



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Performance Audit Division

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Performance Audit and Sunset Review

# Arizona State Board of Cosmetology

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September • 2013  
REPORT NO. 13-09



**Debra K. Davenport**  
Auditor General

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---

**Dale Chapman**, Director

**Kori Minckler**, Manager and Contact Person

**Steven Meyeroff**, Team Leader

**Stephanie Grosvenor**

**Amir Mach**

**Rebecca Perrera**

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**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**STATE OF ARIZONA**  
OFFICE OF THE  
**AUDITOR GENERAL**

**MELANIE M. CHESNEY**  
DEPUTY AUDITOR GENERAL

September 19, 2013

Members of the Arizona Legislature

The Honorable Janice K. Brewer, Governor

Mr. Gary Begley, Chair  
Arizona State Board of Cosmetology

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

Transmitted herewith is a report of the Auditor General, *A Performance Audit and Sunset Review of the Arizona State Board of Cosmetology*. This report is in response to an October 26, 2010, resolution of the Joint Legislative Audit Committee. The performance audit was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq. I am also transmitting within this report a copy of the Report Highlights for this audit to provide a quick summary for your convenience.

As outlined in its response, the Arizona State Board of Cosmetology agrees with all of the findings and plans to implement all of the recommendations.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Debbie Davenport  
Auditor General

Attachment

cc: Arizona State Board of Cosmetology Members

## REPORT HIGHLIGHTS PERFORMANCE AUDIT

### Our Conclusion

The Arizona State Board of Cosmetology (Board) licenses and regulates cosmetologists, salons, and schools. The Board should continue to ensure that it issues licenses only to qualified applicants, comply with statutorily required time frames for issuing licenses, and develop and propose legislation requiring continuing education for license renewal. The Board should also revise its inspection approach to ensure all salons are appropriately inspected in a timely manner based on the risks that the salons pose to the public. Additionally, the Board should improve its complaint resolution processes by conducting adequate investigations and addressing weaknesses in its decision-making processes. Finally, the Board should provide timely and complete information about licensees over the phone and on its Web site.



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## Board should improve its licensing functions

**Board should further improve its licensing processes**—We reviewed a random sample of 27 license applications approved in calendar year 2012 and found that the Board had not obtained the necessary documentation to determine that 6 applicants met all statutory and rule licensing requirements. However, the Board reported that it revised its license application and approval processes in August 2012 and began obtaining the needed documentation. Our review of a sample of nine license applications approved in calendar year 2013 found that the Board received all required documentation. Despite this change, the Board lacks written policies and procedures regarding its license application process.

**Board should track compliance with licensing time frames**—The Board does not track its compliance with statutorily required time frames. Failure to comply with the time frames may result in the Board having to refund licensing fees and pay a penalty to the State General Fund. We reviewed a sample of 30 approved license applications and found that 17 applications did not have enough information to determine whether the Board issued licenses within the time frames.

**Board should report detailed and supported licensing information**—In its fiscal years 2014 and 2015 proposed budget, the Board reported that it had an expected total of 118,000 licensed individuals and establishments during fiscal year 2013. Although this total included 57,921 active licenses as of June 2013, it also included delinquent and inactive licenses, including 25,574 licenses that had been inactive for more than 10 years and that the Board no longer regulated.

**Board should propose statutory changes**—The Board can strengthen its license-renewal requirements by working with its stakeholders to develop and propose legislation requiring licensees to complete continuing education as a condition of license renewal. Several other states require continuing education in subjects such as health/safety, HIV/AIDS, and sanitation and sterilization. In addition, the Board should propose legislation to change the license-renewal frequency from 1 to 2 years.

### Recommendations

The Board should:

- Develop and implement policies and procedures regarding the documentation it must obtain to ensure applicants meet all licensure requirements and for tracking compliance with licensing time frames;
- Ensure that the information it reports is sufficiently detailed and supported; and
- Work with its stakeholders to develop and propose legislation to require continuing education and extend the license-renewal frequency to 2 years.

## Board should revise its inspection approach

**Board should develop a risk-based inspection approach**—The Board is required to conduct initial inspections of salons around the time of licensure and thereafter on a regular basis, with an internal goal of annual subsequent inspections. However, we reviewed a random sample of 54 licensed salons and found that 22 salons had been open for a median time of 2 years without receiving an initial inspection as of

May 2013. For the 32 salons that were inspected, it took the Board a median of approximately 218 days to conduct an initial inspection. Additionally, 21 of the 32 salons that received an initial inspection had been open long enough to receive a subsequent inspection. However, for 20 of the 21 salons, the Board did not conduct annual inspections. The lack of an effective process for monitoring the timeliness and frequency of inspections contributed to this problem. Further, the Board does not use a risk-based approach to focus its inspection on the riskiest salons—those that pose the greatest health and safety risk to the public.

**Salon inspections not always thorough or consistently performed**—The Board created a checklist for its inspectors to use when conducting an inspection. However, the checklist has not been updated to reflect current statutory or rule requirements, and it includes vague items, such as “client protection,” which can cover multiple requirements. We also observed inspectors not using the checklist to guide their inspections and not checking salons for compliance with all requirements.

### Recommendations

The Board should develop a risk-based inspection approach and update its inspection checklist, including clarifying any vague requirements.

## Board should improve its complaint resolution process

**Board inadequately investigated complaints**—We reviewed a random sample of 16 complaints and found that 8 complaint investigations appeared to be inadequate or insufficiently documented. For example, where unlicensed activity was alleged, the investigator just asked the individual about his/her activities rather than posing as a potential client to see if the person would schedule an appointment and then going to the salon to conduct other investigative activities.

**Board’s procedures for reviewing and adjudicating complaints are insufficient**—First, the Board prematurely considers a licensee’s disciplinary history, which may influence board members’ decisions on whether or not a licensee has violated statutes or rules. Second, the Board does not receive investigation reports for complaints where board staff have recommended that it dismiss a complaint or issue a letter of concern. Without this information, board members cannot ensure they agree with staff recommendations. Third, when adjudicating complaints, board members are not stating whether a statutory or rule violation has occurred as they should do before deciding whether or not to impose discipline.

### Recommendations

The Board should:

- Develop and implement policies and procedures for conducting adequate complaint investigations; and
- Improve its procedures for reviewing and adjudicating complaints.

## Board should improve its provision of information to public

Although the Board responds to public requests for information over the phone, it does not provide timely and complete information in response to these requests. We placed four phone calls to the Board asking about complaint and disciplinary history information for four licensees. For three of these calls, we were instructed to leave messages. Board staff returned one call within 48 hours, but did not return the other two phone calls. For the fourth call, the Board was unable to provide any licensing or complaint history information for the requested licensee. Additionally, unlike some other Arizona state regulatory boards, the Board does not provide complaint or disciplinary history information on its Web site.

### Recommendations

The Board should ensure that its staff provide complete and accurate information over the phone and provide complaint and disciplinary history information on its Web site.

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# Introduction

## Audit scope and objectives

The Office of the Auditor General has conducted a performance audit and sunset review of the Arizona State Board of Cosmetology (Board) pursuant to an October 26, 2010, resolution of the Joint Legislative Audit Committee. This audit was conducted as part of the sunset review process prescribed in Arizona Revised Statutes (A.R.S.) §41-2951 et seq and addresses the Board's licensing processes, inspections of licensed salons, complaint resolution process, and provision of information to the public. It also includes responses to the statutory sunset factors.

## Mission and responsibilities

The Board was established in 1935 to regulate the practice of cosmetology.<sup>1</sup> Its mission is to ensure the health, safety, and welfare of the citizens of Arizona through education and enforcement of the State's cosmetology laws and rules by regulating the practice of cosmetology. The Board's responsibilities include:

- **Issuing licenses to qualified applicants**—The Board licenses aestheticians, nail technicians, cosmetologists, instructors, salons, and schools. Aesthetics and nail technology involve the practices of skin care and nail care, respectively. Cosmetology encompasses aesthetics and nail technology, but also includes the practice of hair care. According to board records, the Board issued more than 5,600 initial licenses during fiscal year 2013 and had approximately 58,000 active licensees as of June 2013.
- **Conducting inspections of licensed facilities**—The Board inspects licensed cosmetology salons and schools to ensure compliance with applicable statutes and rules, as well as to protect the public from unsafe and unsanitary conditions. According to board records, the Board conducted 8,943 inspections in fiscal year 2013.
- **Investigating and resolving complaints**—The Board investigates complaints against licensees and takes statutorily authorized disciplinary action, as needed. The Board's disciplinary options include issuing letters of concern and public reprove, which could result in the Board notifying the public of a violation, imposing probation, imposing civil penalties, and/or suspending or revoking licenses. According to board

<sup>1</sup> Laws 1935, Ch. 52

reports and board meeting minutes and agendas, the Board dismissed an estimated 277 complaints and took disciplinary action involving 1,004 complaints in fiscal year 2013.<sup>1</sup>

- **Providing information to the public**—The Board maintains a Web site that provides licensee information regarding individuals, schools, and salons; as well as public meeting agendas, a newsletter, and substantive policy statements. Board staff also respond to public requests over the phone regarding the license status and complaint history for its licensees.
- **Administering safety and sanitation class**—The Board administers an infection protection and law class twice a month. This class covers Arizona laws pertaining to the practice of cosmetology, such as licensing requirements and scope of practice for cosmetologists, aestheticians, and nail technicians. It also covers how to maintain a sanitary salon environment and prevent infection. This class is required for reciprocity applicants and individuals reactivating licenses that have been inactive for more than 1 year. In fiscal year 2013, the Board reported that 2,177 people took this class.

## Organization and staffing

The Board consists of seven governor-appointed members, including two cosmetologists, one nail technician, one instructor, one school owner, one educator who does not represent the cosmetology or nail technology industry, and one public member. Board members serve 3-year terms. The Board was appropriated 24.5 full-time equivalent staff positions for fiscal year 2013, of which 17 positions were filled as of July 2013.

## Budget

The Board does not receive any State General Fund appropriations. Rather, its revenues consist primarily of license fees. A.R.S. §32-505 requires the Board to remit to the State General Fund 100 percent of all collected penalties and 10 percent of all other revenues. As shown in Table 1 (see page 3), the Board's fiscal year 2013 net revenues totaled approximately \$2.8 million and its expenditures totaled more than \$1.8 million. The Board's fiscal year 2013 ending fund balance was approximately \$3.9 million.

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<sup>1</sup> The Board was unable to provide auditors with reliable information on the number of complaints it received or opened in fiscal year 2013 (see Sunset Factor 2, page 28, for more information).

**Table 1: Schedule of revenues, expenditures, and changes in fund balance  
Fiscal years 2011 through 2013  
(Unaudited)**

	2011	2012	2013
Revenues, net of credit card fees <sup>1</sup>	\$ 3,022,659	\$ 3,000,465	\$ 3,227,791
Remittances to the State General Fund <sup>2</sup>	<u>(367,604)</u>	<u>(363,053)</u>	<u>(385,465)</u>
Net revenues	<u>2,655,055</u>	<u>2,637,412</u>	<u>2,842,326</u>
Expenditures	1,698,410	1,764,797	1,833,234
Transfers <sup>3</sup>	<u>39,067</u>	<u>24,900</u>	<u>852</u>
Total expenditures and transfers	<u>1,737,477</u>	<u>1,789,697</u>	<u>1,834,086</u>
Net change in fund balance	917,578	847,715	1,008,240
Fund balance, beginning of year	<u>1,109,282</u>	<u>2,026,860</u>	<u>2,874,575</u>
Fund balance, end of year	<u>\$ 2,026,860</u>	<u>\$ 2,874,575</u>	<u>\$ 3,882,815</u>

<sup>1</sup> Amount consists primarily of licensing fees.

