

STATE OF WEST VIRGINIA

AUDIT REPORT

OF

STATE DEPARTMENT OF HEALTH
BOARD OF BARBERS AND BEAUTICIANS
FOR THE PERIOD
JULY 1, 1983 - JUNE 30, 1987



OFFICE OF LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON 5, WEST VIRGINIA

STATE DEPARTMENT OF HEALTH
BOARD OF BARBERS AND BEAUTICIANS
FOR THE PERIOD
JULY 1, 1983 - JUNE 30, 1987

West Virginia



LEGISLATIVE AUDITOR

CHARLESTON

The Honorable Encil Bailey
Legislative Auditor
State Capitol - West Wing
Charleston, West Virginia

Sir:

In compliance with your instructions and the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the accounts of the State Department of Health, Board of Barbers and Beauticians.

Our examination covers the period July 1, 1983 through June 30, 1987. The results of the examination are set forth on the following pages of this report. However, only the financial statements for the years ended June 30, 1987 and June 30, 1986 are included in this report. The financial statements covering the period July 1, 1983 through June 30, 1985 are included in our audit workpapers.

Respectfully submitted,

Theodore L. Shanklin

Theodore L. Shanklin, CPA, Director
Legislative Postaudit Division

TLS/nkk

STATE DEPARTMENT OF HEALTH
BOARD OF BARBERS AND BEAUTICIANS

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STATE DEPARTMENT OF HEALTH
BOARD OF BARBERS AND BEAUTICIANS
EXIT CONFERENCE

We held an exit conference on July 14, 1988 with the Director. All findings and recommendations were reviewed and discussed. The above official concurred with all findings and recommendations, and his responses are included in italics in the Summary of Findings, Recommendations and Responses and the General Remarks section of this report.

STATE DEPARTMENT OF HEALTH
BOARD OF BARBERS AND BEAUTICIANS
INTRODUCTION

The Board of Barbers and Beauticians was created under Chapter 22, Acts of the Legislature, Second Extraordinary Session, 1933 and has been amended by several Acts of the Legislature since that time. The Board consists of four professional members appointed by the Governor, by and with the advice and consent of the Senate, and one lay member to be appointed to represent the interest of the public. Of the four professional members, one is to be an employing barber, one an employee barber, one an employing beautician and one an employee beautician. Each professional member of the Board shall have been engaged within this State in the practice of barbering or beauty culture, as the case may be, for a period of three years prior to his/her appointment, and no more than two of the four professional members may belong to the same political party. No member of the Board shall own or have a pecuniary interest in a barber or beautician school licensed and doing business within the State or shall be employed by such an institution.

The members of the Board are appointed for terms of four years. No professional member of the Board may serve for more than two complete terms. Each member of the Board shall receive as compensation a per diem of \$50.00 for each day of attendance at Board sessions, but such compensation for each member shall not exceed the sum of \$2,000.00 in any calendar year. Each member shall be reimbursed for actual and necessary expenses incurred in the performance of their duties upon presentation of an itemized sworn statement thereof.

The Board shall meet two times each year and may hold additional meetings during the year as it may deem necessary to transact its business. Three members, including the Chairperson of the Board, shall constitute a quorum at any meeting. The Board is authorized to examine all applicants for licensure and to issue licenses to those entitled thereto and to collect examination and licensure

in accordance with regulations promulgated by the Board of Health pursuant to Chapter 16, Article 14 of the West Virginia Code or regulations of the Board of Barbers and Beauticians.

The Board shall have the power to promulgate rules and regulations relating to the practice and conduct of barbering and beauty culture, including but not limited to the procedures, criteria and curricula for examination and qualifications of applicants for licensure, and for the licensing of instructional personnel for schools of barbering and beauty culture. The power of the Board to promulgate such rules and regulations shall be concurrent with that of the Board of Health as authorized in Chapter 16, Article 14 of the West Virginia Code, provided that in the case of conflicting provisions regarding requirements for health and sanitation, the rule or regulation of the Board of Health shall be deemed to apply.

For violation of any regulation authorized by the terms of Chapter 30, Article 27 of the West Virginia Code or promulgated by the Board of Health, the Board of Barbers and Beauticians may cancel and revoke the licenses issued by the Board and may refuse to renew or reissue the same.

