

**ATTESTATION REPORT  
OF THE  
NEBRASKA BOARD OF BARBER EXAMINERS  
JULY 1, 2018, THROUGH DECEMBER 31, 2019**

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**Issued on April 28, 2020**

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*We will maintain a professionally prepared staff, utilizing up-to-date technology, and following current Government Auditing Standards.*

## Audit Staff Working On This Examination

Krista Davis, Audit Manager

Caleb Witt, Auditor II

Jordan Werth, Auditor

Our reports can be found electronically at: [auditors.nebraska.gov](http://auditors.nebraska.gov)

Additionally, you may request them by contacting us at:

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NEBRASKA BOARD OF BARBER EXAMINERS

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## NEBRASKA BOARD OF BARBER EXAMINERS

### **BACKGROUND**

The 1927 Legislature created the Board of Barber Examiners (Board) as an agency of the Department of Public Welfare. In 1943, the Legislature transferred the Board to the Department of Health's jurisdiction. The 1963 Legislature established the Board as an independent agency to administer State barbering laws.

The Board has three members, appointed by the Governor, who serve three-year terms. The Governor usually appoints one member from each Nebraska U.S. congressional district, although this is not required by State law. Members must be practicing barbers. The Board has a variety of responsibilities including, but not limited to, the following:

- Issuing licenses
- Administering licensing exams
- Inspecting barber shops and schools for sanitation
- Investigating complaints and conducting hearings
- Negotiating reciprocal barbering license agreements
- Setting rules and regulations for the administration of barbering laws

NEBRASKA BOARD OF BARBER EXAMINERS

**KEY OFFICIALS AND BOARD CONTACT INFORMATION**

**Nebraska Board of Barber Examiners Board Members**

<b>Name</b>	<b>Title</b>	<b>Term Ending</b>
Arthur Lyle, III	President (Note)	October 31, 2018
Alyssa Hendrix	President	November 30, 2020
Joseph Scoville	Member	November 30, 2021
Joshua Vasquez	Member	November 30, 2022

Note: Arthur Lyle, III was the Board President through October 31, 2018, and was succeeded by Joshua Vasquez until October 31, 2019; at which time Alyssa Hendrix became the current Board President.

**Nebraska Board of Barber Examiners Executive Management**

<b>Name</b>	<b>Title</b>
Kenneth Allen	Director

Nebraska Board of Barber Examiners  
1220 Lincoln Mall, Suite 100  
P.O. Box 94723  
Lincoln, NE 68509  
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NEBRASKA BOARD OF BARBER EXAMINERS

**SUMMARY OF COMMENTS**

During our examination of the Nebraska Board of Barber Examiners (Board), we noted certain deficiencies and other operational matters that are presented here. The following comment is required to be reported in accordance with *Government Auditing Standards*: Comment #1, "Revenue Segregation of Duties," which is considered to be a significant deficiency.

These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the following areas:

1. ***Revenue Segregation of Duties:*** We noted a lack of segregation of duties over the Board's collection of fees along with a lack of controls to ensure all monies owed to the State were deposited.
2. ***Payroll Segregation of Duties:*** We noted a lack of segregation of duties over payroll processing. There was not an adequate review of payroll by someone without payroll access.

More detailed information on the above items is provided hereinafter. It should be noted that this report is critical in nature, containing only our comments and recommendations on the areas noted for improvement and does not include our observations on any accounting strengths of the Board.

Draft copies of this report were furnished to the Board to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this report. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next examination.

NEBRASKA BOARD OF BARBER EXAMINERS

COMMENTS AND RECOMMENDATIONS

**1. Revenue Segregation of Duties**

The Board of Barber Examiners (Board) examines and provides for the licensing of barbers and barber instructors, administers licensing exams, and enforces sanitary rules regulating barbershops and schools by performing inspections.

We noted a lack of adequate segregation of duties over the Board's collection of various licenses and inspection fees and the related accounts receivable. The Board did not have adequate controls to ensure all monies due to the State were deposited, as one individual was able to invoice, apply receipts, perform the deposit entry in the accounting system, and issue licenses without a secondary individual involved. Additionally, one individual occasionally collected fees while traveling to barber shops across the State, this increases the risk of money received in the field not being receipted and deposited appropriately. The Board deposited sales and charges of \$108,960 during the period tested.

A good internal control plan requires proper administrative procedures to ensure an adequate segregation of duties or compensating measures, so no one individual is in a position both to perpetrate and to conceal errors or irregularities when processing transactions.