<sup>2</sup> The Board is required by A.R.S. §32-505 to remit 100 percent of all collected penalties and 10 percent of all other revenues to the State General Fund.

<sup>3</sup> Amount primarily consists of transfers to the State General Fund in accordance with Laws 2010, 7th S.S., Ch. 1, §148 and Laws 2011, Ch. 24, §§108, 129, and 138, to provide support for state agencies.

Source: Auditor General staff analysis of the Arizona Financial Information System (AFIS) *Accounting Event Transaction File* for fiscal years 2011 and 2012 and the AFIS Management Information System *Status of General Ledger-Trial Balance* screen for fiscal years 2011 through 2013.



# Licensing and permitting

*The Board should take additional steps to ensure applicants meet all requirements for licensure, track its compliance with statutorily required time frames for issuing licenses, and propose legislation to revise its license-renewal requirements to require licensees to complete continuing education and change the license-renewal time frame from annually to every 2 years.*

Board should take additional steps to ensure applicants meet all requirements for licensure

The Arizona State Board of Cosmetology (Board) issues various licenses to individuals and facilities in the cosmetology industry. Individuals can become licensed through examination or by reciprocity if they have previously been licensed in another state. Board statutes and rules outline specific requirements for licensure, which vary by license type (see textbox).

According to a board official, between 2008 and 2012, Board practices did not ensure that all applicants met the requirements for licensure. Specifically, auditors reviewed a random sample of 27 individual, instructor, and salon license applications that the Board approved in calendar year 2012 and 3 school license applications that were approved in 2004 and 2009, and found that the Board did not obtain the necessary documentation to determine that 6 individual and instructor applicants met all of the statutory and rule requirements prior to approving and issuing the license. The required documents the Board did not obtain were proof of required work experience, proof of graduation from a licensed school, proof of age/schooling, and proof of right to work in the United States. This placed the Board at risk for issuing licenses to unqualified applicants.

The Board has since revised its processes to ensure applicants are qualified to receive licenses, but its actions can be further strengthened. Specifically, the Board reported that it revised its license application review and approval processes in August 2012 and began obtaining the needed documentation to determine applicant qualifications prior to issuing a license. Auditors reviewed a sample of nine license applications the Board approved in calendar year 2013 as of May 2013 and found that it had received the documentation needed to determine these applicants met all statutory and rule licensure requirements prior to issuing the license. Despite the revisions to its licensing processes, the Board lacks

## License requirements by license type

- **Individuals**—Must complete 2 years of high school or be 23 years of age, graduate from a school licensed by the Board, and pass an examination.
- **Instructors**—Must have a high school diploma or be 23 years of age, possess a current license, graduate from an instructor program or have 5 years of work experience, and pass an examination.
- **Salons**—Must submit an application with required documentation, provide partnership/corporation documentation, comply with board safety/sanitation requirements, and pass a board inspection.
- **Schools**—Must complete an application with required documentation, furnish a surety bond of \$10,000, and pass a board inspection.

Source: Auditor General staff analysis of board licensure requirements as reflected in Arizona Revised Statutes (A.R.S.) §§32-510, 32-511, 32-512, 32-531, 32-541, and 32-551.

written policies and procedures regarding the documentation that board staff should obtain and review to ensure applicants meet each licensure requirement prior to issuing a license. Developing and implementing written policies and procedures would help ensure that the Board consistently and appropriately processes license applications over time. Therefore, the Board should develop and implement such written policies and procedures and train staff on them.

## Board should ensure it complies with statutorily required time frames for issuing licenses

The Board should track its compliance with statutorily required time frames for issuing licenses. Specifically, statute requires the Board to establish time frames in rule for issuing licenses. These time frames are important because they provide information and an assurance to the public about what to expect in regard to having a license approved or denied, and increase the Board's accountability when time frames are not met. If the Board does not meet its time frames for processing licenses and permits, statute requires it to refund licensing fees to applicants and pay a penalty of 2.5 percent of the applicant's fees to the State General Fund for each month that licenses are not issued or denied within the established time frames.

Although the Board has established license processing time frames in rule, the Board does not track its compliance with these time frames. Specifically, auditors' review of the sample of 30 licensing applications that were approved in calendar year 2012 found that for 17 of the applications, the Board did not retain sufficient documentation to determine if licensing time frames were met. For example, board staff did not date-stamp all documents that were received and did not retain all documents needed to track timeliness, such as notices that an application is deficient and notices that the applicant is approved to take the examinations, which consist of practical and theoretical examinations. Additionally, board staff did not use any other type of mechanism, such as a spreadsheet or database, to track compliance with licensing time frames.

Because it does not track compliance with its established time frames, the Board does not know whether time frames are being met and when fees should be refunded to an applicant and/or when penalties should be paid to the State General Fund. It also lacks policies and procedures for processing license applications within statutorily required time frames and for tracking its compliance with these time frames. Therefore, the Board should develop and implement policies and procedures that require its staff to track the Board's compliance with all licensing time frames and train staff on them. These policies and procedures should also specify the documentation that staff should retain to allow the Board to track compliance with its time frames. Board staff could also track compliance with the licensing time frames using its database if it requested its database vendor to add this functionality.

## Board should report detailed and supported information about its activities

The Board should report more detailed and supported information to the Governor's Office of Strategic Planning and Budgeting (OSPB) and the Joint Legislative Budget Committee (JLBC) regarding its licensing activities. Statute requires selected performance measures, established by the OSPB in consultation with the JLBC, to be included in state agencies' budget submissions to the Governor and Legislature.<sup>1</sup> To comply with this requirement, the Board has established performance measures including its number of licensees and the average number of days it takes to process license applications.

In its fiscal years 2014 and 2015 budget submission to the Governor, the Board reported that it had an expected total of 118,000 licensed individuals and establishments during fiscal year 2013. However, this total did not provide important information regarding the status of these licensees. Specifically, auditors' review of board data showed it had a total of 57,921 active licensees as of June 2013. The remaining licenses were either inactive, delinquent, or under probation, including licenses that had been inactive for more than 10 years. According to a board official, the Board provides services to both active and inactive licensees. For example, because A.R.S. §§32-518 and 32-537 allow licensees to reactivate their licenses within 10 years of becoming inactive, according to the Board, it provides services to inactive licensees by helping them to reactivate their license. However, 25,574 of the licenses the Board included in its number had been inactive for more than 10 years and were still included even though the Board no longer regulated these individuals. In addition, the Board reported an average of 17 days to process licensure applications in fiscal year 2012, but was unable to provide auditors with support for how it calculated this number and, as discussed previously, the Board does not retain documentation or track compliance with licensing time frames.

Performance measures are an essential component of strategic planning and provide a basis for measuring and reporting activity and progress to external policy makers and the public, and for adequate board oversight. As a result, 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. For example, when it reports the total number of individuals and establishments licensed, it should include the number of active licenses and licenses that have been inactive for less than 10 years separately and not include the number of licenses that have been inactive for more than 10 years because the Board no longer regulates these individuals.

## Board's renewal requirements could be strengthened by requiring continuing education for its licensees

The Board's license renewal requirements could be strengthened by requiring that individual licensees complete continuing education. Board statutes and rules require licensees to renew annually on their birthday and pay a \$30 renewal fee. Statutes do not require the Board's licensees

<sup>1</sup> Auditor General staff analysis of A.R.S. §35-115(6).

to complete any continuing education in order to renew their licenses. Board staff stated that the Board has not sought a statutory change to require continuing education because it does not have the resources to review or process the continuing education and it would impose a burden on licensees. However, occupational hazards from exposure to chemicals and blood-borne illnesses such as hepatitis B, hepatitis C, and HIV/AIDS place both the licensee and the public at risk for exposure. Although licensees receive training on workplace safety and sanitation prior to becoming licensed, continuing education that covers new occupational threats or best practices in workplace safety and sanitation is not required. Continuing education courses can help licensed professionals stay current with best practices on health and safety issues in the cosmetology industry, such as blood contamination risks and proper clean-up procedures.<sup>1</sup>

A review of the regulatory function in other states shows that some states have such a requirement for renewing a cosmetology license. Auditors reviewed the continuing education requirements for five surrounding states' cosmetology boards—California, Colorado, New Mexico, Nevada, and Utah—and found that two have a continuing education requirement—Nevada for both individual and instructor licensees, and New Mexico for instructors. In addition, a review of a continuing education provider's Web site found that five other states—Illinois, Georgia, Florida, North Carolina, and West Virginia—require continuing education for license renewal.<sup>2</sup> Auditors reviewed the number of continuing education hours required by three of these states—Illinois, Georgia, and Florida—and found that they ranged from 5 to 16 hours every 2 years for individual licenses, while Illinois and Georgia require an additional 10 hours of continuing education for instructors every 2 years. The required courses include the following subject matters: health/safety, HIV/AIDS, sanitation and sterilization, and state and federal laws. Based on a review of the continuing education provider's Web site, the cost for 5 to 16 hours of online continuing education courses ranged from \$14 to \$40. For example, the continuing education provider offers a 7-hour course to Illinois licensees for \$20.

Many other Arizona state regulatory boards also have continuing education requirements. Arizona statutes authorize continuing education or its functional equivalent for licensees or registrants of at least 28 Arizona state regulatory boards or agencies upon license renewal. Some of these boards have also established processes for verifying that licensees meet continuing education requirements—for example, by requiring licensees to submit proof of course completion—either a certificate or letter issued by the education provider.

Therefore, the Board should work with its stakeholders to develop a continuing education requirement that helps to protect the public's health and safety and then propose legislation requiring its licensees to complete continuing education courses in health and safety as a condition of license renewal. Similar to other states, the Board should also consider a legislative proposal that requires additional hours of continuing education for licensed instructors.

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<sup>1</sup> Murtagh, M., & Hepworth, J. (2004). Hepatitis C in the workplace: A survey of occupational health and safety knowledge and practice in the beauty therapy industry. *Australian and New Zealand Journal of Public Health*, 28, 207-211; Hepworth, J., & Murtagh, M. (2005). Correct procedures and cutting corners: A qualitative study of women's occupational health and safety in a beauty therapy industry. *Australian and New Zealand Journal of Public Health*, 29, 555-557; Walsh, S.A. (2012). Beyond the polish: An examination of hazardous conditions in nail salons and potential solutions for the industry in New York City. *Journal of Law and Policy*, 21, 243-282.

<sup>2</sup> Continuing Cosmetology is a continuing education provider approved by several state boards. The following states have issued continuing education provider licenses to Continuing Cosmetology: Alabama, Florida, Georgia, Illinois, Kentucky, North Carolina, and West Virginia. Kentucky requires continuing education for licensure reactivation only. Alabama previously required continuing education for instructors, but according to an Alabama Board of Cosmetology official, this requirement was removed as of September 1, 2013. For more information, see <http://continuingcosmetology.com>.

To help implement the continuing education requirement, the Board should also develop and propose legislation to change the license renewal frequency to every 2 years. Not only would this allow licensees sufficient time to complete the continuing education requirements, it could reduce the number of renewal applications the Board must process each year by requiring half of the licensees to renew on even-numbered years and the other half on odd-numbered years. Auditors conducted a review of the cosmetology statutes for five surrounding states—California, Colorado, New Mexico, Nevada, and Utah—and found that four of the five state cosmetology boards require their licensees to renew every 2 years, as do 19 professions regulated by Arizona state regulatory boards or agencies. The Office of the Auditor General’s 1996 performance audit of the Board (see Report No. 96-15) also recommended that the Legislature consider amending statute to require biennial licensure.

