

North Carolina Board of Barber Examiners

Summary of Executive Director's Report

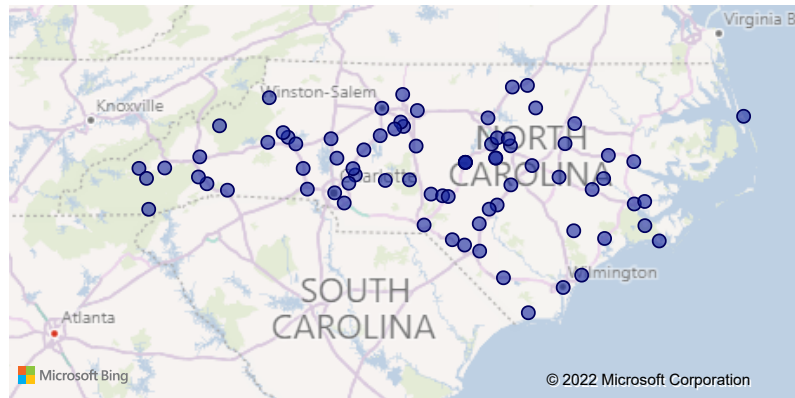
February 15, 2022 Board Meeting

Routine Inspections in Calendar Year 2021 (through November)

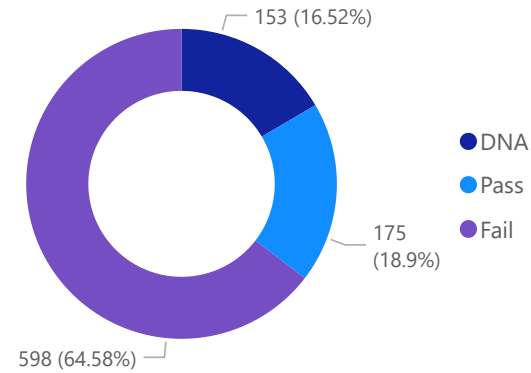
96.14

Average Sanitation Score

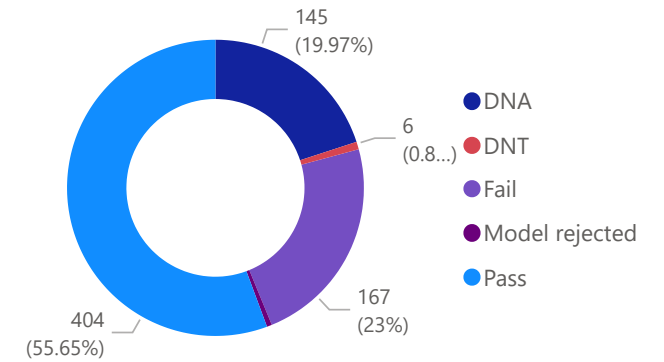
Complaint locations



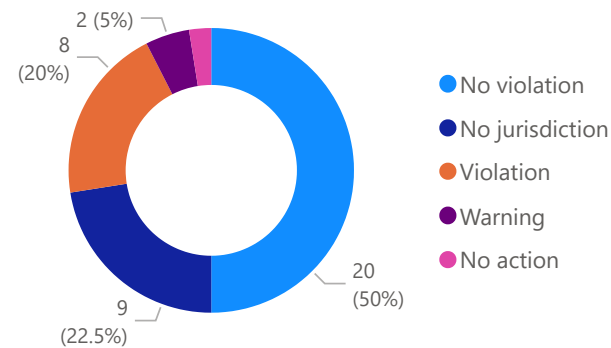
Apprentice Results - Written Exam (CY 2021)



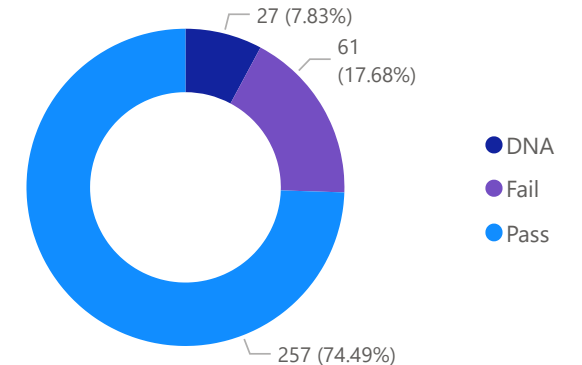
Apprentice Results - Practical Exam (CY 2021)



Complaint outcome (CY 2021)



Registered Results - Practical Exam (CY 2021)





NORTH CAROLINA BOARD OF BARBER EXAMINERS

Memo

TO: Board members

FROM: Dennis Seavers

DATE: February 9, 2022

SUBJECT: Executive director's report

Below is the executive director's report for the board's February 15, 2022 meeting. If there are other areas of finances or operations that the board is interested in, or if board members have questions about this report, please feel free to contact me.

