

# Internal Control and Compliance Assessment

## Arkansas Legislative Audit

### Arkansas Burial Association Board

For the Fiscal Year 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 Burial Association Board. Assessment procedures disclosed no reportable items of noncompliance.

## SCOPE AND METHODOLOGY

We performed an internal control and compliance assessment of the Arkansas Burial Association Board, a board of Arkansas state government, as of and for the year ended June 30, 2018, and have issued our report dated January 20, 2021. 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, accounts receivable, expenditures, 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 year 2018 State Comprehensive Annual Financial Report (CAFR). 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 did not disclose instances of noncompliance considered reportable.

## ENABLING LEGISLATION AND ORGANIZATIONAL STRUCTURE

The Board is defined, created, and enabled by Ark. Code Ann. §§ 23-78-101 – 23-78-126 and is comprised of nine members: seven members who are actively engaged in the business of burial associations, one consumer member, and one senior citizen member. The Board's mission is to protect the integrity and solvency of burial association funds held in trust for the policyholders. Effective July 1, 2018, the Board was abolished and transferred to the State Insurance Department as a result of Act 788 of 2017.

The Board's organizational chart, prior to its transfer to the State Insurance Department, is displayed in **Exhibit I on page 2**, and its responsibilities include the following:

- Issuing burial certificates of authority to burial associations.
- Setting minimum assessments of membership dues for which burial associations may issue policies in specified amounts.

ARKANSAS LEGISLATIVE AUDIT  
500 Woodlane Street, Suite 172, Little Rock, AR 72201  
Phone: 501-683-8600 Fax: 501-683-8605  
[www.arklegaudit.gov](http://www.arklegaudit.gov)

Report ID: SR0721518

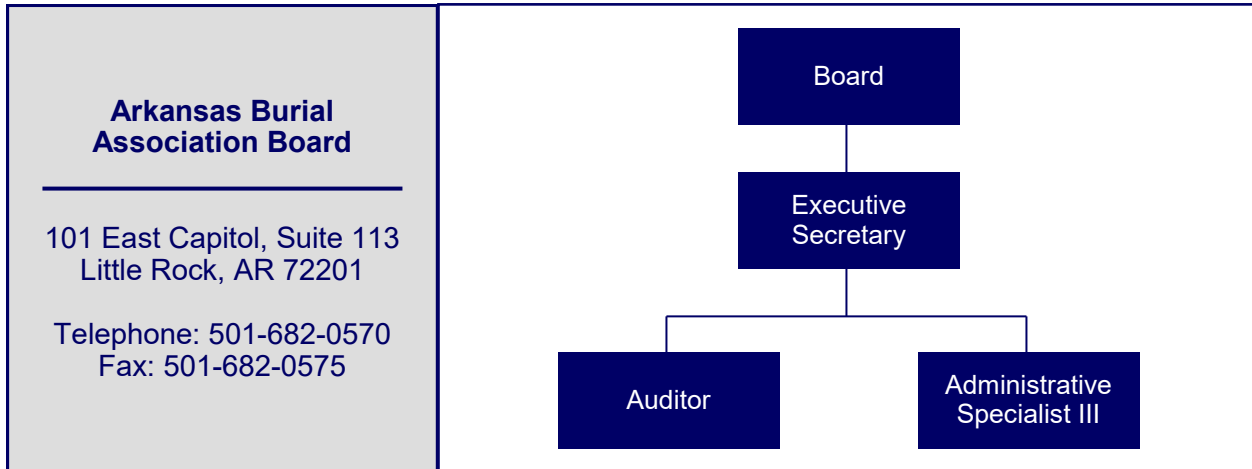
Report Date: January 20, 2021



- Collecting annual fees.
- Adopting and enforcing regulations for the proper operation of the Board and burial associations.
- Auditing burial associations to ensure compliance with applicable statutes, rules and regulations, and bylaws.

