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October 25, 2017

The Honorable Bob Worsley, Chair
Joint Legislative Audit Committee

The Honorable Anthony Kern, Vice Chair
Joint Legislative Audit Committee

Dear Senator Worsley and Representative Kern:

Our Office has recently completed a 48-month followup of the Arizona State Board of Cosmetology regarding the implementation status of the 33 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in September 2013 (Auditor General Report No. 13-09). As the attached grid indicates:

- 19 have been implemented;
- 4 have been partially implemented;
- 9 are in the process of being implemented; and
- 1 is no longer applicable.

Unless otherwise directed by the Joint Legislative Audit Committee, this concludes our follow-up work on the Arizona State Board of Cosmetology's efforts to implement the recommendations from the September 2013 performance audit report.

Sincerely,

Dale Chapman, Director
Performance Audit Division

DC:ka
Attachment

cc: Ms. Donna Aune, Executive Director
Arizona State Board of Cosmetology

Arizona State Board of Cosmetology members

Arizona State Board of Cosmetology

Auditor General Report No. 13-09

48-Month Follow-Up Report

Recommendation

Status/Additional Explanation

Licensing and Permitting: Board should take additional steps to ensure applicants meet all requirements for licensure

- The Board should develop and implement policies and procedures that direct its staff to obtain and review all necessary documentation to ensure that applicants meet all statutory and rule requirements prior to issuing a license. Once the policies and procedures are developed and implemented, the Board should ensure all appropriate staff are trained on them.
 - The Board should develop and implement policies and procedures that require its staff to track the Board's compliance with all licensing time frames. These policies and procedures should specify the documentation that board staff should retain to allow the Board to track compliance with its time frames. The Board should also consider using its database to track its compliance with the licensing time frames and request its database vendor to add this functionality. Once the policies and procedures are developed and implemented, the Board should ensure all appropriate staff are trained on them.
 - The Board should ensure that the information it reports is sufficiently detailed and supported so it can be used to evaluate the Board's performance and any staffing and resource adjustments it may need.
- Partially implemented at 48 months**
The Board has revised its licensing policies and procedures. However, these policies and procedures lack details in guiding board staff on how to review some of the required information prior to issuing a license. For example, they do not explain how staff should verify a salon's federal tax identification number and its name as registered with the Secretary of State. The Board indicated that it has provided some training to its staff on these policies and procedures.
- Implementation in process**
The Board has developed some policies and procedures for data entry, including entering dates to track licensing time frames. Additionally, the Board is working on developing a database report that supervisors can generate to help track licensing time frames. However, according to the Board, it upgraded its database in June 2017 and board staff are working to ensure that information was correctly transferred to the upgraded database. Therefore, as of October 2017, the Board reported that its database projects are on hold and it does not have an estimated date for continuing with its projects.
- Implementation in process**
As indicated in the 30-month followup, the Board took steps to ensure that the information it reports correctly reflects its workload and performance and was working on developing database reports to help track licensing information. As indicated in the explanation for Recommendation 2, the Board is working on developing a database report that supervisors can generate to help track licensing time frames. Further, according to the Board, it upgraded its database in June 2017 and board staff are working to ensure that information was correctly transferred to the upgraded database. Therefore, as of October 2017, the Board reported that its database projects are on hold and it does not have an estimated date for continuing with its projects.

Recommendation

Status/Additional Explanation

4. The Board should work with its stakeholders to develop and propose legislation to:
 - a. Require licensees to complete continuing education courses in health and safety as a condition of license renewal and consider requiring additional hours of continuing education for instructors; and
 - b. Change the license renewal frequency to every 2 years.

Partially implemented at 30 months

As indicated in the initial followup, the Board voted to move forward with pursuing legislation for continuing education for licensed instructors but did not vote to require continuing education for other licensees. According to the Board, it discussed continuing education requirements with other states and sought to propose legislation during the 2014 legislative session. However, the Board reported that it was advised by its lobbyist that legislation was unlikely to pass and there may be difficulty finding a sponsor for the legislation because of the burden it would place on licensees. As of June 2016, the Board does not require continuing education for any of its licensees.

