

**STATE OF WEST VIRGINIA**  
**AUDIT REPORT**  
**OF**

STATE DEPARTMENT OF HEALTH  
BOARD OF BARBERS AND BEAUTICIANS  
FOR THE PERIOD  
JULY 1, 1977 - JUNE 30, 1983



**OFFICE OF LEGISLATIVE AUDITOR**

**CAPITOL BUILDING**

**CHARLESTON 5, WEST VIRGINIA**

AUDIT REPORT  
OF  
STATE DEPARTMENT OF HEALTH  
BOARD OF BARBERS AND BEAUTICIANS  
FOR THE PERIOD  
JULY 1, 1977 - JUNE 30, 1983

*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, 1977 through June 30, 1983. 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, 1983 and June 30, 1982 are included in this report. The financial statements covering the period July 1, 1977 through June 30, 1981 are included in our audit workpapers.

Respectfully submitted,

A handwritten signature in cursive script that reads "Theford L. Shanklin".

Theford L. Shanklin, CPA, Director  
Legislative Postaudit Division

TLS/1st

STATE DEPARTMENT OF HEALTH  
BOARD OF BARBERS AND BEAUTICIANS  
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STATE DEPARTMENT OF HEALTH  
BOARD OF BARBERS AND BEAUTICIANS  
ACKNOWLEDGMENT

We extend our thanks and appreciation to the Director and his staff for their cooperation in supplying information necessary in preparing this report.

STATE DEPARTMENT OF HEALTH  
BOARD OF BARBERS AND BEAUTICIANS  
EXIT CONFERENCE

We held an exit conference on July 2, 1984 with the Director. All findings and recommendations were reviewed and discussed. The above official concurred with all our findings and recommendations.

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 five 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 by or 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 fifty dollars for each day of attendance at Board sessions, but such compensation for each member shall not exceed the sum of two thousand dollars 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 three 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 issue license to those entitled thereto and to collect examination and licensure fees, in accordance with regulations promulgated by the Board of Health pursuant to Article 14, Chapter 16, of the Code or the Board of Barbers and Beauticians

The Board shall have the power to promulgate rules and regulations generally regarding 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 Article 14, Chapter 16, of the 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 Article 27, Chapter 30, of the Code or promulgated by the Board of Health, the Board of Barbers and Beauticians may cancel and revoke the license issued such violator and may refuse to renew or reissue the same.

STATE DEPARTMENT OF HEALTH  
 BOARD OF BARBERS AND BEAUTICIANS

JUNE 30, 1983

MEMBERS OF THE BOARD

<u>Member</u>	<u>Term Expires</u>
Ronald K. Brown, Barber Employer, Chairperson Hurricane . . . . .	June 30, 1986
Betty J. Dixon, Beautician Employer Huntington . . . . .	June 30, 1985
Andy C. Gregory, Barber Employee St. Albans . . . . .	June 30, 1987
Betty M. Harris, Beautician Employee Wheeling . . . . .	June 30, 1984
vacancy - Lay Member	

Staff

Edwin B. Roush . . . . .	Director
Frederica Barton . . . . .	Secretary
Thirley Holley . . . . .	Clerk
Benjamin R. Bickel . . . . .	Health Inspector
William C. Keith . . . . .	Health Inspector
Raymond R. Nichols . . . . .	Health Inspector
James R. Wears . . . . .	Health Inspector

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

AREAS OF NONCOMPLIANCE

Transfers to General Revenue Fund

1. The Board was not transferring ten percent of its collections each year to the State general revenue fund in compliance with Chapter 30, Article 27, Section 14 of the West Virginia Code.

We recommend the Board transfer to the State general revenue fund ten percent of its collections each year in compliance with the West Virginia Code. (See pages 9-10.)

Borrowed Funds

2. The Board borrowed \$30,000.00 from the Department of Health during fiscal year 1980-81 to meet their operational needs without proper authority.

We recommend the Board operate from its collections in compliance with Chapter 30, Article 27, Section 14, of the West Virginia Code. (See page 10.)

