



MISSISSIPPI STATE BOARD OF COSMETOLOGY

Post Office Box 55689
Jackson, MS 39296

Sharon Clark
Executive Director

January 29, 2018

COMPLIANCE REVIEW FINDINGS

Mr. Stacy E. Pickering, State Auditor
Office of the State Auditor
State of Mississippi
Post Office Box 956
Jackson, Mississippi 39205-0956

Dear Mr. Pickering:

The Mississippi State Board of Cosmetology is thankful to the Mississippi State Auditor's Office for their assistance as the Board works to implement changes to better serve Mississippians. The Board is appreciative that the MS State Auditor's office did note that many of their findings and recommendations for FY2017 have already had policies implemented by the Cosmetology Board month's before the report's release.

From our understanding, these findings were mainly in FY2017.¹ The findings covered the period of time when David Derrick was Executive Director and prior to the Board hiring a new Executive director. Three Board Members resigned from the Board between May 1 – July, 2017.

On July 10, 2017, Sharon Clark began as the Executive Director and worked with the Board in implementing changes to the office. Governor Phil Bryant appointed three (3) new Board members, Donald Vaughn, Deborah Coker and Hilda Bills. Dorothy Ennis was elected as President and Darlene Smith as Secretary.

The Board has replaced its personnel at several key positions with experienced and qualified individuals. In addition, all office staff have been bonded to protect the state's interest. The Board will continue to work to move in a positive direction. Cosmetology has a new Executive Director, a new Board and new vision for the future.

Finding 1: The Mississippi Board of Cosmetology Should Strengthen Internal Controls Over Bank Accounts and Cash Receipts to Ensure Compliance with State Law.

Response:

The Mississippi Board of Cosmetology has implemented controls regarding cash, checks and money orders to ensure compliance with state law.

¹ The report stated FY2016. We understand that the leave records covered multiple years.

The Board concurs with the finding and the recommendation.

Corrective Action Plan:

- A. Effective July 1, 2017, the Board no longer accept cash payments.
- B. Effective January 1, 2018, the Board implemented a policy where all mail is documented with contents on an excel spreadsheet. After documentation, the payment is copied and attached to the paperwork.
- C. Effective September 1, 2017, the Board implemented a revenue policy that states that the deposit is to be taken DAILY to the bank. In the event that the deposit cannot be made during banking hours, the deposit is to be put into the overnight deposit in a locked bag provided by the bank institution. The Accountant/Auditor has the responsibility of the deposit. If this action is not completed, it will be considered a Group Two Offense and disciplinary action required.
- D. There is a complete separation of duties regarding who opens the mail, who copies the mail, who processes the deposit and who makes the deposit. Every employee understands that there is NEVER a time for payments to be in the processor's work stations, filing cabinet or desk drawer. The Executive Director does routine spot checks to verify that this policy is being upheld.
- E. Effective January 22, 2018, the Board implemented a policy that all transfers from the clearing account to the State Treasury will have at least two (2) signatures as required.
- F. Effective January 22, 2018, the Board implemented a policy that no commodity items will be purchased from the clearing account.
- G. Effective July 31, 2017, the Board approved the purchase of Quickbooks software to aid in the reconciliation of the clearing account. The account is reconciled by the Executive Director and a copy provided to the Board at the monthly meeting for verification that funds are deposited in a timely manner.
- H. Effective July 10, 2017, all revenue is properly accounted for in the correct fiscal year to ensure the State of Mississippi's Annual Financial Report is correct.
- I. Effective January 22, 2018, the Board will acquire bids to secure the services of a forensic auditor.
- J. Effective January 26, 2018, the Board received approval from the Office of State Treasury for a nightly sweep of the clearing account for all funds over the maximum balance of \$1500 to the State Treasury Main Account. The nightly sweeps would be identifiable on the clearing bank statement and should result in the beginning and ending monthly bank balance being the maximum balance, unless returned checks occur during the month and have to be re-collected.

Finding 2: The Board of Cosmetology Should Issue Licenses Timely and Accurately.

Response:

Effective July, 2017, all licenses are issued timely and accurately. The backlog of 7,000 licenses was completed by August, 2017. Since that date, the Board remains up to date in processing.

The Board concurs with the finding and the recommendation.

Corrective Action Plan:

- A. Effective July 10, 2017, a centralized booking system has been put in place with a minimum of three (3) staff members cross trained to process licenses. After entry of all payments, staff members exchange processing for verification that all entries are correct.

- B. Licenses are processed and printed within 3 days of receipt in the office. They are then folded, stamped and stuffed in envelopes for mailing. They are held for two weeks to ensure that payments are not returned for insufficiency. After two weeks, the licenses are mailed. The spreadsheet that is used to log in all incoming mail is updated to show that the license has been placed in the mail. This is completed without employees being required to work overtime.

Finding 3: Board Oversight Should Be Strengthened.

Response:

Prior to July, 2017, the Board Members were not informed of many of the day to day operations. The Executive Director presented an Executive Director report to the Board at the monthly meeting. However, office policies and financial decisions (and status) and misappropriations were unaware to the Board who depended on the Executive Director to operate pursuant to the state law. They asked questions regarding the operations of the office, but were often misled that everything was running efficiently. Information requested was not provided to Board members from the Executive Director.

