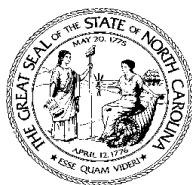


STATE OF NORTH CAROLINA
Office of the State Auditor



Ralph Campbell, Jr.
State Auditor

2 S. Salisbury Street, Raleigh, NC
Mailing Address: 20601 Mail Service
Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet <http://www.osa.state.nc.us/osa>

January 21, 2000

Mr. Mark Mitchell, Chairman
N. C. State Board of Cosmetic Art Examiners
559 Jones Franklin Rd., Suite 150
Raleigh, NC 27606

Dear Mr. Mitchell:

On July 21, 1999, our office received an allegation through the State Auditor's Hotline concerning an Inspector employed with the N. C. State Board of Cosmetic Art Examiners (Board). According to the complaint, the Inspector had submitted Inspection Reports on a salon without actually visiting the salon and the signatures in the areas designated for the owner's signature were not actually signed by the salon owner.

According to the Board's Executive Director, the Board received a complaint in July 1999 concerning the Inspector's failure to inspect a salon. Documentation indicates the Board conducted an internal review, but was unable to substantiate the complaint. However, we decided to expand the Board's review by conducting our own special review by selecting a sample of salons within the Inspector's territory. Our special review included interviewing salon owners, managers and/or employees; reviewing Inspection Reports completed on these salons and submitted to the Board by the Inspector within the past three years; reviewing grade certificates posted in these salons; interviewing Board employees; and reviewing other relevant documentation.

For our review, we selected ten salons located in two counties. A total of twenty-five Inspection Reports were reviewed, dated from May 1997 through April 1999. Based on our review, the following items were noted:

- ◆ Two salons contained posted grade certificates that were not signed by the Inspector in the year an Inspection Report was completed for the salons. A grade certificate is supposed to be signed by an inspector on the day the salon is inspected, which is also the day the Inspection Report is supposed to be completed. Although the Inspection Reports contained signatures designated as the salon owners' signatures, one salon owner stated she had not signed the report and the other salon owner stated she did not believe she signed the report. Both salon owners stated they had not authorized anyone to sign their names on the Inspection Reports.

- ◆ Two salons had one Inspection Report dated five days following the dates listed on the grade certificates posted in the salons. These two Inspection Reports contained signatures designated as the salon owners' signatures, however one salon owner stated she did not sign the Inspection Report. The other salon owner was away from her salon during our visit.
- ◆ One salon had an Inspection Report containing a signature supposedly belonging to the salon owner. However, the salon owner stated she did not sign the report, nor had she authorized anyone to sign her name on the Inspection Report.
- ◆ One salon had an Inspection Report containing a signature supposedly belonging to the salon owner. Although the salon owner was unsure, she stated she did not believe she signed the report. Further, the salon owner stated she had not authorized anyone to sign her name on the Inspection Report.

According to the Inspector, each time she submitted an Inspection Report, she had visited and inspected the salon. Prior to the internal review completed by the Board, the Inspector stated she occasionally signed the names of salon owners or managers on the Inspection Reports, or had a salon customer to sign the name. According to the Inspector, others signed the name of the owner or manager when the responsible party was busy with a customer. On those occasions when the salon was closed during the Inspector's visit, but open for the inspection, the Inspector stated she would write "owner not here" on the Inspection Report in the space designated for the salon owner's signature. The Inspector stated she has been instructed by Board management not to sign another person's name on the Inspection Reports, nor to inspect a closed salon if the owner is not present.

The Inspector also stated she has occasionally forgotten to sign and date a salon's posted grade certificate. As to the discrepancy in the dates on the Inspection Reports and the posted grade certificates for the two salons previously described, the Inspector stated she could not remember nor explain those circumstances.

Our review indicates that on several occasions, the documents contradict the inspector's statements to us. Therefore, we recommend the Board instruct all its inspectors to properly complete all documents, and only obtain signatures from authorized individuals.

General Statute §147-64.6(c)(12) requires the State Auditor to provide the Governor, the Attorney General, and other appropriate officials with written notice of apparent instances of violations of penal statutes or apparent instances of malfeasance, misfeasance, or nonfeasance by an officer or employee. In accordance with this mandate, and our standard operating practice, we will provide copies of this management letter to the Governor, the Attorney General, the Director of the State Bureau of Investigation, and other appropriate officials.

Mr. Mark Mitchell, Chairman

Page 3

January 21, 2000

We are presenting these findings for your review and written response. The purpose of the response is to allow you the opportunity to outline any corrective actions taken or planned. We request the delivery of your written response by February 4, 2000.

If you have any questions or wish to discuss this matter further, please contact us. We appreciate the cooperation received from your staff during our review.

Sincerely,

A handwritten signature in black ink that reads "Ralph Campbell, Jr." in a cursive style.

Ralph Campbell, Jr., CFE
State Auditor

RCjr:tf

Management letters and responses receive the same distribution as audit reports.

North Carolina State
Board of Cosmetic Art Examiners



February 1, 2000

TO: Office of the State Auditor
Ralph Campbell, Jr., State Auditor
2 South Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601

FROM: Douglas H. Van Essen
Executive Director

A handwritten signature in black ink that reads "Douglas H. Van Essen".

SUBJECT: Management Letter Response

We appreciate the review completed by your staff concerning the inspection complaint received in July 1999. We consider your findings serious and had already initiated work to prevent any similar discrepancies in the future.

When the problems were first brought to us last summer, I directed our Inspections Officer and our Training Officer to reiterate proper inspection procedures to all inspectors. Additional hands-on training was also conducted on the proper completion of all inspection documentation, which included the fact that only authorized signatures could be used on these documents. In December 1999, we held an inspector's training conference at which time document completion was stressed. Again, we emphasized the fact that only the appropriate signatures are to be used for inspection reports. Finally upon receipt of your management letter, I sent out an additional inspector directive to ensure the findings of last summer would never reoccur.

The inspector responsible for the findings was reprimanded and issued a written warning for job performance. The employee, normally an excellent performer, and I both feel that past adverse actions will never happen again.

We are using your review as a primary learning tool to improve cosmetic art inspections across the State. Again, we appreciate the efforts and recommendations of your staff. If you have any questions, please contact me at (919) 733-4126, ext. 236