

Board of Barber Examiners

Financial Audit

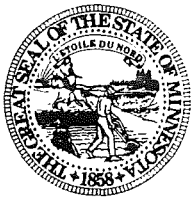
For the Four Years Ended June 30, 1995

October 1995

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

95-45



STATE OF MINNESOTA
OFFICE OF THE LEGISLATIVE AUDITOR
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JAMES R. NOBLES, LEGISLATIVE AUDITOR

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Legislative Audit Commission

Members of the Legislative Audit Commission

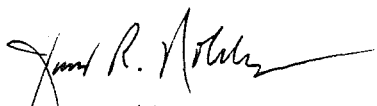
Members of the Board of Barber Examiners

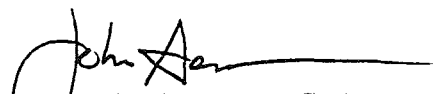
Ms. Maureen Tibbetts, Executive Secretary
Board of Barber Examiners

We have audited the Board of Barber Examiners (board) for the period July 1, 1991, through June 30, 1995, as further explained in Chapter 1. Our audit scope included employee payroll, administrative expenditures including travel and rent, and license and examination revenues. The following Summary highlights the audit objectives and conclusions. We discuss these issues more fully in the individual chapters of this report.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we obtain an understanding of management controls relevant to the audit. The standards also require that we design the audit to provide reasonable assurance that the board complied with provisions of laws, regulations, contracts, and grants that are significant to the audit.

This report is intended for the information of the Legislative Audit Commission and the management of the board. This restriction is not intended to limit the distribution of this report, which was released as a public document on October 20, 1995


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: August 11, 1995

Report Signed On: October 16, 1995

SUMMARY

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

Board of Barber Examiners

Financial Audit

For the Four Years Ended June 30, 1995

Public Release Date: October 20, 1995

No. 95-45

Agency Background

The Board of Barber Examiners regulates the licensing of barbers and barber schools. The board consists of three registered barbers and one public member appointed by the Governor. Members serve four year terms. The board meets monthly. The board establishes rules and regulations necessary to comply with laws governing the barber profession. The board examines applicants for licensure, renews licenses for registered barbers, apprentices, and instructors, and registers and inspects barber shops and barber schools.

The board finances its operations through state appropriations. It received annual General Fund appropriations ranging from \$126,000 - \$135,000 during the audit period. The board sets the fees it charges to recover its direct and indirect costs. The board deposits its receipts into the state's General Fund as nondedicated revenue. The executive secretary is responsible for all administrative functions of the board.

Audited Areas and Conclusions

Our audit scope included employee payroll, administrative expenditures including travel and rent, and license and examination revenues for the period July 1, 1991 through June 30, 1995. We concluded that the board charged the approved fees for examinations and licenses and set the fees to recover its direct and indirect operating expenditures. We also found that the board spent its state appropriations within its appropriation limits and statutory authority. The board also paid its employees at the proper amounts according to the respective bargaining unit agreements and/or board authorization.

Contact the Financial Audit Division for additional information.

296-1235

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
Jim Riebe, CPA
Geniene Herrlich

Deputy Legislative Auditor
Audit Manager
Auditor in Charge

Exit Conference

We discussed the audit report with the Executive Secretary of the Board of Barber Examiners on August 11, 1995. We also noted other matters involving the internal control structure and its operation that we discussed with agency management.

Board of Barber Examiners

Chapter 1. Introduction

Minn. Stat. Chapter 154 created the Board of Barber Examiners to regulate the barbering profession. Sections of Minn. Stat. Chapter 214 also pertain to board operations. The board is responsible for examining applicants, inspecting schools and shops, and enforcing sanitation rules and statutes to ensure that the public has a safe and healthy environment in shops and schools where barber services are performed. The board's responsibilities are comprised of three parts: examination, licensure, and enforcement. To carry out these responsibilities, the board adopted Chapter 2100 of the Minnesota Rules.

During the audit period, the board tested approximately 55 applicants each year for the apprentice exam. After passing this exam, the applicant is authorized to practice as an apprentice for four years. Apprentices, as well as registered barbers, must renew their licenses each year. Upon completion of an apprenticeship program, apprentices are eligible to take the registered barber examination. The board administered the barber exam to about 63 applicants each year during the audit period. The board administers the apprentice and registered barber exams four times per year, and in fiscal year 1994 processed and renewed a total of 118 apprentice licenses and 2,776 registered barber licenses.

In addition to administering exams and renewing licenses for apprentices and barbers, the board is also responsible for inspecting barber shops and barber schools. The board inspects the barber shops at least once every year. There are approximately 1,235 barber shops in Minnesota. The board is also responsible for inspecting the four barber schools that are located in Minnesota. The board receives written complaints about individuals and firms. It investigates and resolves the complaints both on its own and in cooperation with the Minnesota Attorney General's Office.

The board receives a direct appropriation for operations. Board staff perform all administrative services for the board including accounting, personnel, and purchasing functions. The board sets fees to recover its direct and indirect operating expenditures. Chapter 2 provides further information on the board's funding sources.

Chapter 2. Revenues

Chapter Conclusions

The board set fees as specified in statute and rule and properly accounted for license and examination receipts.

Examination and License Fees

The board receives an appropriation from the legislature to fund its operations. In accordance with statutes and rule authority, the board sets its fees to recover operating costs. The board deposits the fees collected from exam candidates and licenses into the General Fund as nondedicated revenue. Each year, the board analyzes the fees charged and submits a report to the Department of Finance. Finance has determined that the board set the fees appropriately. The board has not changed the fees since June 1987.

