



Ralph Campbell, Jr.
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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

February 20, 2002

Mr. Mark Mitchell
Chairman, North Carolina Board of Cosmetic Art Examiners
Mark Anthony, Inc.
559 Jones Franklin Road
Raleigh, North Carolina 27606

Dear Mr. Mitchell:

We received an allegation through the State Auditor's Hotline concerning a license renewal fee sent to the Board of Cosmetic Art Examiners. The check was sent on September 26, 2001, but was not deposited by the Board until October 30, 2001. We investigated the complaint and confirmed that the Board was delinquent in depositing checks for cosmetologist's renewal fees beginning in September 2001 and was not completely current until December 2001. This delay resulted in lost interest revenue, increased risk of lost checks, and violated General Statute 147-77, which requires the daily deposit of state funds.

The reason given for the delay is that all 60,000 cosmetologists must renew their licenses at the same time once every three years. Accordingly, the office is inundated with renewals at one time. The Board hired three temporary workers to assist three permanent employees with receipting and processing the renewal fees but still could not handle the volume of mail that came into the office during the renewal period. According to Board employees, the renewal applications along with the payments were stored in locked file cabinets until deposited.

The average daily deposit from September 15, 2001 to November 15, 2001 was \$22,213. General Statute 88B-21 states "Cosmetologists Licenses shall be renewed on or before October 1 every three years beginning October 1, 1998. The Board may develop and implement a plan for staggered license renewal and may prorate license fees to implement such a plan." The Board has not implemented a plan for staggered license renewals. We recommend that such a plan be developed and implemented in order to comply with General Statute 147-77 and to decrease the waiting period for the license renewals.

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We wish to thank the staff of the North Carolina Board of Cosmetic Art Examiners for their cooperation in this matter.

Sincerely,

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

Ralph Campbell, Jr., CFE
State Auditor

RCjr/mfd

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

North Carolina State
Board of Cosmetic Art Examiners



March 4, 2002

Ralph Campbell, Jr., CFE
State Auditor
2 S. Salisbury
20601 Mail Service Center
Raleigh, NC 27699-0601

Dear Mr. Campbell:

In response to your letter (February 20, 2002), the Board has decided to implement a staggered renewal plan, effective October 1, 2004. As the current cosmetologist renewal is now complete through October 2004, we will have 2 years to fine-tune a plan to license 1/3 of the total number of cosmetologists each year, thus cutting total workload volume and ensuring the prompt deposit of all funds.

I have already advised the Board's Executive Director of our intentions and he has assured me that a plan would be implemented to streamline renewals and provide for it in our data processing system.

We wish to thank you and your staff for bringing this discrepancy to our attention and intend to keep you advised of our detailed plans for a staggered renewal.

Sincerely,

A handwritten signature in cursive script, reading "Mark A. Mitchell".

Mark A. Mitchell
Chairman, NC State Board of Cosmetic Art Examiners