



A REPORT
TO THE
ARIZONA LEGISLATURE

Performance Audit Division

Performance Audit and Sunset Review

Arizona State Board of Funeral Directors and Embalmers

September • 2013
REPORT NO. 13-11



Debra K. Davenport
Auditor General

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September 23, 2013

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The Honorable Janice K. Brewer, Governor

Mr. John Munden, President
Arizona State Board of Funeral Directors and Embalmers

Mr. Rodolfo Thomas, Executive Director
Arizona State Board of Funeral Directors and Embalmers

Transmitted herewith is a report of the Auditor General, *A Performance Audit and Sunset Review of the Arizona State Board of Funeral Directors and Embalmers*. 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 Funeral Directors and Embalmers 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 Funeral Directors and Embalmers Members

Arizona State Board of Funeral Directors and Embalmers

REPORT HIGHLIGHTS PERFORMANCE AUDIT

Our Conclusion

The Arizona State Board of Funeral Directors and Embalmers (Board) regulates individuals and facilities involved in funeral directing, embalming, and cremation. The Board should strengthen its licensing process by ensuring that application forms are consistent with all of its administrative rules (rules). The Board should also apply late fees for untimely renewals, ensure that its renewal application forms are consistent with rules, and either audit continuing education or require documentation of it with the renewal application. In addition, the Board needs to improve its inspection process by inspecting facilities at least once every 5 years, as required by statute, and by better documenting inspection results and following up on deficiencies. Finally, the Board adequately investigated and resolved complaints in a timely manner, but should implement procedures for providing accurate and complete public information about those it regulates.



2013

Board should improve its licensing functions

As of April 2013, the Board had 1,510 licensees, consisting of funeral establishments, funeral directors, embalmers, interns, crematories, and cremationists; registered 90 embalmer assistants and prearranged funeral salespersons; and endorsed 25 licensed funeral establishments to sell prearranged funerals.

Board applications inconsistent with rules—Although the Board ensured that applicants for licenses supplied all the information required by its license applications, application forms did not request all the information required by its rules. For example, rule requires that an applicant disclose dishonest, negligent, or criminal conduct that occurred in the past 5 years, but the application did not specifically ask about such conduct. Renewal applications were also missing several minor items required by its rules.

Board inappropriately processed late renewals—Licenses and registrations should be renewed by July 1 of each year. If the person renewing fails to meet the July 1 deadline but submits the renewal before August 1, the applicant must also pay a late fee along with the renewal fee. However, if the August 1 deadline is missed, the person must submit an initial application and fee. We reviewed a sample of 16 renewal applications and found that 5 renewal applications were submitted after July 1 but before August 1, and 3 of those were not charged the late fee. Another 2 renewal applications were submitted after August 1, but the Board did not require the licensees to reapply for licenses.

Board should verify continuing education hours—Licensees and registrants are required to complete continuing education hours before they apply for renewal. Although the application requires information about the classes and hours taken, the Board does not follow up to ensure that the training was actually completed. To help ensure that licensees/registrants complete their continuing education requirements, the Board should either follow up on a sample of renewal applications to verify the completion of continuing education or require licensees/registrants to submit proof that they completed the continuing education.

Recommendations

The Board should:

- Revise its application forms so they are consistent with all rule requirements;
- Ensure that it collects late fees and requires reapplication as necessary; and
- Follow up on a sample of renewal applications or require documentation to ensure that continuing education requirements are met.

Board should improve its inspection process

Board failed to inspect about half its facilities in time frame required by statute—The Board is statutorily required to inspect each funeral establishment and crematory at least once every 5 years. There are about 200 such facilities that the Board regulates, but we estimated that it had inspected only 92 facilities between January 2008 and December 2012. The importance of these inspections is illustrated by an

April 2011 television station's news report that indicated that a crematory had stacked human bodies waiting for cremation in unrefrigerated vans for at least 19 hours because there were too many bodies to fit in the crematory's cooling system. Following the news report, the Board inspected the crematory for the first time in more than 4½ years and subsequently revoked its license. As a result of our audit, the Board conducted 147 inspections from January through April 2013, and indicated that it caught up on its inspections by May 2013.

Board did not adequately document all inspection results—Although the Board has inspection checklists, it did not consistently or completely document inspection results. We reviewed a random sample of 20 funeral facility inspection files, each containing checklists for one or more inspections conducted between calendar years 2002 and 2013, and found that for at least 12 of the inspection files, a checklist was not appropriately completed or the inspection results were unclear. For example, the Board's inspector rarely completed the entire portion of the checklist section that involved a review of customer files for appropriate documentation, such as consent to embalm or cremate, potentially indicating that the review was not done.

Board neglected to appropriately conduct and document inspection followup—The Board has procedures to follow up on deficiencies discovered during inspections, but did not follow these procedures. For the 20 funeral facility inspection files we reviewed, at least 16 facilities had one or more inspections with identified deficiencies, but none had corrective action plans, as required by rule. Although the inspector did some follow-up work, at least 8 of the 16 facility inspection files had insufficient information to determine whether the funeral facility had corrected deficiencies.

The Board has begun to take action to address the factors that contributed to inspection shortcomings. For example, the Board has begun revising its inspections procedures, and a new inspector has been hired and will meet regularly with the Executive Director to review inspection progress and plans.

Recommendations

The Board should:

- Ensure that each facility is inspected at least once every 5 years, track inspection progress, and fully complete inspection checklists;
- Follow up, as required by rule, on inspections where deficiencies are identified, and obtain appropriate evidence of and document corrective action; and
- Have its Executive Director conduct random, supervisory reviews of inspection files.

Board should improve its provision of information to public

Information about licensee discipline is available on the Board's Web site. At the beginning of our audit, the Web site also had information about dismissed complaints and nondisciplinary actions, which should be publicly available but is not statutorily allowed on the Board's Web site. The Board has since fixed this issue. In two instances, some disciplinary information was not available on the Web site because it was improperly entered into the Board's data system. In addition, the Board did not always provide adequate information about licensees over the phone. Specifically, for three of four calls we placed to the Board about licensees, board staff did not provide complete information because they did not know what information they should provide to the public.

Recommendations

The Board should:

- Implement its revised policy and procedures that will help prevent staff from making inaccurate computer entries that prevent discipline records from being displayed on its Web site; and
- Ensure that staff follow its January 2013 procedure for providing complete information about licensees and registrants over the phone.

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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 Funeral Directors and Embalmers (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 process, which includes issuing and renewing licenses, registrations, and endorsements; licensed facility inspection program; 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 1945 to regulate funeral establishments and the practices of funeral directing and embalming and to protect consumers from financial harm. The Board's mission is to maintain and enforce a set of standards for those it regulates to provide protection for the health, safety, and welfare of Arizona citizens. The Board's responsibilities include:

- **Licensing and registering professionals and licensing and endorsing facilities**—The Board licenses individuals and facilities (funeral establishments and crematories) involved in funeral directing, embalming, and cremation. In addition, the Board registers embalmer assistants and prearranged funeral salespersons, and endorses licensed funeral establishments to sell prearranged funeral agreements funded by a trust. As of April 2013, the Board had 1,510 licenses, 90 registrants, and 25 endorsees (see Table 1 for details). According to its database, the Board processed 165 applications for licenses, registrations, or endorsements each year, on average, between calendar years 2008 and 2012.¹

**Table 1: Number of licenses, registrations, and endorsements
As of April 29, 2013**

Licenses	
Facility licenses	
Funeral establishment	169
Crematory	<u>52</u>
Total facility licenses	<u>221</u>
Individual licenses	
Funeral director	463
Funeral director at multiple establishments	22
Embalmer	500
Intern	27
Cremationist	<u>277</u>
Total individual licenses	<u>1,289</u>
Total licenses	<u>1,510</u>
Registrations	
Embalmer assistant	18
Prearranged funeral salesperson	<u>72</u>
Total registrations	<u>90</u>
Endorsements	
Allows a licensed facility to sell prearranged funeral agreements funded by a trust	<u>25</u>

Source: Auditor General staff analysis of board database downloaded on April 29, 2013.