Examination and license fees represent the majority of the receipts the board collects. Included in the examination revenues are the fees collected from the sale of the home study course. Apprentices must complete this course before they are eligible for the registered barber examination. The Department of Administration recently authorized the Board of Barber Examiners to sell the home study course.

Table 2-1 shows the revenue by type for fiscal years 1992 through 1995.

Table 2-1
Revenue by Type
Fiscal Years 1992 - 1995

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Occupational Permits/Licenses	\$133,555	\$134,306	\$125,215	\$133,400
Statutory Fines	4,600	2,850	3,015	3,515
Other	<u>0</u>	<u>785</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>\$138,155</u>	<u>\$137,941</u>	<u>\$128,230</u>	<u>\$136,915</u>

Source: Statewide accounting system reports.

In addition to license and examination revenues, the board also assesses and collects fines and penalties as part of its regulatory function. Those fees result from penalties on license renewals received after the deadline, and from the board receiving and investigating complaints. The board has sole responsibility for receiving all revenues and preparing and processing deposits.

Board of Barber Examiners

We focused our review of revenues on the following objectives:

- Did the board set examination and license fees sufficient to cover operating expenses as specified in statutes and rules?
- Did the board charge the approved fees for examinations and licenses?
- Has the board collected and promptly deposited the correct amount of examination fees and license receipts based on the examinations given and licenses issued?

The methodology used to audit revenues included interviewing agency staff to determine how they process receipts. We performed analytical procedures to determine and evaluate changes in revenues during the four-year period. We also used analytical procedures to estimate the examination and license fee revenues, and compared this estimate to the actual revenues deposited.

We found that the board office had adequate controls to ensure that the approved amount of examination fees and license revenues were collected and deposited promptly. The board set the examination and licensing fees to recover expenses as specified in statute and rule. It charged the approved fees for those services.

Chapter 3. Administrative Expenditures

Chapter Conclusions

The board spent its state appropriations within established limits and statutory authority. The board paid employees at the proper amounts and the board disbursements were properly approved and consistent with the board's purpose.

The board receives an appropriation from the Legislature to finance its operations. During the audit period the appropriation decreased from \$135,000 in fiscal years 1992 and 1993 to \$126,000 in fiscal years 1994 and 1995. Table 3-1 summarizes the board's expenditures.

Table 3-1
Summary of Administrative Expenditures
For the Four Years Ended June 30, 1995

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Payroll/Personnel	\$ 77,560	\$ 83,345	\$ 71,701	\$ 77,290
Rent	10,974	11,303	11,641	11,812
Travel	15,693	16,190	17,021	16,398
Attorney General Costs	2,656	383	1,015	1,777 *
Other Statewide Indirect Costs	2,497	(269)	950	1,768
Other	<u>8,020</u>	<u>8,478</u>	<u>8,569</u>	<u>9,020</u>
Total Expenditures	<u>\$117,400</u>	<u>\$119,430</u>	<u>\$110,897</u>	<u>\$118,065</u>

* Includes activity only through March 31, 1995.

Source: Statewide accounting system reports.

The board incurs both statewide indirect costs and direct costs for Attorney General services, but is exempt from paying those charges from its appropriated funds. The determination of fees the board charges licensees, however, includes these costs. The increase in payroll/personnel expenditures for 1993 is due to severance pay during that year.

The methodology we used to audit administrative expenditures included interviewing personnel to gain an understanding of the disbursement process. We performed analytical reviews to evaluate any trends in specific areas during our audit period. We selected a sample of payroll and disbursement transactions and tested compliance with applicable legal provisions and employee bargaining agreements and/or the board's authorization.

Board of Barber Examiners

Payroll

The board has two full-time employees - an executive secretary and an inspector. The executive secretary is responsible for the board's administrative operations, and the inspector is responsible for inspecting barber shops and barber schools.

We focused our review of payroll on the following objectives:

- Were the board's staff paid at the proper amounts according to applicable bargaining unit agreements?
- Were payroll expenditures properly recorded?

Our review of payroll found that board staff were paid at the proper amounts according to the applicable bargaining unit agreements or board authorizations. We also found that the board adequately verifies that payroll expenditures were properly recorded.

Rent

The board had an original lease agreement for office space that extended from January 1, 1989 through December 31, 1994. They renewed this lease for another five year term, which began on January 1, 1995. The board's lease agreement requires monthly rental payments of approximately \$953 per month. The yearly lease payments have increased approximately three percent per year since the inception of the lease.

We focused our review of rent on the following objectives:

- Were the terms of the rent agreement followed?
- Were rent payments properly authorized and accounted for?

We found that the board complied with terms of the rent agreement. We also found that all rental payments during our audit period were authorized and properly accounted for.

Travel

Travel expenditures account for approximately seven percent of the board's total financial activity during our audit period. The inspector incurs the greatest amount of travel expense as a result of traveling to various barber shops and barber schools for inspections. The majority of travel expense consists of meals, lodging, motor pool rental, and mileage.

We focused our review of travel on the following objectives:

- Were the travel expenditures properly approved and adequately documented?
- Were the travel expenditures reasonable and within the bargaining agreement limits?

We found that the travel expenditures were properly approved and adequately documented, and also found that the expenditures were reasonable and within the bargaining agreement limits.