Bad Checks

3. The Board held bad checks and did not keep a record of them.

We recommend the Board record bad checks in a register and use the means provided by the Code to collect them. (See page 11.)

#### Uncollectible Checks

4. At the close of the audit period there were checks on hand totaling \$460.00 that had been deemed uncollectible.

We recommend the Board settle these checks by means provided by the West Virginia Code. (See pages 11-12.)

#### Collections by Intra-Governmental Transaction

5. The Board receives some revenue in the form of Intra-Governmental Transactions representing collections for license fees which are not recorded in the books.

We recommend the Board comply with Chapter 5, Article 8, Section 9 of the West Virginia Code with regard to the maintenance of records. (See page 12.)

#### INTERNAL CONTROL AND ACCOUNTING SYSTEM

##### Long Distance Telephone Calls

6. We noted there is no control of long distance telephone calls to prevent abuse.

We recommend a control be installed over long distance telephone calls. (See pages 13-14.)

STATE DEPARTMENT OF HEALTH  
BOARD OF BARBERS AND BEAUTICIANS  
GENERAL REMARKS

INTRODUCTION

We have completed a financial and compliance audit of the State Department of Health, Board of Barbers and Beauticians. A financial and compliance audit determines whether the financial statements of an audited entity present fairly the financial position and the results of financial operations in accordance with generally accepted accounting principles and whether the entity has complied with laws and regulations that may have a material effect upon the financial statements. The audit covered the period July 1, 1977 through June 30, 1983.

SPECIAL REVENUE ACCOUNTS

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

<u>Account Number</u>	<u>Description</u>
8220-00	Personal Services
8220-01	Current Expenses
8220-03	Equipment
8220-99	Cash Control

Collections

The income to the Cash Control Account is derived from the receipt of license and service fees paid by barbers and beauticians throughout the State and are 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

AREAS OF NONCOMPLIANCE

Chapter 16, Article 14 and Chapter 30, Articles 1 and 27 of the West Virginia Code, as amended, generally govern the Board of Barbers and Beauticians. We tested applicable sections of the above plus general 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

We noted a percentage of the total collections made by the Board for each fiscal year had not been transferred to the State general revenue fund since the transfer made in fiscal year 1979 for the collections made in fiscal year 1978. Chapter 30, Article 27, Section 14 of the West Virginia Code, as amended, 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."

According to the Board personnel the collections during the early part of this audit period were not sufficient to meet the operational needs, thus, the transfers to the general revenue fund could not be made. The 1980 Legislature increased the fees in order for the Board to meet its obligations. As of the end of this audit period, June 30, 1983, the Board showed an obligation to the State general revenue fund of \$92,343.92, however, the audited amount of the obligation is \$92,401.62 or a difference of \$57.70. This difference was the result of revenue in the form of Intra-Governmental Transactions amounting to \$677.00 not being entered in the Board's records and

the amount of collections for fiscal year 1980 being transposed. The amount of these collections was \$105,891.00 but was entered in the record as \$105,981.00, or a \$90.00 difference. As a result of the above items, audited collections are \$577.00 greater than the amounts recorded by the Board and ten percent of \$577.00 equals the \$57.70 difference in the obligation to the State general revenue fund.

Subsequent to the ending date of this audit, on March 15, 1984, \$44,188.15 was transferred to the State general revenue fund supposedly representing the percentage due on collections for the fiscal years 1979, 1980 and 1981.

We recommend the Board transfer to the State general revenue fund \$48,213.47, which represents the obligation still due on the audited collections through June 30, 1983, in compliance with Chapter 30, Article 27, Section 14 of the West Virginia Code, as amended.

#### Borrowed Funds

Due to a cash flow problem during fiscal year 1980-81 the Board had to borrow \$30,000.00 from the State Department of Health to meet their operational needs. The loan was repaid in the following fiscal year. Chapter 30, Article 27, Section 14 of the West Virginia Code, as amended, states, "All money collected under the provision of this article shall be deposited in the state treasury as provided by law, and shall be credited to the board of barbers and beauticians in a special fund to be known as the "barbers and beauticians special fund". All money in such fund shall be expended only for the administration and enforcement of this article ...."