When such procedures are not in place, there is an increased risk of loss, misuse, or theft of State funds. A similar finding was noted in our prior attestation report.

We recommend the Board implement procedures to ensure a proper segregation of duties or compensating procedures for the handling of receipts.

*Board Response: This is a difficult issue in a two (2) person office. Most payments have an application or renewal notice attached when they arrive via postal delivery. During the busy renewal season, both staff members are in the same room, opening and preparing submitted fees for deposit. Cash payments, hand delivered to our office, are receipted on the spot. For persons collecting fees while on the road, a receipt for cash payment will be written and issued at the time of payment. Collection of fees while out in the field, is often the only method to receive payment of fees due.*

**2. Payroll Segregation of Duties**

The State's accounting system does not have an established segregation of duties for payroll processing. Therefore, employees with access to process payroll are able to perform all procedures without a secondary individual being required to approve transactions.

Accordingly, the Board should have compensating procedures in place, such as a documented review of the final payroll register by an individual without payroll access, to ensure no one individual is able to conceal errors or irregularities. One employee was able to perform all payroll processes within the system and certify the accuracy of payroll to the Department of Administrative Services. There was no secondary review by an individual without payroll access to ensure the timesheets agreed to the Board's final payroll register. The Board did review summary level expenditure reports, which could help identify large errors or improprieties, but would not necessarily identify small errors or inaccurate adjustments to sick and vacation leave balances.

The Board had \$186,751 in personal service expenditures during the period July 1, 2018, through December 31, 2019.

A good internal control plan requires an adequate segregation of duties to ensure no one individual is in a position both to perpetrate and to conceal errors or irregularities. This would require someone without payroll access to perform a documented review of the final payroll register compared to employee timesheets to ensure the payroll was proper.

NEBRASKA BOARD OF BARBER EXAMINERS

**COMMENTS AND RECOMMENDATIONS**

(Concluded)

**2. Payroll Segregation of Duties (Concluded)**

Without an adequate segregation of duties, there is an increased risk of errors or irregularities occurring and not being detected.

We recommend the Board implement procedures for someone without payroll access to perform a documented review of the final payroll register for accuracy and reasonableness to employee timesheets.

*Board Response: The Board office consists of two (2) persons, both of which have access to payroll processing. The Board will incorporate a Board member as a reviewer of time sheets and payroll reports.*





# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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## NEBRASKA BOARD OF BARBER EXAMINERS

### INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Board of Barber Examiners  
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balance of the Nebraska Board of Barber Examiners (Board) for the period July 1, 2018, through December 31, 2019. The Board management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balance based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule of Revenues, Expenditures, and Changes in Fund Balance is based on the accounting system and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule of Revenues, Expenditures, and Changes in Fund Balance. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule of Revenues, Expenditures, and Changes in Fund Balance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balance for the period July 1, 2018, through December 31, 2019, is based on the accounting system and procedures prescribed by the State of Nebraska's Director of Administrative Services, as set forth in Note 1, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Schedule of Revenues, Expenditures, and Changes in Fund Balance; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement. We are also required to obtain and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Schedule of Revenues, Expenditures, and Changes in Fund Balance is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Revenues, Expenditures, and Changes in Fund Balance or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed a certain finding that is required to be reported under *Government Auditing Standards*, and the finding, along with the views of management, is described in the Comments Section of the report.

The purpose of this report is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balance, as described in paragraph one above. Accordingly, this report is not suitable for any other purpose. This report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read "C. J. Janssen", with a long horizontal flourish extending to the right.

April 26, 2020

Charlie Janssen  
Auditor of Public Accounts  
Lincoln, Nebraska

NEBRASKA BOARD OF BARBER EXAMINERS  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
For the Period July 1, 2018, through December 31, 2019

	Board of Barber Examiners Cash Fund <u>24510</u>
REVENUES:	
Sales & Charges	\$ 108,960
Miscellaneous	22,359
TOTAL REVENUES	<u>\$ 131,319</u>
EXPENDITURES:	
Personal Services	\$ 186,751
Operating	18,704
Travel	4,733
TOTAL EXPENDITURES	<u>\$ 210,188</u>
Net Change in Fund Balance	(78,869)
FUND BALANCE, JULY 1, 2018	<u>163,184</u>
FUND BALANCE, DECEMBER 31, 2019	<u><u>\$ 84,315</u></u>
FUND BALANCE CONSIST OF:	
General Cash	\$ 84,039
Deposits with Vendors	276
TOTAL FUND BALANCE	<u><u>\$ 84,315</u></u>

The accompanying notes are an integral part of the schedule.