## Recommendations:

1. 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.
2. 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.
3. 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.
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.



# Inspections

*The Board should revise its inspection approach to ensure that all salons are appropriately inspected in a timely manner based on risks that the salons pose to the public.*

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

The Arizona State Board of Cosmetology (Board) lacks an effective inspection approach to ensure that all cosmetology, aesthetic, and nail technology salons receive an initial inspection as required by law, as well as subsequent inspections that meet the Board's established frequency goals.<sup>1</sup> Further, board inspectors do not always conduct thorough inspections or disclose statutorily required information before beginning the inspection. As a result, the Board is not adequately protecting the public. Improvements needed include implementing a risk-based inspection approach and updating and consistently using the inspection checklist to ensure that licensed salons comply with state regulations.

## Board's inspection approach lacks systematic coverage and focus

The Board has not conducted initial inspections of some new salons as required by statute, nor has it conducted subsequent inspections of existing salons as frequently as stated in its goals. For example, auditors' review of 54 salons that had applied for licensure found that 22 salons had not received an initial inspection as required by statute and that the Board inconsistently performed subsequent inspections of the 32 salons that had received an initial inspection. The lack of an effective process to determine when licensed salons should be inspected, such as a risk-based inspection approach, contributed to the Board's ineffective approach. Therefore, the Board needs to develop a better approach for monitoring inspection timeliness and frequency, and it could use its inspection resources more effectively if it developed a risk-based approach for deciding how frequently to inspect each facility.

Licensed salon inspections are not completed as determined by statute or board goals—The Board is statutorily responsible for conducting initial inspections of salons around the time of licensure and on a regular basis as deemed necessary. According to the Board, six board staff members conduct salon inspections. These consist of one full-time inspector; one part-time inspector; three staff who primarily investigate complaints, but who also spend part of their time conducting inspections;

<sup>1</sup> Arizona Revised Statutes (A.R.S.) §32-551 also requires the Board to inspect schools.

and one board manager who spends a small percentage of her time conducting salon inspections. However, the Board's inspection approach does not ensure that salons receive their initial inspection as required by statute, or that any subsequent inspections are performed at the frequency specified under the Board's goals. Thus, the Board may not be protecting the public health and safety by ensuring that newly licensed salons are complying with statute and regulations and by focusing its limited inspection resources on problematic salons. Specifically:

- **Board failed to conduct many initial inspections**—Auditors reviewed a random sample of 54 salons that were initially licensed in calendar years 2007 through 2012 and found that 22 of the 54 salons had not received an initial inspection as of May 2013. These salons had been open for a median time of 2 years without receiving an initial inspection despite the statutory requirement that the Board conduct initial inspections of salons around the time of licensure. Board staff were not able to provide specific reasons why these 22 salons had not received an inspection.<sup>1</sup>
- **When initial inspections were conducted, many were not timely**—Although the Board conducted initial inspections of 32 of the 54 salons, it took board inspectors a median of approximately 218 days after initial licensure to conduct the initial inspection. Failure to inspect salons around the time of initial licensure potentially allows licensees to operate out of compliance with laws and regulations and may put the public at risk for unsafe and unsanitary salon conditions. In fact, inspectors found health and safety violations at 2 of these 32 salons. Both received an unsatisfactory grade during their initial inspection because of health and safety violations, including not properly disinfecting and cleaning salon implements, such as shears, razors, and tweezers, used to perform services on clients.
- **Board did not meet internal goal for subsequent inspections**—According to board staff, the internal goal for conducting subsequent salon inspections is once a year. For the 32 salons in auditors' sample that received an inspection, 21 were open at least 2 years and thus eligible for a subsequent inspection. However, for 20 of these 21 salons, the Board did not conduct annual inspections. For example, one salon was open 4½ years and did not receive an inspection for approximately 18 months after opening. The salon then received three inspections within approximately 16 months and did not receive another inspection for approximately 20 months before closing. Another salon was open for 4 years and received its only inspection approximately 29 months after opening. The one salon that met the Board's goal of an annual inspection received inspections more frequently than on an annual basis. Specifically, this salon received seven inspections during the 5 years it was open, none of which resulted in safety and sanitation violations.

**Board lacks an effective process for monitoring the timeliness and frequency of inspections**—According to board staff, inspectors are responsible for determining which salons to inspect on a daily basis. To determine which salons to inspect, inspectors use a filing system, similar to a rolodex, containing inspection cards showing the licensing information for each salon. According to board staff, when new salons are licensed, licensing staff create an

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<sup>1</sup> The Board subsequently issued new licenses to 2 of the 22 salons that never received an initial inspection because these 2 salons changed their names approximately 2 and 11 weeks after they initially opened and had first been licensed. The Board then conducted initial inspections of these salons approximately 4 and 11 weeks, respectively, after issuing the new licenses.

inspection card, which the compliance manager gives to an inspector to add to their filing system based on the salon's geographic location. Board inspectors should be using the inspection cards to track the inspections they perform. Additionally, after each day's inspections, inspectors fill out an inspection log recording the salons that they inspected, which board office staff use to input inspection information into its database.

However, this approach does not provide the Board with reliable information regarding which facilities are being inspected and whether inspections are being carried out in a timely manner. First, the information on inspection cards is not always reliable or up to date. Auditors observed some inspections and noted that some salon inspection cards for one inspector did not contain any inspection notes and some had no record of the most recent inspection. According to a board inspector, if the salon inspection cards are blank or not up to date, it could be that the salon is no longer operating or the inspector did not record the inspection date on the card. Second, the inspection process lacks supervisory oversight. Even if the information contained on the inspection logs is complete and entered accurately into the database, board management reported that it does not use the database to monitor whether inspectors are meeting the statutory requirement for initial inspections or board goals for inspection frequency. Given these weaknesses, the Board is unable to know whether new salons are receiving their initial inspections as statute requires and whether licensed salons are being inspected with the frequency called for in board goals.

**Board does not use a risk-based approach to focus subsequent inspections on the riskiest salons**—The Board's goal of conducting regular inspections once a year, although not met under its current procedures, also does not ensure that salons are inspected based on the health and safety risk they pose to the public. Specifically, salons with previous health and safety violations or substantiated public complaints, or that perform riskier services such as nail or skin procedures, may warrant more frequent inspection than those salons that do not have these risk factors. However, because its inspection approach is not based on risk, the Board may not effectively use its staff resources to focus inspection activities on the highest-risk salons to best protect public health and safety.

Texas offers an example of how Arizona could carry out a risk-based approach. The Texas Cosmetology Commission (Commission) is required to inspect each licensed facility at least once every 2 years and use a risk-based approach to conduct any additional inspections using five criteria to determine risk. The five criteria are the type and nature of the school, shop, or other facility; whether there has been a prior sanitation violation at the school, shop, or facility; the inspection history of the school, shop, or other facility; any history of complaints involving the school, shop, or other facility; and any other factor determined by the Commission by rule.

**Improved monitoring and inspection frequency approach requires several steps**—To help 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, several actions are needed. Specifically, the Board should:

- 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.

- Use its database to generate inspection reports that provide inspection history information for each licensed salon. Not only can this information be used to help ensure all salons receive a timely initial inspection, it can be used to help the Board prioritize salons for subsequent inspections based on these salons' identified risks. The Board should 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.
- 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 identified risk.

## Inconsistent inspection procedures put public health at risk

In addition to identifying problems with when inspections were conducted, auditors also identified problems with how board inspectors conduct inspections. Auditors observed two board inspectors conducting eight salon inspections in April 2013. These inspections were not always thorough or consistently conducted, and inspectors did not always disclose statutorily required information before beginning the inspection. As with the timeliness and frequency of inspections, these inadequate procedures can place public health and safety at risk. Therefore, the Board should take several steps to improve inspection procedures.

**Inspection checklist is deficient**—To help staff identify and cite violations during inspections, the Board created an inspection checklist that summarizes specific statute and rule requirements that inspectors should check for during an inspection. For example, it requires the inspector to ensure the salon has a first-aid/blood-spill kit available, has clean equipment, and posts the results of its last inspection in a visible salon location. However, the inspection checklist has several deficiencies, as follows:

- **It has not been updated to reflect current statute or rule**—For example, the inspection checklist does not list a requirement for the inspectors to check laser services to ensure that the licensee is complying with statutes and rules governing the procedure. According to board staff, an inspector should check that all laser equipment is correctly registered with the Arizona Radiation Regulatory Agency (Agency), that the licensee has received the correct laser certification from the Agency, and that the licensee has a sign stating these services are not regulated by the Board.<sup>1</sup> These statutory and rule requirements were added in 2008, but according to board staff, the inspection checklist has not been updated since February 2006. Further, the checklist contains a requirement for a dishwasher even though this requirement is no longer reflected in statute or the Board's current rules.

<sup>1</sup> During auditors' observations, one inspector did look for proper notice of services not regulated by the Board, but did not check the licensee's certification or equipment registration because the licensee was performing services and the inspector did not want to interrupt him/her.

- **It includes items that are vague**—For example, the Board’s checklist includes one item listed as “client protection.” However, this item is very broad and can cover multiple rule requirements, such as ensuring that a client’s clothing does not come into direct contact with shampoo bowls or headrests and that a client receives a pre- and post-analysis that includes appropriate instructions for followup when receiving a service. Because the checklist is vague and includes only the term “client protection,” a board inspector may not remember to verify all of the rule requirements.

**Inspection checklist inconsistently followed**—The two inspectors auditors observed did not use the checklist as a guide when conducting an inspection, which prevents the Board from being assured that inspectors are checking for all compliance requirements during salon inspections. During auditors’ observations of salon inspections, inspectors did not check salons for a blood spill kit, running water, or the aesthetic portion of a salon. Additionally, board staff reported that, to save paper, inspectors fill out the inspection checklist only when they find a violation. However, board statutes and rules specify more than 80 safety, sanitation, and licensing requirements that salons must follow, so using the inspection checklist as a guide would help ensure that board inspectors verify salon compliance with all statutory and rule requirements.

**Statutorily required information not disclosed before beginning inspections**—Upon arriving at a salon, board inspectors are required by statute to perform specific functions prior to conducting the inspection.<sup>1</sup> For example, board inspectors must present photo identification, state the purpose of the inspection and the legal authority for conducting the inspection, disclose any applicable inspection fees, and allow a representative of the regulated salon to accompany the inspector on the premises. However, auditors observed that one of the two inspectors did not cite legal authority for conducting the inspection or provide the inspection rights to the salon owner at the beginning of the inspection. Additionally, the other inspector did not cite legal authority for conducting the inspection. Not complying with this statute could result in all evidence found during the inspection to be thrown out of any administrative proceeding, which would essentially render the inspection as an inefficient use of time and resources and ineffective at protecting the public.

**Several actions needed to improve inspection procedures**—To help ensure inspections are adequately performed and assess salon compliance with all statutory and rule requirements, the Board should take the following three steps:

- First, the Board should update its inspection checklist to include all statute and rule-compliance requirements, remove any outdated requirements, and clarify any vague requirements to facilitate an inspector’s review of these requirements.
- Second, the Board should update and, where necessary, develop and implement new policies and procedures that direct the performance of inspections. Although the Board has some procedures related to conducting inspections, according to board staff, these procedures have not been updated since 1996. The revised policies and procedures should include specific steps for performing inspections, including how board inspectors should use the checklist.