The above section of the Code indicates the Board should be self sustaining and makes no provisions for the Board to borrow funds for operational purposes.

We recommend the Board operate from its collections in compliance with the West Virginia Code.

### Bad Checks

The Board of Barbers and Beauticians held bad checks and did not keep a record of them. Chapter 14, Article 1, Section 18a of the West Virginia Code states, "Any account, claim, or debt that an agency of this state is not able to collect within three months after trying with due diligence to do so may be referred to the commissioner of finance and administration for consignment by the commissioner to a responsible licensed and bonded debt collection agency or similar other agent for collection ...."

The bad checks totaled \$797.00. It appears the Board of Barbers and Beauticians is not aware of the remedies available by the Code and the weakness caused by not having a bad check register. Income has been lost by the failure to collect these debts and the possibility that the bad checks might be lost or stolen is increased by not recording them.

We recommend the Board of Barbers and Beauticians record bad checks in a register and use the means provided by the Code to collect them.

### Uncollectible Checks

We noted at the close of the audit period there were checks on hand totaling \$460.00 that had been deemed uncollectible and some of them were more than five years old. Chapter 14, Article 1, Section 18 of the West Virginia Code states, "The commissioner of finance and administration, auditor or other officer or official body 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; and, with the like advice, may dismiss any proceedings instituted by them or it."

It appears the Board of Barbers and Beauticians is not aware of the remedies available by the Code.

We recommend the Board settle these checks by means provided by the West Virginia Code.

#### Collections by Intra-Governmental Transaction

The Board receives some revenue in the form of Intra-Governmental Transactions from other agencies representing collections for license fees. These collections are not recorded in the books resulting in the understating of collections with regard to the computation of the amount to be transferred to the general revenue fund each year. Chapter 5, Article 8, Section 9 of the West Virginia Code 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 ...." Accounting control dictates that the recording of transactions comprehends all records maintained with respect to the transactions and the resulting assets and services and all functions performed with respect to such records. Thus, the recording of transactions includes the preparation and summarization of records and the posting thereof to the appropriate ledgers.

We recommend the Board comply with Chapter 5, Article 8, Section 9 of the West Virginia Code.

#### INTERNAL CONTROL AND ACCOUNTING SYSTEM

As a part of our examination, we reviewed and tested the system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

The objectives of internal accounting control are to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal accounting control for the period July 1, 1977 through June 30, 1983, which was made for the purpose set forth in the first paragraph above, would not necessarily disclose all weaknesses in the system. However, such study and evaluation disclosed conditions that we believe to be a weakness.

#### Long Distance Telephone Calls

During our study and evaluation of internal controls, we noted there is no control of long distance telephone calls to prevent abuse. Good

control would comprise a plan to ensure all calls are for business and not for personal use. The Board should maintain a telephone log and give the name of the individual making the call, the reason for the long distance call, number called and the date the call was made.

We recommend a control be installed over long distance telephone calls.

AUDITORS' OPINION

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

Sir:

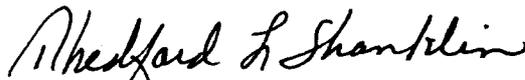
We have examined the statement of cash receipts, disbursements and changes in cash balance of the Board of Barbers and Beauticians, State Department of Health for the years ended June 30, 1983 and June 30, 1982. Our examination was made in accordance with generally accepted auditing standards and, accordingly, 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 cash 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 Board of Barbers and Beauticians, State Department of Health presents fairly cash transactions for the years ended June 30, 1983 and June 30, 1982 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 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

May 11, 1984

Auditors: James R. Blake, Supervisor-in-Charge  
M. Douglas Jones, Auditor-in-Charge

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

	Year Ended June 30,	
	1983	1982
Cash Receipts:		
License and Examination Fees	\$245,258.75	\$236,574.00
Disbursements:		
Personal Services	104,067.90	102,915.31
Current Expenses	70,476.47	65,717.29
Repayment of Loans	-0-	30,000.00
	174,544.37	198,632.60
Cash Receipts Over Disbursements	70,714.38	37,941.40
Beginning Balance	162,694.10	124,752.70
Ending Balance	\$233,408.48	\$162,694.10

See Notes to Financial Statement

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

Note 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.