NEBRASKA BOARD OF BARBER EXAMINERS

NOTES TO THE SCHEDULE

For the Period July 1, 2018, through December 31, 2019

1. Criteria

The accounting policies of the Nebraska Board of Barber Examiners (Board) are on the basis of accounting, as prescribed by the Department of Administrative Services (DAS).

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2014), the duties of the State of Nebraska's Director of DAS include:

*The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes[.]*

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 2014), the State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes EnterpriseOne, an accounting resource software, to maintain the general ledger and all detailed accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS State Accounting Division (State Accounting) and are available to the public.

The financial information used to prepare the Schedule of Revenues, Expenditures, and Changes in Fund Balance was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned, regardless of the timing of related cash flows. State Accounting does not require the Board to record all accounts receivable and related revenues in EnterpriseOne; as such, the Board's schedule does not include all accounts receivable and related revenues. In a like manner, expenditures and related accounts payable are recorded in the general ledger as transactions occur. As such, the schedule includes those expenditures and related accounts payable posted in the general ledger as of December 31, 2019, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of December 31, 2019, **does not** include amounts for goods and services received before December 31, 2019, which had not been posted to the general ledger as of December 31, 2019.

The Board had no accounts receivable at December 31, 2019. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

The following fund type is established by the State and used by the Board:

**20000 – Cash Funds** – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes.

The following major revenue account classifications are established by State Accounting and used by the Board:

**Sales & Charges** – Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees.

**Miscellaneous** – Revenue from sources not covered by other major categories, such as investment income.

NEBRASKA BOARD OF BARBER EXAMINERS

NOTES TO THE SCHEDULE

(Concluded)

1. **Criteria** (Concluded)

The following major expenditure account classifications are established by State Accounting and used by the Board:

**Personal Services** – Salaries, wages, and related employee benefits provided for all persons employed by the Board.

**Operating** – Expenditures directly related to a program's primary service activities.

**Travel** – All travel expenses for any State officer, employee, or member of any commission, council, committee, or board of the State.

Other significant accounting classifications and procedures established by State Accounting and used by the Board include the following:

**Assets** – Resources owned or held by a government that have monetary value. Assets include cash accounts and deposits with vendors. Cash accounts and deposits with vendors are also included in fund balance and are reported as recorded in the general ledger.

**Liabilities** – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions are recorded as expenditures, resulting in a decrease to fund balance.

2. **Reporting Entity**

The Board is a State agency established under and governed by the laws of the State of Nebraska. As such, the Board is exempt from State and Federal income taxes. The schedule includes all funds of the Board included in the general ledger.

The Board is part of the primary government for the State of Nebraska.

3. **General Cash**

General cash accounts are under the control of the State Treasurer or other administrative bodies, as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State's Investment Council, which maintains an operating investment pool for such investments. Interest earned on those investments is allocated to funds based on their percentage of the investment pool.

NEBRASKA BOARD OF BARBER EXAMINERS

**SUPPLEMENTARY INFORMATION**

Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balance. Supplementary information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the Schedule of Revenues, Expenditures, and Changes in Fund Balance, and, accordingly, we express no opinion on it.

NEBRASKA BOARD OF BARBER EXAMINERS  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**Exhibit A**

For the Period July 1, 2018, through June 30, 2019

	Board of Barber Examiners Cash Fund <u>24510</u>
REVENUES:	
Sales & Charges	\$ 96,090
Miscellaneous	18,931
TOTAL REVENUES	<u>\$ 115,021</u>
EXPENDITURES:	
Personal Services	\$ 122,354
Operating	12,199
Travel	3,602
TOTAL EXPENDITURES	<u>\$ 138,155</u>
Net Change in Fund Balance	(23,134)
FUND BALANCE, JULY 1, 2018	<u>163,184</u>
FUND BALANCE, JUNE 30, 2019	<u><u>\$ 140,050</u></u>
FUND BALANCE CONSIST OF:	
General Cash	\$ 139,774
Deposits with Vendors	276
TOTAL FUND BALANCE	<u><u>\$ 140,050</u></u>

Source: The State accounting system, EnterpriseOne

NEBRASKA BOARD OF BARBER EXAMINERS  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
For the Period July 1, 2019 through December 31, 2019