<sup>1</sup> A.R.S. §41-1009

- Finally, the Board should train its staff on the functions it must perform in accordance with the salon's rights prior to an inspection and ensure staff comply with these requirements.

## Recommendations:

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 these salons' identified risks;
  - 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.
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.
3. The Board should develop and implement an inspector training on the inspection rights outlined in statute and ensure that inspectors comply with them.

# Complaint resolution

*The Board should take several steps to improve its complaint investigation and adjudication processes, including developing and implementing policies and procedures for conducting adequate complaint investigations and appropriately documenting these investigations, ensuring it takes consistent disciplinary action, and improving its decision-making processes. The Board should also resolve all complaints in a timely manner.*

## Complaint investigation and adjudication processes need strengthening

The Arizona State Board of Cosmetology's (Board) complaint resolution process has three main weaknesses, each of which can potentially undermine the Board's ability to make appropriate complaint decisions and protect the public. First, its complaint investigation process appears to be inadequate—or at the least, the Board retained insufficient documentation to determine the work performed. This was the case for 8 of the 16 public complaints that auditors reviewed in detail. Second, the Board's decision-making processes do not ensure that complaints are appropriately resolved. For example, the Board considers a licensee's disciplinary history before it makes an independent judgment about the complaint under review. Finally, the Board did not resolve all the complaints that auditors reviewed in a timely manner. As a result, the Board should take several steps to improve its complaint investigation and resolution processes.

## Board responsible for investigating complaints

The Board is responsible for investigating complaints against licensed individuals, instructors, salons, and schools and taking appropriate disciplinary action, as necessary. Statute authorizes the Board to investigate complaints for various reasons, including allegations of malpractice or incompetency; repeated failure to correct safety and sanitary infractions; and commission of an act involving dishonesty, fraud, or deceit. Complaints may be submitted by the public or opened by the Board as a result of inspection violations. Based on the results of the investigation, the Board may dismiss complaints or take disciplinary action as appropriate. Disciplinary options include letters of concern, civil penalties, probation, suspension, and revocation. The Board may also request the licensee to come for an informal interview before the Board. According to board reports and board meeting minutes and agendas, the Board dismissed an estimated 277 complaints and took disciplinary action involving 1,004 complaints in fiscal year 2013.<sup>1</sup>

<sup>1</sup> The Board was unable to provide auditors with reliable information on the number of complaints it received or opened in fiscal year 2013 (see Sunset Factor 2, page 28, for more information).

## Board complaint investigations inadequate and imposed discipline inconsistent

Board staff are responsible for conducting investigations and making dismissal or disciplinary recommendations to the Board based on disciplinary guidance established by the Board. However, based on auditors' review of a random sample of 16 public complaints the Board received in fiscal years 2009 through 2013, the Board has not ensured that complaints are thoroughly investigated and that valid complaints of similar severity receive the same degree of discipline.<sup>1</sup> Specifically:

**Board inadequately investigated complaints or insufficiently documented its complaint investigations**—Eight of the 16 public complaint investigations that auditors reviewed appeared to be inadequate, or at the least, were insufficiently documented. Specifically, auditors identified the following weaknesses:

- **Insufficient information in the investigation report**—Three complaint investigation reports did not contain sufficient information to determine whether each allegation was properly investigated. For example, a November 2009 public complaint alleged that a nail technician did not follow proper blood-spill procedure after cutting the complainant during a manicure service. The investigation report stated only that the salon was in compliance, but did not explain any investigative steps taken by the investigator to address the allegations. According to the investigator, she checked the salon's implements, such as scissors and combs, for compliance with safety and sanitation standards and quizzed salon staff on proper blood-spill procedures. However, this information was not documented in the investigation report. The Board dismissed this complaint in February 2010.
- **Weak investigative evidence obtained**—For two other complaints, board investigators based their investigation on written affidavits rather than obtaining other evidence that would have been more appropriate given the circumstances. For example, a July 2012 public complaint alleged that a salon was emitting fumes that were disturbing other businesses. Although the board investigator visited the salon, the investigation report does not indicate that the investigator checked the ventilation, which according to rule would include a natural or mechanical ventilation and an air filtration system, and instead indicates that the investigator relied on the salon owner's signed affidavit stating the salon had an adequate ventilation system. Board staff recommended that the complaint be dismissed, and the Board dismissed it in October 2012.
- **Less rigorous investigative approach substituted for more rigorous approach**—The final three complaints alleged that an individual was carrying out procedures for which he or she had no license. According to board staff, the best approach for addressing such complaints is for the investigator to call and attempt, under the guise of being a potential client, to schedule an appointment with the potentially unlicensed individual prior to going to the licensed salon to investigate the allegation in other ways. However, for these three complaints,

<sup>1</sup> The Board received 1 of the 16 cases in fiscal year 2000. The other 30 complaints auditors reviewed were received between fiscal years 2009 through 2013. In addition to the 16 public complaints, auditors reviewed 15 complaints the Board opened based on violations found during routine inspections by board staff. These 15 complaints did not require additional investigation.

the investigator did not take this step; instead, the investigator simply asked questions about the individual's activities. For these three complaints, board staff did not substantiate the unlicensed activity allegations and the Board dismissed one complaint, but took disciplinary action against the other two salons for safety and sanitation and advertising violations.

These inadequate or insufficiently documented complaint investigations do not protect the public and may harm licensees. Specifically, by not conducting or documenting thorough complaint investigations, the Board could inappropriately dismiss complaints or take inappropriate disciplinary action.

The lack of written investigation policies and procedures and inadequate supervisory review helps to explain the inadequate complaint investigations. Specifically, the Board has not established written policies and procedures that direct staff on how to conduct and document complaint investigations. This would include policies and procedures regarding the investigative steps that board staff should complete to adequately investigate the various complaint allegations the Board receives. Additionally, although board supervisors conduct some review of complaint investigation reports, these reviews did not identify the insufficiently documented complaint investigations that auditors found.

Therefore, the Board should develop and implement written policies and procedures that direct its staff on the steps they need to perform to conduct adequate complaint investigations and appropriately document these investigations. These policies and procedures should 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. The policies and procedures should also provide direction on how to thoroughly document complaint investigations and prepare investigation reports, including the information that should be included in the report. Finally, the policies and procedures should require a supervisory review process and outline the steps the investigative supervisors should take to review complaint investigations. Once these policies and procedures have been developed and implemented, all applicable staff should be trained on the complaint investigation policies and procedures.

**Recommended action not consistent with board direction and with action taken on similar complaints**—Board staff recommend proposed actions for resolving complaints to the Board, ranging from dismissal to letters of concern to civil penalties and/or probation. These recommended actions are reviewed by board supervisory staff before they are forwarded to the Board for review. To assist in making these recommendations, board staff use a board-developed guidance document. This guidance document provides a list of some disciplinary actions based on the severity of the violation and the licensee's disciplinary history. For example, for minor violations that are a first offense, such as an advertising violation, the guidance document recommends that the Board issue a letter of concern. For gross or repeated violations, the guidance document recommends that the Board impose a maximum fine of \$2,000. However, the Board has not included all of its disciplinary action guidance in this document. Board staff reported that the Board has provided verbal guidance for some violations or situations that are not included in the guidance document.

For 1 of the 16 public complaints reviewed in depth, board staff made a disciplinary recommendation that was inconsistent with the Board's verbal guidance. According to board staff, the Board has verbally instructed staff to recommend a letter of concern for both a first offense and a second offense that occurs within 3 years of the first offense and involves a licensed salon not renewing its license on time, as long as the license is less than 10 months delinquent, and a civil penalty of \$250 for a third offense. In this instance, however, board staff identified this violation but recommended that the Board dismiss the complaint, which it did. This recommendation was not only inconsistent with the Board's verbal guidance, it was also inconsistent with the action taken in four other complaints in the auditors' sample. In these four instances, the Board issued either a letter of concern or a civil monetary penalty of \$250 for a licensed salon not renewing its license on time.

Therefore, the Board should revise 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.

## Board's procedures for reviewing and adjudicating complaints are insufficient

The Board's decision-making processes for complaint resolution have three weaknesses. These weaknesses include board members' consideration of a licensee's disciplinary history prior to determining whether a violation has occurred, the lack of sufficient information provided to board members to support dismissing complaints and issuing letters of concern, and board members' not stating violations prior to determining disciplinary action. Specifically:

- **Board's premature consideration of disciplinary history may influence board decisions—** Board staff include a licensee's disciplinary history on investigation reports that board members receive prior to board meetings. According to board officials, board staff also send board members e-mails with proposed disciplinary action recommendations that reflect a licensee's disciplinary history prior to board meetings. The board members use this information to determine if a licensee violated a statute or rule, and if so, what disciplinary actions to take.

However, because disciplinary history information is provided to board members before the Board has decided whether a violation is or is not substantiated, it may influence board members' decisions on whether or not the licensee has violated statutes or rules. It is appropriate to consider a licensee's disciplinary history when determining the severity of the disciplinary action, but only after substantiating the complaint allegations. Board members received training in June 2013 from its Assistant Attorney General on maintaining order at meetings, which included information about when it is appropriate to consider disciplinary history. Even so, the Board should also 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 e-mail, 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.

- **Board members lack sufficient information to dismiss complaints and issue letters of concern**—The Board follows a practice of having its board staff recommend possible actions that board members could take based on the complaint investigation findings. However, its procedures for doing so should be improved. Specifically, when staff recommend that a complaint be dismissed or that the licensee receive a letter of concern, the Board does not receive the full investigation report. Instead the Board receives a brief summary of the investigation results. Although board members can request more information for these types of complaints, auditors observed only one board member asking a question about a complaint during the May 2013 board meeting, but did not observe any other information requests during the February, April, and May 2013 board meetings. By contrast, according to an Arizona State Medical Board official, Arizona State Medical Board staff provide their board members with a full investigation report for all complaints that go before the board for adjudication, providing these board members with the information they need to ensure that they agree with staff recommendations. The Board should similarly 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.
- **Board members not stating violations**—When adjudicating complaints, the Board should determine for each complaint allegation whether a statutory or rule violation has occurred. However, auditors observed that the Board did not systematically address each allegation when making decisions, nor did it formally determine whether a violation occurred prior to deciding whether or not to impose discipline. The *Attorney General's Handbook* recommendations for adjudicatory proceedings state that the purpose of an adjudicatory proceeding is to determine whether alleged acts violate statutes or rules. Therefore, the Board should first determine whether each allegation constitutes a violation and then take appropriate adjudicative action.