**Exhibit I**

**Arkansas Burial Association Board  
Organizational Chart**



*Source: Arkansas Burial Association Board*

## **FISCAL ANALYSIS**

### **Revenues, Expenditures, and Transfers**

Agency revenues, expenditures, and transfers for fiscal years 2014 through 2018 are presented in **Exhibit II on page 3**. The Agency reported total revenues of \$152,399 in fiscal year 2018. Total revenues increased slightly in fiscal year 2018, primarily due to increase in fines and penalties. The Agency's primary source of revenue is annual membership and administrative fees collected from burial associations that are operating and in good standing.

Expenditures totaled \$153,476 in fiscal year 2018. Salaries and employee benefits totaling \$129,485 represented a majority of the expenditures.

Net transfers in were \$34,698 in fiscal year 2018, which includes a transfer of \$34,631 for half of the salary and employee benefits of positions that are shared with the Arkansas State Board of Embalmers and Funeral Directors. The Agency does not receive any general revenue funding.

### **Assets and Liabilities**

Asset and liability balances at year end for fiscal years 2014 through 2018 are presented in **Exhibit III on page 3**. As of June 30, 2018, assets totaled \$480,153, and liabilities totaled \$14,520. Cash balances were reconciled to deposits in the State Treasury without exception.

**Exhibit II**  
**Arkansas Burial Association Board**  
**Revenues, Expenditures, and Transfers**  
**For the Years Ended June 30, 2014 through 2018**

	Fiscal Year				
	2018	2017	2016	2015	2014
<b>Revenues</b>					
Fees	\$ 134,595	\$ 135,534	\$ 143,246	\$ 144,624	\$ 125,086
Fines and penalties	6,200	1,000	5,300	1,000	5,700
Investment revenue	8,249	7,112	5,763	2,962	3,275
Other income	3,355	31	(3)	343	214
<b>Total Revenues</b>	<b>\$ 152,399</b>	<b>\$ 143,677</b>	<b>\$ 154,306</b>	<b>\$ 148,929</b>	<b>\$ 134,275</b>
<b>Expenditures</b>					
Salaries	\$ 129,485	\$ 132,905	\$ 116,248	\$ 164,878	\$ 169,160
Travel and subsistence	3,279	2,686	1,787	4,678	5,610
Commodities, materials, and supplies	2,021	4,030	4,588	2,611	3,114
Other expenses	18,691	13,432	12,254	11,547	12,319
<b>Total Expenditures</b>	<b>\$ 153,476</b>	<b>\$ 153,053</b>	<b>\$ 134,877</b>	<b>\$ 183,714</b>	<b>\$ 190,203</b>
<b>Net Transfers In (Out)</b>	<b>\$ 34,698</b>	<b>\$ 34,355</b>	<b>\$ 51,047</b>	<b>\$ 50,500</b>	<b>\$ 49,963</b>

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

**Exhibit III**  
**Arkansas Burial Association Board**  
**Assets and Liabilities**  
**For the Years Ended June 30, 2014 through 2018**

	Fiscal Year				
	2018	2017	2016	2015	2014
<b>Assets</b>					
Cash and cash equivalents	\$ 444,441	\$ 415,771	\$ 391,510	\$ 318,460	\$ 303,727
Customer receivables	14,543	0	0	0	0
Fixed assets	21,131	21,131	19,942	17,999	16,768
Other assets	38	22	16	0	8
<b>Total Assets</b>	<b>\$ 480,153</b>	<b>\$ 436,924</b>	<b>\$ 411,468</b>	<b>\$ 336,459</b>	<b>\$ 320,503</b>
<b>Liabilities</b>					
Accounts payable	\$ 138	\$ 89	\$ 372	\$ 77	\$ 61
Accrued liabilities	163	77	78	79	77
Payroll liability	2,558	4,371	4,769	2,477	3,512
Other liabilities	11,661	375	405	400	375
<b>Total Liabilities</b>	<b>\$ 14,520</b>	<b>\$ 4,912</b>	<b>\$ 5,624</b>	<b>\$ 3,033</b>	<b>\$ 4,025</b>

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

