

LEGISLATIVE AUDIT REPORT

WEST VIRGINIA BOARD OF BARBERS AND COSMETOLOGISTS

FOR THE PERIOD July 1, 2007 - June 30, 2009

REPORT OVERVIEW

Weakness in Internal Controls over Collection of Fees and Fines

Improper Internal Control over Inventory Management

Charging an Unauthorized fee for a Charity Permit

Money's Not Deposited Within 24 Hours of Receipt



WEST VIRGINIA LEGISLATIVE AUDITOR
POST AUDIT DIVISION



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WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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The Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we conducted a post audit of the West Virginia Board of Barbers and Cosmetologists for the period July 1, 2007 through June 30, 2009.

We have conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. Our audit disclosed certain findings which are detailed in this report. The Spending Unit's management has responded to the audit findings; we have included the responses following each finding.

Respectfully submitted,

A handwritten signature in cursive script that reads "Stacy L. Sneed".

Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division

SLS/cdo

**WEST VIRGINIA BOARD OF BARBERS AND COSMETOLOGISTS
JULY 1, 2007 – JUNE 30, 2009**

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WEST VIRGINIA BOARD OF BARBERS AND COSMETOLOGISTS
JULY 1, 2007 – JUNE 30, 2009

INDEPENDENT AUDITOR'S REPORT

Post Audit Subcommittee:

Compliance

We have audited the West Virginia Board of Barbers and Cosmetologists' (WVBBC) compliance with the laws, rules, and regulations applicable for the fiscal years 2008 and 2009. Compliance with the requirements referred to above is the responsibility of WVBBC's management. Our responsibility is to express an opinion on the WVBBC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on WVBBC. An audit includes examining, on a test basis, evidence about WVBBC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of WVBBC's compliance with those requirements.

In our opinion, except for the noncompliance noted in the findings of this report, WVBBC complied, in all material respects, with the compliance requirements referred to above that are applicable for fiscal years 2008 and 2009.

Internal Control

Management of WVBBC is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered WVBBC's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the WVBBC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness* in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

This communication is intended solely for the information and use of the Post Audit Subcommittee, the members of the WV Legislature, and management of WVBBC. However, once released by the Post Audit Subcommittee, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink that reads "Stacy L. Sneed". The signature is written in a cursive style with a large, stylized initial 'S'.

Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division

July 12, 2010

WEST VIRGINIA BOARD OF BARBERS AND COSMETOLOGISTS
JULY 1, 2007 – JUNE 30, 2009

EXECUTIVE SUMMARY

Finding 1 Weakness in Internal Controls over Collection of Fees and Fines

- We were unable to audit revenues, totaling \$934,496.46, for all fines and fees collected by the WV Board of Barbers and Cosmetologists during fiscal years 2008 and 2009 due to a lack of internal controls over the revenues including: a lack of segregation of duties and a lack of management oversight in issuing and collecting fines, a lack of accounting for citation forms issued, and a lack of an audit trail.

Auditor's Recommendation

We recommend the WVBBC comply with W.Va. Code §5A-8-9, as amended. We recommend that the WVBBC implement an effective system of controls over the collection and recording of fees and the subsequent issuance of the related licenses/renewals/permits. We also recommend that the WVBBC strengthen internal controls over the collection of fines by implementing an effective tracking system for issued citations, issuing pre-numbered citations, and prohibiting inspectors from accepting payment.

Spending Unit's Response

The WVBBC concurs with this finding.

See pages 15-18

Finding 2 Improper Internal Control over Inventory Management

- We noted instances of improper inventory management during our audit of inventory at the WVBBC. We found four (4) items, totaling \$6,260.79, at their physical location that was not included on the WV State Fixed Asset Listing. These instances resulted in non-compliance with the State of West Virginia Purchasing Division's Inventory Management Training Manual.

Auditor's Recommendation

We recommend the WVBBC strengthen internal controls to ensure that all fixed assets are accounted for by following the State of West Virginia Purchasing Division's Inventory Management Training Manual requirements that all items which have an original cost of \$1,000 or more and useful life of one (1) year or more and all computers with a value of \$500 or greater be included in the WVFIMS Fixed Asset System.

Spending Unit's Response

The WVBBC concurs with this finding.

See pages 19-20

Finding 3 Charging an Unauthorized Fee for a Charity Permit

- We noted that the WVBBC began charging a fee of \$100.00 for a one day permit for charity events sometime around August 2009. Any new rules and/or fees must be proposed for legislative approval before they can be effectively used. Upon reviewing the West Virginia Code and other rules and regulations, we could not determine any criteria which authorized the WVBBC to collect a Charity Permit fee.

Auditor's Recommendation

We recommend the WVBBC comply with W.Va. Code §30-27-6, as amended, and seek legislation which grants the WVBBC the authority to assess these fees if the WVBBC determines that these fees are necessary.

Spending Unit's Response

"The Board felt it was in the best interest of the public to have charity haircut functions inspected if the event was not held in a salon. The acceptance of payment can easily be eliminated."

See pages 21-22

Finding 4 Moneys Not Deposited Within 24 Hours of Receipt

- The WVBBC did not deposit all monies within 24 hours of receipt as required by State statute. During our cash count on October 29, 2009, the WVBBC deposits totaled \$3,642.50. We found none of these monies were deposited within the required 24-hour statutory requirement. The number of business days (excluding holidays and weekends) from the time payments were received until the payments were deposited averaged three days. This was confirmed by the agency.

Auditor's Recommendation

We recommend the WVBBC deposit all monies within 24 hours as required by State statute.

Spending Unit's Response

"The Board office staff did experience turnover in late 2009 and an impending office move that may have caused the delay in the deposit. While the Board's goal is to have all collected monies deposited within 24 hours, current staffing levels and volume make this goal difficult to sustain."