**Exhibit B**

	Board of Barber Examiners Cash Fund <u>24510</u>
REVENUES:	
Sales & Charges	\$ 12,870
Miscellaneous	3,428
TOTAL REVENUES	<u>\$ 16,298</u>
EXPENDITURES:	
Personal Services	\$ 64,397
Operating	6,505
Travel	1,131
TOTAL EXPENDITURES	<u>\$ 72,033</u>
Net Change in Fund Balance	(55,735)
FUND BALANCE, JULY 1, 2019	<u>140,050</u>
FUND BALANCE, DECEMBER 31, 2019	<u><u>\$ 84,315</u></u>
FUND BALANCE CONSIST OF:	
General Cash	\$ 84,039
Deposits with Vendors	276
TOTAL FUND BALANCE	<u><u>\$ 84,315</u></u>

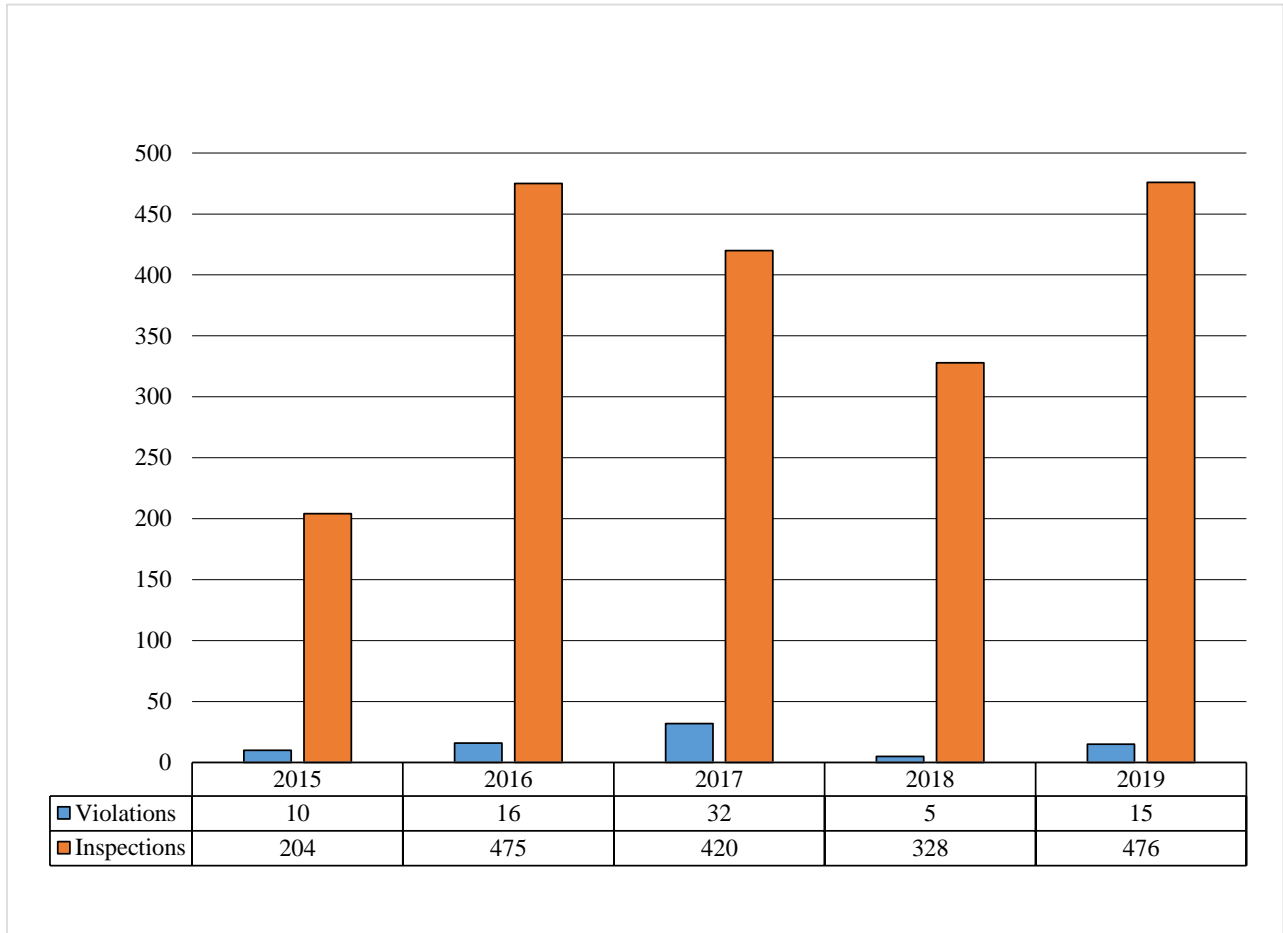
Source: The State accounting system, EnterpriseOne