Implemented at 30 months

Inspections: Board's inspection approach and processes have weaknesses that do not allow it to fully protect the public

1. To ensure that the Board conducts initial inspections as required by statute, and to shift inspections of existing facilities to more of a risk-based approach, the Board should:
 - a. Establish factors it will use to assess individual salon risk. Potential risk factors could include prior health and safety violations, substantiated public complaints, whether the salon recently opened or was delinquent in renewing its license, and types of services performed;
 - b. Use its database to generate inspection reports that provide inspection history information for each licensed salon to ensure initial inspections are completed as required. These inspection reports can also be used to help the Board prioritize salons for subsequent inspections based on the salons' identified risks;

Partially Implemented at 48 months

As indicated in the 30-month followup, the Board has made some changes to its inspection processes in an effort to implement a risk-based inspection approach. Specifically, the Board has identified some salon risk factors, such as health and safety violations or unlicensed individuals working at a salon, that it uses to determine if a licensed salon requires an immediate follow-up inspection after a routine inspection has been performed. The Board has also developed guidance for rating the risk level of salons from one to five, based on the violations identified.

No Longer Applicable

Laws 2017, Ch. 12, removed the requirement that the Board conduct initial inspections of salons. This law has a general effective date of December 31, 2017.

Recommendation

Status/Additional Explanation

- c. Work with its database contractor to ensure that all required information, such as inspection dates and salon risk factors, can be entered into the database, and develop management reports that will help board management assign inspection priorities based on historical inspection information and a salon's risk; and
- d. Develop and implement policies and procedures to govern its risk-based inspection approach and to guide its staff in performing initial inspections as required and regular inspections based on a salon's risk.

Implementation in process

According to the Board, it upgraded its database in June 2017 and board staff are working to ensure that information was correctly transferred to the upgraded database. Therefore, as of October 2017, the Board reported that its database projects are on hold and it does not have an estimated date for continuing with its projects.

Partially Implemented at 48 months

See explanation for Inspections Recommendation 1a.

2. To help ensure inspections are adequately performed and to assess salon compliance with all statutory and rule requirements, the Board should:

- a. Update its inspection checklist to include all statute and rule-compliance requirements, remove any outdated requirements, and clarify any vague requirements; and
- b. Update and, where necessary, develop and implement new policies and procedures that direct the performance of inspections. The revised policies and procedures should include specific steps for performing inspections, including how board inspectors should use the checklist.

Implemented at 30 months

Implemented at 12 months

3. The Board should develop and implement an inspector training on the inspection rights outlined in statute and ensure that inspectors comply with them.

Implemented at 12 months

Complaint resolution: Complaint investigation and adjudication processes need strengthening

- 1. The Board should develop and implement written policies and procedures that:
 - a. Direct its staff on the steps they need to perform to conduct adequate complaint investigations and appropriately document these investigations;
 - b. Specify the investigative activities that should be conducted, such as contacting and interviewing both the complainant and licensee, obtaining all relevant documentation, scheduling an appointment with a potentially unlicensed operator, and performing an inspection if necessary;
 - c. Provide direction on how to thoroughly document complaint investigations and prepare investigation reports, including the information that should be included in the report; and

Implemented at 48 months

Implemented at 48 months

Implemented at 48 months

Recommendation	Status/Additional Explanation
d. Require a supervisory review process and outline the steps the investigative supervisors should take to review complaint investigations.	Implemented at 48 months
2. Once these policies and procedures have been developed and implemented, all applicable staff should be trained on the complaint investigation policies and procedures.	Implemented at 48 months
3. The Board should review its guidance document to include the verbal guidance given to staff to help ensure that board staff and supervisors provide consistent disciplinary recommendations to the Board.	Implemented at 48 months
<p>4. To improve its procedures for reviewing and adjudicating complaints, the Board should:</p> <p>a. Develop and implement written policies and procedures to ensure that a licensee's disciplinary history is not provided, either on the investigation reports or by email, to board members prior to determining that a licensee has violated statutes and rules and that this information is instead provided to the Board after it makes this determination;</p> <p>b. Develop and implement written policies and procedures that require its staff to provide board members with investigation reports for all complaints to ensure board members receive enough information to take appropriate action; and</p> <p>c. First determine whether each complaint allegation constitutes a violation, and then take appropriate adjudicative action.</p>	<p>Implemented at 12 months</p> <p>Implemented at 48 months</p> <p>Implemented at 12 months</p>
<p>5. To ensure timely resolution of complaints, the Board should:</p> <p>a. Develop and implement written policies and procedures for monitoring the complaint resolution process, including policies and procedures that identify the steps board staff should take when licensees do not attend the informal interview and the time frames for completing these steps; and</p>	<p>Implementation in process In August 2017, the Board revised its complaint resolution policies and procedures to include guidance for staff on steps to take if a licensee does not appear for an informal interview. The Board has also established general time frames for most of these steps. According to board management, as of October 2017, they are in process of implementing these policies and procedures.</p>

Recommendation

Status/Additional Explanation

- b. Use its database to monitor complaints as they proceed through the complaint resolution process by developing and implementing a report that provides information to both board management and members regarding the timeliness of its complaint resolution to help identify and address factors in the process that may impact timeliness.

