

**STATE BOARD OF BARBER EXAMINERS
FINANCIAL AUDIT
FOR THE THREE YEARS ENDED JUNE 30, 1989**

JULY 1990

**Financial Audit Division
Office of the Legislative Auditor
State of Minnesota**

90-46

SUMMARY

State of Minnesota
Office of the Legislative Auditor
Veterans Service Building • St. Paul, MN 55155
612/296-4708

STATE BOARD OF BARBER EXAMINERS

FINANCIAL AUDIT FOR THE THREE YEARS ENDED JUNE 30, 1989

Public Release Date: July 27, 1990

No. 90-46

OBJECTIVE:

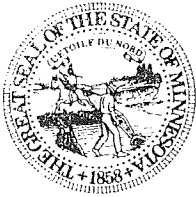
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

CONCLUSIONS:

We reported on three areas where the board had not complied with finance-related legal provisions:

- The board inappropriately severed its relationship with the Department of Commerce for administrative services.
- The board does not have authorization to sell its home study course.
- Board employees do not pay for parking.

Contact the Financial Audit Division for additional information.
(612) 296-1730



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator John E. Brandl, Chairman
Legislative Audit Commission

Members of the Legislative Audit Commission

James Jenko, Chairperson
State Board of Barber Examiners

Members of the State Board of Barber Examiners

Audit Scope

We have conducted a financial related audit of the State Board of Barber Examiners as of and for the three years ending June 30, 1989. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the State Board of Barber Examiners.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial activities attributable to the transactions of the State Board of Barber Examiners are free of material misstatements.

We performed tests of the State Board of Barber Examiner's compliance with certain provisions of laws, regulations, and contracts. However, our objective was not to provide an opinion on overall compliance with such provisions.

Management Responsibilities

The management of the State Board of Barber Examiners is responsible for ensuring that its transactions are made in compliance with applicable laws and regulations. Specifically, the board must establish policies and procedures so that:

- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and
- transactions are recorded properly on the statewide accounting system in accordance with Department of Finance policies and procedures.

Conclusions

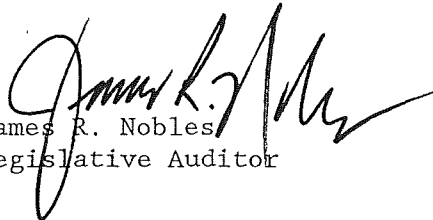
The results of our tests indicate that, except for the issues discussed in findings 1 - 3, with respect to the items tested, the State Board of Barber Examiners complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not

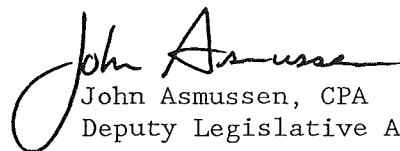
Senator John E. Brandl, Chairman
Members of the Legislative Audit Commission
James Jenko, Chairperson
Members of the State Board of Barber Examiners
Page 2

tested, nothing came to our attention that caused us to believe that the State Board of Barber Examiners had not complied, in all material respects, with those provisions.

This report is intended for the information of the Legislative Audit Commission and management of the State Board of Barber Examiners. This restriction is not intended to limit the distribution of this report, which was released as a public document on July 27, 1990.

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


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

END OF FIELDWORK: April 18, 1990

REPORT SIGNED ON: July 19, 1990

STATE BOARD OF BARBER EXAMINERS

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	1
II. CURRENT FINDINGS AND RECOMMENDATIONS	2
AUDITORS COMMENTS ON AGENCY RESPONSE	4
AGENCY RESPONSE	5

AUDIT PARTICIPATION

The following staff from the Office of the Legislative Auditor prepared this report:

John Asmussen, CPA	Deputy Legislative Auditor
Margaret Jenniges, CPA	Audit Manager
Alan Finlayson, CPA	Auditor-in-Charge
Jean Mellett, CPA	Auditor-in-Charge

EXIT CONFERENCE

The findings and recommendations included in this report were discussed with the following staff of the State Board of Barber Examiners at the Exit Conference held on July 9, 1990:

Maureen Tibbetts	Secretary
Kenneth Kirkpatrick	Board Member

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 one inspector and an office secretary.