## Board should ensure timely resolution of complaints

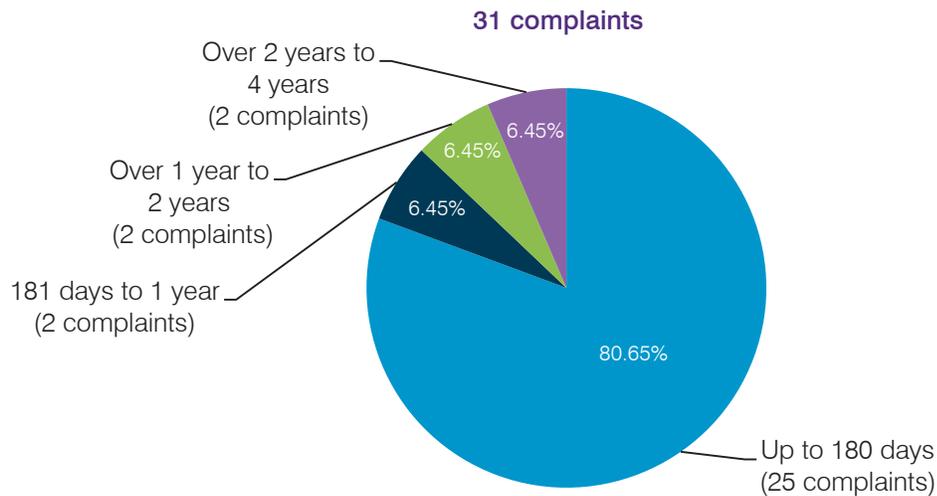
Although the Board generally adjudicated complaints in a timely manner, auditors found that almost 20 percent of cases reviewed exceeded the standard time frame. The Office of the Auditor General has found that Arizona regulatory boards should resolve complaints within 180 days of receiving them, which includes the time to both investigate and adjudicate complaints. Auditors reviewed 31 complaints that the Board received or opened in fiscal years 2000 through 2013 and found that the Board resolved these complaints in a median time frame of approximately 90 days.<sup>1</sup> However, as shown in Figure 1 (see page 22), 6 of the 31 complaints, or approximately 20 percent, took longer than 180 days to resolve, with a median time frame of approximately 640 days to resolve.

For 5 of the 6 complaints that took longer than 180 days to resolve, the licensees did not respond to the Board's requests for an informal interview.<sup>2</sup> The Board schedules informal interviews with licensees in cases where board staff have recommended that the Board consider imposing a civil

<sup>1</sup> This review included both the 16 complaints received from the public and the additional 15 complaints opened as a result of violations found during routine inspections. Auditors reviewed 32 complaints in total, but decided to not include the 32nd complaint in this analysis because they were unable to determine when the Board closed it.

<sup>2</sup> The sixth complaint took approximately 230 days to adjudicate and was dismissed by the Board.

**Figure 1: Length of time to resolve complaints  
Fiscal years 2009 through 2013<sup>1</sup>**



<sup>1</sup> The Board received 1 of the 31 complaints reviewed by auditors in fiscal year 2000. The other 30 complaints reviewed were received between fiscal years 2009 through 2013.

Source: Auditor General staff analysis of 1 complaint received by the Board in fiscal year 2000 and 30 complaints received by the Board between fiscal years 2009 through 2013.

monetary penalty. The informal interview allows the licensee a chance to respond to the complaint allegations in front of the Board. According to a board official, board staff waited approximately 180 days after the licensee failed to attend the informal interview before sending these complaints to the Assistant Attorney General to draft motions to deem allegations admitted. Board staff stated that during this time, the licensee may have contacted the Board to find out the status of his/her complaint or the action taken by the Board. However, for the 5 complaints, board staff waited a median time of approximately 410 days to send these complaints to the Assistant Attorney General. During the audit, according to a board official, the Board decreased the time that its staff wait to send a complaint to the Assistant Attorney General to 30 days after the licensee fails to attend an informal interview.

Failure to resolve complaints in a timely manner does not protect public health and safety because licensees alleged to have violated board statutes and rules can continue to practice while under investigation, even though they may be unfit to do so. In such instances, a lengthy adjudication process may delay board actions that protect the public, such as revoking a license.

Therefore, the Board should develop and implement written policies and procedures for monitoring the complaint resolution process. These policies and procedures should identify the steps board staff should take when licensees do not attend the informal interview and the time frames for completing these steps. In addition, although board staff enter complaint-processing information into its database, such as the date the complaint was received and the date of the informal interview, the Board does not use the database to monitor complaint timeliness. Therefore, the Board should 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. Once the Board has developed a report, it should use this information to address factors within its control that cause delays in the complaint resolution process.

## Recommendations:

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
  - d. Require a supervisory review process and outline the steps the investigative supervisors should take to review complaint investigations.
2. Once these policies and procedures have been developed and implemented, all applicable staff should be trained on the complaint investigation policies and procedures.
3. The Board should revise 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.
4. To improve its procedures for reviewing and adjudicating complaints, the Board should:
  - 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 e-mail, 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;
  - 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
  - c. First determine whether each complaint allegation constitutes a violation, and then take appropriate adjudicative action.

5. To ensure timely resolution of complaints, the Board should:
  - 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
  - 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.

# Public information

*The Board should develop policies and procedures to help ensure that its staff provide complete and timely information requested by phone. Additionally, the Board should provide complaint and disciplinary information about its licensees on its Web site.*

## Board should improve its provision of public information

The Arizona State Board of Cosmetology (Board) does not provide timely or complete licensee information to the public. Although the Board responds to public requests over the phone, it does not provide timely and complete information in response to these requests. Additionally, although the Board provides some licensee information on its Web site, it does not provide disciplinary history information about its licensees on the Web site. Specifically:

- **Board does not provide timely and complete information over the phone—** Auditors placed four phone calls to board staff in May and June 2013 to request licensing, complaint and disciplinary-history information for four licensees. For three of the four phone calls, auditors were instructed to leave messages for the Board's compliance officer. Although the Board returned one call within 48 hours and provided complete licensing and complaint history information, it did not return the other two phone calls. According to board staff, the Board should respond to these types of public information requests within 24 hours. For the fourth call, the Board was not able to locate the requested licensee in its database and, therefore, was not able to provide any licensing or complaint history information for this licensee. According to board staff, the search function in the Board's database often requires expanding the search criteria to locate correct licensee information, such as the licensee's address or license number. However, auditors were able to locate this particular licensee in the database without expanding the search criteria.

The public should have access to timely and complete information about licensees because of the potential impact of this information on public health and to make informed decisions. However, the Board does not have any written policies and procedures that would assist staff in effectively and efficiently responding to public information requests. For example, no secondary person is designated to respond to the public requests for information or provided with instructions on how to respond to these requests. Establishing written procedures would help ensure that board staff will know how to handle such inquiries. Therefore, the Board should develop written policies and procedures and train board staff on them 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.

- **Board does not provide complaint or disciplinary history information on its Web site—**Some Arizona state regulatory boards disclose on their Web sites information

about complaints that have resulted in disciplinary action, but the Board does not do so.<sup>1</sup> For example, the Arizona State Board of Physical Therapy and the Arizona Board of Behavioral Health Examiners provide licensing, complaint, and disciplinary-history information on their Web sites. This information includes complaint summaries and board orders for disciplinary action. Further, the Arizona State Board of Pharmacy provides licensing and disciplinary history information on its Web site and, as required by statute, directs the public to contact the Board for complaint summaries.

By including this type of information on its Web site, the public would have immediate access to licensees' disciplinary histories, and board staff would likely reduce the time they spend responding to public information requests. Further, the Board's database already integrates with its Web site to provide licensing information and includes a search function that allows the public to search licensee information. Therefore, the Board should consult with its online database contractor to provide complaint and disciplinary history information on its Web site.

In addition, the Board should comply with Arizona Revised Statutes (A.R.S.) §32-4404(C) by posting a statement on its Web site stating that the public may contact the Board to request any licensee's public records, including dismissed complaints, nondisciplinary actions, and board orders.

## Recommendations:

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
  - b. Train appropriate staff on the new policies and procedures.
2. The Board should consult with its online database contractor to provide complaint and disciplinary-history information on its Web site.
3. The Board should comply with A.R.S §32-4404(C) by posting notice on its Web site stating that the public may contact the Board to request any licensee's public records, including dismissed complaints, nondisciplinary actions, and board orders.

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<sup>1</sup> Like other regulatory boards, the Board is prohibited by statute (A.R.S. §32-4404) from reporting on its Web site complaints that were dismissed. Statute does not specifically require Arizona regulatory agencies to report on their Web sites complaints that do result in disciplinary action, but it does not preclude their doing so.

# Sunset factor analysis

*The analysis of the sunset factors includes several additional recommendations not discussed earlier in this report. These recommendations address using the Board's database to better manage operations, ensuring that salons are not operating without renewing their licenses, and strengthening controls over payroll processing and cash receipts (see Sunset Factor 2, pages 27 through 29); complying with the State's open meeting law (see Sunset Factor 5, pages 29 through 30); and seeking two changes through legislation—lowering the age requirement for licensure and ensuring that its process for approving licenses by examinations is consistent with statute (see Sunset Factor 9, pages 31 through 32).*

In accordance with Arizona Revised Statutes (A.R.S.) §41-2954, the Legislature should consider the factors included in this report in determining whether the Arizona State Board of Cosmetology (Board) should be continued or terminated.

**1. The objective and purpose in establishing the Board and the extent to which the objective and purpose are met by private enterprises in other states.**

The Board was created in 1935, and its mission is to protect the public's health, welfare, and safety through education and enforcement of the State's cosmetology laws and rules. The Board's responsibilities include licensing qualified individuals, salons, and schools; conducting inspections of salons and schools; investigating and resolving complaints and disciplining violators when necessary; and providing information to the public. In addition, statute requires the Board to propose minimum school curriculum requirements for cosmetologists, aestheticians, nail technicians, and instructors and to administer or select a national professional organization to administer the licensing examinations for aestheticians, cosmetologists, and instructors.

Auditors did not identify any states that met the objective and purpose of the Board through private enterprises. According to the National-Interstate Council of State Boards of Cosmetology, all 50 states regulate the practice of cosmetology through a state agency or regulatory board as of December 2012.

**2. The extent to which the Board has met its statutory objective and purpose and the efficiency with which it has operated.**

The Board needs to take several actions to better fulfill its statutory objective and purpose and operate efficiently. Specifically, as discussed in the report, the Board should take additional steps to continue to ensure applicants meet all requirements for licensure, complies with its time frames for issuing licenses, and reports detailed and supported information to oversight bodies (see pages 5 through 9); revise its inspection approach and processes to ensure that all salons are adequately inspected in a timely manner based on the risks they pose to the public (see pages 11 through 16); improve its complaint investigation process, take consistent disciplinary action against licensees when violations are found, and resolve complaints in a timely manner (see

pages 17 through 24); and provide complete and timely information to the public by telephone and on its Web site (see pages 25 through 26). Further, auditors identified four additional areas in which the Board should improve its operations:

- **Board should use the functionality of its database**—The Board’s database has many capabilities that the Board did not know were available for its use. According to a representative from the company that designed and maintains the Board’s database, the database has the functionality to generate reports regarding how many complaints the Board received or opened, the status of these complaints, and how many inspections it conducted. For example, the Board could not provide auditors with reliable information on the number of complaints it received or opened in fiscal year 2013. The Board can also use its database to track and monitor the processing of licenses to ensure it meets required time frames (see page 6). The Board should discuss the capabilities of its database with its online database contractor and use it to better meet its objective and purpose.
- **Board should do more to ensure salons do not operate without renewing their license**—Statute requires salons to renew their license annually based on the date they were initially licensed to continue to operate. However, the Board does not have a policy or practice for determining whether salons that fail to renew their license are still operating without a license. At the February 2013 board meeting, board members expressed concerns that salons were continuing to operate without renewing their licenses. According to board licensing data, 962 salons were overdue for renewing their licenses as of June 2013. As indicated in the Inspections section on page 13, the Board could include whether a salon was delinquent in renewing its license as a risk factor for determining whether to inspect a salon. This would help the Board target salons with delinquent licenses and bring them in to compliance with the licensing requirements.
- **Board should strengthen internal controls and separate responsibilities over processing payroll**—According to an Office of the Auditor General August 2013 procedural review, the Board lacks internal controls over the payroll process, including separating payroll responsibilities, documenting an employee’s pay rate, and maintaining personnel records.<sup>1</sup> Specifically, the individual responsible for processing payroll had the authority to input employee information and change employee pay rates in the State of Arizona’s automated payroll system without approval from another employee. In addition, the Board did not document that proper amounts were being paid to all employees. 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.
- **Board should strengthen cash receipts policies and procedures**—The August 2013 procedural review also found that the Board does not have up-to-date cash-receipt policies and procedures detailing its process for collecting, recording, and depositing

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<sup>1</sup> Procedural review of the Arizona State Board of Cosmetology as of March 1, 2013, issued August 13, 2013.

receipts in accordance with the *State of Arizona Accounting Manual*. The Board last updated these policies and procedures in 2002, resulting in inconsistencies in how various receipts were collected and processed by the Board. Specifically, fines, forfeitures, and penalties receipts were collected, recorded, deposited, and reconciled by the same employee, without a supervisory review of the deposit or reconciliation performed. Further, the Board did not perform daily reconciliations between its internal records and online credit card payments, or monthly reconciliations between its internal accounting system, bank deposits, and the State's accounting system. The Board should strengthen controls over cash receipts and comply with the *State of Arizona Accounting Manual* by updating and maintaining detailed written cash receipt policies and procedures and appropriately separating cash receipt responsibilities.