See pages 23-24

Finding 5 Internal Control Weakness in Cash Handling

- We found cash receipts were not adequately safeguarded from unauthorized use or disposition. We further noted the cash receipt and deposit functions were not segregated. Receipts of monies held for deposit were located in a box on the floor which is accessible to office personnel. Finally, we noted that the WVBBC has an imprest fund, in the amount of \$47.89, for which they do not track the balance and do not have permission to have through the State Treasurer's Office as required by State Code.

Auditor's Recommendation

We recommend the WVBBC comply with W.Va. Code §5A-8-9, as amended, and W.Va. Code §12-2-2, as amended, and implement an effective system of internal controls over cash receipts. We believe all receipts should be securely safeguarded and duties segregated amongst employees to deter fraud. If duties cannot be segregated due to small staff, appropriate monitoring should be performed by management. Lastly, we believe the WVBBC should get proper authorization from the State Treasurer's Office before maintaining an imprest fund.

Spending Unit's Response

"Due to the size of the staff and the number of licenses, permits, registrations, and certifications that the Board office processes it is difficult for the Board office to segregate the duties of who does a deposit and who does the data-entry. As for the imprest fund, I do not know where the money came from or the origin of this fund."

See pages 25-26

Finding 6 Internal Control Weakness of Timesheets and Leave Slips

- WVBBC's employee's timesheets and leave slips did not reconcile to WVDHHR's LARS system for **Sick Leave** for 3 employees. WVBBC's employee's timesheets and leave slips did not reconcile to WVDHHR's LARS system for **Annual Leave** for 4 employees. **Holiday leave** was not properly accounted for concerning nine (9) out of twelve (12) employees with differences ranging from 12 to 104 hours. There was one employee that the WVBBC could not provide time sheets or leave slips.

Auditor's Recommendation

We recommend the WVBBC comply with W.Va. Code §5A-8-9, as amended, and W.Va. Code §12-3-13, as amended, by maintaining records containing adequate and proper documentation. We also recommend the WVBBC comply with Title 143, Series 1, Section 14, of the Administrative Rule with respect to unauthorized leave. Lastly, we recommend WVBBC comply with the West Virginia Division of Personnel Administrative Rule 14.15 by maintaining accurate annual and sick leave balances for the WVBBC employees accrued and used leave.

Spending Unit's Response

"The inadequacies of the leave forms and timesheets were corrected in December 2009 with the transference of an online leave system created by the Treasurer's Office."

See pages 27-29

Finding 7 Weak Internal Controls and Lack of Documentation Pertaining to P-Card

- Three P-Card transactions did not have the Hospitality Forms on file to support the purchasing of food and beverages. One of the three transactions had an illegible receipt and WVBBC was unable to locate any supporting documentation for one transaction. These transactions were also charged sales taxes. We also found four (4) instances out of 14 (28.5%) where receiving reports were not signed and dated by the receiver of the goods or were not present in the supporting documentation. There were five (5) transactions classified by the wrong object code. We found one vendor that was paid in June 2008 for invoices accumulating from November 2007 through April 2008. Lastly, we found one transaction that could not be tested due to no supporting documentation.

Auditor's Recommendation

We recommend the WVBBC comply with W.Va. Code §5A-8-9, as amended, and establish an effective system of internal controls. We recommend the WVBBC comply with Section 6.3 of the State Auditor's Purchasing Card Policies and Procedures by maintaining receiving reports. We further recommend the WVBBC comply with Section 6.8 and 7.1 of the State Auditor's Purchasing Card Policies and Procedures by completing hospitality forms for all purchases related to hospitality expenses.

Spending Unit's Response

The WVBBC concurs with this finding.

See pages 30-32

Finding 8 Internal Control Weakness in Maintaining Personnel Records

- We found that neither WVDHHR nor WVBBC could provide Federal or State Tax Withholding Forms for 9 out of 14 (64%) employees and/or Board Members. We were unable to completely test payroll transactions for those employees due to lack of the supporting documentation. We noted five instances where our recalculated deductions did not match the deductions in the original transactions. Two employees were paid a higher amount than our calculations represented that they should have been.

Auditor's Recommendation

We recommend the WVBBC comply with Chapter 5A, Article 8, Section 9, as amended, of the West Virginia Code and establish an effective system of internal controls in maintaining personnel records.

Spending Unit's Response

BBC

I do not feel comfortable stating an explanation to this finding due to this function not being overseen by the Board staff. [T]he records were not kept by the Board office... I will request federal and state tax withholding forms from all staff members and board members in the next several weeks.”

DHHR

“The DHHR concurs with Finding 8 in that we were unable to locate nine Federal or State tax-withholding forms that were requested by the auditors. At the start of fiscal year 2010, the DHHR restructured our filing system for payroll records...”

See pages 33-35, See Attachment A

Finding 9 Written P-Card Reports Not Submitted to the Board of Directors

- We noted that the WVBBC supervisor/Agency head failed to provide a written report of Purchasing Card transactions to the Board for approval and ratification at the regular Board meetings.

Auditor's Recommendation

We recommend the WVBBC comply with Section 2.4.1 of the State Auditor's Purchasing Card Policies and Procedures.

Spending Unit's Response

The WVBBC concurs with this finding.

See page 36

Finding 10 Travel Reimbursement Requests Not Processed Within 15 Days

- We noted four instances out of 29 (14%) transactions tested, where the travel reimbursement requests were not submitted within 15 days of the completion of the last day of travel for payment processing as required by the State Travel Rule.

Auditor's Recommendation

We recommend the WVBBC comply with Section 2.5 of the State Travel Rule and submit travel reimbursement requests in a timely manner.

Spending Unit's Response

I agree with this finding. It is a standard practice to process travel quickly.

See pages 37-38

WEST VIRGINIA BOARD OF BARBERS AND COSMETOLOGISTS
JULY 1, 2007 – JUNE 30, 2009

INTRODUCTION

POST AUDIT AUTHORITY

This is the report on the post audit of the West Virginia Board of Barbers and Cosmetologists (WVBBC). The audit was conducted pursuant to Chapter 4, Article 2 of the West Virginia Code, as amended, which requires the Legislative Auditor to “make post audits of the revenues and funds of the spending units of the state government, at least once every two years, if practicable, to report any misapplication of state funds or erroneous, extravagant or unlawful expenditures by any spending unit, to ascertain facts and to make recommendations to the Legislature concerning post audit findings, the revenues and expenditures of the state and of the organization and functions of the state and its spending units.”

