



Douglas A. Ducey  
Governor

## ARIZONA STATE BOARD OF FUNERAL DIRECTORS AND EMBALMERS

### Board Members

Samuel Bueler, Industry Member-Chairman  
James Ahearne, Jr. Industry Member-Secretary  
Harold Adair, Industry Member,  
Robert Hockensmith, Public Member  
Amie Gazda, Industry Member,  
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Helene Bergeon Public Member

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### Staff

Judith Stapley, Executive  
Director  
Brandon Eaden, Investigator  
Evelyn Estrella,  
Licensing Administrator  
Yazmin Bustamante,  
Administrative Assistant

November 3, 2020

Lindsey Perry, Auditor General  
State of Arizona, Office of the Auditor General  
2910 N. 44th St., Ste. 410  
Phoenix, AZ 85018-7271

RE: Response to Preliminary Report

Dear Ms. Perry:

The Arizona State Board of Funeral Directors and Embalmers (Board) appreciated the opportunity to meet with your team of auditors led by Lindsey Hench. It was a pleasure to meet with team members and review the activities and processes of the Board.

Thank you for the opportunity to respond to the preliminary performance audit and report. The Board is in receipt of the findings and recommendations from the Auditor General and respectfully submits its response. We acknowledge the recommendations and will strive to address all of them in a timely manner.

The Board strives to perform in a manner that protects the health, safety and welfare of the public, while upholding the values and mission of the Board. We are grateful for the guidance provided to improve our processes and procedures. We thank you and your team for their patience while working during some unique and trying circumstances.

Respectfully,

Judith Stapley  
Executive Director

cc: Board Members

**Finding 1:** Board licensed/registered applicants we reviewed without ensuring they met key public protection requirements

**Recommendation 1:** The Board should ensure that initial licensing and registration applicants meet all statutory and rule requirements before approving applications and issuing licenses and registrations, such as performing a fingerprint-based criminal history records check for all applicants, inspecting all funeral establishments and crematories applying for an initial business license, and verifying all education and experience requirements for funeral directors and embalmers.

Board Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Board staff has updated policy to include requiring fingerprints be submitted for every new application regardless of an individual's current licensure status. Board staff updated policy to include inspecting all establishments and crematories in every circumstance prior to them being considered administratively complete or presented to the Board for approval. The Board will seek a rule change to require transcripts from Mortuary School rather than transcripts and a copy of the applicant's diploma, which is redundant and burdensome.

**Recommendation 2:** The Board should develop and/or update and implement licensing and registration policies and procedures to ensure they address all statute and rule requirements for all license and registration types.

Board Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Board staff has updated policy to include requiring fingerprints be submitted for every new application regardless of an individual's current licensure status.

**Recommendation 3:** The Board should revise its licensing and registration applications to include all statute and rule requirements.

Board Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Board agrees with this recommendation and will continue to update the online licensing process to ensure statutory and rule requirements are met.

**Recommendation 4:** The Board should revise its licensing and registration application checklists to ensure they address all statute and rule requirements for each license and registration type.

Board Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Board agrees with this recommendation. Board staff has updated the application checklist to comply with the auditor’s recommendation.

**Recommendation 5:** The Board should develop, document, and implement a supervisory review process, such as having the Board’s executive director review a risk-based sample of applications that have been administratively reviewed by Board staff.

Board Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Board Licensing Administrator will implement a licensing procedure checklist that includes a mandatory second review of each application by the administrative assistant prior to being considered administratively complete. Board staff have implemented procedures to review any applications with the executive director that are not within our normal parameters. Additionally, the executive director will randomly review applications to ensure completeness.

**Recommendation 6:** The Board should train staff on the newly developed and updated policies, procedures, checklists, and practices.

Board Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Board staff currently meet weekly to discuss various issues such as scheduling, licensing issues, inspection schedules, dockets and upcoming Board meeting items. New policy will also include ongoing reviews of best practice for any newly implemented procedures and practices.

**Finding 2:** Board approved funeral establishments to sell prearranged funeral agreements without ensuring they had surety bonds in required amounts

**Recommendation 7:** The Board should verify that funeral establishments that are applying for an endorsement to sell prearranged funeral agreements have obtained surety bonds in amounts prescribed by statute.

Board Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Board agrees with this recommendation and will continue to ensure all statute and rule requirements are met.