**3. The extent to which the Board serves the entire State rather than specific interests.**

The Board serves cosmetology professionals, its clients, and the public throughout the State by ensuring that cosmetologists, nail technologists, and aestheticians are qualified to practice cosmetology. In addition, it licenses cosmetology, nail technology, and aesthetics instructors; salons; and schools in all parts of the State. The Board also receives and investigates complaints filed by the public against licensees and conducts inspections of salons and schools. Further, the Board provides the public with information on its Web site regarding new laws and rules pertaining to the cosmetology industry.

**4. The extent to which rules adopted by the Board are consistent with the legislative mandate.**

General Counsel for the Auditor General has analyzed the Board's rule-making statutes and believes that the Board has fully established rules required by and that are consistent with statute.

**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.**

Auditors found that the Board has encouraged input from the public before adopting its rules. Specifically, in January 2008, the Board proposed rule changes to clarify and simplify infection-protection procedures and sought public input by providing a contact person to answer questions about the proposed rule change, and offered an oral proceeding before adopting the rules.

Auditors assessed the Board's compliance with various provisions of the State's open meeting law for its February, April, and May 2013 board meetings and found that although the Board adhered to some requirements, it needed to improve its compliance with some provisions of the open meeting law. Specifically, the Board posted board meeting notices and agendas in compliance with statute at the physical locations where the Board's Web site states they will be posted. However, the Board did not post the meeting agenda on its Web site at least 24 hours in advance for its April 2013 board meeting. Additionally, the Board made audio recordings of

meetings available within 3 business days following the board meetings and posted most of its written meeting minutes on its Web site when they were drafted and finalized. However, auditors' review of fiscal year 2013 board meeting minutes determined that the Board had not posted its August 17, 2012, and November 16, 2012, board meeting minutes on its Web site. The Board's written board meeting minutes also did not provide a sufficient general description of the matters considered as required by statute.<sup>1</sup> For example, in most instances, the written minutes state that the licensee "spoke to the issue" instead of describing the discussion. The minutes also do not explain the reasons why the Board changes the discipline or civil penalty from the board staff-recommended amount. During the audit, the Board started to provide more descriptive meeting minutes, beginning with the minutes from its June 2013 meeting. Therefore, the Board should fully comply with the State's open meeting law by posting its agendas on its Web site at least 24 hours in advance of its meetings, posting all of its board meeting minutes on its Web site, and by continuing to ensure that its written minutes are more descriptive.

**6. The extent to which the Board has been able to investigate and resolve complaints that are within its jurisdiction.**

The Board has statutory authority to investigate and resolve complaints within its jurisdiction and has disciplinary options available to address statute and/or rule violations, such as issuing a letter of concern, imposing a civil penalty and/or probation, or revoking a license. However, as discussed in the Complaint Resolution section of the report, auditors found that the Board should improve its complaint resolution process by developing and implementing written policies and procedures for conducting adequate complaint investigations and ensuring that investigation reports receive supervisory reviews; revising the guidance document board staff uses for making disciplinary recommendations to the Board; improving its decision-making processes; and resolving complaints in a timely manner (see pages 17 through 24 for more information).

**7. The extent to which the Attorney General or any other applicable agency of state government has the authority to prosecute actions under the enabling legislation.**

A.R.S. §32-575 states that the Board may apply for an injunction to prevent someone from violating the cosmetology laws through the Attorney General or a county attorney. On all other matters, the Attorney General serves as the Board's legal advisor and provides legal services as the Board requires, according to A.R.S. §41-192(A).

**8. The extent to which the Board has addressed deficiencies in its enabling statutes that prevent it from fulfilling its statutory mandate.**

The Board reported that it has sought statutory changes to address deficiencies in its statutes. These include the following:

- Laws 2011, Ch. 199, amended multiple board statutes to delegate authority to the Board's executive director to issue licenses to applicants who meet the requirements for licensure without having the Board review and approve the license. It also requires reciprocity license

<sup>1</sup> Auditor General staff analysis of A.R.S. §38-431.01.

applicants to complete an infection-protection and law review class. Prior to this change, applicants for reciprocity were not required to take any additional education for licensure. This amendment also removed the statutory term limit of two consecutive terms for board members.

- Laws 2012, Ch. 99, amended multiple board statutes to exempt from licensure persons who provide tanning services by air brushing, tanning beds, or spray tanning. The Board did not regulate these services prior to this amendment; the change was to explicitly exempt these services in statute. This statutory revision also allows the Board to hire individuals to provide investigative, professional, and clerical assistance. Lastly, this statutory revision allows the Board to collect attorney fees from licensees for disciplinary actions and to use the monies collected for training and education, disciplinary investigations, and costs related to administrative hearings.
- Laws 2012, Ch. 30, amended A.R.S. §32-506 to exempt from licensure persons who practice “threading.” This is defined as the process of removing hair by twisting a single strand of cotton thread around the hair and excludes the use of any chemicals, wax, implements, instruments, or tools to remove hair.
- Laws 2012, Ch. 183, amended A.R.S. §§32-541 and 32-574 to eliminate the requirement that a salon’s designated manager had to be licensed. Prior to this change, a designated salon manager had to be a licensee.
- Laws 2013, Ch. 5, amended A.R.S. §32-513 to consolidate the infection protection and law review classes into one required class for reciprocity applicants.

**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.**

Consistent with the recommendation made in the Office of the Auditor General’s 1983 performance audit of the Board (see Report No. 83-5), this audit found that the Board should propose legislation to lower the age requirement for licensure to be in line with other state cosmetology and Arizona regulatory boards. Statute requires all applicants for initial licensure to have completed 2 years of high school or be 23 years of age. The Board was unable to explain the reasons for this specific age requirement. Auditors conducted a review of the cosmetology statutes for the five surrounding states—California, Colorado, Nevada, New Mexico, and Utah—and found that the highest age requirement was 18 years old. Further, a review of 30 Arizona state regulatory boards and agencies found that the age requirement for licensure by these entities ranged from 16 to 21 years of age. The Board’s higher age requirement is an unnecessary barrier to licensure for individuals without 2 years of high school education.

The Board should also propose legislation to ensure that its process for approving license applicants to take examinations is consistent with statute. The Board allows applicants who fail licensing examinations to retake the examination by reapplying with the testing company without having to reapply to the Board. However, according to statute, applicants who want to retake

the examination must reapply to the Board.<sup>1</sup> Although the Board's process is more efficient because it reduces the amount of paperwork it receives and does not require applicants to resubmit applications before retaking the examinations, this process does not comply with statute. Based on auditors' review of licensing requirements, requiring the applicant to reapply would not provide the Board with any new or updated information that it would need to consider prior to authorizing an applicant to retake the examinations. If statute is revised to change this requirement, the Board will need to ensure that it makes corresponding rule changes to reflect its process. However, until then, the Board should adjust its process to be in compliance with statute and rule.

Finally, as discussed in the Licensing section of the report (see pages 5 through 9), the Board should work with its stakeholders to develop and propose legislation to require the completion of continuing education as a condition of license renewal and to change its renewal frequency from 1 to 2 years.

**10. The extent to which the termination of the Board would significantly affect the public health, safety, or welfare.**

Terminating the Board would affect the public's health, safety, and welfare if its regulatory responsibilities were not transferred to another entity. The Board protects the public by ensuring that cosmetologists, nail technicians, and aestheticians are qualified to practice cosmetology, by ensuring instructors, schools, and salons meet the required qualifications outlined in rule, by receiving and investigating complaints against licensees alleging incompetence or unprofessional conduct, and by taking appropriate disciplinary action against licensees when allegations have been substantiated. According to literature, cosmetology services can expose both licensees and clients to hazardous chemicals as well as multiple diseases and infections, including staph infections, hepatitis, and bacterial infections.<sup>2</sup> These conditions can enter the body through freshly shaved skin, cuts, or abrasions. Individuals who are not properly educated in the proper sanitation procedures and safety standards for cosmetology practices increase the risk of exposing clients to infection.

The Board also provides information to the public about the licensing status and disciplinary history of licensees. These functions help protect the public from potential harm. For example, auditors reviewed complaints investigated by the Board alleging actions by licensees that posed a threat to the public, including unsanitary work stations and employing unlicensed individuals.

**11. The extent to which the level of regulation exercised by the Board compares to other states and is appropriate and whether less or more stringent levels of regulation would be appropriate.**

The audit found that the level of regulation exercised by the Board is not similar to that in other states in several areas. Auditors conducted a review of the cosmetology statutes for the five

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<sup>1</sup> A.R.S. §32-515

<sup>2</sup> Sniezek, P.J., Grahahm, B.S., Busch, H.B., Lederman, E.R., Lim, M.L., Poggemyer, K., et al. (2003). Rapidly growing mycobacterial infections after pedicures. *Archives of Dermatology*, 139, 629-634; Walsh, S.A. (2012). Beyond the polish: An examination of hazardous conditions in nail salons and potential solutions for the industry in New York City. *Journal of Law and Policy*, 21, 243-282.

surrounding states—California, Colorado, Nevada, New Mexico, and Utah—for requirements in the following areas: continuing education, inspections, school hours, age, education, reciprocity, delinquent fees, and license renewal frequency. Auditors also conducted a review of 30 Arizona state regulatory boards and agencies for age requirements, education, and renewal frequency. Auditors found that there were some areas of regulation where the Board was more restrictive than in other states and other Arizona state boards. Specifically:

- As stated in Sunset Factor 9 (see pages 31 through 32), the Board requires that applicants for initial licensure be at least 23 years old or have completed 2 years of high school. A review of surrounding states found that the highest age requirement was 18 years old. Further, auditors' review of the 30 Arizona state regulatory boards and agencies found that the age requirement ranged from 16 to 21 years of age. A higher age requirement is an unnecessary barrier to licensure for individuals without 2 years of high school education.
- Applicants for licensure must graduate from a cosmetology school that is currently licensed by the Board. Some other states give applicants the option of graduating from a cosmetology school or completing an apprenticeship program to obtain a license. These programs generally consist of working a prescribed number of hours under the supervision of a licensed professional for a prescribed period of time, and some states also require a small number of schooling hours as well. For example, Utah's apprenticeship program requires applicants to complete 2,500 hours of training in not less than 15 months, and California requires 2-year, 3,200-hour apprenticeship training and 220 hours of classroom instruction for its program.
- The Board is required to conduct inspections of all salons applying for licensure as part of the licensing process and routine inspections of all licensed salons on a regular basis as it deems necessary. The routine salon inspections are conducted to check for compliance with sanitation and licensing laws. However, the Colorado and Nevada cosmetology agencies conduct inspections of salons when investigating a complaint, and the Nevada cosmetology agency also conducts an inspection prior to issuing a license. These states do not conduct routine inspections of licensed salons unless there is a reason to believe they may be out of compliance.