BACKGROUND

The State Legislature established the West Virginia Board of Barbers and Cosmetologists in 1933. The Board’s purpose was to establish and maintain sanitary and professional standards in the barbering, cosmetology, manicuring, and aesthetics industry. The Board has issued more than 35,000 individual licenses since its inception and currently licenses over 10,000 individuals, 16 beauty schools, and 3,000 facilities.

In April 2009, the West Virginia State Legislature passed HB2531 that replaced the previous law governing the practice of barbering and beauty culture that was established in 1933. The new code took effect July 1, 2009 and the major change to the code was the separation of the Board of Barbers and Cosmetologists from the Department of Health and Human Resources.

The West Virginia Board of Barbers and Cosmetologists is currently located in Dunbar, West Virginia, in Kanawha County. The Board of Barbers and Cosmetologists certifies and regulates the education, practitioner and facility standards for barbering, cosmetology, manicuring, and aesthetics. In West Virginia, barbers, cosmetologists, manicurists, and aestheticians must hold a current valid license issued by the West Virginia State Board of Barbers and Cosmetologists.

**WEST VIRGINIA BOARD OF BARBERS AND COSMETOLOGISTS
JULY 1, 2007 – JUNE 30, 2009**

SPENDING UNIT CONTACTS

West Virginia Board of Barbers & Cosmetologists

Adam Higginbotham Executive Director (November 2008 – Present)
Larry Absten Executive Director (January 1989 – June 2009)
Mindi Stewart WVBBC Office Assistant III

West Virginia Department of Health & Human Resources

Brian Cassis Director, Office of Internal Control & Policy Development
Reathel Cottrell Compliance Auditor
Elizabeth Webb Director of Accounts Receivable and Payroll, Finance Division
Sue O'Brien Payroll Supervisor
Jennifer Hicks Employment Services Supervisor
Starlah Wilcox Director of Office of Budget Division
Fred Elswick Director of the Division of Accounts Payable
Maria Yoakum Director of General Accounting and Reporting
Jean Jones Supervisor of the Travel/Special Authorization

WEST VIRGINIA BOARD OF BARBERS AND COSMETOLOGISTS
JULY 1, 2007 – JUNE 30, 2009

AUDIT SCOPE

We have audited the West Virginia Board of Barbers and Cosmetologists fund for the period July 1, 2007 through June 30, 2009. Our audit scope included a review of internal control and compliance with laws, regulations, and provisions of contract agreements. The audit was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

OBJECTIVES AND METHODOLOGIES

The objectives of our post audit were to audit the revenues and expenditures of the spending unit, to report any misapplication of state funds or erroneous, extravagant or unlawful expenditures by any spending unit that we find, to ascertain facts, and to make recommendations to the Legislature concerning post audit findings, the revenues and expenditures of the state and of the organization, and functions of the state and its spending units. We were to determine whether expenditure and revenue transactions were related to the spending unit's programs, were reasonable, and were recorded properly in the accounting systems. Additionally, we were to examine the spending unit's records and internal control over transactions and to evaluate its compliance with applicable State laws, rules and regulations.

In preparation for our testing, we studied legislation, applicable WV Code sections, applicable rules and regulations, and policies of the spending unit. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observations of the spending unit's operations, and through inspections of documents and records. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Additionally, we reviewed the budget, studied financial trends, and interviewed spending unit personnel to obtain an understanding of the programs and the internal controls. In planning and conducting our post audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk.

A nonstatistical sampling approach was used. Our samples of transactions were designed to provide conclusions about the validity of transactions, as well as internal control and compliance attributes. Transactions were selected for testing using professional judgment.

The West Virginia Board of Barbers and Cosmetologist's written response to the reportable compliance and other matters identified in our audit has not been subjected to the auditing procedures applied in the audit and, accordingly, we express no opinion on it.

The WV Board of Barbers and Cosmetologists' management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Post Audit Subcommittee in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

CONCLUSIONS

This report includes findings regarding instances of noncompliance with applicable laws, rules or regulations. Other less significant findings that did not warrant inclusion in this report were communicated to the WV Board of Barbers and Cosmetologists.

EXIT CONFERENCE

We discussed this report with management of the spending unit on July 30, 2010. All findings and recommendations were reviewed and discussed. Management's response has been included at the end of each finding.

WEST VIRGINIA BOARD OF BARBERS AND COSMETOLOGISTS
JULY 1, 2007 – JUNE 30, 2009

REPORTABLE COMPLIANCE AND OTHER MATTERS

Finding 1

Weakness in Internal Controls over Collection of Fees and Fines

Condition:

We were unable to audit revenues, totaling \$934,496.46, for all fines and fees collected by the WV Board of Barbers and Cosmetologists during fiscal years 2008 and 2009 due to a lack of internal controls over the revenues. These issues are described in greater detail as follows:

- **Lack of Segregation of Duties Combined with Lack of Management Oversight**

Lack of Segregation of Duties (Fees and Fines) - The same employee received fees and fines (sometimes in the form of cash), entered the collection into the accounting system, and issued the licenses for any fees collected.

Lack of Segregation of Duties (Fines) - During part of our audit period, the inspectors were allowed to issue fines and collect payment (sometimes in the form of cash) of those fines at the time citations were issued. Additionally, the citations used by the inspectors were not pre-numbered.