Implementation in process

According to the Board, it has continued to work with its database provider to develop a report to monitor complaints through the complaint resolution process. Additionally, according to the Board, it upgraded its database in June 2017 and board staff are working to ensure that information was correctly transferred to the upgraded database. The Board reported that it has continued working on developing this report, but as of October 2017, it does not have an estimated date for completing this report.

Public information: Board should improve its provision of public information

1. To help ensure that the Board provides timely and complete complaint and disciplinary action information to the public, it should:

- a. Develop and implement written policies and procedures to ensure that designated staff can provide complete and accurate information over the phone during business hours, and if a message is left after hours, that board staff can return the message requesting information in a timely manner; and

Implementation in process

The Board has developed some policies and procedures to direct staff on providing information to the public using its public records request form, including the type of information that can and cannot be provided and which staff will provide the information. These procedures also help direct staff on providing information over the phone, but they do not provide sufficient guidance to ensure that staff provide complete and accurate information over the phone. For example, the policies and procedures do not state that board staff should provide the dates when the complaints were received and resolved; the nature of the complaint; and the complaint's resolution.

According to board management, board staff should provide the date, outcome, and nature of the complaint for closed complaints when a member of the public requests complaint information regarding licensed salons. However, auditors placed three calls to board staff for information about licensed salons and received only partial complaint and disciplinary history. Specifically, the staff did not provide the dates when complaints were received or resolved for two salons. For the third salon, board staff only indicated the complaint was from 2016 for two of the salon's three complaints and did not provide any information regarding the date of the third complaint. Finally, although all three salons had disciplinary history, board staff provided the disciplinary history for only one of the three salons.

- b. Train appropriate staff on the new policies and procedures.

Implementation in process

According to the Board, it provided training on its public information policies and procedures to applicable staff members in February 2017. However, as indicated in the 30-month followup, the Board cannot implement the recommendation to train its staff until the policies and procedures are fully implemented.

Recommendation	Status/Additional Explanation
2. The Board should consult with its online database contractor to provide complaint and disciplinary-history information on its website.	Implemented at 30 months
3. The Board should comply with A.R.S. §32-4404(C) by posting notice on its website stating that the public may contact the Board to request any licensee's public records, including dismissed complaints, nondisciplinary actions, and board orders.	Implemented at 12 months

Sunset Factor #2: The extent to which the Board has met its statutory objective and purpose and the efficiency with which it has operated.

1. The Board should discuss the capabilities of its database with its online database contractor and use it to better meet its objective and purpose.	<p>Implementation in process</p> <p>According to the Board, it upgraded its database in June 2017 and board staff are working to ensure that information was correctly transferred to the upgraded database. Therefore, as of October 2017, the Board reported that its database projects are on hold and it does not have an estimated date for continuing with its projects.</p>
2. The Board should strengthen controls over payroll processing by separating its personnel and payroll duties, ensuring the same employee cannot update personnel information and process payroll, and maintaining appropriate personnel records to support employee pay rates.	Implemented at 12 months
3. The Board should strengthen controls over cash receipts and comply with the <i>State of Arizona Accounting Manual</i> by updating and maintaining detailed written cash receipt policies and procedures and appropriately separating cash receipt responsibilities.	<p>Implementation in process</p> <p>The Board has developed some policies and procedures for cash receipts and separated cash receipt responsibilities. However, the Board reported it will continue to update its policies and procedures to reflect revisions to the <i>State of Arizona Accounting Manual</i>. Additionally, auditors reviewed cash receipts for 3 days and found that the Board deposited these monies up to 3 days after they were received, which is contrary to <i>State of Arizona Accounting Manual</i> requirements. As of August 2017, the Board reported that it was still revising its policies to align with the <i>State of Arizona Accounting Manual</i>.</p>

Sunset Factor #5: The extent to which the Board has encouraged input from the public before adopting its rules and the extent to which it has informed the public as to its actions and their expected impact on the public.

1. The Board should fully comply with the State's open meeting law by posting its agendas on its website at least 24 hours in advance of its meeting, posting all of its board meeting minutes on its website, and by continuing to ensure that its written minutes are more descriptive.	Implemented at 30 months
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Recommendation**Status/Additional Explanation****Sunset Factor #9: The extent to which changes are necessary in the laws of the Board to adequately comply with the factors listed in this sunset law.**

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| 1. | The Board should propose legislation to lower the age requirement for licensure to be in line with other state cosmetology and Arizona regulatory boards. | Implemented at 12 months |
| 2. | The Board should propose legislation to ensure that its process for approving license applicants to take examinations is consistent with statute. | Implemented at 12 months |
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