However, auditors identified one area where the Board was less restrictive than in some other states. Specifically, auditors found that Arizona statute does not require licensees to complete any continuing education hours as a condition for renewing their license. Literature recommends continuing education in the cosmetology industry to ensure licensees are trained on hazardous chemicals and their proper use, blood-spill risks, and proper clean-up procedures.<sup>1</sup> A review of licensing requirements for some other state cosmetology agencies found that seven states have a continuing education requirement as part of their license renewal process.<sup>2</sup> Therefore, the Board should propose legislation to require its licensees to complete continuing education for

<sup>1</sup> Murtagh, M., & Hepworth, J. (2004). Hepatitis C in the workplace: A survey of occupational health and safety knowledge and practice in the beauty therapy industry. *Australian and New Zealand Journal of Public Health*, 28, 207-211; Hepworth, J., & Murtagh, M. (2005). Correct procedures and cutting corners: A qualitative study of women's occupational health and safety in a beauty therapy industry. *Australian and New Zealand Journal of Public Health*, 29, 555-557; Walsh, S.A. (2012). Beyond the polish: An examination of hazardous conditions in nail salons and potential solutions for the industry in New York City. *Journal of Law and Policy*, 21, 243-282.

<sup>2</sup> Florida, Georgia, Illinois, Nevada, New Mexico, North Carolina, and West Virginia.

renewal of their licenses to ensure licensees are properly trained (see pages 7 through 9 for more information).

**12. The extent to which the Board has used private contractors in the performance of its duties as compared to other states and how more effective use of private contractors could be accomplished.**

The Board contracts for some administrative services and one regulatory function. Specifically, the Board contracts with the Arizona Department of Administration's Central Services Bureau for its accounting services and with a private company for its information technology services. The Board is responsible for testing applicants for licensure and contracts with Professional Credentialing Services to administer the different licensing exams created by the National-Interstate Council of State Boards of Cosmetology (NIC). According to the NIC, 35 states contract for the administration of one or more of their licensing examinations, and 30 states use examinations developed by the NIC.

Auditors contacted the five surrounding states—California, Colorado, New Mexico, Nevada, and Utah—and found that these states' cosmetology agencies contract for their licensing examinations and do not contract for any other regulatory functions.

The audit did not identify any additional areas where the Board should consider using private contractors.

# Appendix A

*This appendix provides information on the methods auditors used to meet the audit objectives. The Auditor General and staff express appreciation to the Arizona State Board of Cosmetology, its Executive Director, and its staff for their cooperation and assistance throughout the audit.*

## Methodology

Auditors conducted this performance audit of the Arizona State Board of Cosmetology (Board) in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Auditors used various methods to study the issues in this report. These methods included reviewing board statutes, rules, records, and policies and procedures; reviewing licensing requirements in other state cosmetology boards and other Arizona state regulatory boards and agencies; reviewing budget information; interviewing board members, staff, and various stakeholders; reviewing literature on public health risks and the need for continuing education; and reviewing information from the Board's Web site.

In addition, auditors used the following specific methods to meet its audit objectives:

- To determine whether the Board issued initial licenses to qualified applicants in a timely manner, auditors reviewed a random sample of 27 individual, instructor, and salon license applications that the Board approved in calendar year 2012, 3 school license applications approved in 2004 and 2009, and 9 license applications the Board approved in calendar year 2013 as of May 2013.<sup>1</sup> In addition, auditors reviewed the Board's license application materials and compared them to statutes and rules. Further, auditors reviewed the Board's license renewal requirements, and five other states' license renewal requirements, and the license renewal requirements for 28 other Arizona state regulatory boards and agencies.<sup>2</sup>
- To determine whether the Board adequately conducts salon inspections to protect the public from unsanitary conditions, auditors observed eight salon inspections performed by board inspectors in April 2013 and reviewed inspection histories of a random sample of 54 salons that the Board licensed between January 2007 and December 2012. In addition, auditors reviewed the Board's salon inspection checklist and compared it with statutes and rules.

<sup>1</sup> Auditors reviewed 39 licensing applications the Board approved from different licensing categories, including individual, instructor, salon, and school licenses.

<sup>2</sup> Auditors reviewed the license renewal requirements from the five surrounding states: California, Colorado, New Mexico, Nevada, and Utah.

- To determine whether the Board processes complaints in an appropriate and timely manner, auditors reviewed a sample of 32 complaints that the Board received between fiscal years 2000 through 2013.<sup>1</sup> Auditors also observed board meetings in February, April, and May 2013; and conducted an interview with an Arizona State Medical Board official.
- To assess whether the Board shares appropriate licensee information with the public, auditors placed four anonymous phone calls to board staff in May and June 2013 to request licensing information and complaint history for four licensees and compared the information provided to information in the Board's database. Auditors also reviewed licensing information about specific licensees on the Board's Web site and assessed whether the information provided was consistent with statutory requirements.
- To obtain information used in the Introduction section of the report, auditors reviewed fiscal year 2013 board records regarding the number of licenses issued in fiscal year 2013, safety and sanitation classes administered, the number of inspections conducted, and the number of complaints received or opened and disciplinary actions taken by the Board. In addition, auditors compiled and analyzed unaudited information from the Arizona Financial Information System (AFIS) *Accounting Event Transaction File* for fiscal years 2011 and 2012 and the AFIS Management Information System *Status of General Ledger—Trial Balance* screen for fiscal years 2011 through 2013.
- To obtain information used in the sunset factors, auditors reviewed the Board's license renewal application requirements and the licensure requirements for 28 Arizona state regulatory boards or agencies, and the licensure and inspection requirements of the 5 surrounding states—California, Colorado, Nevada, New Mexico, and Utah—and interviewed representatives from professional organizations.<sup>2</sup> In addition, auditors reviewed literature on the health risks and need for continuing education in the cosmetology industry. Further, to assess the Board's compliance with the State's open meeting law, auditors attended the February, April, and May 2013 board meetings and reviewed the associated public meeting notices, agendas, and meeting minutes. Finally, to obtain information regarding other states' use of private contractors, auditors contacted the five surrounding states previously mentioned.
- Auditors' work on internal controls included observing and interviewing board staff to learn about their policies and procedures and, where applicable, testing the Board's compliance with its statutes and rules for licensing, inspections, complaint handling, providing information to the public, and compliance with the State's open meeting law. Auditors also reviewed the Office of the Auditor General's August 2013 procedural review of the Board's internal controls related to processing payroll and cash receipts.<sup>3</sup> Auditors' conclusions on these internal controls are reported in the report chapters and sunset factors.

<sup>1</sup> Auditors reviewed 32 complaints in total but decided to not include the 32nd complaint in this analysis because they were unable to determine when the Board closed it. All analysis was done on 31 complaints. The Board received 1 of the 31 complaints in fiscal year 2000. The other 30 complaints auditors reviewed were received by the Board between fiscal years 2009 through 2013.

<sup>2</sup> Auditors interviewed representatives from the American Association of Cosmetology Schools and the Professional Beauty Association.

<sup>3</sup> Procedural review of the Arizona State Board of Cosmetology as of March 1, 2013, issued August 13, 2013.

# AGENCY RESPONSE



Donna Aune, Executive Director

1721 East Broadway • Tempe AZ 85282  
Phone 480.784.4539 • Fax 480.784.4962  
www.azboc.gov

Ms. Debra K Davenport CPA  
Auditor General  
Office of the Auditor General  
2910 North 44<sup>th</sup> Street, Suite 410  
Phoenix Arizona 85018

September 12, 2013

Re: Auditor General's Report for the Arizona State Board of Cosmetology

Dear Ms. Davenport:

The Arizona State Board of Cosmetology (BOC) would like to thank you for the opportunity to respond to the preliminary report draft performance and sunset review audit, dated September 5, 2013. The BOC, overall, is in agreement with the findings of the Auditor General, and each recommendation is addressed as required.

**Licensing and Permitting:**

**Recommendation 1: 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 is trained on them.**

*The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

*In 2008, the BOC contracted with PCS (Professional Credential Services) to administer both the written and practical exams, and at that time, the former Executive Director delegated the responsibility to the applicant's school and PCS to ensure that documentation was complete for all applicants. The audit report recognizes that the BOC has since revised its license application review and approval process and effective August 2012, has required staff to obtain all required documentation to determine an applicant's qualifications for licensure.*

*The BOC will develop and implement written policies and procedures, and direct staff to obtain and review all necessary documentation to ensure applicants meet all statutory and rule requirements prior to issuing a license. In addition, the BOC will provide training on these policies and procedures and this will be accomplished within the next 12 months.*

**Recommendation 2: 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 data base 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 finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

*The BOC will develop and implement written policies and procedures, and direct staff to obtain and review all necessary documentation to ensure time frame compliance that meet all statutory and rule requirements prior to issuing a license. In addition, the BOC will provide training on these policies and procedures.*

*Again, as the audit recognizes in Recommendation 1, since August 2012, the application process has been revised. All required documents are being retained and candidates are approved according to statute and rule. The BOC is already working with PCS for documentation notification of all candidates that fail the exam so the time frames can be tracked appropriately.*

*The BOC computer system is known as VERSA/IRON DATA. The BOC has had difficulty in retrieving data from VERSA/IRON DATA and has attempted on numerous occasions to resolve these issues with little to no success. In 2010, BOC attempted to change its database vendor but was not allowed to do so by State Procurement. Presently, the BOC is researching a possible system upgrade of the current system or a new system. The BOC will work with the database vendor to add "alerts" and tracking of time frames.*

**Recommendation 3: 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.**

*The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

*The BOC's Strategic Plan and proposed Budget for FY 2013, the BOC reported that it "provides services" to approximately 118,000 licenses; this number is correct. The audit report shows approximately 58,000 active licenses with approximately 5,600 initial licenses issued in FY 13. This number is far less than the number reported on the BOC's Strategic Plan because the number does not include the delinquent and inactive license count, and those numbers change on a daily basis. The delinquent and inactive licenses are numbers the BOC counts because staff provides services to all licensees no matter what status they are in, by reactivating an inactive license, renewing a delinquent license or certifying information for a licensee that is requesting a history of their license for another state or country, even if that license is over 10 years inactive. Therefore, the BOC is accurate when it states that it provides services in FY 2013 to 118,000 licenses. Going forward, the BOC will ensure that all reported information is reported in a clear and detailed manner.*

*The BOC has had difficulty in retrieving data from VERSA/IRON DATA and has attempted on numerous occasions to resolve these issues with little to no success. The BOC is researching a possible system upgrade of the current system or a new system.*