Lack of Management Oversight (Fees and Fines) - WVBBC's management did not have an internal control in place which required a reconciliation of the licenses/renewals/permits issued to the recorded fees collected, rather only deposits were verified. Additionally, WVDHHR did not perform any type of reconciliation, rather only the mathematical accuracy of the deposits was verified. Further, there was no internal control in place to reconcile the fines collected to the citations issued. We noted that during our audit period through the present, a reconciliation of fines collected to the citations issued would be difficult due to the fact that the citations are not pre-numbered. Also, management has no way of determining from their accounting system the amount of fines issued, collected, or outstanding. Agency personnel were not able to produce any type of report from the WVBBC's internal accounting system listing each fine issued along with the status of the payment (i.e. collected or outstanding). According to agency personnel, the

only way to determine if a fine has been issued, collected, or is outstanding would be to pull the individual's file folder. However, management has no way of identifying which files contain documentation relating to fines.

- **Lack of an Audit Trail**

Lack of Detail in WVFIMS - The agency was unable to provide adequate records of fines and licenses issued or fines and fees collected. In WVFIMS, fees and fines are combined into a single deposit transaction. These deposit transactions when viewed in WVFIMS shows no detailed segregation of types of fees or fines paid.

Inability to provide detailed reports from internal accounting software - The agency could not provide adequate reports from their accounting system showing details of types of fees collected, licenses/renewals/permits issued or individuals fined.

Criteria:

W.Va. Code §5A-8-9, as amended, states in part:

"The head of each agency shall: . . .

(b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities."

Cause:

The WV Board of Barbers and Cosmetologists informed us that the database being used during our audit period was antiquated and inadequate for the purposes of tracking and reporting. The current employees were unfamiliar with the software and were unable to provide any reports. We were also informed by the spending unit that the inspectors did collect monies for fines (sometimes cash) because it was convenient for the person being fined, however, the new Director has since stopped cash collections outside of the office. Finally, we were informed that the segregation of duties in the receipt of monies, recording of the payment, and the issuance of a license was due to inadequate staffing.

Effect:

As a result of a lack of an audit trail combined with a lack of internal controls over revenues, we cannot assure ourselves that all monies due to the State were actually collected by WVBBC employees, entered into WVFIMS and the WVBBC's internal accounting software, and deposited as required. Additionally, there is an increased risk that the employee who processes the fees and fines at the WVBBC office could receive cash,

misappropriate the cash, fail to enter the receipt into the accounting system, and then issue the license/renewal/permit, all without being detected by management. Further, there is an increased risk that an inspector could issue a citation to an individual or facility, retain the cash payment, and fail to submit the original copy of the citation to the WVBBC office without being detected by management. Finally, without an effective way to track fines and fee collections, it is not possible to reconcile what should have been collected to what was collected and increases the risk that all revenues are not being collected or deposited with the State of West Virginia.

Recommendation: We recommend the WVBBC comply with W.Va. Code §5A-8-9, as amended. We recommend that the WVBBC implement an effective system of controls over the collection and recording of fees and the subsequent issuance of the related licenses/renewals/permits. We also recommend that the WVBBC strengthen internal controls over the collection of fines by implementing an effective tracking system for issued citations, issuing pre-numbered citations, and prohibiting inspectors from accepting payment.

**Spending Unit's
Response:**

I agree with the issues in FINDING 1.

Response 1- Since taking over in December 2008 as the Director of the Board I quickly eliminated the process of the inspectors accepting cash, checks, or money orders from licensees for fines or renewals.

Response 2- The fines were being split (50%) into the general and special fund by the Board staff. It wasn't until July 2009 that I was aware of this practice. I became aware within a week or two after our separation from DHHR when I knew the inspectors were issuing fines and the board staff was receiving fines but none of the money was being sent to the general fund. I questioned the staff about this practice and they stated that they always took 50% of the money and placed it in the special fund and the rest in the general fund. This practice was stopped in July 2009.

Response 3- The fine process has completely changed in the past six to eight months. Inspectors now issue a Violation Notice which states the date, violation number from 3CSR7, and a comment section from the inspector. The Violation Notice is a three-part paper with one going to the inspector, one going to the licensee, and one being mailed to the Board office. The Board office will review the Violation Notice for accuracy and further information, assign a log number to the Violation Notice, then issue the fine to the licensee. The licensee has three options when receiving the fine: 1) pay the fine, 2) appeal in writing, or 3) appeal in person at a board meeting. This process now institutes another

layer of due process, assigns a log number for tracking, is accounted for in fine log, and is more effectively managed.

Response 4- In February 2009 I approached the West Virginia State Treasurer's Office about licensing software database development. The Treasurer's Office developed software that the Board implemented in April 2010. This new system allows the Board to effectively and accurately check on licenses, permits, renewals, and other recorded fees collected. Although there are minor glitches still being ironed out with the software, the new software will allow for greater access to reconcile accounts with fees.

Response 5- It is very hard to segregate duties with four employees in the office.

Finding 2

Improper Internal Control over Inventory Management

Condition:

We noted instances of improper inventory management during our audit of inventory at the WVBBC. We found four (4) items, totaling \$6,260.79, at their physical location that was not included on the WV State Fixed Asset Listing. These instances resulted in non-compliance with the State of West Virginia Purchasing Division’s Inventory Management Training Manual.

The items of non-compliance noted during testing of fixed assets of the aforementioned Board of Barbers and Cosmetologists are further detailed in the table below.

<u>Acquisition Date</u>	<u>Item Description</u>	<u>Acquisition Cost</u>	<u>Identification Tag Number</u>	<u>Serial Number</u>
4/01/00	Meeting Table/ 8 Chairs	\$1,000.00	WVBBC00017	NA
4/10/09	Computer	636.00	WVBBC0006	2UA9130JB5
12/01/09	Desk	2,322.31	WVBBC0008	NA
12/01/09	Desk	<u>2,302.48</u>	WVBBC0009	NA
	Total:	<u>\$6,260.79</u>		

Criteria:

The State of West Virginia Purchasing Division’s Inventory Management Training Manual, states in part:

“3.6 Reportable Property:

...any item which has an original acquisition cost of \$1,000 or more and useful life of one (1) year or more is required to be entered into the WVFIMS Fixed Asset system. Although not required by the Purchasing Division, agencies may, however, enter property or equipment costing less than \$1,000 in the Fixed Asset system.