Note B - Pension Plan

All 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 West Virginia Board of Barbers and Beauticians matches contributions at 9½% of the employees compensation.

Contributions to the pension and retirement fund were as follows:

<u>June 30, 1983</u>	<u>June 30, 1982</u>
<u>\$8,997.83</u>	<u>\$8,887.24</u>

SUPPLEMENTAL INFORMATION

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

	<u>Year Ended June 30,</u>	
	<u>1983</u>	<u>1982</u>
<u>Personal Services - Account 8220-00</u>		
Appropriations	\$116,854.00	\$116,854.00
Expenditures	<u>104,067.90</u>	<u>102,915.31</u>
	12,786.10	13,938.69
Transmittals Paid After June 30	<u>-0-</u>	<u>-0-</u>
Balance	<u>\$ 12,786.10</u>	<u>\$ 13,938.69</u>
<u>Current Expenses - Account 8220-01</u>		
Appropriations	\$ 91,462.00	\$ 84,065.00
Expenditures:		
Civil Service Fees	714.44	439.28
Social Security Matching	6,972.51	6,869.52
Public Employees' Insurance	8,987.00	6,748.20
Workmen's Compensation	1,107.61	862.90
Pension and Retirement Plan Contributions	8,997.83	8,887.24
Office Expenses	3,085.94	3,446.21
Printing and Binding	671.00	1,614.55
Rental Expenses (Building)	700.00	625.00
Telephone and Telegraph	1,443.91	1,547.58
Contractual and Professional Services	2,336.00	1,944.00
Travel	35,192.73	32,610.24
Association Dues	150.00	150.00
Clothing and Household Supplies	871.84	-0-
Maintenance Contracts	163.20	163.20
Miscellaneous	132.33	30.00
	<u>71,526.34</u>	<u>65,937.92</u>
	19,935.66	18,127.08
Transmittals Paid After June 30	<u>1,270.50</u>	<u>220.63</u>
Balance	<u>\$ 21,206.16</u>	<u>\$ 18,347.71</u>

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

<u>Equipment - Account 8220-03</u>	<u>Year Ended June 30,</u>	
	<u>1983</u>	<u>1982</u>
Appropriations	\$1,000.00	\$1,000.00
Expenditures	<u>-0-</u>	<u>-0-</u>
	1,000.00	1,000.00
Transmittals Paid After June 30	<u>-0-</u>	<u>-0-</u>
Balance	<u>\$1,000.00</u>	<u>\$1,000.00</u>

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

<u>Cash Control - Account 8220-99</u>	<u>Year Ended June 30,</u>	
	<u>1983</u>	<u>1982</u>
Beginning Balance:		
State Treasury	\$161,618.10	\$124,024.70
Cash on Hand	1,076.00	728.00
	<u>162,694.10</u>	<u>124,752.70</u>
Cash Receipts:		
Collections	245,258.75	236,574.00
	<u>245,258.75</u>	<u>236,574.00</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$407,952.85</u>	<u>\$361,326.70</u>
Disbursements:		
Personal Services	\$104,067.90	\$102,915.31
Current Expenses	71,526.34	65,937.92
Repayment of Loan	-0-	30,000.00
	<u>175,594.24</u>	<u>198,853.23</u>
Add: Transmittals Paid After June 30		
Beginning and (Less Transmittals Paid		
After June 30 Ending):		
Current Expenses	220.63	-0-
(Current Expenses)	(1,270.50)	(220.63)
	<u>(1,049.87)</u>	<u>(220.63)</u>
	174,544.37	198,632.60
Ending Balance:		
State Treasury	232,611.48	161,618.10
Cash on Hand	797.00	1,076.00
	<u>233,408.48</u>	<u>162,694.10</u>
TOTAL CASH ACCOUNTED FOR	<u>\$407,952.85</u>	<u>\$361,326.70</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 11<sup>th</sup> day of June,  
1984.

*Encil Bailey*

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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, Board of Barbers and Beauticians; Governor; Attorney General; and, State Auditor.