Board members should refer to the summary dashboard that precedes this memo and discusses various aspects of board operations.

FISCAL YEAR 2022 BUDGET REPORT AND REVISIONS

Attachment A shows the board's expenditures and revenues for fiscal year (FY) 2022 on an accrual basis. Expenditures were \$4,797.38 over budget. However, the expenditures include \$8,500 in employee bonuses that were mandated by the General Assembly after the board adopted its budget (see the budget revisions section below).

Attachment B shows the board's fund balance over the past few years.

BUDGET REVISIONS AND COMPUTER-BASED TESTING

The board should revise its budget to account for legislatively mandated bonuses and salary adjustments for employees, billing mistakes by the Department of Information Technology, and an additional project with the licensing-database vendor. These revisions would be partially covered by a short-term employee vacancy, savings from a later deployment of the electronic document management service, and other items approved in the FY 2022 budget.

As explained below, the effect of these revisions would be to increase expenditures by \$25,341. Of that amount, \$13,367 would represent one-time costs and savings that only

affect FY 2022. Between \$9,500 and \$9,800 would be cost increases mandated by the General Assembly.

| Description | Amount | Comments |
|--|---------------------|--|
| Employee bonus | \$ 8,500.00 | Mandated by the General Assembly |
| Legislative increase - salaries | \$ 7,416.73 | Mandated by the General Assembly |
| Legislative increase - Social Security | \$ 524.92 | Mandated by the General Assembly |
| Legislative increase - retirement | \$ 1,619.35 | Mandated by the General Assembly |
| Employee vacancy - salary | \$ (7,772.92) | Inspector vacancy - two months |
| Employee vacancy - Social Security | \$ (423.18) | Inspector vacancy - two months |
| Employee vacancy - retirement | \$ (1,305.48) | Inspector vacancy - two months |
| DIT computer services FY 2021 | \$ 8,904.30 | One-time cost for DIT billing error in FY 2021 |
| DIT computer services FY 2022 | \$ 10,023.24 | Ongoing revision for DIT services in FY 2022 and forward |
| Licensing database project | \$ 6,149.19 | One additional project |
| Electronic document management service | \$ (505.74) | Originally sched. for 11/2021 start but DIT delayed b/c of upgrade |
| Desktop scanners | \$ (179.32) | Scanner costs were slightly cheaper than budgeted |
| Miscellaneous contract services | \$ (2,303.00) | |
| Office supplies | \$ (2,000.00) | |
| Office furniture | \$ (3,307.50) | |
| Total | \$ 25,340.60 | |

Increases in expenditures

Salaries and bonuses

As part of the approved budget, the General Assembly gave employees one-time bonuses. Under the session law, the executive director received a \$1,000 bonus, and the other employees received a \$1,500 bonus. In addition, the General Assembly increased the base salaries by 2.5% for the current fiscal year (there will be an additional 2.5% increase in FY 2023).

Since these are legislatively mandated increases, the board can't block them. The budget revision will simply reflect the new expenditures that have gone into effect.

DIT computer services

In December 2020, the Department of Information Technology switched to a new billing system. However, many of the board's invoices were improperly loaded, which caused the invoices to understate the board's obligations. Since DIT also increased its rates in that fiscal year and invoices were about the same despite the missing billing information, it wasn't apparent that there was an issue until DIT contacted me in December 2021, a year after the issue began. I've had several communications with DIT about this error and the negative impact it has on the agency, and DIT has apologized for the billing problems and acknowledged the problems caused by its error.

The revision includes six months of invoices from FY 2021, and these would be regarded as one-time expenditures. The remainder of the revision includes ongoing costs for computer services. Although the ongoing charges are notable (about \$10,000), the board's only alternative would be to administer IT services itself or contract with an outside vendor. This is the practice for most occupational licensing agencies, but the board should remain with DIT. The agency's security posture and IT infrastructure improved immensely after its migration to DIT, and the risk with alternative approaches is too great.

Licensing database project

Over the past several years, the board has increased the number of its online business processes. The pace has been aggressive but limited by cost considerations, and there are still several workflows that need to improve. In addition, there will be projects associated with House Bill 792, such as updating the existing database to allow for mobile barber shops and creating an online system for mobile barber shops to submit their itineraries.