¹ The Board reported that, as of September 2013, it will begin processing applications for intern trainees (see Sunset Factor 8, page 21, for additional information).

- **Conducting inspections**—The Board is required to inspect its licensed facilities at least once every 5 years to ensure compliance with statutory and rule requirements, such as appropriately providing prices and disclosure statements to customers in funeral establishments and adequately identifying and respecting human remains in crematories. Based on an analysis of board records, auditors estimated that the Board inspected 92 facilities between January 2008 and December 2012. During the audit, according to the Board’s database, the Board conducted an additional 147 inspections from January through April 2013 (see the “Inspections” chapter, pages 11 through 14, for additional information).
- **Resolving complaints**—The Board is responsible for investigating complaints against licensed or registered individuals and licensed facilities and takes statutorily authorized nondisciplinary or disciplinary action, as needed. For calendar years 2010 through 2012, the Board opened a total of 15 complaints: 6 were dismissed, 4 resulted in nondisciplinary letters of concern, and 5 resulted in discipline.
- **Providing information to the public**—The Board provides information about the individuals and facilities that it regulates, including disciplinary history, on its Web site. In addition, the Board publishes agendas and minutes of its public meetings, an annual newsletter, and a substantive policy statement on its Web site. Finally, board staff also respond to public requests for information.

Organization and staffing

The Board consists of seven governor-appointed members: four practicing funeral directors or embalmers and three public members, one of whom owns or manages a business unrelated to the funeral industry. The Board was authorized four full-time equivalent (FTE) staff positions for fiscal year 2013, but indicated it was funded for only the three FTE positions that it had filled as of June 2013.

Budget

The Board does not receive any State General Fund appropriations. Rather, its revenues consist primarily of license and registration fees. A.R.S. §§32-1308 and 32-1368 require the Board to remit to the State General Fund 100 percent of all collected penalties and 10 percent of other revenues except for interest on investments and administrative fees collected to defray the cost of investigations. As shown in Table 2 (see page 3), the Board’s fiscal year 2013 net revenues were approximately \$311,000. Personnel costs account for the majority of the Board’s expenditures, which totaled more than \$327,600 in fiscal year 2013. The Board’s fiscal year 2013 ending fund balance was more than \$293,500.

**Table 2: Schedule of revenues, expenditures, and changes in fund balance
Fiscal years 2011 through 2013
(Unaudited)**

	2011	2012	2013
Revenues ¹	\$ 355,174	\$ 365,059	\$ 344,637
Remittances to the State General Fund ²	<u>(34,446)</u>	<u>(38,352)</u>	<u>(33,626)</u>
Net revenues	<u>320,728</u>	<u>326,707</u>	<u>311,011</u>
Expenditures	284,718	289,808	327,658 ³
Transfers to the State General Fund ⁴	<u>9,600</u>	<u>6,100</u>	<u></u>
Total expenditures and transfers	<u>294,318</u>	<u>295,908</u>	<u>327,658</u>
Net change in fund balance	26,410	30,799	(16,647)
Fund balance, beginning of year	<u>252,971</u>	<u>279,381</u>	<u>310,180</u>
Fund balance, end of year	<u>\$ 279,381</u>	<u>\$ 310,180</u>	<u>\$ 293,533</u>

¹ Amount consists primarily of license and registration fees.

² As required by A.R.S. §§32-1308 and 32-1368, the Board remits to the State General Fund 100 percent of all collected penalties and 10 percent of other revenues except for interest on investments and administrative fees collected to defray the cost of investigations. The Board also retains 100 percent of charges for a consumer guide it sells to the public at cost.

³ Amount increased in fiscal year 2013 primarily because payroll expenditures increased. According to the Department of Administration, State Boards Office, payroll expenditures primarily increased because of a 5 percent critical retention payment to all uncovered employees as authorized by Laws 2012, Ch. 294, §133; a payout of annual leave balances when a board inspector retired; and the retired employee's position being double-filled for a short period of time while the new inspector was learning the position.

⁴ Amount 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

Although the Board ensured that applicants submitted required information to demonstrate qualifications for licensure, it should strengthen its license, registration, and endorsement application forms to ensure they are consistent with its rules. Additionally, the Board should collect late renewal fees and better ensure continuing education requirements are met. Finally, the Board issued initial and renewal licenses and registrations in a timely manner.

Board ensured licensure applicants submitted required documents but should strengthen its license, registration, and endorsement application forms

The Arizona State Board of Funeral Directors and Embalmers (Board) ensured that applicants submitted documentation that it had required of them to become licensed, but it should strengthen its licensing, registration, and endorsement processes to be consistent with board-established administrative rules. The Board issues and annually renews various licenses to individuals and facilities in the funeral industry. Board statutes, along with rules in the Arizona Administrative Code (AAC), outline specific requirements for licensure, which vary according to the seven different types of licenses the Board issues (see textbox for examples).¹

Auditors reviewed a random sample of 15 license applications that the Board approved in fiscal years 2002 through 2013 and found that the Board ensured the applicants submitted the documentation it had required prior to issuing the licenses. Specifically, board staff collected and retained required documents such as a copy of the license application, results of the criminal background check, transcripts, and exam results.

However, the Board should strengthen its licensing, registration, and endorsement processes by ensuring its application forms are consistent with its rules. For example, the Board's license application forms do not ask applicants for all the information required by its rules. Specifically, although required by rule, the Board's application forms for initial licensure do not ask applicants to disclose whether, in the past 5 years, they have committed any act involving dishonesty, fraud, misrepresentation, breach of fiduciary duty,

Example license requirements

Funeral director—Must submit an application form provided by the Board; be of good moral character; have held an embalmer's license for at least one year; have assisted in arranging and directing at least 25 funerals; and pass funeral licensure and state law exams.

Cremationist—Must submit an application form provided by the Board; be of good moral character; and complete a crematory certification program.

Funeral establishment or crematory—Must submit an application form provided by the Board; be of good moral character; submit a copy of the partnership agreement, articles of incorporation, or any other organizational documents; and pass a board inspection.

Source: Auditor General staff review of Arizona Revised Statutes (A.R.S.) §§32-1322, 32-1323, 32-1383, 32-1394.01, 32-1395, and AAC R4-12-210.

¹ In addition to the seven licenses, the Board also issues two types of registrations and one endorsement (see the Introduction, page 1, for additional information).

gross negligence, or incompetence reasonably related to the applicant's proposed area of licensure. Board rules also require applicants for licensure to disclose whether they are currently incarcerated or on community supervision after a period of imprisonment, but the application forms likewise do not ask for this information. Further, the board application forms for licensure are inconsistent with some rule requirements. For example, board rules require applicants to provide information regarding felony and certain misdemeanor convictions within 5 years from the date of the application, such as the court of jurisdiction, the probation officer's contact information, and other applicable documents. However, the board application forms require applicants to provide this information for any felonies or misdemeanor convictions, regardless of when they occurred. In addition, applicants for a registration or endorsement must meet certain requirements that are similar to licensure applicants, but the registration and endorsement application forms have inconsistencies similar to those in the license application forms.