STATE DEPARTMENT OF HEALTH
BOARD OF BARBERS AND BEAUTICIANS
IMPLEMENTATION OF PRIOR AUDIT RECOMMENDATIONS

In the prior audit covering the period July 1, 1977 through June 30, six recommendations were made. Of these, it appears two have not been mented. They are as follows:

The Board was not transferring ten percent of its collections each year to the General Revenue Fund in compliance with Chapter 30, Article 27, Section 14 of the West Virginia Code. (See page 10.)

The Board has checks that it deems uncollectable, the Board should comply with Chapter 14, Article 1, Section 18 of the West Virginia Code for settlement or dismissal of claims. (See page 11.)

STATE DEPARTMENT OF HEALTH
 BOARD OF BARBERS AND BEAUTICIANS
 BOARD MEMBERS AND STAFF
 JUNE 30, 1987

<u>Member</u>	<u>Term Expires</u>
Id K. Brown, Barber Employer, Chairperson ricane	June 30, 1986
y J. Dixon, Beautician Employer tington	June 30, 1985
C. Gregory, Barber Employee Albans	June 30, 1987
r Berwinkle, Beautician Employee eling	June 30, 1988
is Angotti, Lay Member rksburg	June 30, 1987

Staff

r B. Roush	Director
ia Barton	Secretary/Steno
ey Holley	Secretary
I R. Bickel	Health Inspector
ae C. Keith	Health Inspector
l. Nichols	Health Inspector
otte L. Yonker	Health Inspector

STATE DEPARTMENT OF HEALTH
BOARD OF BARBERS AND BEAUTICIANS
SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES

OF NONCOMPLIANCE

nsfers to General Revenue Fund

It appears the Board is not transferring ten percent of its collections each year to the General Revenue Fund at the end of the fiscal year in compliance with Chapter 30, Article 27, Section 14 of the West Virginia Code.

We recommend the Board comply with Chapter 30, Article 27, Section 14 of the West Virginia Code.

We have complied with this audit recommendation. On June 29, 1988 ten percent of all monies collected were transferred to the General Revenue Fund. (See page 10.)

llectable Checks

The Board has in its possession checks totaling \$366.00 it deems uncollectable.

We recommend the Board comply with Chapter 14, Article 1, Section 18 of the West Virginia Code for settlement or dismissal of claims.

We will comply with this audit recommendation. After an attempt to collect bad checks fails, they will be sent to the commissioner of Finance and Administration or other official having the authority to collect. (See page 11.)

penditures

3. The Board expended \$532.50 for three bushel trucks that appear to have been purchased for the Support Services Division.

We recommend the Board comply with Chapter 30, Article 27, Section 14 of the West Virginia Code.

We will comply with this audit recommendation. (See page 11.)

4. The Board expended \$369.67 for Social Security Matching, a current expense, from the Personal Services Account.

We recommend the Board comply with Chapter 5A, Article 2, Section 19 of the West Virginia Code.

We will comply with this audit recommendation. (See page 12.)

Report to State Auditor

- i. The Board does not certify to the State Auditor a detailed statement of moneys received by the Board.

We recommend the Board comply with Chapter 30, Article 1, Section 10 of the West Virginia Code.

We will comply with this audit recommendation. (See page 12.)

Inventory

- . The Board does not have an inventory listing from the Agency for Surplus Property.

We recommend the Board comply with the State of West Virginia Handbook of Purchasing Procedures.

We will comply with this audit recommendation. (See page 13.)

STATE DEPARTMENT OF HEALTH
 BOARD OF BARBERS AND BEAUTICIANS
 GENERAL REMARKS

DUCTION

We have completed a financial and compliance audit of the State Department of Health, Board of Barbers and Beauticians. The audit covered the period 1, 1983 through June 30, 1987.

AL REVENUE ACCOUNTS

During our audit period, the Board of Barbers and Beauticians operated the following special revenue accounts:

<u>ber</u>	<u>Description</u>
0-00	Personal Services
0-01	Current Expenses
0-03	Equipment
0-04	Transfer to General Revenue
0-66	Annual Increment
0-99	Cash Control

ctions

The income to the Cash Control Account is derived from the receipt of use and service fees paid by barbers and beauticians throughout the State and is as follows:

Examination Fee	\$ 25.00
License Fee	\$ 25.00
License Renewal Fee	\$ 25.00
Registration Fee for Instructor	\$ 50.00
Renewal License for Instructor	\$ 50.00
Student Registration Fee	\$ 5.00
Reciprocity License Fee	\$ 50.00
Registration Fee for School	\$500.00
Renewal Fee for School	\$250.00
Shop Opening Inspection Fee	\$ 25.00
Delinquent Renewal Penalty (For Each 30-Days Late)	\$ 5.00

5 OF NONCOMPLIANCE

Chapter 16, Article 14 and Chapter 30, Articles 1 and 27 of the West Virginia Code, as amended, generally governs the State Department of Health, Board of Barberbers and Beauticians. We tested applicable sections of the above, plus other State regulations and other applicable chapters, articles and sections of the West Virginia Code as they pertain to fiscal matters. Our findings are discussed below.