In previous years, the board authorized two additional projects on top of the projects that were part of the vendor contract. This revision would be for one project, and it would represent a one-time expense.

Decreases in expenditures

Employee vacancy

Due to an estimated two-month vacancy in one of the inspector positions, the board will save about \$9,500 in salary, Social Security, and retirement payments.

Electronic document management service and desktop scanners

At its October 2021 board meeting, the board authorized ongoing and one-time expenditures to set up an electronic document management system managed by DIT. The estimated start date was November 2021, but DIT delayed the start date so that it

could do a system upgrade. DIT estimates that future costs will be lower as a result of the upgrade, though the current budget revisions are based on the existing rates.

The revisions also include a minor decrease in the approved costs for desktop scanners. This change reflects savings in the actual costs.

Miscellaneous contract services

The revisions partly cover increased expenditures by reducing the authorized costs for miscellaneous contract services. The change is mostly accomplished by reducing the payments for a contract examiner to assist the inspectors with exams.

Office supplies

The revisions would cut office supply expenditures by \$2,000, which would be more restrictive than in previous years but which shouldn't cause operational problems.

Office furniture

The original budget included about \$3,300 in costs for additional filing cabinets, which were requested by one of the staff members. The cabinets would only be purchased if they were necessary. However, the board's move to an electronic document management service makes the additional cabinets unnecessary.

Long-term impact of revisions

The board's budget as revised in October 2021 included an estimated net income of \$28,511.78. That means the board's fund balance would have increased that amount by the end of FY 2022. (Please note that the net income includes projections about revenues, which are not entirely within the board's control. The actual net income might have varied, depending on actual revenues.)

With the proposed revisions, the net income would be \$3,171.18. In future fiscal years, the net income would be \$4,715.65, assuming the board approved a similar budget next fiscal year. That figure also excludes the estimated cost of computer-based testing, which is discussed below.

Computer-based testing

In previous years, the board has considered computer-based testing (CBT) for written exams. This approach to testing could offer several benefits, including:

- Faster test results;
- More testing locations for written exams;
- Less work by board employees to process and administer exams; and
- Modernizing testing to meet the expectations of applicants.

In the past, the board hasn't pursued CBT because it had other strategic priorities, and the board was especially focused on improving its financial standing. However, the board discussed CBT at its December 2021 meeting and asked me to provide cost estimates and situate those costs in the board's overall financial picture.

Based on discussions with the board's current exam vendor, I estimate that the board's costs would increase by \$14,000 a year, from \$11,000 to \$25,000. The board should keep in mind that this is only an estimate, and the actual cost would be determined through an RFP process. Nonetheless, it's a reasonable approximation.

On a long-term basis, adopting CBT could cause the board to run a minor deficit in future fiscal years. For example, if the board were to adopt CBT in FY 2023, the board would run a deficit of about \$9,285. (The assumptions underlying that figure are the same ones discussed in the *Long-term impact of revisions* section above.) This deficit might be more or less, depending on revenues and any cuts the board wishes to make in other areas of its budget.

I believe the board should move to CBT for the reasons discussed above. Increasingly, applicants don't want to wait the three to four weeks it takes for the vendor to get results to us, and they don't want to take antiquated paper-and-pencil exams. The vendor may also push us to begin using CBT, or it may stop offering the current delivery method altogether. Moreover, the workload for the staff to administer the current exams is considerable. However, the board will need to keep the following in mind.

- A minor deficit is manageable but could negatively affect the board's finances over a long period of time. On a long-term basis, the board should be prepared to make cuts in other areas of operations to avoid a deficit.
- The board's costs in other areas will increase over time, but the board can't increase revenues without authorization from the General Assembly. It will take a significant change in composition of the legislature for the General Assembly to be willing to allow the board to increase fees.
- If costs are higher than estimated, the board will need to revisit the question of whether to offer CBT.

STRATEGIC PLAN

As I previously reported by email, an additional IT project has recently been completed. This project (the third of the year) was part of the board's strategic plan.

- *Online instructor exam application.* This project allows registered barbers to apply online to take the instructor exam and pay for the exam fee. The project fulfilled Objective 2.1(i) of the board's strategic plan.