Board staff noted that the Board had other processes in place to compensate for the omissions in its application forms, but these processes do not provide the same degree of assurance that the revised forms would provide. For example, the Board indicated that if an applicant was licensed in another state, the other state would inform the Board whether the applicant had received any disciplinary action, which would help the Board know if the applicant had been involved in dishonesty, fraud, misrepresentation, breach of fiduciary duty, gross negligence, or incompetence related to the applicant's proposed area of licensure. However, this process does not provide information to the Board for applicants who have not been licensed in another state. Because these compensating processes cannot always assure the Board that an applicant is qualified and thus places the State at greater risk for licensing unqualified applicants, the Board should ensure that its application forms are consistent with its established rules. During the audit, the Board made revisions to some of its licensing application forms to make them more consistent with some rule requirements; however, the areas mentioned previously had not been addressed. Therefore, the Board should further revise its licensing, registration, and endorsement application forms so that they are consistent with all of its rule requirements.

In addition, the Board has not updated its licensing, registration, and endorsement policies and procedures since it adopted new administrative rules in 2001 that revised related requirements. When policies and procedures do not reflect current statutory and rule requirements, board staff are at risk of not complying with these requirements. Therefore, the Board should develop and implement policies and procedures to ensure that all licensure, registration, and endorsement requirements, including any future revisions to these requirements, are accurately reflected in its policies and procedures.

Board should collect late renewal fees and better ensure renewal requirements are met

Auditors identified several ways in which the Board's processes for renewing licenses and registrations can be improved. The Board is required to renew licenses, registrations, and endorsements each year. For example, A.R.S. §32-1331 requires licensees and registrants to submit a renewal application and fees to the Board by July 1 of each year. If the renewal application is

submitted between July 2 and August 1, statute requires the Board to charge a late fee. If the renewal application is submitted after August 1, statute requires the applicant to reapply for licensure or apply for reinstatement of the registration. Finally, licensees and embalmer assistant registrants must submit a list of the continuing education they have completed each year, unless the Board waives the requirement for an approved reason.

A review of renewal applications found several shortcomings in how the Board processed renewal applications. Auditors reviewed a random sample of 16 renewal license or registration applications submitted to the Board in calendar year 2012 and found that the licensees/registrants had returned completed renewal applications and fees. However, the Board did not always charge appropriate late fees as required by statute, its renewal application was not completely consistent with its administrative rules, and it lacked procedures some other Arizona regulatory boards use to help ensure their licensees comply with continuing education requirements. As a result, the Board should enhance its renewal process to ensure that licensees/registrants better meet all renewal requirements. Specifically:

- **Board should collect late fees or require licensees/registrants to reapply if their renewal application forms are past due**—For the 16 license/registration renewal application forms reviewed, 7 were submitted late—5 between July 2 and August 1 (and therefore subject to late fees) and 2 were submitted after August 1 (and therefore subject to reapplication). Auditors found that the Board did not charge a late fee to 3 of the 5 licensees who had submitted their renewal applications and fees after July 1, but before August 1. In addition, the Board did not require the 2 licensees who submitted their renewal applications after August 1 to reapply for licensure. Instead, the Board renewed their licenses. A board official indicated that the staff member who incorrectly processed these renewal applications made careless errors and, in the future, the Board would process late renewal applications in keeping with the statutory requirements. To ensure that the Board has an appropriate process for collecting late fees and ensuring that licensees/registrants reapply as required, the Board should develop and implement policies and procedures to guide the renewal process and ensure staff receive adequate supervisory oversight.
- **Board should ensure that its renewal application forms are consistent with rule**—The Board's renewal application forms have some inconsistencies with requirements in rule. For example, the license renewal application form instructs licensees to have the form *postmarked* by July 1, while rule requires that the form be *received* by July 1. The Board reported that it will revise its renewal forms accordingly. In addition, the renewal forms do not contain several other minor items required in rule, such as the licensee's social security number and phone number. Board staff said these items, while required in rule, are not necessary. In such cases, the Board should determine whether to revise its renewal application forms or revise its rules. However, unless and until it revises its rules to change the renewal requirements, the Board should ensure its renewal application forms request all information required in rule.
- **Board should either audit continuing education or require documentation**—Board rules require that, prior to renewal, licensees complete 12 credit hours of continuing education, including 3 hours in mortuary sciences, 3 hours in ethics, and 6 other hours intended to enhance professional development or competence. In addition, embalmer assistant registrants must

complete 6 credit hours of continuing education prior to renewal, including 3 hours in mortuary sciences and 3 hours covering compliance with state and federal laws. Renewal application forms include space for the licensee/registrant to list the title, date, and credit hours of each continuing education course along with a signed statement that the licensee/registrant took the continuing education. However, according to board staff, they do not conduct any followup to verify that the training was actually completed. To help ensure licensees/registrants meet the continuing education requirements, the Board should follow some other Arizona state regulatory boards' practices by either following up on a sample of renewal applications to verify that the licensee/registrant has completed the continuing education, or by requiring all licensees/registrants to submit proof that they have completed the continuing education, such as a certificate of completion.

Board complies with time frames for issuing licenses, registrations, and endorsements, and for renewing licenses and registrations

The Board complies with statutorily required time frames for issuing licenses, registrations, and endorsements. Statute requires the Board to establish time frames in rule for issuing licenses, registrations, and endorsements. 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, registration, or endorsement approved or denied, and increase the Board's accountability if time frames are not met. If the Board does not meet its time frames, statute requires it to refund licensing, registration, or endorsement 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, registrations, and endorsements are not issued or denied within the established time frames.

The Board has established licensing, registration, and endorsement time frames in rule, and issues licenses, registrations, and endorsements in a timely manner, and also renews licenses and registrations in a timely manner. Rule requires the Board to issue initial licenses and registrations in 110 days and renew them in 60 days.¹ According to the Board's database, the Board issued its initial licenses, registrations, and endorsements in calendar years 2008 through 2012 within the time frame allowed in rule, with most issued within 30 days. Auditors also reviewed 16 randomly selected license/registration renewal applications from calendar year 2012 and associated database entries, and found that the Board renewed all 16 licenses/registrations in 3 days or less.²

Recommendations:

1. The Board should further revise its licensing, registration, and endorsement application forms so that they are consistent with all of its rule requirements.

¹ Rule requires the Board to process the 7 licenses and 2 registrations within 110 days. However, it gives the Board 60 days to process a funeral establishment's endorsement application to conduct prearranged funeral sales.

² Endorsements were not included in auditors' random sample.

2. The Board should develop and implement policies and procedures to ensure that all licensure, registration, and endorsement requirements, including any future revisions to these requirements, are accurately reflected in its policies and procedures.
3. To ensure that the Board has an appropriate process for collecting late fees and ensuring that licensees/registrants reapply as required, the Board should develop and implement policies and procedures to guide the renewal process and ensure staff receive adequate supervisory oversight.
4. Where the information asked for in the Board's renewal applications differs from the information required by its administrative rules, the Board should determine whether to revise its renewal application forms or revise its rules. However, unless and until it revises its rules to change the renewal requirements, the Board should ensure its renewal application forms request all information required in rule.
5. To help ensure licensees/registrants meet the continuing education requirements, the Board should either follow up on a sample of renewal applications to verify that the licensee/registrant has completed the continuing education, or require all licensees/registrants to submit proof that they have completed the continuing education, such as a certificate of completion.

Inspections

The Board should ensure that its inspections are: (1) performed at each facility at least once every 5 years as required by statute, (2) thorough and well-documented, and (3) accompanied by an appropriate follow-up process.