Transfers to General Revenue Fund

The Board owed the General Revenue Fund \$92,401.62 as of July 1, 1983, and transfers required by Chapter 30, Article 27, Section 14 of the West Virginia Code.

The Board paid this debt in full by October 29, 1984. For fiscal year 1985 collections, the Board was to transfer \$27,632.60 and did so on July 29, 1985.

The Board transferred \$28,355.60 on September 3, 1986, to the General Revenue Fund for fiscal year 1986 collections. On December 11, 1987, the Board transferred \$27,630.90 to the General Revenue Fund to cover fiscal year 1987 collections.

Chapter 30, Article 27, Section 14 of the West Virginia Code states, "at the end of each fiscal year there shall be transferred from this fund to the general revenue fund of the state ten percent of all money collected by the Board during the year."

The Board states they can not have the transfer ready at the end of the fiscal year June 30, because they do not know the total receipts at that time. The total amount of receipts is needed to calculate the amount to be transferred.

We recommend the Board comply with Chapter 30, Article 27, Section 14 of the West Virginia Code.

We have complied with this audit recommendation. On June 29, 1988 ten percent of all monies collected were transferred to the General Revenue Fund.

Collectable Checks

The Board has in its possession checks totaling \$366.00 they deem as collectables and have written-off their records. It appears the Board interpreted the prior audit recommendation when they wrote the uncollectable checks off of their records.

Chapter 14, Article 1, Section 18 of the West Virginia Code states, "The commissioner of finance and administration, auditor or other officer or official having authority to collect the same may, with the advice of the attorney general, adjust and settle upon just and equitable principles without regard to strict legal rules any account or claim, in favor of the State, which may at the time have been standing upon the books of his or its office more than five years; with the like advice, may dismiss any proceedings instituted by him or it."

We recommend the Board comply with Chapter 14, Article 1, Section 18 of West Virginia Code for settlement or dismissal of claims.

We will comply with this audit recommendation. After an attempt to collect bad checks fails, they will be sent to the commissioner of Finance and Administration or other official having the authority to collect.

Disbursements

On February 2, 1986, the Board expended \$532.50 on Transmittal No. 19092 three bushel trucks (trash can on wheels). The bushel trucks were apparently used for the Support Services Division and are reported on the Inventory as being kept at the Motor Vehicles Department.

Chapter 30, Article 27, Section 14 of the West Virginia Code, states, "money in such fund shall be expended only for the administration and enforcement of the provisions of this article," The Board stated they paid for the three trucks because they were asked to do so by the State Department of Health.

We recommend the Board comply with Chapter 30, Article 27, Section 14 of West Virginia Code.

On January 26, 1987, Transmittal No. 59549 was used to pay \$369.67 for current expense, Social Security Matching from the Personal Services Account.

Chapter 5A, Article 2, Section 19 of the West Virginia Code states, withstanding any other provision of law to the contrary, there shall be no sfer of amounts between items of appropriations nor shall moneys appropriated any particular purpose be expended for any other purpose by any spending unit he executive, legislative or judicial branch"

The State Department of Health prepares the transmittals to pay personal ices and on Transmittal No. 59549, Social Security Matching for \$369.67 was uded and paid from the Personal Services Account. The result of paying Social rity Matching out of the Personal Services Account is that the Board over- es its personal services expenditures and understates the current expense nditures for the period.

We recommend the Board comply with Chapter 5A, Article 2, Section 19 of West Virginia Code.

We will comply with this audit recommendation.

rt to State Auditor

The Board does not certify to the State Auditor a detailed statement of as received by the Board. Chapter 30, Article 1, Section 10 of the West inia Code states, "... on the first day of January and July in each year, or in five days thereafter, certify to the state auditor a detailed statement of such monies received by him during the preceding six months." The Board ed they were not aware of this requirement.

We recommend the Board comply with Chapter 30, Article 1, Section 10 of West Virginia Code.

