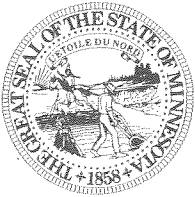


**STATE BOARD OF BARBER EXAMINERS
FINANCIAL AND COMPLIANCE AUDIT
FOR THE PERIOD JANUARY 1, 1984
THROUGH JUNE 30, 1986**

AUGUST 1987



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Phillip J. Riveness, Chairman
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Henry Sniezek, Chairman
State Board of Barber Examiners

Mr. Adam Mikrot, Executive Secretary
State Board of Barber Examiners

Audit Scope

We have completed a financial and compliance audit of the State Board of Barber Examiners for the period January 1, 1984 through June 30, 1986. Our audit was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, and accordingly, included such audit procedures as we considered necessary in the circumstances. Field work was completed on April 24, 1987.

The objectives of the audit were to:

- study and evaluate internal control systems of the board, in addition to any administrative support provided by the Department of Commerce including receipts, payroll, and administrative disbursements, as of February 28, 1987;
- verify that financial transactions were made in accordance with applicable laws, regulations and policies, including Minn. Stat. Chapters 154 and 214, and other finance-related laws and regulations; and
- evaluate the recording and reporting of financial transactions on the Statewide Accounting System.

Management Responsibilities

The State Board of Barber Examiners staff receive the license fees and process the license applications. The Department of Commerce prepares the deposit and deposits all fees for the board. The Department of Commerce also provides administrative support for processing payroll, purchasing supplies, and processing invoices for payment after initial authorization by the board staff. The State Board of Barber Examiners is ultimately responsible for its financial operations.

Representative Phillip J. Riveness, Chairman
Members of the Legislative Audit Commission
Mr. Henry Snizek, Chairman
Mr. Adam Mikrot, Executive Secretary
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The management of the State Board of Barber Examiners is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

The management of the State Board of Barber Examiners is also responsible for the agency's compliance with laws and regulations. In connection with our audit, we selected and tested transactions and records from the programs administered by the State Board of Barber Examiners. The purpose of our testing of transactions was to obtain reasonable assurance that the State Board of Barber Examiners had, in all material respects, administered their programs in compliance with applicable laws and regulations.

Conclusions

In our opinion, except for the issues raised in recommendations 1 and 2 in Section II of this report, the system of internal accounting control of the State Board of Barber Examiners in effect as of February 28, 1987 taken as a whole, was sufficient to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly.

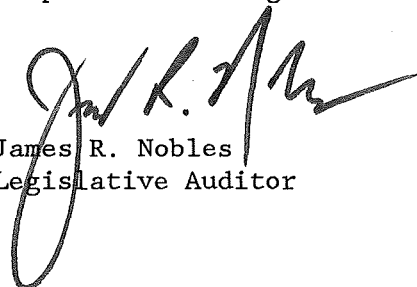
In our opinion, for the period January 1, 1984 through June 30, 1986, the State Board of Barber Examiners administered its programs in compliance, in all material respects, with Minn. Stat. Chapters 154 and 214 and other applicable finance-related laws and regulations.

In our opinion, for the period January 1, 1984 through June 30, 1986, the State Board of Barber Examiners properly recorded, in all material respects, its financial transactions on the Statewide Accounting System.


Representative Phillip J. Riveness, Chairman
Members of the Legislative Audit Commission
Mr. Henry Sniezek, Chairman
Mr. Adam Mikrot, Executive Secretary
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The recommendations included in this report are presented to assist the State Board of Barber Examiners in improving accounting procedures and controls. We will be monitoring and reviewing the State Board of Barber Examiners' progress on implementing these recommendations. A summary of the progress made on the recommendation discussed in our last audit report covering July 1, 1982 to December 31, 1983, dated October 1984, is shown in Section III entitled "Status of Prior Audit Recommendation and Progress Toward Implementation."

We would like to thank the State Board of Barber Examiners staff for their cooperation during this audit.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

July 24, 1987

STATE BOARD OF BARBER EXAMINERS

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AUDIT PARTICIPATION

The following members of the Office of the Legislative Auditor prepared this report:

John Asmussen, CPA	Deputy Legislative Auditor
Margaret Jenniges, CPA	Audit Manager
J. Michael Stoffel	Auditor-in-Charge
Kari Bergum, CPA	Staff Auditor

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following staff of the State Board of Barber Examiners at an exit conference held on June 30, 1987:

Adam Mikrot	Executive Secretary
Maureen Tibbetts	Secretary

STATE BOARD OF BARBER EXAMINERS

I. INTRODUCTION

The State Board of Barber Examiners regulates the licensing of barbers and barber schools and colleges. The board consists of three registered barbers and one public member appointed by the Governor for four year terms. The board employs an executive secretary, one inspector, and one office secretary. Adam Mikrot is the Executive Secretary of the board.