3.6.1 Exceptions: It is mandatory the following commodities are entered in WVFIMS Fixed Asset system: ...3.6.1.2 All computers (including laptops and central processing units [CPU]) with an acquisition cost of \$500 or more.” (Emphasis Added)

Cause:

Upon inquiry, we were informed that the agency was behind on updating the Fixed Asset Management oversight due to a recent move, separation from the Department of Health and Human Resources (DHHR), and high employee turnover.

Effect:

The risk of theft and/or fraud is greatly increased when items are not properly accounted for. By not entering items which have an original acquisition of \$1,000 or more and useful life of one (1) year or more and computers with a value of \$500.00 or greater in the inventory system, items would not be

included in the audit of the respective institution's inventory. This, in turn, increases the risk that items may be misappropriated due to theft and/or fraud and that any such theft or fraud may not be detected by management.

Recommendation: We recommend the WVBBC strengthen internal controls to ensure that all fixed assets are accounted for by following the State of West Virginia Purchasing Division's Inventory Management Training Manual requirements that all items which have an original cost of \$1,000 or more and useful life of one (1) year or more and all computers with a value of \$500 or greater be included in the WVFIMS Fixed Asset System.

Spending Unit's

Response: I agree with the issues in FINDING 2.

Although the equipment is accurately tracked in our in-house inventory list the assets included in the Audit Report will be added to the WVFIMS record.

Finding 3 Charging an Unauthorized Fee for a Charity Permit

Condition: During our preliminary planning and review phase, we noted that the West Virginia Board of Barbers and Cosmetologists (WVBBC) began charging a fee of \$100.00 for a one day permit for charity events sometime around August 2009. Any new rules and/or fees must be proposed for legislative approval before they can be effectively used. Upon reviewing the West Virginia Code and other rules and regulations, we could not determine any criteria which authorized the WVBBC to collect a Charity Permit fee.

Criteria: **W.Va. Code §30-27-6, as amended, states in part:**

 "The board shall propose rules for legislative approval, in accordance with the provisions of article three chapter twenty-nine-a of this code, to implement the provisions of this article, including:

- (1) Standards and requirements for licenses, permits, certificates and registrations;
- (8) A fee schedule;
- (17) Any other rules necessary to effectuate the provisions of this article.

(b) All of the board's rules in effect on July 1, 2009, shall remain in effect until they are amended or repealed, and references to provisions of former enactments of this article are interpreted to mean provisions of this article."

Cause: According to the agency, the Board implemented the "One Day Permit for Charity Event" fee in order to attempt to regulate individuals requesting to host charitable events. The Board feels this measure was necessary in order to reduce the risk of charity events being held in inappropriate locations, such as food establishments, and to recoup any inspection costs necessary to approving these events.

Effect: The collection of the Charity fee WVBBC is not authorized to collect creates an unnecessary liability to the patrons remitting the monies. Upon inquiry, the agency stated that they may have collected this fee one time since it was established. We were unable to substantiate this due to our inability to audit the fees and fines collections (see Finding 1).

Recommendation: We recommend the WVBBC comply with W.Va. Code §30-27-6, as amended, and seek legislation which grants the WVBBC the authority to assess these fees if the WVBBC determines that these fees are necessary.

**Spending Unit's
Response:**

The purpose of the Charity Permit is to cover the expenses of the Board's inspectors to inspect the location of a charity haircut site for sanitation and public safety purposes. The Board felt it was in the best interest of the public to have charity haircut functions inspected if the event was not held in a salon.

The acceptance of payment can easily be eliminated.

the Board's goal is to have all collected monies deposited within 24 hours, current staffing levels and volume make this goal difficult to sustain.

Finding 5 Internal Control Weaknesses in Cash Handling

Condition: We performed a cash count at the WVBBC office and found cash receipts were not adequately safeguarded from unauthorized use or disposition. We further noted the cash receipt functions were not segregated. Receipts of monies held for deposit were located in a box on the floor which is accessible to office personnel. We further noted the employee who prepares the deposits also reconciles them. The individual, who opens the mail, records the receipt of monies as well as prepares the deposit. The above functions also are not monitored by management with the exception of the Director reviewing and signing off on the deposit. Lastly, WVBBC has an imprest fund, in the amount of \$47.89, for which they do not track the balance and do not have permission to have through the State Treasurer’s Office as required by State Code. Current employees do not know the origins of the fund or how much money was originally in it.

Criteria: Heads of agencies are to have an effective system of internal controls in the form of policies and procedures designed to ensure the spending unit operates in compliance with the laws, rules and regulations which govern it.

W.Va. Code §5A-8-9, as amended, states in part:

“The head of each agency shall: . . .

(b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency’s activities.”

W.Va. Code §12-2-2, as amended, states in part:

“(d) The State Treasurer may establish an imprest fund or funds in the office of any state spending unit upon receipt of a proper application. ...”

Cause: We were informed that the WVBBC does not have an adequate number of staff to implement appropriate segregation of duties. Agency personnel further stated that due to being in the middle of a move much of the paperwork was located in boxes to keep items from being misplaced. Concerning the imprest fund, all current agency personnel were not employed at the time it was started and state that they have no knowledge as to where it came from.

Effect: Lack of adequate physical safeguards, management oversight, proper authority for an imprest fund, and segregation of duties increases the risk of unauthorized use or disposition of receipts.

Recommendation:

We recommend the WVBBC comply with W.Va. Code §5A-8-9, as amended, and W.Va. Code §12-2-2, as amended, and implement an effective system of internal controls over cash receipts. We believe all receipts should be securely safeguarded and duties segregated amongst employees to deter fraud. If duties cannot be segregated due to small staff, appropriate monitoring should be performed by management. Lastly, we believe the WVBBC should get proper authorization from the State Treasurer's Office before maintaining an imprest fund.

Spending Unit's

Response:

Response 1- Due to the size of the staff and the number of licenses, permits, registrations, and certifications that the Board office processes it is difficult for the Board office to segregate the duties of who does a deposit and who does the data-entry. At this time, our new software generates a report of the amount of fees entered into the system by the payment form. It is now traceable to account for cash entered in the software in comparison to the cash represented in the deposit.

