

LOUISIANA BOARD OF COSMETOLOGY
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED SEPTEMBER 21, 2016

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Louisiana Board of Cosmetology

September 2016

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Introduction

The primary purpose of our procedures at the Louisiana Board of Cosmetology (Board) was to evaluate certain controls the Board uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall accountability over public funds.

The Board was created by Louisiana Revised Statute (R.S) 37:571 to control and regulate the practice of cosmetology in accordance with the Louisiana Cosmetology Act. The Board's mission is to promote, preserve, and protect the public health, safety, and welfare through the licensure and regulation of the practice of cosmetology.

Results of Our Procedures

We evaluated the Board's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of the Board's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, licensing fees, credit cards, travel expenditures, contracts, payroll, and budget.

Cash

The Board maintains a checking account that is used for general operations. Four staff participate in cash collection, disbursement, and reconciliation activities. Cash balances totaled \$1,827,963 on June 30, 2016. We performed procedures to reconcile cash transactions to the Board's general ledger, evaluated the segregation of duties between Board staff, and confirmed the timely preparation of bank account reconciliations. No exceptions were noted.

Licensing Fees

Approximately 78% of the Board's revenue collections were annual licensing fees. We traced selected licenses that were granted to supporting documentation to ensure the appropriate fees were collected in accordance with the fee schedule established by the Board. No exceptions were noted.

Credit Cards

The Board has two credit cards that are used by the administrative program specialist and the human resources administrative coordinator for travel, office supplies, and small purchases. We traced selected credit card purchases to supporting documentation and evaluated compliance with laws and regulations. We further confirmed the timely review of credit card statements. No exceptions were noted.

Travel Expenditures

Travel expenditures include conference travel for the Board's director, as well as reimbursement of travel for Board members to attend meetings. Fiscal year 2016 travel expenditures totaled \$67,041 through June 30, 2016. We traced selected travel reimbursements to supporting documentation and evaluated compliance with laws and regulations. No exceptions were noted.

Contracts

The Board contracted with several parties to perform legal, accounting, and examination services, respectively. Fiscal year 2016 contract expenditures totaled \$206,380 for the year ended June 30, 2016. We traced selected contract payments to contract terms and evaluated compliance with laws and regulations. No exceptions were noted.

Payroll

Approximately 78% of the Board's expenditures relate to payroll costs. Board personnel include the executive director, an accountant, 14 administrative staff, and 10 inspectors. We traced selected employees' salaries to contract terms or pay structure, evaluated controls over time and attendance records, and evaluated termination payments. No exceptions were noted.

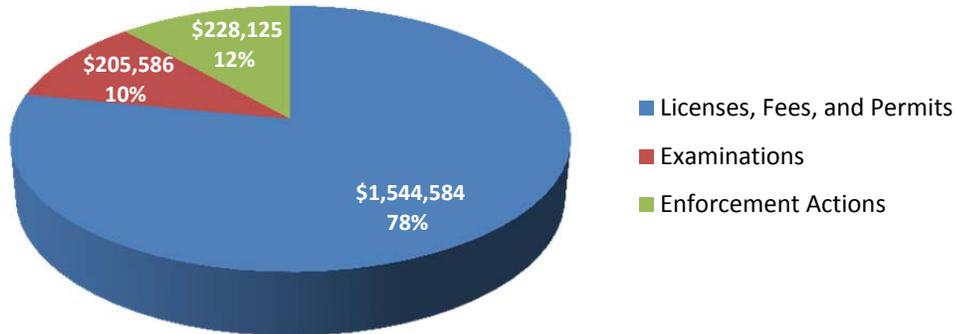
Budget

The Board annually adopts a budget by majority vote of its board of directors. Budgeted expenditures for the year ended June 30, 2016, remained consistent with budgeted expenditures for the previous year. We confirmed the adoption of the Board's budget for fiscal year-end June 30, 2016, and evaluated variances between budgeted amounts and actual revenues and expenditures for reasonableness. No exceptions were noted.

Comparison of Activity between Years

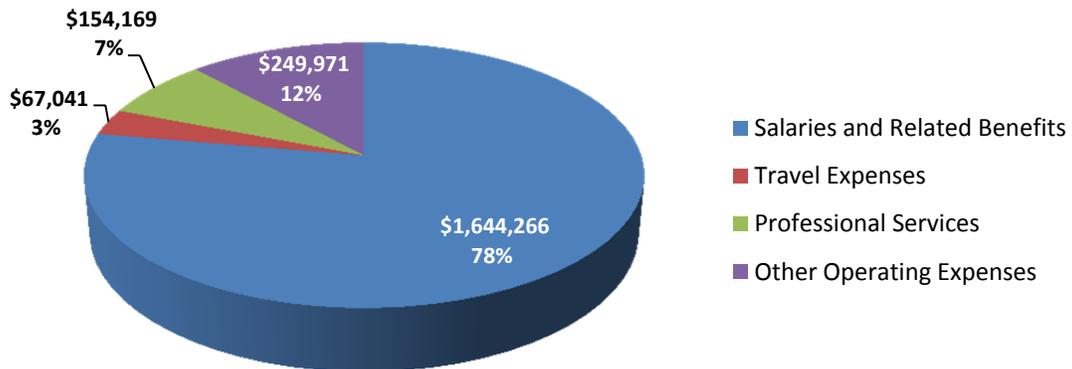
We compared the most current and prior-year financial activity using the Board's general ledger and other system generated reports to identify trends and obtained explanations from management for any significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances. The following charts show the Board's fiscal year 2016 cash basis revenues and expenditures through June 30, 2016.

Fiscal Year 2016 Revenues, as of June 30, 2016
Total: \$1,978,295



Source: Board's General Ledger

Fiscal Year 2016 Expenditures, as of June 30, 2016
Total: \$2,115,447



Source: Board's General Ledger

Under Louisiana Revised Statute 24:513, this report is a public document, and it has been distributed to appropriate public officials

Respectfully submitted,

Thomas H. Cole, CPA
First Assistant Legislative Auditor

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APPENDIX A: SCOPE AND METHODOLOGY

We conducted certain procedures at the Louisiana Board of Cosmetology (Board) for the period from July 1, 2015, through June 30, 2016. Our objective was to evaluate certain internal controls the Board uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall accountability over public funds. The scope of our procedures, which are summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. We did not audit or review the Board's Annual Fiscal Report, and accordingly, we do not express an opinion on that report. The Board's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated the Board's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the Board.
- Based on the documentation of the Board's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, licensing fees, credit cards, travel expenditures, contracts, payroll, and budget.
- We compared the most current and prior-year financial activity using the Board's general ledger and other system generated reports and obtained explanations from the Board's management for any significant variances.

The purpose of this report is solely to describe the scope of our work at the Board and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be and should not be used for any other purpose.