The board establishes rules and regulations necessary to comply with laws governing the practice of barbering. Duties performed by the board include:

- examining applicants for original licensure and renewing licenses for registered barbers, apprentices, and instructors in barber schools and colleges;
- registering barber shops and barber schools; and
- inspecting barber shops.

The activities of the board are financed by appropriations from the General Fund, and the fees for examinations and annual registrations are deposited into the General Fund as nondedicated receipts. The board is required to generate sufficient fee revenues to fund its activities.

STATE BOARD OF BARBER EXAMINERS

II. CURRENT FINDING AND RECOMMENDATIONS

Controls over the issuance of licenses and the receipt and deposit of license fees need improvement.

The State Board of Barber Examiners examines and licenses registered barbers, apprentices, instructors, shops, and schools. The board collected license receipts totaling approximately \$100,000 in fiscal year 1985 and \$106,000 in fiscal year 1986.

Applications for licenses and checks are delivered from the mail room at the Department of Commerce to the board. The board staff review the applications and the amount of the receipt for accuracy, and if correct give them to the central cashiers at the Department of Commerce for deposit. If the fee is incorrect, both the fee and application are returned. No record is kept by the board of the amounts received and delivered to the central cashiers or returned to the licensee. The central cashiers deposit the receipts into the correct account according to the type of license. The applications are stamped with the date and the amount received and then returned to the board along with a daily cash report listing all the individual amounts received and deposited that day. Usually the license is processed by the board before the money is given to the cashier.

Internal controls over the board's license receipts need to be strengthened to ensure that all receipts collected are deposited and accurately recorded on the statewide accounting (SWA) system. An adequate system of internal control safeguards assets against loss, including losses arising from intentional or unintentional errors in processing transactions. An adequate separation of duties is also an essential element of accounting control. Incompatible functions are those that if performed by one person would allow that person to conceal an error or irregularity that would not be detected.

In order to improve internal controls, someone independent of licensing at the board should maintain a receipt log to record the amounts received each day and any amounts returned to the applicants. The receipt log could then be compared with the daily cash reports received from the central cashiers which indicate the individual amounts deposited. This method would provide greater assurance that all receipts are deposited and would also be a record of what was actually received by the board and sent to the cashiers for deposit.

Also, a reconciliation of licenses issued to deposits on SWA must be performed periodically to ensure accurate recording on SWA and to ensure that all money received is actually deposited. Currently, no such reconciliation is performed. Most of the information necessary to perform this reconciliation is available to the board already. Reports are available that indicate the total deposits of the board recorded on the SWA system. It may also be possible to obtain reports from the computerized licensing

STATE BOARD OF BARBER EXAMINERS

system used by the board that would summarize the number of licenses issued by type as of a given date. Once the number of licenses issued of each type is determined, the person doing the reconciliation can multiply that number by the appropriate fee to calculate the amount that should have been deposited. This amount can then be compared to the deposits on SWA and any difference reconciled.

RECOMMENDATIONS:

1. Someone independent of licensing at the board should maintain a receipt log to record the individual amounts received and when they are delivered to the central cashiers or returned to the applicants. The receipt log should be compared to the daily cash reports received from the cashiers.
2. The number of licenses issued should be periodically reconciled to the deposits on SWA.

STATE BOARD OF BARBER EXAMINERS

III. STATUS OF PRIOR AUDIT RECOMMENDATION
AND
PROGRESS TOWARD IMPLEMENTATION

The State Board of Barber Examiner members are being reimbursed for ineligible expenses.

1. Metropolitan area board members should not be reimbursed for lunch while carrying out board duties within the seven county metropolitan area.

RECOMMENDATION IMPLEMENTED. Effective December 1984, metropolitan area board members are no longer being reimbursed for lunch.

OFFICE AT
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STATE OF MINNESOTA
BOARD OF BARBER EXAMINERS
SAINT PAUL 55101

July 24, 1987

Ms. Margaret Jenniges
Office of the Legislative Auditor
Veterans Service Bldg.
St. Paul, Mn. 55155

Dear Ms. Jenniges:

In response to your letter and the draft of your audit of this Board. I have a couple of areas which I feel are not correctly quoted.

1. The receipts for FY 85 were \$127,155.95 and FY 86 \$137,387.00. Your audit states approximately \$100,000.00 and \$106,000.00.
2. The report states we keep no record of receipts returned to the licensee due to incorrect fees. We do keep a record, as the duplicate of the letter sent to the licensee is on file giving the date the fee was returned, the check # and the amount of the check.

We have implemented a receipt log as you recommended and I as Executive Secretary verify all receipts forwarded to the Central Cashier against the daily cash report from them. We have requested a monthly report from the SWA system and will reconcile that report to the daily cash reports on a monthly basis to ensure that all money received has been deposited.

BOARD OF BARBER EXAMINERS

Sincerely yours,

A handwritten signature in cursive script, appearing to read 'Adam J. Mikrot'.

Adam J. Mikrot
Executive Secretary

AJM:mt