The board establishes rules and regulations necessary to comply with laws governing the barber profession. 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. The Board collected receipts totaling about \$136,700, \$146,500, and \$141,600 in fiscal years 1987, 1988, and 1989, respectively. Disbursements totaled about \$127,000, \$129,500, and \$107,000 for fiscal years 1987, 1988, and 1989, respectively. Payroll comprised decreased from 81 percent of total disbursements in fiscal year 1987 to 65 percent in fiscal year 1989.

The Department of Commerce performed certain administrative functions for the board until April 1990. This included depositing receipts, processing payroll, negotiating leases, and inputting disbursements into the state-wide accounting system. Beginning in April 1990, the board assumed responsibility for these duties.

STATE BOARD OF BARBER EXAMINERS

II. CURRENT FINDINGS AND RECOMMENDATIONS

1. The Board of Barber Examiners inappropriately severed its relationship with the Department of Commerce for administrative services.

In April 1990, the Board of Barber Examiners inappropriately began processing its own financial transactions. This was a mutual agreement with the Department of Commerce, who previously provided these services. Minn. Stat. Section 214.04 states that Commerce:

shall provide suitable offices and other space, joint conference and hearing facilities, examination rooms, and the following administrative support services: purchasing service, accounting service, advisory personnel service, consulting services relating to evaluation procedures and techniques, data processing, duplicating, mailing services, automated printing of license renewals, and such other similar services of a housekeeping nature as are generally available to other agencies of state government.

The statute also allows the department to charge the board a reasonable cost for these services.

We do not believe that the statute allows for the type of agreement reached by the Board of Barber Examiners and the Department of Commerce. It significantly reduces the level of control over financial activity. One board employee performs virtually all steps of transaction. For example, this person has exclusive control for collecting receipts and for issuing licenses. She also authorizes purchases, receives goods, and disburses funds. When one person has this much control, the risk of undetected errors and irregularities significantly increases. The services provided by the Department of Commerce acted as an independent review of board activity.

RECOMMENDATION

- The Board of Barber Examiners should reestablish its agreement with the Department of Commerce for administrative services as required by Minn. Stat. Section 214.04.

2. The Board does not have authorization to sell its home study course.

The board began selling a home study course in fiscal year 1990 without proper authorization. The board has authority to prepare or approve the home study course. However, the statutes governing the board do not provide the authority to sell such a course. A possible resolution is to obtain approval from the Department of Administration. According to Minn. Stat. Section 16B.51, Subd. 3 state agencies must receive the commissioner of Administration's approval before selling publications. In addition, both the commissioners of Administration and Finance must approve the fee.

STATE BOARD OF BARBER EXAMINERS

The board requires registered apprentices to complete a program entitled 'Related Home Study Course for Apprentice Barbers' prepared or approved by the Board of Barber Examiners. The course is offered by various schools at a cost of about \$400. The cost of the course offered by the board is \$75. The board needs to obtain the appropriate authorization to continue selling the course.

RECOMMENDATION

- The Board of Barber Examiners should seek authorization to sell their home study course.

3. The Board of Barbers employees do not pay for parking.

The Board of Barbers has inappropriately paid for its employees parking costs since January 1990. Minn. Stat. Section 16B.58, Subd. 8 states that the Commissioner of Administration:

shall charge state employees for parking facilities which are used by them and furnished for their use pursuant to any lease entered into between the state of Minnesota and the lessor of any privately owned property situated in the seven county metropolitan area.

The Department of Administration charges all state employees in the metropolitan area uniform rates for parking. These rates are \$5.08 per pay period for surface lots and \$8.88 per pay period for underground parking. State agencies notify the Department of Administration which employees are using parking facilities. The appropriate amount is deducted from the employees payroll warrant. The board pays the actual parking costs directly to the lessor.