Response 2- As for the imprest fund, I do not know where the money came from or the origin of this fund. The current staff does not deal with the imprest fund. It could be from past employees that have gathered their own personal money and placed it in the lock box for their own use or it could be from another source. The Board will eliminate this practice.

Response 3- The Board office has purchased a cash tray to more effectively handle the cash and is looking into purchase a safe for increased protection during overnight storage when required.

Finding 6

Internal Control Weakness of Timesheets and Leave Slips

Condition:

Sick Leave

The following employee's timesheets and leave slips did not reconcile to WVDHHR's LARS system for Sick Leave:

<u>Employee</u>	<u>Agency Balance</u>	<u>Audited Balance</u>	<u>Difference</u>
Employee #1	1873.95	1862	11.95
Employee #2	688.95	850.95	(162)
Employee #3	34.75	30.23	4.52

Annual Leave

The following employee's timesheets and leave slips did not reconcile to WVDHHR's LARS system for Annual Leave:

<u>Employee</u>	<u>Agency Balance</u>	<u>Audited Balance</u>	<u>Difference</u>
Employee #1	382.29	366.29	16
Employee #2	22	24	(2)
Employee #3	37	42	(5)
Employee #4	21	15.48	5.52

Holiday Leave

Holiday leave was not properly accounted for concerning nine (9) out of twelve (12) employees with differences ranging from 12 to 104 hours.

The following employee's timesheets and leave slips did not reconcile to WVDHHR's LARS system for Holiday Leave:

<u>Employee</u>	<u>Agency Balance</u>	<u>Audited Balance</u>	<u>Difference</u>
Employee #1	4	(28)	32
Employee #2	2	45	(43)
Employee #3	1.75	105.75	(104)
Employee #4	0	25.5	(25.5)
Employee #5	0.75	16.2	(15.45)
Employee #6	0	12	(12)
Employee #7	2	32	(30)
Employee #8	0	32	(32)

- There was one employee that the WVBBC could not provide time sheets or leave slips.

Criteria: Heads of agencies are to have an effective system of internal controls in the form of policies and procedures designed to ensure the spending unit operates in compliance with the laws, rules and regulations which govern it.

W.Va. Code §5A-8-9, as amended, states in part:

“The head of each agency shall:

(b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights for the state and of persons directly affected by the agency’s activities... .”

W.Va. Code §12-3-13, as amended, states in part:

No money shall be drawn from the Treasury to pay the salary of any officer or employee before his services have been rendered.

Section 14.15 of the Division of Personnel’s Administrative Rule states:

“14.15. Leave Records-Each agency shall maintain a current leave record of its employees’ accrued and used leave.... Supervisors and employees shall attest to the accuracy of the records on a periodic basis, but not less than twice annually.” **(Emphasis Added)**

Title 143, Series 1, Section 14, of the Administrative Rule states in part:

14.6. Unauthorized Leave - When an employee is absent from work without authorization for sick or annual leave, the appointing authority shall dock the employee's pay in the next pay period for an equal amount of time paid during which no work was performed.

Cause: DHHR personnel stated that LARS and the timesheets do not always reconcile due to timing, but that LARS is later corrected. WVBBC personnel informed us that the missing documentation (i.e. timesheets and leave slips) may have been misplaced during the recent move. Also, we were informed by the WVBBC that the LARS record was the most reliable due to agency personnel making various mistakes on their timesheets. The correct amounts are entered into LARS each month. Some differences are due to the differences in calculating leave accruals for partial pay periods.

Effect: Errors in employee leave balances and missing leave slips can result in under/over payments for unused annual leave upon an employee’s retirement, resignation or death and an advantageous/adverse effect upon an employee’s retirement annuity payments to the employee or his/her beneficiary. The

error(s) could affect subsequent transfers of sick and annual leave hours to another state agency for transferring employees. Furthermore, errors in balances could result in an overpayment/underpayment on the employee's payroll.

Recommendation: We recommend the WVBBC comply with W.Va. Code §5A-8-9, as amended, and W.Va. Code §12-3-13, as amended, by maintaining records containing adequate and proper documentation. We also recommend the WVBBC comply with Title 143, Series 1, Section 14, of the Administrative Rule with respect to unauthorized leave. Lastly, we recommend the WVBBC comply with the West Virginia Division of Personnel Administrative Rule 14.15 by maintaining accurate annual and sick leave balances for the WVBBC employees accrued and used leave.

Spending Unit's

Response: The inadequacies of the leave forms and timesheets were corrected in December 2009 with the transference of an online leave system created by the Treasurer's Office. With the implementation of an online system created by the Treasurer's office; however, due to online reporting problems the Board staff has reverted to the previous system.

Before reverting to the current process, all hours were checked for each employee and the hours were corrected. This issue has previously been resolved due to the clarity that an issue was at hand.

Finding 7

Weak Internal Controls and Lack of Documentation Pertaining to P-Card

Condition:

While performing the test of controls of P-Card transactions, we noted the following:

- Three transactions did not have the Hospitality Forms on file to support the purchasing of food and beverages. The second of the three transactions listed below had an illegible receipt and WVBBC was unable to locate any supporting documentation for the last transaction listed below. These transactions were also charged sales taxes. These transactions are detailed as follows:

<u>Vendor Name</u>	<u>Transaction Date</u>	<u>Amount</u>	<u>WVFIMS ID</u>	<u>Document Missing</u>
Papa Johns	2/14/2009	\$39.03	I009597410	Hospitality Form
Pizza Hut	5/22/2009	\$49.03	I009924791	Hospitality Form & Illegible Receipt
Pizza Hut	6/12/2009	\$33.00	I009989293	Hospitality Form & Receipt

- We also found four (4) instances out of 14 (28.5%) where receiving reports were not signed and dated by the receiver of the goods or were not present in the supporting documentation.
- There were five (5) transactions classified by the wrong object code.