The board has four IT projects underway. (Some projects can't be deployed until work is finished on other projects, so not all work will occur at the same time.) These projects include:

- *Exam scheduling and results.* Two consecutive projects will be used for this effort. The first project will create an integrated system to schedule exams and record results. (Currently, most of those functions are in a database that's separate from our licensing database.) The second project will create an online portal for applicants to be able to see and download exam information and results. The projects include other features, such as automatic notifications to applicants and monthly notifications to schools of exams results. With future projects, the board could allow applicants to schedule their own exams from among available dates, and an interface could be created between our vendor and our database so that exam scores are automatically uploaded when the vendor makes them available.
- *Updated process for renewals.* This project will change the process for renewals so that users don't have to use the existing login process. With the current process, licensees often forget their login credentials and recovery questions, and the staff is inundated with requests to reset logins. This project will decrease work for the staff and make the online system more user-friendly for licensees.
- *Late renewals.* Currently, individuals and businesses can only renew online during the renewal period if their licenses are up to date. This project will automate the process of creating late fees, and eligible users will be able to renew at any point, regardless of whether the license is late.
- *Criminal history tracking and management of consent orders.* This project will improve how the board tracks criminal history determinations and manages consent orders. More importantly, it will allow the board to comply with a reporting requirement to the General Assembly; the current method of submitting the report involves a significant amount of work because the tracking is manual.

If House Bill 792 passes, there will be additional projects to create license objects for mobile barber shops in our licensing database and to establish a website for mobile barber shops to submit monthly location reports.

In addition, the following are queued projects that will be pursued later. This list can change according to the board's strategic objectives.

- Mobile reporting by inspectors of practical exam scores, allowing us to issue results quicker.
- A data exchange with the exam vendor to allow scores to be submitted directly into our licensing database, allowing applicants to get results back faster.
- Online reporting of school hours.
- Online application process for out-of-state applicants. (We currently have a process available, but there isn't the ability to pay online.)
- A mobile app for management of inspections, allowing inspectors easier insight into what shops need to be inspected.

- An improved system for processing requests for temporary permits.

BARBER EXAMS

The summary dashboard preceding this memo shows the results of apprentice and registered exams for CY 2021. As discussed at several previous meetings, there has been a troubling drop in the pass rate for the written exam, and I've shared data with you that shows how the drop coincided with the pandemic. I've mentioned before that online classes and the pandemic appeared to be factors contributing to the drop, but I couldn't exclude other factors, such as the wait time to take an exam. However, we've decreased the wait time by scheduling many of the practical and written exams on separate days, which allowed us to have applicants take the written exam sooner after graduating. Despite that, we continue to see high fail rates.