Board should improve its inspection process to better protect consumers

Arizona Revised Statutes (A.R.S.) requires the Arizona State Board of Funeral Directors and Embalmers (Board) to inspect all funeral establishments and crematories before initial licensure and at least once every 5 years.¹ The Board's inspector conducts these inspections by using a checklist to help ensure that these facilities comply with requirements in board statutes and administrative rules. Consistent with a recommendation from the Office of the Auditor General's 2003 performance audit of the Board, the Board developed inspection guidelines and rules to improve its inspection procedures (see Report No. 03-04).

However, auditors identified several deficiencies in the inspection process. Specifically:

- **Board failed to inspect about half of the facilities it regulates in time frame required by statute**—Although the Board is required to inspect all licensed facilities at least once every 5 years, and the Board regulates, on average, more than 200 licensed funeral facilities, auditors estimated, based on board records, that the Board inspected a total of only 92 facilities during calendar years 2008 through 2012. Inspecting funeral facilities is an important way for the Board to ensure that licensed facilities follow statute and rule requirements to protect consumers from deceptive or disrespectful business practices during an emotional time, and to ensure worker safety. For example, one Arizona crematory that had not been inspected in over 4½ years was the subject of a television station's news report in April 2011. The news report indicated that the crematory had stacked human bodies waiting for cremation in unrefrigerated vans for at least 19 hours because there were too many bodies to fit in the crematory's cooling system. Following the news report, the Board inspected the crematory and subsequently revoked its license.

As a result of the audit, the Board became aware that it had not inspected about half of its licensed facilities as required in statute, and board staff began to catch up on its inspections. According to its database, the Board conducted 147 inspections from January through April 2013, and as a result, had inspected most of its actively licensed facilities at least once in the prior 5 years. Additionally, in May 2013, the Board indicated that it was in compliance with its inspection time frame requirement.

- **Board failed to adequately document all inspection results, which could indicate incomplete inspections were conducted**—Although the Board has checklists to

¹ A.R.S. §§32-1307(A)(5)(h), 32-1383(C), and 32-1395(C)

assist in conducting inspections, the Board was not consistent or thorough in documenting inspection results. Auditors reviewed a random sample of 20 funeral facility inspection files, which contained checklists for one or more inspections conducted between calendar years 2002 and 2013, and found that for at least 12 of the inspection files, a checklist was not appropriately completed, or it was unclear if a violation had been found during the inspection. For example, the inspector rarely completed the entire portion of the checklist that involved a review of customer files to check for proper documentation—such as permission to embalm or to cremate—and to ensure that prices charged matched the prices advertised. An incomplete checklist could indicate an inspection was incomplete and prevent the Board from adequately protecting consumers and facility workers, as well as identifying and acting on patterns of noncompliance.

- **Board neglected to appropriately conduct and document inspection followup**—Although the Board established follow-up procedures in its rules to help ensure facilities address deficiencies identified during inspections, the Board did not follow all of these procedures. For example, according to Arizona Administrative Code (AAC) R4-12-120(E), facilities with deficiencies are required to submit a written correction plan to the Board within 15 days of receiving the Board’s inspection report, indicating the time frame for correcting the identified deficiencies. However, for the 20 funeral facility inspection files auditors reviewed, at least 16 facilities had one or more inspections with identified deficiencies, but none of these 16 files contained written corrective action plans, and board staff said they had not requested such plans from the facilities. In addition, although the inspector conducted some follow-up work after inspections, at least 8 of the 16 files with identified deficiencies contained insufficient information, either in the hard copy inspection files or the associated data entries in the Board’s database, to determine whether the facility took corrective action for all deficiencies identified in an inspection. Further, when the inspector documented that a facility had taken corrective action, this was often based on verbal communication when physical documentation would have been more appropriate. For example, when a facility did not have casket price cards with complete information, the inspector verified that the deficiency was corrected by a phone call rather than by receiving a copy of the new price card.
- **Board missing two items on its crematory inspection checklist**—The Board developed two checklists to guide inspections—one for licensed funeral establishments and another for licensed crematories. These inspection checklists help guide the inspector’s review of requirements based on applicable statutes and rules, with two exceptions. Specifically, the crematory checklist did not prompt the inspector to check for compliance with two statutory requirements: (1) displaying the licenses of the crematory and the responsible cremationist, and (2) disposing of all body prostheses, bridgework, or similar items removed from the cremated remains unless other arrangements are made in the authorization to cremate. During the audit, the Board revised its crematory inspection checklist to ensure that crematories comply with these two statutory requirements.

Auditors identified several factors that contributed to these deficiencies. These included an inadequate inspection policy and a lack of oversight—such as supervisory review—to ensure that inspections were completed at the required frequency and properly documented, and that appropriate followup was conducted. For example, the Board’s inspection policy does not require

its staff to formally track its compliance with the 5-year inspection requirement. In addition, the Board did not request any specific reports from staff to ensure it met or would meet the 5-year requirement even though it received budget cuts and lost funding for a staff member in 2008, and had an Executive Director who was ill for several months between calendar years 2010 and 2012. In contrast, auditors contacted five other states' agencies responsible for conducting routine inspections of funeral facilities, and officials at all five agencies reported that oversight for their state's inspection process for funeral facilities is achieved through agency staff review of inspection reports and/or tracking how long it had been since each facility's last inspection.¹

In response to the audit, the Board began to take action to address some of these issues. Specifically, the Board hired a new inspector to replace its retiring inspector, and the new inspector developed a monitoring tool to help ensure that licensed facilities will be inspected once every 2 years. A board official reported that the Board would like to inspect facilities once every 2 years to help licensees voluntarily comply with statutes/rules and to help prevent complaints from occurring. The board official indicated that this instruction had been provided to the prior inspector as well. To enhance oversight, the Board reported that the inspector and Executive Director will meet every other week to review inspection progress and plans.

In addition to these actions, the Board should revise its inspection policies and procedures and implement them. Specifically, the revised policies and procedures should ensure that the Board and the Executive Director adequately oversee the inspection process and ensure that its staff do the following:

- **Inspect all facilities at least once every 5 years**—The Board should revise its inspection policies and procedures to ensure that all licensed facilities are inspected at least once every 5 years, and more frequently as resources permit. The policies and procedures should describe how staff will track inspection progress and report compliance with the 5-year requirement to the Board.
- **Consistently document all inspection results**—The Board should revise its inspection policies and procedures to require that inspection checklists be fully completed and that there are no checklist items left unchecked without an explanation. In addition, a periodic supervisory review of the inspector's checklists should be required to ensure that checklists are clearly and accurately completed.
- **Appropriately follow up on deficiencies found in inspections and document corrections**—The Board should revise its inspection policies and procedures to ensure that staff (1) conduct follow-up activities as required by AAC R4-12-120, including requesting written corrective action plans; (2) document whether and when corrective action is taken; and (3) obtain appropriate evidence to verify that deficiencies have been corrected. In addition, the policies and procedures should require the Board's Executive Director to randomly review inspection files and associated database entries at a specified, regular interval to ensure required follow-up activities have been performed.

¹ Auditors contacted other states' funeral regulation agencies in five western states as follows: California, Idaho, Nevada, Oregon, and Washington.

As of June 2013, the Board had begun revising its inspection procedures to help ensure facilities are inspected in a timely manner and that the inspector appropriately documents inspection results on the checklist. The Board should continue its efforts to revise its written policies and procedures and implement them.

