

Internal Control and Compliance Assessment

Arkansas Legislative Audit

Arkansas Board of Hearing Instrument Dispensers

For the Two Fiscal Years Ended June 30, 2018



INTRODUCTION

This report is issued to inform the Legislative Joint Auditing Committee of compliance with state fiscal laws and regulations as well as deficiencies in internal controls for the Arkansas Board of Hearing Instrument Dispensers. As discussed in the Results of Assessment section below, our procedures disclosed that the Agency had insufficient segregation of duties over cash transactions due to a limited number of personnel.

SCOPE AND METHODOLOGY

We performed an internal control and compliance assessment of the Arkansas Board of Hearing Instrument Dispensers, a board of Arkansas state government, as of and for the two-year period ended June 30, 2018, and have issued our report dated July 18, 2019. Management of the Agency is responsible for establishing and maintaining internal controls and complying with applicable laws and regulations.

The assessment included cash on deposit, cash receipts, expenditures, liabilities, capital assets, and data entry to the Arkansas Administrative Statewide Information System (AASIS). The assessment consisted principally of inquiries, observations, analytical procedures, and selected tests of internal control policies and procedures, accounting records, and other relevant documents. We relied on financial data in AASIS recorded by the Agency and audit work conducted in the fiscal years 2017 and 2018 State Comprehensive Annual Financial Reports (CAFR) and Single Audit Reports. The methodology used in conducting this assessment was developed uniquely for this engagement and, therefore, was more limited in scope than an audit or attestation engagement performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

RESULTS OF ASSESSMENT

Assessment procedures disclosed the following internal control or compliance matter that was discussed with Agency officials during the assessment and at the exit conference:

Finding: The Board had inadequate control over cash transactions because of insufficient segregation of duties due to a limited number of personnel.

We recommend the Board segregate duties to the extent possible, which may entail involving Board members in daily activities.

ENABLING LEGISLATION AND ORGANIZATIONAL STRUCTURE

The Arkansas Board of Hearing Aid Dispensers was created by Act 197 of 1969 to ensure the public is protected when purchasing any instrument designed for aiding, improving, or correcting hearing. Act 592 of 1999 changed the name to Arkansas Board of Hearing Instrument Dispensers. The Board was comprised of eight members appointed by the Governor for three-year terms, until Act 540 of 2017 reduced it to seven members. The Board is responsible for the examination and licensure of persons engaging in the sale of hearing instruments. The Board's organizational chart is presented in **Exhibit I on page 2**.

ARKANSAS LEGISLATIVE AUDIT

500 Woodlane Street, Suite 172, Little Rock, AR 72201

Phone: 501-683-8600 Fax: 501-683-8605

www.arklegaudit.gov

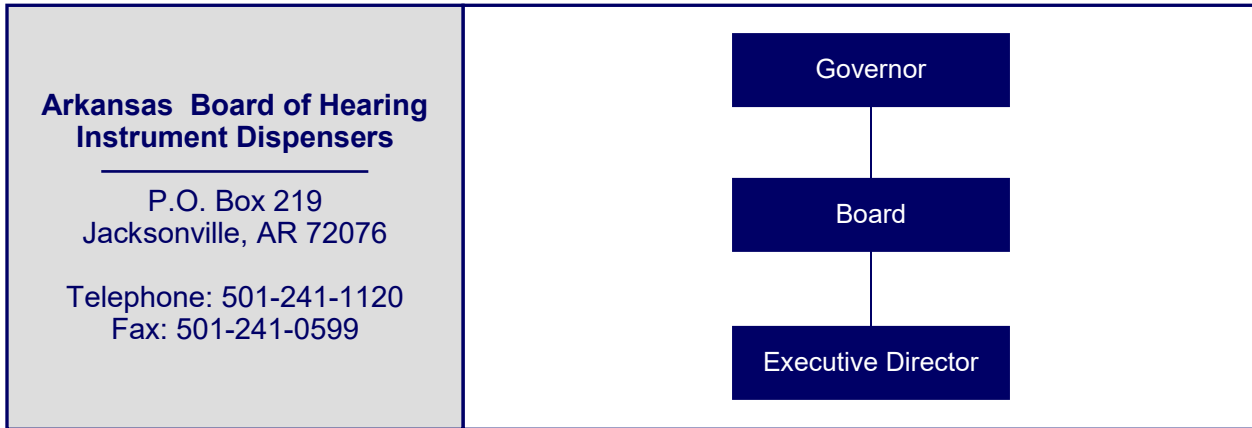
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Exhibit I

