



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
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AUDITOR

**AT A GLANCE SUMMARY – COMPLIANCE AUDIT OF MISSISSIPPI STATE BOARD OF COSMETOLOGY**

**AUDIT RESULTS**

The audit found multiple deficiencies and numerous instances of noncompliance with State Law. For detailed information regarding these findings, please refer to the full Compliance Report located on the Office of the State Auditor website (<http://www.osa.ms.gov/>). The lack of internal controls and the complete disregard in which state revenue was monitored is the most brazen neglect auditors have seen thus far while conducting compliance audits. Examples include:

- Cash and checks for license renewal had not been processed or deposited in 9 months. Money was in envelopes by day and stuffed in drawers and filing cabinets. There was evidence that money had been previously stapled and removed. It is impossible to determine the amount of lost revenue to the State due to misappropriation and theft.
  - Revenue in excess of \$360,000 was found to be left unsecured in the office.
  - Numerous employees and contract workers had access to the money unsupervised.
  - Receipt log books have been misplaced.
  - Daily receipt registers are created days after cash was received and often did not agree to other supporting documentation.
  - Cash received by mail was not logged.
  - Of the checks that were held for 9 months, \$10,000 were returned NSF resulting in additional fees to Cosmetology.
- There is a severe backlog of licenses to be mailed to those who have renewed. In some cases licenses were renewed twelve months prior and still had not been issued.
- Board Members had little to no oversight over the day to day operations of their employees, including the Executive Director. The Executive Director informed auditors on the first day of audit that he was resigning.
- Personal, Sick and Compensatory leave was not accurately recorded for the employees at Cosmetology and is not auditable.
- Procurement cards were used for reoccurring operating expenses and were not paid in full each month. Cosmetology carried a large balance on the card for the majority of the year resulting in interest and late fees.
- Approvals for travel reimbursements and other reimbursements for the Executive Director were not reviewed. The Executive Director would submit reimbursement requests for commodities on travel receipts. This can be a red flag for fraud, waste and abuse.

- The Board Minutes were not approved, typed and posted in accordance with State Law.
- There were inadequate procedures over the financial affairs resulting in incorrect and untimely financial reports filed with Department of Finance and Administration, untimely transfers of state funds, and lack of any receipt logs.

## CONCLUSION

The lack of compliance with state law and adequate internal controls have resulted in fraud, waste and abuse at the Mississippi State Board of Cosmetology. The findings mentioned in this summary and detailed in the full report have been turned over to the Investigative Division of the Office of the State Auditor to determine if there is any potential criminal activity. Additionally, the commissioners of the Mississippi State Board of Cosmetology should review the full report and determine appropriate corrective action to ensure that the agency fulfills its obligations to be good stewards of the taxpayers of Mississippi's money and trust.

## BACKGROUND

Under authority of Sections 7-7-211 of the *Mississippi Annotated Code (1972)*, the Mississippi Office of the State Auditor (OSA) conducted an audit of compliance with Mississippi State Law and of internal control practices for the Mississippi State Board of Cosmetology. The audit began April 2017 and was concluded in September 2017. The scope of the audit included only fiscal year 2016. When auditors arrived, they found the office to be in disarray with cash receipts having not been deposited in 9 months. Investigators from OSA were notified and observed a cash count and money was deposited. The Mississippi State Board of Cosmetology employs an Executive Director, and currently has an additional 12 PINS for employees. The Board is comprised of five Board Members appointed by the Governor. Cosmetology operates by authority of Title 73, Chapter 7 of the *Mississippi Annotated Code (1972)* and is funded by License Fees.