Finally, the Board should ensure that licensees are disciplined if the inspector finds serious deficiencies after an inspection. As indicated in AAC R4-12-120(G), the Board should not allow an applicant or licensee an opportunity to correct the deficiencies if the deficiencies: (1) are committed intentionally, (2) evidence a pattern of noncompliance, or (3) are a risk to the public health, safety, or welfare. For these types of deficiencies, the Board may investigate and take disciplinary action as needed. Although board staff indicated that they have not encountered deficiencies that meet the three criteria mentioned previously, the Board has no guidance to help staff determine when deficiencies meet the criteria, or to describe how the Board would subsequently take disciplinary action. Therefore, the Board should develop and implement policies and procedures that provide direction to its staff on appropriately identifying and informing the Board of deficiencies that meet these three criteria, and that provide guidance to the Board for taking appropriate disciplinary action to address serious deficiencies identified during an inspection.

Recommendations:

1. The Board should revise and implement its inspection policies and procedures to ensure that:
 - a. All licensed facilities are inspected at least once every 5 years;
 - b. Staff track inspection progress and report compliance with the 5-year requirement to the Board;
 - c. Inspection checklists are fully completed and that there are no checklist items left unchecked without an explanation, and to require a periodic supervisory review of the inspector's checklists to ensure that checklists are clearly and accurately completed;
 - d. Board staff (1) conduct follow-up activities as required by AAC R4-12-120, including requesting written corrective action plans; (2) document whether and when corrective action is taken; and (3) obtain appropriate evidence to verify that deficiencies have been corrected; and
 - e. The Board's Executive Director randomly reviews inspection files and associated database entries at a specified, regular interval to ensure required follow-up activities have been performed.
2. The Board should develop and implement policies and procedures that provide direction to its staff on appropriately identifying and informing the Board of deficiencies that meet the three serious deficiency criteria specified in AAC R4-12-120(G), and that provide guidance to the Board for taking appropriate disciplinary action to address serious deficiencies identified during an inspection.

Complaint resolution

The Board adequately investigated and resolved complaints in a timely manner.

Board adequately investigated and resolved complaints in a timely manner

The Arizona State Board of Funeral Directors and Embalmers (Board) is responsible for investigating complaints against licensed or registered individuals and licensed facilities and for taking nondisciplinary or disciplinary action, as necessary. Statute authorizes the Board to investigate complaints alleging violations of statute and/or board administrative rules, including professional incompetence, unprofessional conduct, and failing to be honest, responsive, and sensitive to needs concerning funeral arrangements. Complaints may be submitted by the public or initiated by the Board, and are investigated by board staff. Based on its review of investigative reports, the Board may dismiss complaints or take nondisciplinary or disciplinary action, as appropriate. The Board's available nondisciplinary action is to issue a letter of concern, and its disciplinary options include letters of reprimand, probation, civil penalties, suspension, and revocation. In calendar years 2010 through 2012, the Board opened 15 complaints: 6 were dismissed, 4 resulted in nondisciplinary letters of concern, and 5 resulted in discipline.

Auditors found that the Board adequately investigated and adjudicated these complaints and resolved them in a timely manner. Specifically, the Board:

- **Adequately investigated complaints**—Auditors reviewed the 15 complaints the Board opened in calendar years 2010 through 2012 and found that for all 15 complaints, board staff conducted appropriate and thorough investigations, including performing inspections, interviewing involved parties, and collecting and reviewing evidence and written statements of those involved. Board staff prepared thorough investigative reports that summarized allegations, evidence, and potential violations.
- **Dismissed complaints when no violations found and issued discipline for violations**—Based on auditors' review of the 15 complaints, observation of board meetings, and review of board meeting minutes, the Board dismissed unsubstantiated complaints and took action when it found violations. For example, the Board dismissed complaints that lacked sufficient evidence of a violation of statute or rule. However, when the Board determined that a licensee violated statute or rule, it imposed discipline. Further, it escalated discipline for repeat violators. For example, for a complaint involving a crematory that was responsible for partially cremated remains scattered throughout a cemetery, the Board was aware that the responsible cremationist had already received discipline once for unprofessional conduct, which is a statutory violation. The discipline for the prior violation included a fine and order to complete continuing education courses. In response to the statutory violations in the

second case, the Board and the licensee entered into a consent agreement to revoke the cremationist's license.

- **Resolved complaints in a timely manner**—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 the complaints. The Board resolved 14 of the 15 complaints it opened in calendar years 2010 through 2012 within the 180-day standard. The remaining complaint was resolved in 273 days, but was delayed to accommodate the complainant's and the licensee's medical and personal issues.

Public information

The Board should ensure that disciplinary information is accurately displayed on its Web site and staff follow its new written procedure to respond to information requested by phone.

Board should improve its provision of public information

The Arizona State Board of Funeral Directors and Embalmers (Board) should ensure that it provides appropriate information to the public on its Web site and over the phone. Arizona Revised Statutes §32-4404 prohibits Arizona state regulatory agencies from providing information on their Web sites regarding dismissed complaints or complaints that resulted in nondisciplinary action. In addition, this statute requires Arizona state regulatory agency Web sites to display a statement that members of the public may request information about dismissed complaints and complaints that resulted in nondisciplinary action by contacting the agency directly. However, the Board did not comply with this statute. Specifically, the Board provided information regarding dismissed complaints and nondisciplinary action in annual reports that it posted on its Web site and had not posted the required statement. During the audit, the Board removed the unauthorized information from the annual report, and added a statement to the Web site informing the public that dismissed complaints and nondisciplinary action can be obtained by phoning the Board.

Further, auditors reviewed the Board's Web site for information regarding the licensed individuals and facilities involved for the 15 complaints the Board opened in calendar years 2010 through 2012 (see pages 15 through 16 for more information), and found two instances where the Web site incorrectly indicated that a licensed facility had not received discipline. In each case, the discipline was not listed because staff had inaccurately made a computer entry that prevented the facility's discipline records from being displayed on the Web site. As a result, the Board revised its policy and procedures to help prevent staff from making this type of error again. The Board should implement its revised policy and procedures to ensure that all discipline records are appropriately displayed on the Board's Web site.

In addition, board staff did not always provide adequate information regarding complaints over the phone when requested. Specifically, auditors placed four phone calls to board staff in November and December 2012 to request complaint history for several licensees. Although staff did not disclose confidential information, they did not always provide complete information regarding licensees' complaint histories. In three calls, staff failed to disclose information regarding dismissed complaints, nondisciplinary orders (letters of concern), discipline, and the fact that a licensee had a pending complaint, because they did not know what information should be shared with the public. In one of the calls, staff appropriately shared information regarding discipline, and the fact that the licensee had a pending complaint.

In response to these findings, board management developed a new written procedure in January 2013 to help ensure all board staff share appropriate information when receiving phone calls from the public. However, when auditors placed two additional phone calls to request complaint history for five licensees in June 2013, board staff provided appropriate information regarding four licensees, which involved a dismissed complaint and discipline, but did not provide accurate information regarding the fifth licensee, which had dismissed complaints and discipline. Board management indicated that the information was not provided for the fifth licensee because a new staff member was still learning how to navigate the Board's database, which is what staff use to provide public information, and that the new staff member subsequently received the database training needed to provide appropriate information to the public. The public should have access to complete and timely information about licensed and registered individuals and licensed facilities because of their potential impact to public welfare and to make informed decisions. Therefore, the Board should implement its new written procedure regarding information that it should provide to the public.

Recommendations:

1. The Board should implement its revised policy and procedures designed to help prevent staff from making inaccurate computer entries, which prevent discipline records from being displayed on the Web site.
2. The Board should ensure that its staff follow its new written procedure it developed in January 2013 to ensure that the public is provided complete information regarding licensees and registrants over the phone.

Sunset factor analysis

The analysis of the sunset factors includes a recommendation for the Board to document all of its licensing, registration, and endorsement procedures (see Sunset Factor 2, pages 19 through 20).