**Recommendation 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.**

*4 (a): The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

*The BOC agrees that requiring continuing education (CE) will help to protect the public. The BOC will refer this issue to its Legislative Committee that will study how best to implement CE requirements and make a recommendation to the full Board. The BOC has a concern with the lack of staff and the additional work required to monitor CE for the number of licenses issued. The BOC is also concerned about the burden this places on its licensees because this is an industry where time away from work means less income. The BOC already offers an Infection Protection and Law Review Class. In fact the audit recognizes that in FY 2013, 2,177 individuals took the class. This class has been*

*offered for approximately 25 years which illustrates the BOC's long running support of consumer protection through CE.*

*4(b): The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

*The BOC will pursue license renewal frequency to 2 years instead of annually. This proposal will also be referred to the Legislative Committee, and the BOC will likely seek appropriate legislation in FY 2016.*

#### **Inspections:**

**Recommendation 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 data base to generate inspection reports that provide inspection history information of 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 these salons' identified risks;**
- 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 data base, 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.**

*1 (a-d): The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

*The BOC will develop and implement written policies and procedures, and direct staff to obtain and review all necessary documentation to ensure a more risk-based approach is taken in deciding inspection procedures. In addition, the BOC will provide training on these policies and procedures.*

*The BOC in FY 2013 had approximately 7,865 licensed salons and 75 licensed schools. The BOC is allocated 24.5 full-time employees and at this time has only 17, (which is allowed by the "State Human Resource Head Count" derived from July 1, 2011 headcount plus 5%). The BOC has indicated in its Strategic Plan the desperate need for more full-time staff. Although the BOC had a goal to inspect salons on an annual basis during the audit, it now has an ongoing goal of inspecting salons every 2 years. However, this goal is impossible to meet due to staff deficiencies. The BOC Compliance Department will also work to conduct a more risk-based approach to deciding inspections.*

**Recommendation 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.**

*2 (a-b): The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

*The inspection checklist is currently being updated, changing vague requirements, and removing outdated information, and the BOC will train inspectors and investigators on the new updated form, within the next 6 months. The BOC has written procedures on inspections and will use them as a guideline to develop and implement new policies and procedures.*

*The BOC will develop and implement written policies and procedures, and direct staff to use the inspection checklist for all inspection and investigation procedures. In addition, the BOC will provide training on these policies and procedures and this will be accomplished within the next 3 months.*

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

*The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

*Training will be complete within the next 3 months.*

*Inspection rights have always been important to the BOC. Inspectors are instructed to read to salon representatives all inspections rights when entering the establishment and such rights are also explained on the back of the inspection report. When signing the inspection sheet, the salon representative acknowledges that they have received and agree with the inspection rights.*

## **Complaint Resolution**

**Recommendation 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**
- d. Require a supervisory review process and outline the steps the investigative supervisors should take to review complaint investigations.**

*1 (a-d): The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

*The BOC will conduct updated staff training regarding conducting investigations and drafting for investigation reports.*

*Most board investigators have been trained by the following:*

- 1. Supervisory staff;*
- 2. CLEAR (Council on Licensure Enforcement and Regulation);*
- 3. FARB (Federation of American Regulatory Boards); and*
- 4. State of Arizona Investigator Training.*

*In addition, the BOC has written procedures on investigations and will use them as a guideline to develop new policies and procedures on compliance resolution.*

**Recommendation 2: Once these policies and procedures have been developed and implemented, all applicable staff should be trained on the complaint investigation policies and procedures.**

*The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

*The BOC will develop and implement written policies and procedures and provide training on these policies and procedures. In addition the BOC will send new staff for investigative training provided by CLEAR.*

**Recommendation 3: The Board should revise 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.**

*The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

*The BOC has provided disciplinary parameters for staff to use, and whenever Board directs staff to change parameters they are revised. This "guidance document", as it is referred to in the audit, is frequently put on the board meeting agenda for Board discussion and revision. The BOC has no problem with continuing to revise the verbal guidance given by the Board.*

*The BOC already has established a supervisory review procedure to ensure that recommendations are consistently provided to the Board. The Board's parameters are used in making recommendations to the Board.*

*The disciplinary parameters will be revised to include any verbal guidance given by the Board and implemented within the next 3 months.*

**Recommendation 4: To improve its procedures for reviewing and adjudicating complaints, the Board should:**

- 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 e-mail, 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;**
- 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**
- c. First determine whether each complaint allegation constitutes a violation, and then take appropriate adjudicative action.**

*4 (a-c): The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

*The BOC will develop and implement written policies and a procedure making sure that disciplinary history is not provided to board members prior to the Board members determining that a licensee has violated statutes and rules. In addition the BOC will develop and implement policies and procedures that ensure that written reports contain enough information to take appropriate action. In addition, the BOC will provide training on these policies and procedures and this will be accomplished within the next 12 months.*

*The prior history of a licensee will no longer be entered on Complaint Summaries which are provided to Board members, and this will begin as early as the September, 2013 Board Meeting.*

**Recommendation 5: To ensure timely resolution of complaints, the Board should:**

- 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**
- b. Use its database to monitor complaints as they proceed through 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.**

*5 (a-b): The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

*The BOC will develop and implement written policies and procedures for monitoring the complaint resolution process and steps staff should take when licensees do not attend the informal interview. In addition, the BOC will provide training on these policies and procedures.*

*The BOC has already implemented and greatly improved the time between Informal Interview and referral to the Attorney General's Office for the purpose of drafting a formal complaint. The BOC will also research and work with its database vendor to develop case time tracking reports to ensure timely resolution of complaints. Again, the BOC attempted to change database vendors in 2010 due to difficulty in retrieving data but were prohibited from doing so by State Procurement. The BOC is presently researching a possible upgrade of the current system or a new system.*

**Public Information:**

**Recommendation 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 the board staff can return the message requesting information in a timely manner; and**
- b. Train appropriate staff on the new policies and procedures.**

*1 (a-b): The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

*The BOC will develop and implement written policies and procedures to ensure staff recognizes the importance of giving accurate information over the phone and returning messages in a timely manner. In addition, the BOC will provide training to staff on these policies and procedures and this will be accomplished within the next 12 months.*

**Recommendation 2: The Board should consult with its online database contractor to provide complaint and disciplinary history information on its website.**

*The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

*The BOC is working with the ADOA- Arizona Strategic Enterprise Technology (ASET) in developing a new website and data base system. With the new website, BOC will be able to display complaint and disciplinary history information.*

**Recommendation 3: The Board should comply with A.R.S. §32-4404 (C) by posting notice on its Web site stating that the public may contact the Board to request any licensee's public records, including dismissed complaints, non-disciplinary actions, and board orders.**

*The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

*The posting of notice as required by A.R.S. §32-4404 has been implemented as of August 9, 2013.*

**Sunset Factor Analysis:**

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

**Bullet Point 1: Recommendation: The Board should discuss the capabilities with its online database contractor and use it to better meet its objective and purpose.**

*The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

**Bullet Point 3: Recommendation: 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.**

*The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

**Bullet Point 4: Recommendation: The Board should strengthen controls over cash receipts and comply with the State of Arizona Accounting Manual by updating and maintaining detailed written cash receipt policies and procedures and appropriately separating cash receipt responsibilities.**

*The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

**#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.**

**Recommendation: Therefore the Board should fully comply with the State's open meeting law by posting its agendas on its Web site, at least 24 hours in advance of its meeting, posting all of its board meetings minutes on its Web site, and by continuing to ensure that its written minutes are more descriptive.**

*The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

**#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.**

**Recommendation: The Board should propose legislation to lower the age requirement for licensure to be in line with other state cosmetology and Arizona regulatory boards.**

*The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

*The BOC concurs that the requirement of age 23 is unnecessary, and will refer the matter to the BOC Legislative Committee to pursue legislation, reducing the age requirement to 18 years within the next 2 years.*

*The BOC will study the auditors' comments regarding A.R.S. §32-515, and refer to the BOC Legislative Committee to possibly pursue legislation within the next 2 years.*

**Recommendation: The Board should also propose legislation to ensure that its process for approving license applicants to take examinations is consistent with statute. The Board allows applicants who fail licensing examinations to retake the examination by reapplying with the testing company, without having to reapply to the Board. However, according to statute, applicants who want to retake the examination must reapply to the Board. Although the Board's process is more efficient because it reduces the amount of paperwork it receives and does not require applicants to resubmit applications before retaking the examinations, this process does not comply with statute. Based on auditors' review of licensing requirements, requiring the applicant to reapply would not provide the Board with any new or updated information that it would need to consider prior to authorizing an applicant to retake the examinations. If statute is revised to change this requirement, the Board will need to ensure that it makes corresponding rule changes to reflect its process. However, until then the Board should adjust its process to be in compliance with statute and rule.**

*The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

*At this time the BOC is working with the testing company PCS and will receive fail notices on all candidates that have failed the exam. The BOC will then send a letter officially notifying the candidate of their failure.*

**#11, bullet point 2: The extent to which the level of regulation exercised by the Board compares to other states and is appropriate and whether less or more stringent levels of regulation would be appropriate.**

*Bullet point 2 refers to an apprenticeship program. The BOC has never been in favor of allowing unlicensed individuals to practice cosmetology services on the public. The BOC has always maintained that students should practice in a school environment under supervision of licensed instructors, learning infection control and safety standards, before working in a salon. Apprenticeship programs have been often abused as cheap labor, and the BOC believes that such programs are not in the best interest of the public.*

The BOC express its gratitude for the Auditor General's consideration during this audit. The BOC looks forward to the implementation of the Auditor General's recommendations that will be set forth according to the response.

Yours Truly,

Donna Aune, Executive Director

## Performance Audit Division reports issued within the last 24 months

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<b>11-07</b>	Department of Corrections— Oversight of Security Operations	<b>12-04</b>	Arizona State Parks Board
<b>11-08</b>	Department of Corrections— Sunset Factors	<b>12-05</b>	Arizona State Schools for the Deaf and the Blind
<b>11-09</b>	Arizona Department of Veterans' Services—Veterans' Donations and Military Family Relief Funds	<b>12-06</b>	Arizona Health Care Cost Containment System—Medicaid Fraud and Abuse Prevention, Detection, Investigation, and Recovery Processes
<b>11-10</b>	Arizona Department of Veterans' Services and Arizona Veterans' Service Advisory Commission— Sunset Factors	<b>12-07</b>	Arizona Health Care Cost Containment System—Sunset Factors
<b>11-11</b>	Arizona Board of Regents— Tuition Setting for Arizona Universities	<b>13-01</b>	Department of Environmental Quality—Compliance Management
<b>11-12</b>	Arizona Board of Regents— Sunset Factors	<b>13-02</b>	Arizona Board of Appraisal
<b>11-13</b>	Department of Fire, Building and Life Safety	<b>13-03</b>	Arizona State Board of Physical Therapy
<b>11-14</b>	Arizona Game and Fish Commission Heritage Fund	<b>13-04</b>	Registrar of Contractors
<b>12-01</b>	Arizona Health Care Cost Containment System— Coordination of Benefits	<b>13-05</b>	Arizona Department of Financial Institutions
<b>12-02</b>	Arizona Health Care Cost Containment System—Medicaid Eligibility Determination	<b>13-06</b>	Department of Environmental Quality—Underground Storage Tanks Financial Responsibility
<b>12-03</b>	Arizona Board of Behavioral Health Examiners	<b>13-07</b>	Arizona State Board of Pharmacy
		<b>13-08</b>	Water Infrastructure Finance Authority

## Future Performance Audit Division reports

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Department of Environmental Quality—Sunset Factors

Arizona State Board of Funeral Directors and Embalmers