**NEBRASKA BOARD OF BARBER EXAMINERS  
SANITATION INSPECTIONS AND VIOLATIONS**

**Exhibit C**

Fiscal Years Ended June 30, 2015, through 2019

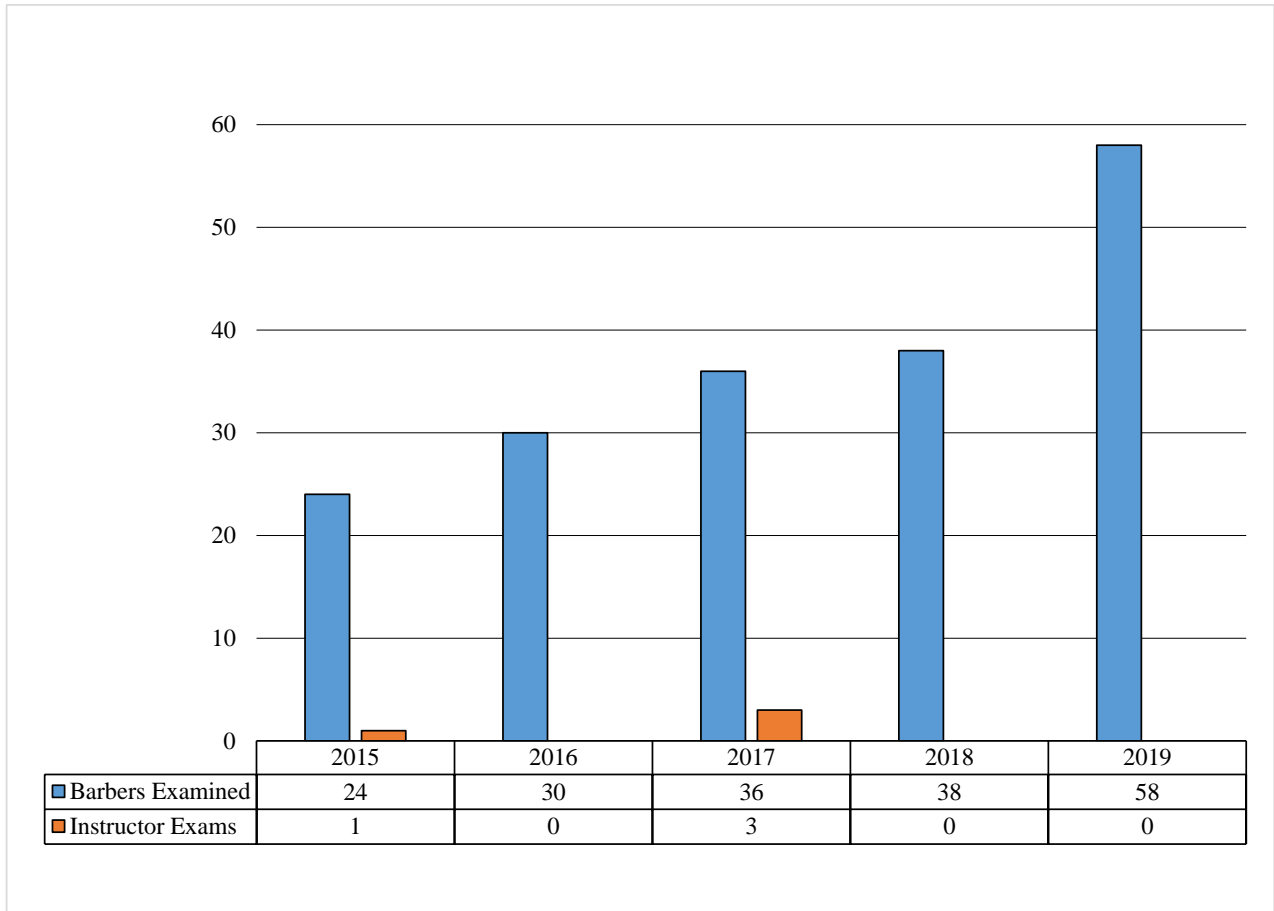


Source: Board of Barber Examiner's annual reports for fiscal years ended June 30.