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 Funeral Directors and Embalmers (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.

Established in 1945, the Board's mission is to maintain and enforce a set of standards for those it regulates to provide protection for the health, safety, and welfare of Arizona citizens. It accomplishes this mission by licensing or registering individuals who submit required documentation, such as funeral directors, and licensing or endorsing facilities, such as funeral establishments; inspecting licensed facilities; investigating and adjudicating complaints and taking disciplinary action, when necessary; providing information to the public, and promulgating administrative rules regarding the funeral industry (see Introduction, pages 1 through 3, for additional information regarding board responsibilities).

Auditors did not identify any states that met the objective and purpose of the Board through private enterprises.

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 steps to better meet its statutory objective and purpose related to licensing, inspections, and provision of information to the public. Although the Board operates efficiently by licensing, registering, and endorsing applicants and adequately investigating and adjudicating complaints in a timely manner, it should strengthen its license, registration, and endorsement application forms to ensure they are consistent with its rules, collect late renewal fees, and better ensure continuing education requirements are met (see pages 5 through 9); inspect licensed facilities at least once every 5 years as required by statute, fully document inspection results, and appropriately follow up on deficiencies identified during inspections (see pages 11 through 14); and provide appropriate information to the public (see pages 17 through 18).

Further, auditors identified an additional area in which the Board should improve its operations. Specifically, the Board has not documented some of its licensing, registration, and endorsement procedures. For example, the Board has no written

procedure describing how board staff track compliance with time frames for issuing licenses, registrations, and endorsements. In addition, staff have not documented their process that helps ensure facilities accurately report the number of death certificates they process, which determines how much a facility will pay for its annual renewal fee. When such processes are not documented, staff are at risk of inconsistently applying or abandoning the process. To ensure board staff continue engaging in appropriate processes, the Board should document its licensing, registration, and endorsement procedures.

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

The Board serves those it regulates, their clients, and the public throughout the State by issuing licenses, registrations, and endorsements. In addition, it opened and investigated complaints filed by the public against licensed individuals and facilities and disciplined those that violated board laws and rules. Further, the Board also conducts inspections of licensed facilities throughout the State to help ensure their compliance with applicable laws and rules. Finally, auditors found that the Board provided the public with information through its Web site regarding licensed individuals and facilities' licensing status and disciplinary history. The Web site also informs the public that it may contact the board office to obtain information about dismissed complaints and nondisciplinary actions taken against those that it regulates. However, auditors found that the Board can do more to ensure staff follow procedures to provide complete information to the public by phone (for more information, see pages 17 through 18).

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 the Board has established all of the rules required by statute and that established rules 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, the Board submitted its proposed rules in the Arizona Administrative Register and received input when it created and revised several rules in calendar years 2004 and 2005. For example, when establishing its inspection procedures in rule, it received and responded to four comments, two of which the Board agreed to, including extending the time a facility has to submit a plan of correction after an inspection from 7 to 15 days.

Auditors also assessed the Board's compliance with various provisions of the State's open meeting law for board meetings held between February 2013 and April 2013 and found the Board to be in compliance with these laws. Specifically, as required by open meeting law, the Board posted meeting notices and agendas on its Web site at least 24 hours in advance. In addition, the Board posted the notices and agendas at the physical locations where the Board's

Web site states they will be posted. Further, in compliance with statute, board management made board meeting minutes available 3 days after meeting dates.

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 various nondisciplinary and disciplinary options available to use to address violations of statute and/or rule, such as issuing a letter of concern, imposing probation, and revoking a license. Auditors' review of the 15 complaints the Board opened in calendar years 2010 through 2012 found that the Board adequately investigated and adjudicated these complaints, and resolved them in a timely manner (see pages 15 through 16 for additional 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.

The Attorney General is the Board's attorney according to A.R.S. §§32-1306 and 41-192(A). As such, the Board can bring violations by a licensed or registered individual or licensed facility to the attention of the Attorney General, and may request the Attorney General to bring an action in superior court to recover any civil penalties imposed by the Board, according to A.R.S. §32-1306.

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 statutes. These include the following:

- Laws 2013, Ch. 249, §4, added A.R.S. §32-1324.01 to authorize funeral establishments to employ an intern trainee, who may assist with embalmings after completing at least 16 hours of board-approved training. The Board indicated that the intern trainee position will provide an opportunity for people to decide whether they want to pursue a career in embalming before completing mortuary school.
- Laws 2011, Ch. 256, amended A.R.S. §32-1391.05 to further specify requirements established in statute for funeral establishments investing prearranged funeral trust money. For example, it states that certain monies must be deposited in a trust account within a certain time frame, and defines how the trustee of these monies should exercise the judgment and care of a "prudent investor."
- Laws 2007, Ch. 94, amended A.R.S. 32-1365.02 and related statutes to change the order of priority for who is responsible to make burial, funeral, cremation, and similar arrangements. Prior to this change, the order of priority for responsible parties was determined by different statutes that were inconsistent with one another.

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.

The audit did not identify any needed changes to board statutes.

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's role is to protect the public by licensing and registering individuals, and licensing and endorsing facilities that meet Arizona's qualifications to provide funeral goods and services. The Board also protects the public by inspecting licensed facilities to help ensure they operate in compliance with state laws and rules, receiving and investigating complaints against those it regulates, and taking appropriate disciplinary action when allegations are substantiated. The Board is also responsible for providing information to the public about the status of licenses, registrations, and endorsements, as well as complaint and disciplinary history. These functions help protect the public from potential harm. For example, auditors reviewed complaints investigated by the Board alleging actions by funeral professionals that posed a threat to the public, including storing unrefrigerated bodies, leading to unsanitary conditions; unlicensed embalmings; deceptively selling used caskets; and knowingly comingling the cremated remains of more than one person.

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 generally similar, and in some instances more stringent, as compared to other states. Additionally, the level of regulation exercised by the Board appears appropriate. Specifically, information compiled in 2011 by the International Conference of Funeral Service Examining Boards and additional information indicates the following:^{1,2}

- All 50 states regulate some aspect of the funeral industry either through a board, similar to Arizona, or through some other agency such as a state department of health;
- Similar to Arizona, 44 other states inspect funeral establishments;
- Unlike Arizona, 42 states report offering reciprocity, endorsement, or some combination, to allow individuals licensed in other jurisdictions to practice in their state;

¹ International Conference of Funeral Service Examining Boards, Inc. (2011). *Jurisdiction regulations related to funeral service licensing, continuing education and pre-need*. Fayetteville, AR: Author; and information from Colorado's Office of Funeral Home and Crematory Registration, which is an office under Colorado's Department of Regulatory Agencies, Division of Professions and Occupations.

² Although Colorado reported having no specific agency to monitor licensing for individuals in the International Conference of Funeral Service Examining Boards' report, Colorado enacted laws in 2009 requiring funeral establishments, including crematories, to be registered with Colorado's Office of Funeral Home and Crematory Registration.

- Similar to Arizona, 40 other states reported regulating pre-need funeral sales;
- Similar to Arizona, 31 other states reported having a continuing education requirement of at least 1 hour per year, but only 3 states reported requiring at least 12 hours per year like Arizona; and
- Similar to Arizona, 17 other states reported requiring funeral directors to obtain a two-year degree prior to licensure.

The Federal Trade Commission (FTC) established regulations in 1982 for the funeral industry with the intent of better protecting funeral consumers from deceptive and misleading business practices, and the FTC occasionally conducts unannounced inspections of funeral establishments across the country. According to a contact referred by the FTC, Arizona is the only state that is formally exempt from parts of FTC regulations because Arizona's laws are equally or more stringent than the exempted FTC regulations.