We will comply with this audit recommendation. In the future, a led statement of monies recieved during the preceeding six months will be ed to the State Auditor's Office.

oment

The Board does not have an inventory listing from the Agency of Surplus Property, however, they do utilize an inventory report prepared by the Department of Health. We observed an Olympia memory typewriter that had been purchased on 2, 1986 for \$519.00. The typewriter was tagged with No. 46860 but this number did not appear on the inventory report.

The State of West Virginia Handbook of Purchasing Procedures, Section (K) states in part, "... when an Agency acquires a piece of equipment, whether purchase, donation or salvage, it must be registered with the Agency for Surplus Property by submitting an Added Property Form WV-62 with the Transmittal Payment attached"

The Board stated the Department of Health keeps track of their inventory. The Board stated an apparent error caused the typewriter to be tagged but not appear on the inventory report.

We recommend the Board comply with the State of West Virginia Handbook of Purchasing Procedures.

We will comply with this audit recommendation.

AUDITORS' OPINION

Honorable Encil Bailey
Legislative Auditor
State Capitol - West Wing
Martinsburg, West Virginia


We have examined the statement of cash receipts, disbursements and changes in cash balance of the State Department of Health, Board of Barbers and Beauticians, for the years ended June 30, 1987 and June 30, 1986. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and other such auditing procedures as we considered necessary in the circumstances.

As more fully described in Note A, the financial statement was prepared using the accrual basis of accounting. Accordingly, the financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the statement of cash receipts, disbursements, and changes in cash balance of the State Department of Health, Board of Barbers and Beauticians, presents fairly cash transactions for the years ended June 30, 1987 and June 30, 1986 on a basis consistent with the preceding year.

Our examination was made for the purpose of forming an opinion on the basic financial statement taken as a whole. The supplemental information is presented for the purposes of additional analysis and is not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Respectfully submitted,


Thedford L. Shanklin, CPA, Director
Legislative Postaudit Division

June 22, 1988

Witness: Raymond Shingler, CPA, Supervisor
David P. Given, Auditor-in-Charge

BOARD OF BARBERS AND BEAUTICIANS
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CASH BALANCE

	<u>Year Ended June 30,</u>	
	<u>1987</u>	<u>1986</u>
h Receipts:		
ollections	\$276,309.00	\$283,556.00
bursements:		
ersonal Services	124,460.52	120,923.37
urrent Expenses	87,819.30	84,814.03
quipment	108.13	1,133.09
ransfers to General Revenue Fund	<u>28,355.60</u>	<u>27,632.60</u>
	<u>240,743.55</u>	<u>234,503.09</u>
h Receipts Over Disbursements	35,565.45	49,052.91
inning Balance	<u>310,892.48</u>	<u>261,839.57</u>
ing Balance	<u><u>\$346,457.93</u></u>	<u><u>\$310,892.48</u></u>

Notes to Financial Statement

STATE DEPARTMENT OF HEALTH
BOARD OF BARBERS AND BEAUTICIANS
NOTES TO FINANCIAL STATEMENT

e A - Accounting Policies

Accounting Method: The cash basis of accounting is followed for all funds. Therefore, certain revenue and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

e B - Pension Plan

Eligible employees are members of the West Virginia Public Employees' Retirement System. Employees' contributions are 4½% of their compensation and employees are vested under certain circumstances. The Board of Barbers and Beauticians requires contributions at 9½% of the employees compensation.

Contributions to the Pension and Retirement Fund were as follows:

<u>Year Ended June 30,</u>	
<u>1987</u>	<u>1986</u>
<u>\$10,767.78</u>	<u>\$10,303.64</u>

e C - Transfer of Fund Balance

Subsequent to the date of the financial statement, House Bill 4240 was signed into law on February 19, 1988. The provisions of House Bill 4240 called for the transfer of \$200,000.00 from the available balance of the Barbers and Beauticians Licenses and Fees Account (8220-99) to the West Virginia Public Employees' Insurance Board, Basic Insurance Premium Fund Account (8265-05). The required transfer was made on February 23, 1988.