**NEBRASKA BOARD OF BARBER EXAMINERS  
EXAMINATIONS ADMINISTERED BY THE BOARD**

**Exhibit D**

Fiscal Years Ended June 30, 2015, through 2019



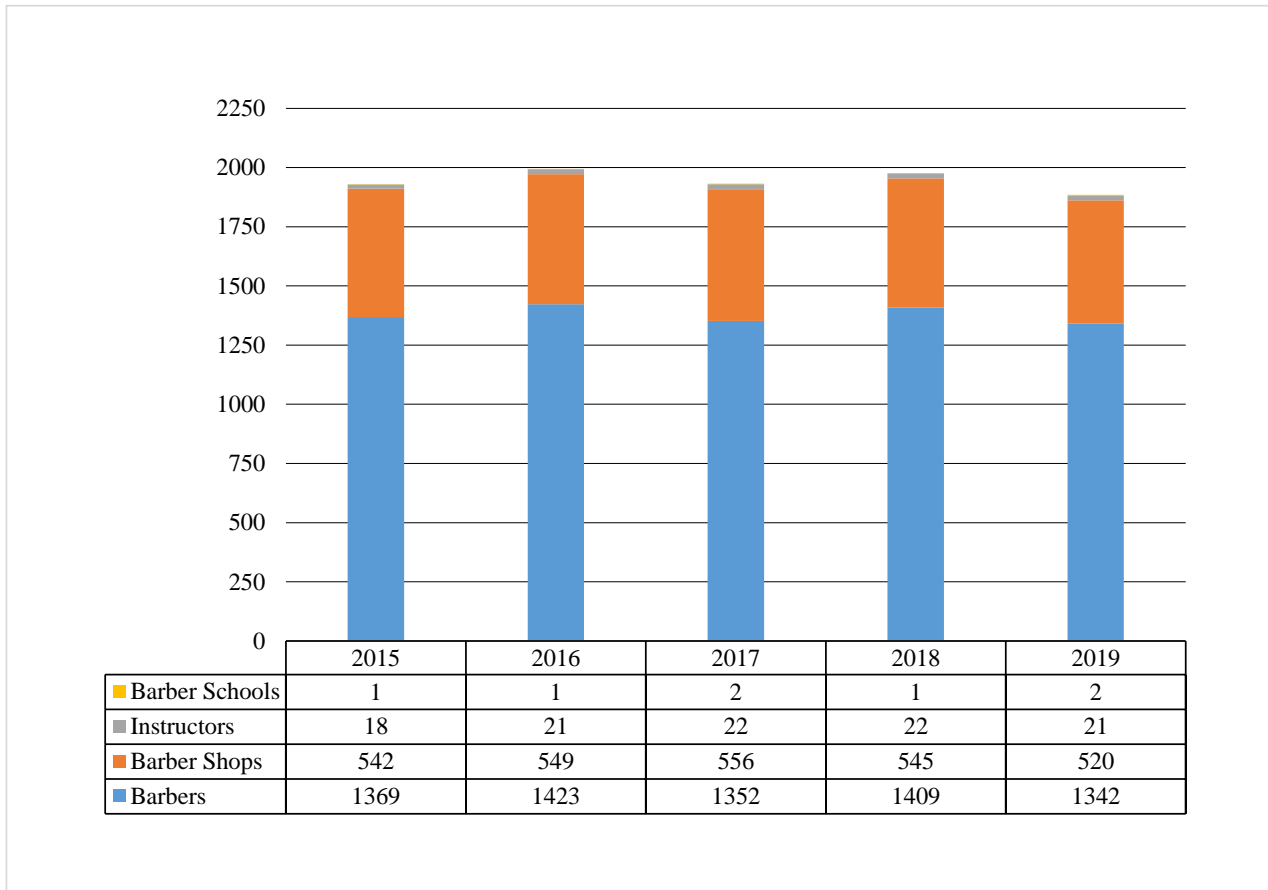
Source: Board of Barber Examiner's annual reports for fiscal years ended June 30.

NEBRASKA BOARD OF BARBER EXAMINERS

Exhibit E

ACTIVE LICENSES

Fiscal Years Ended June 30, 2015, through 2019



Source: Board of Barber Examiner's annual reports for fiscal years ended June 30.