The audit did not identify areas where less or more stringent levels of regulation would be appropriate.

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 has used private contractors for services such as developing the Board's database, court reporting services, printing, and rule writing. Auditors found that the Board primarily used private contractors to perform duties to a greater extent than other western states' agencies that regulate the funeral industry. Auditors contacted agencies in seven western states to determine if they used private contractors to design or maintain a database, perform licensing functions, train staff, provide temporary employees, perform inspections or investigations, provide legal services, or perform any other services.¹ According to these agencies, none of them used private contractors for as many services as Arizona. However, the Nevada State Funeral Board reported that it used a contractor to fill its only staff position, which serves as the executive director. For the remaining 6 western states, one agency reported using contractors for two types of services (maintaining a database and providing legal services); two agencies reported using contractors for one type of service, such as administering licensing and law exams; and the other three agencies reported that they do not use private contractors.

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

¹ Auditors contacted state agencies that regulate the funeral industry in seven other western states, as follows: California, Colorado, Idaho, Nevada, Oregon, Utah, and Washington.

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 Funeral Directors and Embalmers, its Executive Director, and staff for their cooperation and assistance throughout the audit.

Methodology

Auditors conducted this performance audit of the Arizona State Board of Funeral Directors and Embalmers (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 the performance audit and sunset review. These methods included reviewing board statutes, rules, and policies and procedures; interviewing staff and stakeholders; and reviewing information from the Board's Web site. In addition, auditors reviewed minutes from and attended three board meetings and two committee meetings held between October and December 2012, and attended a board meeting in April 2013. In addition, auditors used the following specific methods to meet audit objectives:

- To determine whether the Board's processes and practices helped ensure that licenses are issued to qualified applicants, auditors reviewed a random sample of 15 license applications that were approved by the Board between fiscal years 2002 and 2013. To determine the timeliness of licensing-related processes, auditors analyzed board data regarding licenses, registrations, and endorsements issued between calendar years 2008 through 2012. In addition, auditors reviewed a random sample of renewal applications for 14 licenses and 2 registrations from calendar year 2012. Further, auditors reviewed the Board's application materials for initial licensure, registration, and endorsement, as well as renewal applications for licenses and registrations, and compared them to statutes and rules. Finally, auditors reviewed four other Arizona state agencies' practices for ensuring that their licensees meet continuing education requirements.¹
- To determine whether the Board's process and practices helped ensure that inspections are performed efficiently and effectively, auditors observed 3 inspections of licensed facilities between October and December 2012 and reviewed a random sample of 20 inspection files, which contained checklists for one or more inspections conducted between calendar years 2002 and 2013. In addition, auditors reviewed inspection checklists and compared them to statutes and rules; analyzed board inspection data

¹ These Arizona state agencies were the Arizona State Boards of Appraisal, Pharmacy, and Physical Therapy, as well as the Arizona Board of Occupational Therapy Examiners.

and other records from January 2008 to April 2013; and contacted 5 western states that conduct routine inspections of funeral facilities.¹

- To assess whether the Board processes complaints in an adequate and timely manner, auditors reviewed the 15 complaints the Board opened in calendar years 2010 through 2012.
- To assess whether the Board shares appropriate information with the public, auditors placed 6 anonymous phone calls to board staff in November and December 2012 and June 2013 requesting information about 12 licensed facilities and compared the information provided to board records. Auditors also reviewed licensing and complaint history information about specific licenses on the Board's Web site and assessed whether the information provided was consistent with statutory requirements and matched the Board's database.
- To obtain information for the Introduction, auditors analyzed board licensing, registration, and endorsement data, as well as inspection data, from January 2008 to April 2013, and reviewed complaint investigations performed in calendar years 2010 through 2012. In addition, auditors compiled and analyzed unaudited information from the Arizona Financial Information System (AFIS) *Accounting Event Transaction File* for fiscal years 2011 through 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 proposed rules in the Arizona Administrative Register in calendar years 2004 and 2005 and assessed whether board staff posted public notices and agendas for board meetings in compliance with open meeting law. In addition, auditors contacted an individual referred by the Federal Trade Commission and reviewed information compiled in 2011 by the International Conference of Funeral Service Examining Boards.² Further, to obtain information regarding these states' use of private contractors, auditors contacted seven western states.³
- Auditors' work on internal controls included reviewing the Board's policies and procedures for ensuring compliance with board statutes and rules and where applicable, testing its compliance with these policies and procedures. Auditors' conclusions on these internal controls and board efforts to improve their controls in response to audit findings during the audit are reported in the report chapters and Sunset Factor 2. In addition, auditors conducted data validation work to assess the reliability of the Board's database information used to assess licensing, registration, and endorsement data, as well as inspection data, and to pick a sample of licenses for further test work. For example, auditors compared information in the database to hard copy files. Auditors determined that the Board's database was sufficiently reliable for the purposes of the audit.

¹ Auditors contacted other states' funeral regulation agencies in five western states as follows: California, Idaho, Nevada, Oregon, and Washington.

² International Conference of Funeral Service Examining Boards, Inc. (2011). *Jurisdiction regulations related to funeral service licensing, continuing education and pre-need*. Fayetteville, AR: Author

³ Auditors contacted other states' funeral regulation agencies in seven western states as follows: California, Colorado, Idaho, Nevada, Oregon, Utah, and Washington.

AGENCY RESPONSE



ARIZONA BOARD OF FUNERAL DIRECTORS AND EMBALMERS

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September 3, 2013

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Funeral Director
President

James Ahearne, Jr.
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Msgr. Richard O'Keefe
Consumer Member

Samuel Bueler
Funeral Director

Kristina Dyrr
Consumer Member

Samuel Bueler
Funeral Director

Rev. William O. Smith
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Office of the Auditor General
Debra K. Davenport
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Phoenix Arizona 85018

Dear Ms. Davenport,

Pursuant to the Auditor General's finding and recommendations, the Arizona State Board of Funeral Directors and Embalmers ultimate goal is to provide the best possible services to residents of this state. The audit performed by your staff has assisted in creating a more effective and efficient agency benefiting both consumer and licensee alike.

Sincerely,

Rodolfo R. Thomas
Executive Director



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AUDITOR GENERAL FINDING - LICENSING

Recommendation - The Board should further revise its licensing, registration, and endorsement application forms so that they are consistent with all of its rule requirements.

1. Prior applications utilized for licensure requested submittal of all felony and misdemeanors committed by applicants. There were no denials of an applicant's request for license that resulted from the stringent background investigation. Although prior applications did not include questions verbatim from rules, board staff did complete a thorough investigation based upon the results of finger prints submitted to the Federal Bureau of Investigations (FBI) and the Criminal Justice Information Services Division (CJISD) providers of all criminal violations committed by an applicant. Applications for licensure have been modified to reflect the requirements and criteria of the agency's rules. To ensure board staff continue engaging in appropriate processes, the Board will document its licensing, registration and endorsement procedures. If an applicant was licensed in another state and charged with dishonesty, fraud, or received disciplinary actions, this information would be included on the licensure state's verification letter. To ensure board staff continue engaging in appropriate processes, the Board will document its licensing, registration and endorsement procedures. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

AUDITOR GENERAL FINDING -LICENSING

Recommendation - The Board should develop and implement policies and procedures to ensure that all licensure, registration, and endorsement requirements, including any future revisions to these requirements, are accurately reflected in its policies and procedures.