SUPPLEMENTAL INFORMATION

STATE DEPARTMENT OF HEALTH
 BOARD OF BARBERS AND BEAUTICIANS
 STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

	<u>Year Ended June 30,</u>	
	<u>1987</u>	<u>1986</u>
<u>Personal Services - Account 8220-00</u>		
Appropriations	\$146,049.00	\$141,849.00
Expenditures:		
Personal Services	<u>121,436.52</u>	<u>118,079.37</u>
	24,612.48	23,769.63
Transmittals Paid After June 30	<u>-0-</u>	<u>-0-</u>
Balance	<u>\$ 24,612.48</u>	<u>\$ 23,769.63</u>
 <u>Rental Expenses - Account 8220-01</u>		
Appropriations	\$108,200.00	\$108,700.00
Expenditures:		
Civil Service Fees	735.80	450.98
Social Security Matching	8,898.94	8,583.42
Public Employees' Insurance	13,406.40	12,819.60
Workers' Compensation	395.26	321.28
Retirement Plan Contribution	10,767.78	10,303.64
Office Expenses	4,567.64	3,482.12
Printing and Binding	919.91	1,521.96
Rental Expense (Real Property)	2,900.00	2,900.00
Telephone	1,912.50	1,619.26
Contractual and Professional Services	2,903.10	3,417.85
Travel	36,525.04	40,492.76
Vehicle Rental	1,261.00	-0-
Association Dues	200.00	150.00
Maintenance Contracts	621.50	584.00
Miscellaneous	<u>-0-</u>	<u>196.59</u>
	<u>86,014.87</u>	<u>86,843.46</u>
	22,185.13	21,856.54
Transmittals Paid After June 30	<u>818.67</u>	<u>2,623.10</u>
Balance	<u>\$ 23,003.80</u>	<u>\$ 24,479.64</u>

STATE DEPARTMENT OF HEALTH
 BOARD OF BARBERS AND BEAUTICIANS
 STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

	<u>Year Ended June 30,</u>	
	<u>1987</u>	<u>1986</u>
<u>ipment - Account 8220-03</u>		
ppropriations	\$1,600.00	\$1,600.00
xpenditures	<u>108.13</u>	<u>1,133.09</u>
	1,491.87	466.91
ransmittals Paid After June 30	<u>-0-</u>	<u>-0-</u>
alance	<u>\$1,491.87</u>	<u>\$ 466.91</u>
 <u>ual Increment - Account 8220-66</u>		
ppropriations	\$3,132.00	\$2,844.00
xpenditures	<u>3,024.00</u>	<u>2,844.00</u>
	108.00	-0-
ransmittals Paid After June 30	<u>-0-</u>	<u>-0-</u>
alance	<u>\$ 108.00</u>	<u>\$ -0-</u>

STATE DEPARTMENT OF HEALTH
 BOARD OF BARBERS AND BEAUTICIANS
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

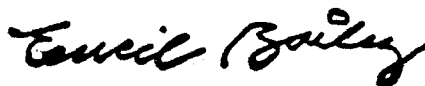
<u>Account Control - Account 8220-99</u>	<u>Year Ended June 30,</u>	
	<u>1987</u>	<u>1986</u>
Beginning Balance:		
State Treasury	\$309,666.48	\$260,818.57
Cash on Hand	1,226.00	1,021.00
	<u>310,892.48</u>	<u>261,839.57</u>
Cash Receipts:		
Collections	<u>276,309.00</u>	<u>283,556.00</u>
 TOTAL CASH TO ACCOUNT FOR	 <u>\$587,201.48</u>	 <u>\$545,395.57</u>
Disbursements:		
Personal Services	\$121,436.52	\$118,079.37
Current Expenses	86,014.87	86,843.46
Equipment	108.13	1,133.09
Transfers to General Revenue Fund	28,355.60	27,632.60
Annual Increment	<u>3,024.00</u>	<u>2,844.00</u>
	238,939.12	236,532.52
Paid: Transmittals Paid After June 30		
Beginning and (Less: Transmittals Paid After		
June 30 Ending)		
Current Expenses	2,623.10	593.67
(Current Expenses)	<u>(818.67)</u>	<u>(2,623.10)</u>
	1,804.43	(2,029.43)
	<u>240,743.55</u>	<u>234,503.09</u>
Ending Balance:		
State Treasury	345,531.93	309,666.48
Cash on Hand	926.00	1,226.00
	<u>346,457.93</u>	<u>310,892.48</u>
 TOTAL CASH ACCOUNTED FOR	 <u>\$587,201.48</u>	 <u>\$545,395.57</u>

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Encil Bailey, Legislative Auditor, do hereby certify that the report of audit 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 29th day of August,
1988.



Encil Bailey, Legislative Auditor

Copy forwarded to the Commissioner of the Department of Finance and Administration to be filed as a public record. Copies forwarded to the State Department of Health; Director of Board of Barbers and Beauticians; Governor; Attorney General; and, State Auditor.