<u>Vendor</u>	<u>Description</u>	<u>Amount</u>	<u>FIMS OBJ</u>	<u>Correct OBJ</u>
USPS	Stamps	\$164.00	020	053
USPS	Certified Mail	\$ 21.68	020	053
Papa Johns	Office Meeting	\$ 39.03	020	042
Pizza Hut	Office Meeting	\$ 49.03	020	042
Pizza Hut	Office Meeting	\$ 33.00	020	042

- We found one vendor that was paid in June 2008 for invoices accumulating from November 2007 through April 2008.
- We found one transaction that could not be tested due to no supporting documentation.

Criteria:

Section 6.8 of the 2008 State Auditor’s Purchasing Card Policies and Procedures states in part:

“Hospitality: ...Specific documentation requirements exist for hospitality expenditures and that documentation must remain consistent regardless of the method of payment.”

The definition of Object Codes included in the State of West Virginia Expenditure Schedule Instructions for Fiscal Years 2008 and 2009, states in part:

“...042 – Hospitality: ...A request for Hospitality Form TMP 3.0 must accompany the invoice regardless of the amount...”

“...053 – Postal and Freight:

Postal: Those charges for postage, box rent, postage meter or carges connected with the United States Postal System or charges by Central Mail.

Freight: Charges for either shipping or receiving material...”

Section 7.1 of the 2008 State Auditor’s Purchasing Card Policies and Procedures states in part:

“...7.1 Receipts: ...The receipt must be legible, itemized (reflecting the goods or services purchased), and contain the vendor name, date of purchase and price of items...”

W.Va. Code §5A-8-9, as amended, states in part:

“The head of each agency shall: . . .

(b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency’s activities.”

Section 6.3 of the 2008 & 2009 WV Purchasing Division Procedures Handbook, states in part:

“6.3 Receiving Procedures: Agencies must verify the shipment against the specifications in the purchase order and retain a copy of the receiving report prepared for the Auditor’s office with the purchasing file. For receipt of services, a receiving report similar in form to that required by the Auditor’s office shall be completed, signed and retained with the purchasing file.

Section 6.7 of the 2008 State Auditor’s Purchasing Card Policies and Procedures states in part:

“The State of West Virginia is tax exempt and should not pay tax to in-state vendors. “

Cause: According to WVBBCC personnel, they were unable to locate any further documentation for our review.

Effect: These controls are set into place to decrease the likelihood of the agency or any one individual of an agency from making an unauthorized purchase that would not benefit WVBBCC or the state. Further, sound business practices dictate that vendors should be paid timely to avoid the accumulation of interest or late fees and to prevent the loss of vendors willing to provide goods and services to the State.

Recommendation: We recommend the WVBBCC comply with W.Va. Code §5A-8-9, as amended, and establish an effective system of internal controls. We recommend the WVBBCC comply with Section 6.3 of the State Auditor's Purchasing Card Policies and Procedures by maintaining receiving reports. We further recommend the WVBBCC comply with Section 6.8 and 7.1 of the State Auditor's Purchasing Card Policies and Procedures by completing hospitality forms for all purchases related to hospitality expenses.

Spending Unit's

Response: I agree with the finding.

Response - These mistakes are human errors and will be corrected and better followed in the future.

Finding 8

Internal Control Weakness in Maintaining Personnel Records

Condition:

During the course of our audit we found that neither WVDHHR nor WVBBC could provide Federal or State Tax Withholding Forms for 9 out of 14 (64%) employees and/or Board Members. We were unable to completely test payroll transactions for those employees due to lack of the supporting documentation.

We noted five instances where our recalculated deductions did not match the deductions in the original transactions. Two of the five employees listed below were also paid a higher amount than our calculations represented that they should have been. They are listed below:

Employee	Agency Amt. Net Earnings	Audited Amt. Net Earnings	Difference	Due to
Employee #1	\$1,166.52	\$1,198.53	(32.01)	Missing Forms
Employee #2	\$ 574.62	\$ 588.74	(14.12)	Missing Forms
Employee #3	\$ 983.08	\$ 969.97	13.11	State Tax WH
Employee #4	\$ 600.63	\$ 705.61	(104.98)	Missing Forms & Pay Difference
Employee #5	\$ 682.14	\$ 600.09	82.05	Missing Forms & Pay Difference

Missing documentation included the following:

- Two employees did not have any documentation for their Mountaineer Flexible Benefits deduction in their personnel file.
- One employee’s personnel file had no supporting documentation for the 457 Plan Premiums deducted from her pay.
- One employee’s personnel file had no supporting documentation for a school loan garnishment being deducted from his pay.

Criteria:

W.Va. Code §5A-8-9, as amended, states in part:

“The head of each agency shall:

. . .(b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency’s activities. . . .”

Cause: Upon request, WVDHHR and WVBBC stated that they were unable to locate supporting documentation. The pay differences noted for two employees were not explained by the agency.

Effect: Not maintaining proper documentation in an employee's personnel file can result in under/over deductions for employee's benefits and taxes. Underpayment of taxes can result in uncertain consequences for the employee with the State and IRS.

Recommendation: We recommend the WVBBC comply with Chapter 5A, Article 8, Section 9, of the West Virginia Code, as amended, and establish an effective system of internal controls in maintaining personnel records.

Spending Unit's

Response: I do not feel comfortable stating an explanation to this finding due to this function not being overseen by the Board staff. Additionally, the records were not kept by the Board office in the past and it is very unclear on the filing or maintaining of these records in the past.

In order to become compliant, I will request federal and state tax withholding forms from all staff members and board members in the next several weeks.

Please see Attachment A for a response from Department of Health and Human Resources (DHHR).

Finding 9 **Written P-Card reports Not Submitted to the Board of Directors**

Condition: We noted that the WVBBC supervisor/Agency head failed to provide a written report of Purchasing Card transactions to the Board for approval and ratification at the regular Board meetings.

