

Internal Controls and Financial Processes at the Board of Barber Examiners

Overall Conclusion

The Board of Barber Examiners (Board) does not ensure that its licensing and enforcement functions are efficient, effective, and managed in accordance with laws and regulations designed to protect the public. In addition, the Board has not ensured that its financial processes and controls enable it to maintain financial records that present a true picture of performance and provide reliable information for decision making. Specifically:

- The Board does not ensure that all practicing barbers have current licenses. Eighty-three percent of Board-issued penalties that are past due are for practicing without a license or with an expired license. In addition, the Board does not ensure that licensees with outstanding penalties are prevented from renewing their licenses. Weaknesses in the Board's information system prevented us from determining the number of unlicensed shops and barbers still practicing.
- The Board's current enforcement activities are ineffective in ensuring that licensees comply with laws and regulations. As a result, the Board has not collected \$99,000 (47 percent) of the \$208,000 in administrative penalties assessed in fiscal years 2000 through 2003, based on information in the Board's licensing and enforcement system. Inadequate enforcement reduces licensees' incentive to comply with laws and regulations.
- Inaccurate or missing inspection records in the Board's licensing and enforcement system prevent the Board from effectively monitoring to determine whether inspectors are inspecting shops. The Board has not ensured that its inspectors comply with its policy to (1) inspect each shop at least every six months and (2) conduct follow-up inspections at least monthly until violations are resolved at shops that have a history of violations or that are operating without a license or with an expired license. Although we recommended in 1998 that the Board perform a risk analysis of all shops to identify high-risk shops and repeat offenders (SAO Report No. 98-035, *1998 Small Agency Management Control Audit*, April 1998), the Board did not implement that recommendation.
- In fiscal years 2001 through 2003, the Board erroneously issued 58 licenses for four-year periods instead of the two-year period required by statute.
- Weaknesses in the Board's financial controls resulted in missing documentation for all of its fiscal year 2002 journal vouchers and omissions in its fiscal year 2002 financial statements. The sample of journal vouchers we reviewed made accounting adjustments totaling \$824,000. These weaknesses increase the risk that unauthorized transactions

The Mission of the Board of Barber Examiners

The Board of Barber Examiners' mission is to promote a safe and clean environment for the general public through education, examinations, licensing, and regulation of all barbers in Texas.

The Board received \$1,139,555 in total appropriations for the 2002-2003 biennium and is allowed up to 14 full-time equivalent positions. The Board issues licenses for barbers, manicurists, barber technicians, barber teachers, shops, booth rental permits, and barber schools.



will be processed and that financial data is unreliable. In addition, the Board lacks policies and procedures and does not have adequate segregation of duties over accounting activities.

Summary of Information Technology Review

Our review of information technology focused on the Board's licensing and enforcement system. As noted previously, the Board has not ensured that this system has the data necessary to enable the Board to function effectively and efficiently. In addition, our review of network access identified weaknesses in access rights and password controls that reduce the Board's ability to protect the security of operational and financial data.

Summary of Management's Response

The Board generally agrees with the issues and recommendations in this report. The Board's responses indicate that it plans to take corrective action.