Attachment A
Fiscal Year 2022 Budget vs. Actuals
 July - December 2021

| | Total | | | |
|---------------------------------------|----------------------|----------------------|-----------------------|-------------------------------------|
| | Actual | Budget | Over budget | Perc. of budget & over/under budget |
| Income | | | | |
| 433 - investment income | | | | |
| 433121 - STIF interest income | \$ 596.02 | \$ 2,100.00 | \$ (1,503.98) | 28.38% ▼ |
| Total 433 - investment income | \$ 596.02 | \$ 2,100.00 | \$ (1,503.98) | 28.38% ▼ |
| 435 - fees, licenses, and fines | | | | |
| 435100 - business license fees | | | | |
| 435100059 - duplicate license | \$ 220.00 | \$ 363.48 | \$ (143.48) | 60.53% ▼ |
| 435100060 - individual license | \$ 31,284.94 | \$ 35,910.00 | \$ (4,625.06) | 87.12% ▼ |
| 435100061 - school permit | \$ 390.00 | \$ 927.00 | \$ (537.00) | 42.07% ▼ |
| 435100062 - bus/shop permit | \$ 11,815.00 | \$ 13,103.00 | \$ (1,288.00) | 90.17% ▼ |
| 435100063 - student permit | \$ 13,325.00 | \$ 11,737.98 | \$ 1,587.02 | 113.52% ▲ |
| 435100064 - renewal-individual | \$ 30,480.00 | \$ 34,710.00 | \$ (4,230.00) | 87.81% ▼ |
| Total 435100 - business license fees | \$ 87,514.94 | \$ 96,751.46 | \$ (9,236.52) | 90.45% ▼ |
| 435300 - certification fees | | | | |
| 435300016 - instructor exam fee | \$ 2,805.00 | \$ 3,820.98 | \$ (1,015.98) | 73.41% ▼ |
| 435300017 - registered exam fee | \$ 12,750.00 | \$ 17,554.50 | \$ (4,804.50) | 72.63% ▼ |
| 435300018 - apprentice exam fee | \$ 69,020.00 | \$ 59,949.00 | \$ 9,071.00 | 115.13% ▲ |
| 435300019 - apprentice certific | \$ 4,952.00 | \$ 9,102.00 | \$ (4,150.00) | 54.41% ▼ |
| 435300020 - instructor certific | \$ 1,105.00 | \$ 1,210.00 | \$ (105.00) | 91.32% ▼ |
| Total 435300 - certification fees | \$ 90,632.00 | \$ 91,636.48 | \$ (1,004.48) | 98.90% ▼ |
| 435400 - inspection/exam fees | \$ 13,880.00 | \$ 18,826.02 | \$ (4,946.02) | 73.73% ▼ |
| 435500 - fines, pen, assess fee | \$ 5,063.90 | \$ 4,663.02 | \$ 400.88 | 108.60% ▲ |
| 435800 - tuition and fees | | | | |
| 435830 - other fees | \$ 220.00 | \$ 394.98 | \$ (174.98) | 55.70% ▼ |
| Total 435800 - tuition and fees | \$ 220.00 | \$ 394.98 | \$ (174.98) | 55.70% ▼ |
| Total 435 - fees, licenses, and fines | \$ 197,310.84 | \$ 212,271.96 | \$ (14,961.12) | 92.95% ▼ |
| 437 - miscellaneous | | | | |
| 437127 - procuremnt card rebate | \$ 629.38 | \$ 250.00 | \$ 379.38 | 251.75% ▲ |
| 437990 - other misc revenue | \$ (1,349.29) | \$ 323.52 | \$ (1,672.81) | -417.07% ▼ |
| Total 437 - miscellaneous | \$ (719.91) | \$ 573.52 | \$ (1,293.43) | -125.52% ▼ |
| Total Income | \$ 197,186.95 | \$ 214,945.48 | \$ (17,758.53) | 91.74% ▼ |
| Gross Profit | \$ 197,186.95 | \$ 214,945.48 | \$ (17,758.53) | 91.74% ▼ |
| Expenses | | | | |
| 531 - personal services | | | | |
| 531112 - EPA regular salaries | \$ 148,772.04 | \$ 149,668.86 | \$ (896.82) | 99.40% ▼ |
| 531422 - holiday pay - receipts | \$ 67.76 | \$ - | \$ 67.76 | 0.00% ▼ |
| 531462 - longevity - receipts | \$ - | \$ - | \$ - | 0.00% ▼ |
| 531476 - bonus ARPA receipts | \$ 8,500.00 | \$ - | \$ 8,500.00 | 0.00% ▼ |
| 531512 - Social Security | \$ 11,107.66 | \$ 10,760.04 | \$ 347.62 | 103.23% ▲ |
| 531522 - regular retirement | \$ 32,268.42 | \$ 33,193.92 | \$ (925.50) | 97.21% ▼ |
| 531562 - medical insurance | \$ 18,790.56 | \$ 19,145.28 | \$ (354.72) | 98.15% ▼ |
| 531576 - flexible spending acct | \$ 373.47 | \$ 396.78 | \$ (23.31) | 94.13% ▼ |
| 531651 - comp to board members | \$ 1,600.00 | \$ 1,200.00 | \$ 400.00 | 133.33% ▲ |
| Total 531 - personal services | \$ 221,479.91 | \$ 214,364.88 | \$ 7,115.03 | 103.32% ▲ |
| 532 - purchased services | | | | |
| 532110 - legal services | \$ 9,167.39 | \$ 4,527.48 | \$ 4,639.91 | 202.48% ▲ |
| 532120 - financial/audit svcs | \$ 14,000.00 | \$ 14,000.00 | \$ - | 100.00% ▼ |
| 532145 - managed server support | \$ 40,056.72 | \$ 33,907.53 | \$ 6,149.19 | 118.14% ▲ |
| 532170001 - prof testing serv | \$ 7,776.00 | \$ 5,500.02 | \$ 2,275.98 | 141.38% ▲ |