The Department of Commerce notified the Department of Administration to stop the payroll deductions for board employees. This occurred in January 1990 when the board negotiated a new lease. This action conflicts with Minn. Stat. Section 16B.58 because the new lease includes employee parking facilities. The board now pays the cost of employee parking. To comply with the statute, the Board of Barbers needs to re-establish payroll deductions for employee parking. It must also collect the unpaid parking charges since January 1990.

RECOMMENDATION

- The Board of Barbers should reinstate payroll deductions for parking costs, and backcharge employees to January 1990.

STATE BOARD OF BARBER EXAMINERS

AUDITORS COMMENTS ON AGENCY RESPONSE

Finding 3 concerning the payment of parking fees has been referred to the Department of Administration for resolution.

OFFICE AT
~~WESTROX SQUARE BUILDING~~
~~ST. PAUL~~
~~612-296-2864~~



STATE OF MINNESOTA
BOARD OF BARBER EXAMINERS
SAINT PAUL 55101

1885 University Ave. #335
St. Paul, MN 55104
612-642-0489

July 13, 1990

Ms. Margaret Jenniges
Audit Manager
Office of the Legislative Auditor
Veterans Service Building
St. Paul, MN 55155

Dear Ms. Jenniges:

In response to your recent audit of the Board of Barber Examiners, the Board submits the following.

- A. We have contacted our attorney as you suggested and received the attached response regarding our location. It is felt that it is the Department of Commerce who is in violation of MS 214.04 as they did not provide suitable office space to allow the Board to move to 133 E 7th and as a result the Board was forced to find its own office space. Attorney Hoffman's opinion refers to our lease. In reviewing the lease it indicates that we cannot terminate the lease for the purpose of renting other land or premises for the use of office space. We would also like it to be noted that there has never been any service agreement signed between Commerce and the Board to our knowledge and many of the services which were to be provided were never provided and in fact, Commerce gave all the Boards an option as to what services they wanted and which services they did not want.
- B. In regard to the Home Study Course. We contacted Mary Mikes on May 18, 1990 (copy of memo enclosed), as suggested by Ms. Mellett. As of this date, we have not received a response. We have recently had verbal discussions with that office and do expect to receive approval. At that time we will forward a copy of the response to your office.
- C. On the parking issue. I contacted the Department of Administration and was told that the lease agreements for 1885 University as well as 2700 University Ave. are different than agencies housed in downtown St. Paul. I was told that if an agency must pay parking two leases are drawn up, one for the actual office space and one for the parking facility.

I also contacted some of the state agencies located at 1885 University (there are 6 besides us) and 2700 University Ave. (there are 12). None of these agencies have payroll deduction for parking. We also received an opinion from our attorney regarding this issue (see attached). As a result of the information we have received relative to this issue, it is felt that it is discriminatory on the part of the Office of the Legislative Auditor to require payroll deduction for parking for Board employees. We will await further clarification from your office and if need be, the employees will park on the public street.


The Board is requesting that it is indicated in the Audit Report that the above three items (A, B and C) occurred after the indicated audit period of 6/30/89 and that the Board has responded to these issues.

- D. The Board has reconciled all receipts to licenses and permits for FY 90 and will continue this practice from now on.
- E. All blank licenses, permits and the Home Study Course are now kept in a locked safe. This was complied with prior to Ms. Mellett completing her audit.
- F. The Board will return all fees which are not for the correct amount regardless of the date submitted. The Board also will not collect the penalty fee for any fee which was submitted prior to the deadline, but had to be returned due to the wrong amount per your instructions.
- G. The field inspector will discontinue the practice of taking license fees during his inspections. All licensees will be required to mail in their fees.
- H. The Board has received a copy of the Travel Policies and a copy of it will be given to each Board member. The Board has also ordered the Official Mileage Book from Central Stores. A copy of the chart effecting each member will be given to that member.

Should there be any further questions, please contact the Board.

BOARD OF BARBER EXAMINERS

Sincerely,



Maureen Tibbetts
Secretary

DEPARTMENT :

STATE OF MINNESOTA

Office Memorandum

DATE : May 18, 1990

TO : MARY MIKES, Manager
Marketing & Distribution
117 University Ave.