Criteria: **Section 2.4.1 of the State Auditor’s Purchasing Card Policies and Procedures states in part:**

“...If the Spending Unit is a board, commission, authority, or council, a written report of P-Card transactions including the vendor, description of good or service and total transaction amount must be provided to members of the governing body to be approved or ratified at regularly scheduled meetings. A copy of the report, as well as the minutes of the meeting, must be available for review by the State Auditor’s Office P-Card Division with the reconciliation documentation...”

Cause: The Director stated to us that he wasn’t aware of the requirement to provide a P-Card report to the Board for approval and ratification at the Board meeting until May, 2010.

Effect: As a result, the Board is not informed of the Purchasing Card transactions to verify the reasonableness of the disbursements. In addition, documentation of a P-Card report and proof of meeting minutes showing approval and ratification of the transactions is not available for review by the State Auditors as required by the State Auditor’s Office P-Card Division.

Recommendation: We recommend the WVBBC comply with Section 2.4.1 of the State Auditor’s Purchasing Card Policies and Procedures.

Spending Unit’s

Response: The Board was not aware of this requirement until May 2010. I will get the Board in compliance with this practice in August 2010 at the next board meeting.

Finding 10

Travel Reimbursement Requests Not Processed Within 15 Days

Condition:

We noted four instances out of 29 (14%) transactions tested, where the travel reimbursement requests were not submitted within 15 days of the completion of the last day of travel for payment processing as required by the State Travel Rule.

These four instances are detailed in the following schedule:

<u>Document ID#</u>	<u>Last Day of Travel</u>	<u>Process Date</u>	<u># Days Late</u>
I009938864	05/27/09	07/01/09	10
I009170247	11/14/08	12/19/08	8
I009446660	01/23/09	02/19/09	3
I009173558	10/31/08	12/23/08	18

- Document ID# 1009173558 was held for funding purposes.

Criteria:

Section 2.5 of the State Travel Rule states in part:

“... The state agency shall audit and submit an accurate expense account settlement for reimbursement to the Auditor’s Office **within 15 days after completion of travel.**” (Emphasis Added)

Cause:

Upon inquiry, we were informed by agency personnel that they were unsure why three of the requests were not sent to the Auditor’s Office within the 15 days. It appears that these reimbursement request forms may have been turned in late by the travelers. According to the agency personnel and supporting documentation, one reimbursement request was held due to inadequate funds. Upon further review, we noted that the fees have since been increased and according to the current Director, the cash flows are now adequate for the needs of the agency.

Effect:

Not reimbursing travel in a timely manner may cause an undue hardship to the employee. If WVBBC’s travel expenses have not been remitted in a timely manner, WVFIMS will not accurately reflect their financial state and cannot be relied upon.

Recommendation:

We recommend the WVBBC comply with Section 2.5 of the State Travel Rule and submit travel reimbursement requests in a timely manner.

Spending Unit’s

Response:

I agree with this finding.

Response - It is a standard practice to process travel quickly. Sometimes travel may be rejected by the Auditor’s Office and the travel may be accidentally

overlooked until we are notified that the travel was not processed by the traveler. Additionally, travel forms are received by mail and it is possible for late delivery or a lost article of mail that required an additional copy being sent from the traveler to the Board office for processing which can cause a delay.

This concludes the responses to the findings from the Audit Report. Again, I'd like to thank the legislative auditing team assigned to this audit for their professionalism and patience. I look forward to ensuring corrective action to the findings listed within the Audit Report.

ATTACHMENT A



STATE OF WEST VIRGINIA
DEPARTMENT OF HEALTH AND HUMAN RESOURCES

DHHR FINANCE

Office of Internal Control and Policy Development
Capitol Complex, Building 3, Room 451
Charleston, WV 25305

Patsy A. Hardy, FACHE, MSN, MBA
Cabinet Secretary

Joe Manchin III
Governor

July 30, 2010

Stacy L. Sneed, CPA, Director
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd., E.

Dear Ms. Sneed

The West Virginia Department of Health and Human Resources (DHHR) has received and reviewed the preliminary draft of the West Virginia Board of Barbers and Cosmetologists Audit Report for the period of July 1, 2007 through June 30, 2009. The DHHR recognizes the stated conditions as expressed by the Legislative Post Audit Division within Finding Number 8 of the draft audit report and appreciates the opportunity to respond to the portions of that finding attributable to the DHHR.

The DHHR concurs with Finding 8 in that we were unable to locate nine Federal or State tax-withholding forms that were requested by the auditors. At the start of fiscal year 2010, the DHHR restructured our filing system for payroll records so that instead of having a separate file for each payroll-related form, we now have a separate file for each employee. This simplifies the tracking process and helps to ensure the proper maintenance of relevant payroll forms for each employee, which in turn provides a greater audit trail and means of responding to requests from external auditors. The DHHR also revised its system of archiving during fiscal year 2010 so that we are now more consistent with respect to the files maintained onsite versus those that are archived.

With respect to the differences between the amounts reported as net earnings within the agency versus the audited amounts, please note that the DHHR enters the tax information related to marital status and exemptions into EPICS and then EPICS automatically calculates the relevant earnings based on the information entered. The DHHR does not have the ability to revise the tax tables built into EPICS.

Thank you once again for the opportunity to respond to the Legislative Post Audit Division's preliminary draft of the West Virginia Board of Barbers and Cosmetologists Audit Report for the period of July 1, 2007 through June 30, 2009.

Sincerely,

A handwritten signature in blue ink, appearing to read "B. Cassis".

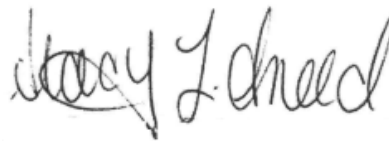
Brian M. Cassis, Director
Office of Internal Control and Policy Development
West Virginia Department of Health and Human Resources

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Stacy L. Sneed, CPA, CICA, Director of the Legislative Post Audit Division, do hereby certify that the report appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 10th day of August 2010.



Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to the Board of Barbers and Cosmetologists, the Department of Health and Human Resources; Governor; Attorney General; and State Auditor.