Arkansas Board of Hearing Instrument Dispensers
Organizational Chart



Source: Arkansas Board of Hearing Instrument Dispensers Budget Manual

FISCAL ANALYSIS

Revenues, Expenditures, and Transfers

Board revenues, expenditures, and transfers at year-end for fiscal years 2014 through 2018 are provided in **Exhibit II on page 3**. The Board reported \$36,301 and \$36,569 in total revenue for the fiscal years ended June 30, 2017 and 2018, respectively. The primary sources of these funds were licenses and other fees. Revenues increased in 2017 due to an increase in license renewals and continuing educations units.

Board expenditures totaled \$30,537 and \$27,061 for the fiscal years ended June 30, 2017 and 2018, respectively. Salary expense remains the Board's largest expense, comprising roughly 43% and 48% of total expenditures for fiscal year 2017 and 2018, respectively. The increase in professional services and fees resulted from contracts for consultant services in each fiscal year.

Assets and Liabilities

Board asset and liability balances at year-end for fiscal years 2014 through 2018 are presented in **Exhibit III on page 3**. Board assets and liabilities totaled \$92,393 and \$13,555 on June 30, 2017. Board assets and liabilities totaled \$100,416 and \$12,480 on June 30, 2018. Cash in bank amounts were confirmed with the financial institution, and treasury funds were reconciled to the State Treasury without exception.

Exhibit II

**Arkansas Board of Hearing Instrument Dispensers
Revenues, Expenditures, and Transfers
For the Years Ended June 30, 2014 through 2018**

	Fiscal Year				
	2018	2017	2016	2015	2014
Revenues					
License and other fees	\$ 36,350	\$ 33,050	\$ 21,590	\$ 22,175	\$ 16,225
Fines and penalties	23	3,068	2,068	203	157
Investment income	196	183	179	174	136
Other revenues				5,615	8,894
Total Revenues	<u>\$ 36,569</u>	<u>\$ 36,301</u>	<u>\$ 23,837</u>	<u>\$ 28,167</u>	<u>\$ 25,412</u>
Expenditures					
Salaries	\$ 13,031	\$ 13,252	\$ 14,743	\$ 10,521	\$ 10,426
Professional services and fees	9,999	9,999	300	0	0
Travel and subsistence	2,163	3,098	4,603	3,931	2,755
Other expenses	1,868	4,188	4,925	7,529	5,193
Total Expenditures	<u>\$ 27,061</u>	<u>\$ 30,537</u>	<u>\$ 24,571</u>	<u>\$ 21,981</u>	<u>\$ 18,374</u>
Net Transfers In (Out)	<u>\$ (408)</u>	<u>\$ (463)</u>	<u>\$ (361)</u>	<u>\$ (326)</u>	<u>\$ (274)</u>

Source: Arkansas Administrative Statewide Information System Trial Balance (unaudited by Arkansas Legislative Audit)

Exhibit III

**Arkansas Board of Hearing Instrument Dispensers
Assets and Liabilities
For the Years Ended June 30, 2014 through 2018**

	Fiscal Year				
	2018	2017	2016	2015	2014
Assets					
Cash and cash equivalents	\$ 98,114	\$ 90,091	\$ 79,969	\$ 77,185	\$ 66,765
Fixed assets	2,302	2,302	2,302	2,302	0
Total Assets	<u>\$ 100,416</u>	<u>\$ 92,393</u>	<u>\$ 82,271</u>	<u>\$ 79,487</u>	<u>\$ 66,765</u>
Liabilities					
Accounts payable	\$ 83	\$ 83	\$ 401	\$ 0	\$ 0
Payroll liability	413	575	575	454	219
Unearned revenues	11,925	12,825	7,650	4,275	0
Other liabilities	59	72	108	126	76
Total Liabilities	<u>\$ 12,480</u>	<u>\$ 13,555</u>	<u>\$ 8,734</u>	<u>\$ 4,855</u>	<u>\$ 295</u>

Source: Arkansas Administrative Statewide Information System Trial Balance (unaudited by Arkansas Legislative Audit)