FROM : Maureen Tibbetts
Secretary

Maureen Tibbetts

PHONE : 642-0489

SUBJECT : Home Study Course for Apprentice Barbers

During an audit by the Legislative Auditor the question came up as to whether or not we received approval to sell the above Home Study Course. We informed the Auditor that we were not aware approval had to be received and we were informed to contact you.

A little background on the course. The Home Study Course is a requirement (by Rule 2100.1300) which an apprentice must fulfill before he/she is eligible for the Registered Barber exam. This Home Study Course was previously sold by 916 Vo-Tec in White Bear Lake. As a result of many surveys which the Board conducted, it was determined that the Home Study Course offered by 916 did not help the apprentice prepare for the Registered Barber exam and also that many apprentices were copying from other apprentices and thus not receiving any benefits at all. The Board also had problems with scheduling of the registered barber exam as applicants could wait until the Friday before the exam to finish their Home Study.

As a result of the above, the Board made the decision to produce their own Home Study Course. The Home Study Course consists of study material for the registered barber exam and a video cassette showing the person how to shave, cut hair, etc. there is also study material on the tape for persons who have difficulty reading. The Board also has developed new examinations to coincide with the Home Study Course. As a result of the Board providing their own course, the Board has found much better control over requirements being met. When an apprentice applies for the Home Study Course, their records are marked and we know immediately when an application for exam comes in whether they have fulfilled the requirement.

At the present time, some apprentices are completing the Home Study Course from 916 (this is because an apprentice has 4 years to complete the requirements for a registered barber exam), but we are finding that the new apprentices are applying for the Board's course. We had one incident last exam where 916 did not notify us in time that the apprentice had not completed the course. As a result this apprentice cannot receive his grades until we are notified the course has been completed. This will not happen with the Board's course.

The Board began selling their Home Study Course in October 1989 and we charge \$75.00 for the course. We have about 100 of the courses on hand and plan to xerox the course when needed. The Board determined that the cost of xeroxing and copying the tapes, \$75.00 would cover the costs. There

are not a large number of students going into barber school these days and the Board has determined that they would sell between 75-100 of this course in any given fiscal year.

We apologize for our ignorance in the matter of receiving approval to sell this course and we are now asking for approval so that we comply fully with the laws.

I hope that the information I have provided will be enough to help you make the decision, but should you need any further information please contact me.

Thank you for your consideration.

DEPARTMENT : ATTORNEY GENERAL - BREMER

STATE OF MINNESOTA

Office Memorandum

DATE : July 11, 1990

TO : MAUREEN TIBBETTS
EXECUTIVE SECRETARY
BOARD OF BARBER EXAMINERSFROM : LOUIS HOFFMAN
SPECIAL ASSISTANT *LH*
ATTORNEY GENERAL

PHONE : 296-9418

SUBJECT : MINN. STAT. §§ 16B.58, subd. 8 and 214.04, subd. 1 (1988)

I have received your memorandum of July 10, 1990 in connection with the above-referenced statutes. I am not sure what your precise question is or what facts led to the current situation. If this response is insufficient, please advise.

Minn. Stat. §214.04, subd. 1 (1988) states that "... the chair of the Department of Commerce with respect to the remaining non-health related licensing boards shall provide the above facilities and services at a central location for the ... remaining non-health related licensing boards." This statute requires that the Department of Commerce provide such services to the Board, presumably in the new Department of Commerce Building. Consequently, the Board does not have the option of remaining in its current location, subject to any lease it is currently bound by.

On the parking issue, Minn. Stat. § 16B.58, subd. 8 (1988) does not require that Board employees pay for parking via payroll deduction. It merely indicates that employees be charged for parking if it is paid for by the State as part of a lease of real estate. If parking is free, I do not see how the State can determine how much employees should be charged for it. Perhaps you may wish to have the legislative auditor contact me with respect to this.

LH:kmh