The Board concurs with the finding and the recommendation.

Corrective Action Plan:

- A. Effective July, 2017, the Board implemented a policy to ensure the financial position of the Board by providing them with a copy of the reconciled bank statement.
- B. Effective July, 2017, the Executive Director not only provides the Board with a monthly Executive Director's report, she also provides an update to all Board members regarding staff issues, license processing, reciprocity and all issues that arise within the office. All Board Members are included in correspondence to ensure complete transparency of the Agency.

Finding 4: The Mississippi Board of Cosmetology (Cosmetology) Should Strengthen Internal Controls Over Travel To Ensure Compliance with State Law.

Response:

The MS State Board of Cosmetology has five (5) inspectors that travel 100% of the time in their position. They are assigned a territory to inspect. Due to the multiple locations they inspect, most listed only the County they inspected. However, they completed a monthly summary sheet stating the number of inspections they completed each day and a copy of the inspections completed. The Board was unaware that the Executive Director needed Board approval for his travel.

The Board concurs with the finding and the recommendation.

Corrective Action Plan:

- A. Effective November 1, 2017, the Board implemented a policy each inspector must complete an average of 8 inspections per work day. This policy was to ensure diligence during work hours and the most efficient use of state funds regarding inspections. This report with original inspection reports are closely monitored by the Executive Director.
- B. Effective January 22, 2018, the Board implemented a policy to ensure that each point of travel is included on the travel voucher.

- C. Effective January 22, 2018, the Board implemented a policy that all travel by the five (5) inspectors are verified by the Accountant/Auditor II and approved by the Executive Director. All travel by the five (5) Board Members will be verified by the Accountant/Auditor II and approved by the Executive Director. All travel by the Executive Director will be verified by the Accountant/Auditor II and approved by a Board Member.

Finding 5: The Mississippi Board of Cosmetology (Cosmetology) Should Strengthen Internal Controls over Leave Policies to Ensure Compliance with State Law.

Response:

In October, 2017, the Board did an audit of leave records for employees for the timeframe of 2015-2017. That audit showed the Accountant/Auditor II was in non-compliance regarding posting of leave. The Accountant/Auditor II was given a written reprimand and her termination approved by the Board due to the findings. All non-compliance findings were reported to the Auditor's office.

The Board concurs with the finding and the recommendation.

Corrective Action Plan:

- A. Effective September 1, 2017, the Board implemented a policy regarding scheduled and unscheduled absences and absences without notification.
- B. Effective November 1, 2017, the Board implemented a policy that every employee is required to complete a timesheet, attaching approved leave requests to the back. Timesheets are verified for accuracy and approved by the Executive Director. Leave is entered into SPAHRS by the Accountant/Auditor II for accruals to be completed. After entry, the timesheets are returned to the Executive Director for verification that all leave has been entered and accrued correctly. Timesheets after verification are returned to Accountant/Auditor II for filing.
- C. All compensatory time must be pre-approved by the Executive Director.

Finding 6: The Mississippi Board of Cosmetology (Cosmetology) Should Strengthen Internal Controls over Procurement Card Purchases to ensure Compliance with State Law.

Response:

The Board will ensure that all procurement card purchases are in compliance with state law and that the card will be paid in full monthly in accordance with the State of Mississippi Procurement Manual.

The Board concurs with the finding and the recommendation.

Corrective Action Plan:

- A. Effective January 22, 2017, the Board implemented a policy to ensure that monthly utility payments and contractual expenditures are not paid using the procurement card.
- B. Effective January 22, 2017, the Board implemented a policy that a copy of the procurement card statement is provided to the Board at their monthly meeting for review.
- C. Effective January 22, 2017, the Board implemented a policy that the procurement card will be paid in full monthly in accordance with the State of Mississippi Procurement Manual.

- D. The Procurement Card duties are segregated with verification by Executive Director and payment completion by the Accountant/Auditor II.

Finding 7: Mississippi Board of Cosmetology Should Ensure Board Meetings are held and Recorded in Compliance with State Law.

Response:

The Board will ensure that all minutes are typed and approved in compliance with state law.

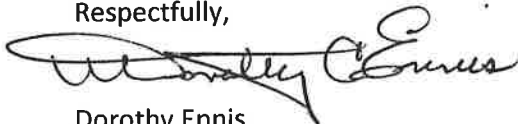
The Board concurs with the finding and the recommendation.

Corrective Action Plan:

- A. Effective July 10, 2017, Board Minutes are typed, and approved at the next monthly Board meeting.
- B. Minutes are approved and signed by all five (5) Board members.
- C. Minutes are posted on the Agency website.
- D. Minutes are placed in the Minutes binder found in the Executive Director's office for public inspection during regular business hours.
- E. Handwritten notes from the Board Meeting and attachments are kept in the Executive Director's office for review.

The Board will continue to strive to maintain in compliance with state law. We appreciate the assistance of both you and staff. Please let us know if additional information is needed or additional policies should be implemented.

Respectfully,



Dorothy Ennis
Board President