2. The Board has updated its policies and procedures to ensure that all licensure, registration and endorsement requirements are accurately reflected in its policies and procedures. To ensure board staff continue engaging in appropriate procedures, the Board will document its licensing, registration and endorsement procedures. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

AUDITOR GENERAL FINDING – LICENSING

Recommendation - To ensure that the Board has an appropriate process for collecting late fees and ensuring that licensees/registrants reapply as required, the Board should develop and implement policies and procedures to guide the renewal process and ensure staff receive adequate supervisory oversight.

3. The board will modify its procedures concerning renewals of licensees/registrants to ensure that board staff continues engaging in appropriate processes, the Board will document its licensing, registration, and endorsement procedures. The employee responsible for not collecting fees identified by the audit has since been replaced and staff is aware of the proper processes to be followed and notifications to be made to the Executive Director who will monitor the process. The Board will enhance its renewal process to ensure that licensees/registrants meet all renewal requirements. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

AUDITOR GENERAL FINDING - LICENSING

Recommendation - Where the information asked for in the Board’s renewal applications differs from the information required by its administrative rules, the Board should determine whether to revise its renewal application forms or revise its rules. However, unless and until it revises its rules to change the renewal requirement, the Board should ensure its renewal application forms request all information required in rule.

4. Applications have been revised to reflect the contents of administrative rules. Although some information was not listed in the application the investigation into the applicants eligibility to meet the board’s standards were maintained at the highest possible level. The Board will ensure that staff continues engaging in appropriate processes. The Board shall ensure that its renewal application forms request all information required by rule. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

AUDITOR GENERAL FINDING -LICENSING

Recommendation - To help ensure licensees/registrants meet the continuing education requirements, the Board should either follow up on a sample of renewal applications to verify that the licensee/registrant has completed the continuing education, or require all licensees/registrants to submit proof that they have completed the continuing education, such as a certificate of completion.

5. The Board will take random samplings of applicants who submit their renewals to verify completion and authenticity of continuing education and that they meet the requirements. The replacement of the former employee responsible for verification has been advised and the process is in place and will be monitored for completeness and follow through. The Board shall ensure that staff continues engaging in appropriate processes to verify the continuing education processes. The findings of the Auditor General are agreed to and the audit recommendation will be implemented.

AUDITOR GENERAL FINDING - INSPECTIONS

Recommendation -The Board should revise and implement its inspection policies and procedures to ensure that all licensed facilities are inspected at least once every 5 years;

1. (A.) The former Compliance Administrator responsible for the inspections of establishments initially performed his responsibilities without any problems. A reduction in force and serious illness to the Executive Director however played a key role in the former employee's negligence. As indicated in the Auditor's report inspections have been conducted and are in compliance with statutory timeframes. The replacement of the former inspector has been trained and Board shall ensure that staff continues engaging in appropriate processes to inspect all licensed facilities at least once every five years. Modified procedures shall ensure that establishments are inspected within and above timeframes. Based upon scheduled bi-weekly and quarterly meetings between the Executive Director and Compliance Administrator the Board will be able to ensure that establishments are inspected at least once every two years. The Board shall also be advised on a quarterly basis of the progress and of inspection results. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Recommendation - Staff track inspection progress and report compliance with the 5-year requirement to the Board;

1. (B.) The Board has implemented a quarterly review based upon information generated from the database to assist in the tracking and progress of establishments. In addition to bi-weekly meetings to review the status of inspections, the data utilized in the tracking will be presented to the Executive Director for review and discussion. As stated the Board is ahead of schedule of its statutory inspections and the Board shall ensure that staff continues engaging in appropriate processes to track inspections. Improved policies and procedures will additionally ensure compliance. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Recommendation - Inspection checklists are fully completed and that there are no checklist items left unchecked without an explanation, and to require a periodic supervisory review of the inspections checklists to ensure that checklists are clearly and accurately completed;

1. (C.) The former Inspector failed to fully complete the checklist. The replacement of the former has been advised to ensure that all items on the checklist will be checked and if not, an explanation shall be provided. The Executive Director will periodically randomly review checklists for compliance during bi- weekly reviews and during quarterly reports concerning establishment inspection progress. Board will ensure that staff continues engaging in appropriate processes concerning inspection checklists. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Recommendation - Board staff conduct follow-up activities as required by AAC R4-12-120, including requesting written corrective action plans; documenting whether and when corrective action is taken; and obtaining appropriate evidence to verify that deficiencies have been corrected; and

1. (D.) Inspection procedures have been modified to reflect follow-up actions pursuant to AAC R4-12-120 and supporting evidence to verify that deficiencies have been corrected. Staff has been advised of their responsibilities and bi-weekly meetings with the Executive Director will also ensure compliance. Random reviews shall be conducted by the Executive Director of corrective actions plans to monitor compliance and completeness. The Executive Director and Board will ensure that staff continues engaging in appropriate processes. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Recommendation - The Board's Executive Director randomly reviews inspection files and associated database entries at a specified, regular interval to ensure required follow-up activities have been performed.

1. (E.) As indicated above the Executive Director will review inspection files and database entries on a biweekly and quarterly basis to ensure that processes are being continued by staff. This process is already in effect and the replacement of the prior inspector is also ensuring that follow up activities are being performed. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

AUDITOR GENERAL FINDING – INSPECTIONS

Recommendation - The Board should develop and implement policies and procedures that provide direction to its staff on appropriately identifying and informing the Board of deficiencies that meet the three serious deficiency criteria specified in AAC R4-12-120(G), and that provide guidance to the Board for taking appropriate disciplinary action to address serious deficiencies identified during an inspection.

2. The Board has developed and implemented procedures governing inspections and the identification of serious deficiencies. The three serious deficiency criteria are explained and direct the Compliance Administrator to contact an appropriate agency such as the health department in the appropriate county and the Executive Director. Board shall ensure that staff continues engaging in appropriate processes. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

AUDITOR GENERAL FINDING-PUBLIC INFORMATION

Recommendation - The Board should implement its revised policy and procedures designed to help prevent staff from making inaccurate computer entries, which prevent discipline records from being displayed on the Web site.

1. The revised policy has been implemented and consumers are receiving correct information. The Board makes every attempt to ensure that callers are provided full disclosure on any of their questions and that it is also accurate. New staff member and existing staff have additionally received training to prevent inaccurate information from appearing on the web site. The Board shall ensure that staff continues engaging in appropriate processes. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Recommendation - The Board should ensure that its staff follows its new written procedure it developed in January 2013 to ensure that the public is provided complete information regarding licensees and registrants over the phone.

2. The Executive Director will closely monitor requests for information provided by staff. The entire staff maintains a copy of telephone procedures which are readily available for review near the telephone on each desk. The new staff member has been properly trained and the Board shall ensure that staff continues engaging in appropriate processes. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

AUDITOR GENERAL FINDING SUNSET FACTOR 2

Recommendation -To ensure board staff continue engaging in appropriate processes, the Board should document its licensing, registration, and endorsement procedures.

1. The Board has reviewed the areas of its licensing registration, and endorsement procedures that require additional guidelines and updates to current procedures identified in the Auditor Generals findings. Board will make necessary additions to ensure compliance. Time frame reports are completed and gathered through the board's data base and this process will also be included in the revised procedures and policies. The validation of numbers provided by establishments representing the annual total of death certificates filed by each location for renewal purposes is provided by the Director of the Department of Health Services. Prior to submittal of the establishment renewal form from the board the Executive Director prepares a letter requesting a report providing the number of disposition for funeral establishment throughout the state. The report is then utilized to verify licensee's numbers. The Board shall ensure that staff continues engaging in appropriate processes. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Performance Audit Division reports issued within the last 24 months

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

Future Performance Audit Division reports

Arizona State Board for Charter Schools

Arizona Historical Society