| | | | | | | | | |
|---|-----------|---------------------|-----------|---------------------|-----------|--------------------|----------------|----------|
| 532184 - janitorial services | \$ | 2,100.00 | \$ | 2,100.00 | \$ | - | 100.00% | ▼ |
| 532199 - misc contract services | \$ | 10,000.19 | \$ | 15,154.50 | \$ | (5,154.31) | 65.99% | ▼ |
| 532430 - maint agrmnt - equip | \$ | 1,667.85 | \$ | 1,419.24 | \$ | 248.61 | 117.52% | ▲ |
| 532512 - rental of bldg/prop | \$ | 12,048.74 | \$ | 11,989.68 | \$ | 59.06 | 100.49% | ▲ |
| 532714 - ground trans in-state | \$ | 13,837.43 | \$ | 11,250.00 | \$ | 2,587.43 | 123.00% | ▲ |
| 532721 - lodging in-state | \$ | 11,806.44 | \$ | 9,000.00 | \$ | 2,806.44 | 131.18% | ▲ |
| 532724 - meals in-state | \$ | 3,967.98 | \$ | 6,375.00 | \$ | (2,407.02) | 62.24% | ▼ |
| 532731 - board/non-emp transpor | \$ | 173.70 | \$ | 930.00 | \$ | (756.30) | 18.68% | ▼ |
| 532732 - board/non-emp subsist | \$ | 228.20 | \$ | 1,449.99 | \$ | (1,221.79) | 15.74% | ▼ |
| 532811 - telephone service | \$ | 548.42 | \$ | 1,200.00 | \$ | (651.58) | 45.70% | ▼ |
| 532814 - cellular phone service | \$ | 2,840.94 | \$ | 3,120.00 | \$ | (279.06) | 91.06% | ▼ |
| 532822 - managed LAN svc charge | \$ | 1,940.84 | \$ | 1,698.24 | \$ | 242.60 | 114.29% | ▲ |
| 532825 - managed WAN service | \$ | 7,038.81 | \$ | 6,688.86 | \$ | 349.95 | 105.23% | ▲ |
| 532826 - software subscriptions | \$ | 1,509.86 | \$ | 4,261.50 | \$ | (2,751.64) | 35.43% | ▼ |
| 532840 - postage & delivery | \$ | 1,009.09 | \$ | 750.00 | \$ | 259.09 | 134.55% | ▲ |
| 532840003 - postage/postal meter charges | \$ | 5,686.58 | \$ | 6,499.98 | \$ | (813.40) | 87.49% | ▼ |
| 532850 - printing, binding, dup | \$ | 1,319.18 | \$ | 4,500.00 | \$ | (3,180.82) | 29.32% | ▼ |
| 532911 - insurance - property | \$ | 21,130.00 | \$ | 25,000.00 | \$ | (3,870.00) | 84.52% | ▼ |
| 532942 - other emp trng expense | \$ | - | \$ | - | \$ | - | 0.00% | ▼ |
| Total 532 - purchased services | \$ | 169,854.36 | \$ | 171,322.02 | \$ | (1,467.66) | 99.14% | ▼ |
| 533 - Supplies | | | | | | | | |
| 533110 - general office supply | \$ | 3,229.38 | \$ | 4,258.98 | \$ | (1,029.60) | 75.83% | ▼ |
| Total 533 - Supplies | \$ | 3,229.38 | \$ | 4,258.98 | \$ | (1,029.60) | 75.83% | ▼ |
| 534 - property, plant, & equip | | | | | | | | |
| 534511 - office equipment | \$ | - | \$ | - | \$ | - | | |
| 534534 - PC and printer purch | \$ | 4,011.12 | \$ | 4,200.00 | \$ | (188.88) | 95.50% | ▼ |
| Total 534 - property, plant, & equip | \$ | 4,011.12 | \$ | 4,200.00 | \$ | (188.88) | 95.50% | ▼ |
| 535 - other expenses and adjust | | | | | | | | |
| 535830 - member dues & subcript | \$ | 250.00 | \$ | 270.00 | \$ | (20.00) | 92.59% | ▼ |
| 535900 - other expenses | \$ | 438.47 | \$ | 49.98 | \$ | 388.49 | 877.29% | ▲ |
| Total 535 - other expenses and adjust | \$ | 688.47 | \$ | 319.98 | \$ | 368.49 | 215.16% | ▲ |
| 538 - intragovernmental transac | | | | | | | | |
| 538030 - fine/penalty transfer | \$ | - | \$ | - | \$ | - | | |
| Total 538 - intragovernmental transac | \$ | - | \$ | - | \$ | - | | |
| Total Expenses | \$ | 399,263.24 | \$ | 394,465.86 | \$ | 4,797.38 | 101.22% | ▲ |
| Net Operating Income | \$ | (202,076.29) | \$ | (179,520.38) | \$ | (22,555.91) | 112.56% | ▲ |
| Net Income | \$ | (202,076.29) | \$ | (179,520.38) | \$ | (22,555.91) | 112.56% | ▲ |

Attachment B. Fund balance

