authority	Expenditures	Balances
BOARD OF BARBER EXAMINERS FUND										
Board of Barber Examiners	\$	39,271	34,404	4,867	38,271	21,611	16,660	38,271	29,078	9,193
Total Board of Barber Examiners Fund	\$	39,271	34,404	4,867	38,271	21,611	16,660	38,271	29,078	9,193

Appendix C

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF PROFESSIONAL REGISTRATION
BOARD OF BARBER EXAMINERS FUND
COMPARATIVE STATEMENT OF EXPENDITURES
(FROM APPROPRIATIONS) AND TRANSFERS

	Year Ended June 30,		
	2005	2004	2003
Travel:			
In-State	\$ 4,339	4,403	7,496
Out-of-State	3,751	3,557	3,758
Supplies, including Postage	13,220	3,254	8,755
Professional development	2,195	965	400
Communication services and supplies	663	596	581
Services:			
Professional	5,552	6,116	4,607
Maintenance, repair & janitorial	594	618	618
Equipment:			
Computer	1,355	0	394
Office	749	0	0
Rentals and leases	1,500	1,800	2,100
Miscellaneous expenses	486	302	369
Transfers (1)	147,539	146,048	138,031
Total Expenditures	\$ <u>181,943</u>	<u>167,659</u>	<u>167,109</u>

- (1) Reimbursement for personnel services, employee benefits, and allocated share of DPR operational costs that are paid from other funds.