**Recommendation 8:** The Board should develop and implement policies, procedures, and/or application checklists for applications for prearranged funeral sales endorsement to require Board staff to verify surety bond amounts, and train its staff on these policies, procedures, and checklists.

Board Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Board agrees with this recommendation and will require and review evidentiary documentation of surety bonds, in the required amounts, prior to the application being administratively complete. Board staff are aware and have updated the checklist for the Endorsement license to include this requirement.

**Recommendation 9:** The Board should revise its prearranged funeral sales endorsement application to require applicants to provide the Board with the total number of salespersons employed at their funeral establishment.

Board Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Board staff has revised the online application for an endorsement license to require applicants provide the total number of salespersons currently employed or who will be employed at time of licensure. This process is now applied to new and renewal applications to ensure compliance with surety bond requirements.

**Finding 3:** Board did not properly perform funeral establishment and crematory inspections, placing business employees' health and safety at risk and consumers at financial risk

**Recommendation 10:** The Board should conduct licensed business inspections that assess compliance with all statutory and rule requirements and accurately document the results of these inspections.

Board Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Board staff have improved inspection procedures by adding more specific details to the inspection checklist. The Board does not consider this to be a statutory deficiency, however, they will consider seeking statutory change to model other states that allow Branch locations. This would not require a preparation room in every funeral establishment if there were another location under the same ownership with a fully operational preparation room, thus removing a significant barrier for business growth.

**Recommendation 11:** The Board should update and implement its inspection policies, procedures, and checklists to address statutory and rule requirements.

Board Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Board staff have updated inspection checklists for funeral establishments and crematories to ensure all recommended additions of statutory and rule requirements are accounted for and streamlined in process.

**Recommendation 12:** The Board should ensure that its executive director reviews inspection checklists after each inspection as required by Board policy.

Board Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Board staff will update the electronic submission of inspection reports to be sent directly to the executive director's email for review.

**Recommendation 13:** The Board should develop and implement policies and procedures requiring its executive director to periodically accompany inspectors on inspections to help ensure they are thoroughly and appropriately conducted and documented.

Board Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Board agrees with this finding. The executive director will continue to both perform and oversee some inspections performed by Board staff.

**Recommendation 14:** The Board should train all relevant Board staff on the updated inspection policies, procedures, and checklists.

Board Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Board staff have been and will continue to be trained on all inspections procedures, updated checklists and the necessity to more accurately document all findings.

**Finding 4:** Board did not perform some funeral establishment and crematory inspections within required 5-year time frame

**Recommendation 15:** The Board should conduct inspections of licensed funeral establishments and crematories at least once every 5 years as required by statute.

Board Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Board agrees with this finding and will strive to remain compliant to the greatest extent possible with a lack of staffing and adequate funding. Complaints have increased upwards of 250% from a few years ago. These is due to the inability of Board staff to inspect establishments and crematories more frequently. As the state continues to grow exponentially, the Board needs to obtain sufficient appropriation to adequately fund necessary costs and staff associated with all Board functions. The Board has requested an increase in appropriated funds for fiscal 2020 and fiscal 2021 to increase adequate funding and staffing in order to meet increasing agency demands and remain statutorily compliant.

**Recommendation 16:** The Board should regularly maintain its inspection-tracking spreadsheet to include all inspection dates for each licensed funeral establishment and crematory, and use the inspection-tracking spreadsheet and e-licensing system to monitor and ensure all licensed funeral establishments and crematories receive inspections within required time frames.

Board Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Board staff have implemented an inspection tracking system within the online Salesforce platform to keep current on all inspection dates. All inspections details are now entered into and tracked in Salesforce.

**Recommendation 17:** The Board should ensure that board staff conduct reviews of the inspection-tracking spreadsheet after each monthly Board meeting, as required by Board policy.

Board Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Board administrative assistant now reviews the inspection tracking report after each Board meeting and sends notification to the executive director of all funeral establishments and crematories that need to be inspected during the upcoming quarter.

**Sunset Factor 2:** The extent to which the Board has met its statutory objective and purpose and the efficiency with which it has operated.

**Recommendation 18:** The Board should implement its newly developed policy to track compliance with required time frames for processing all initial and renewal licenses, registrations, and endorsement applications.

Board Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Board staff now track all applications from submission to approval through the online Salesforce platform. The administrative assistant runs monthly reports to ensure time frames are being met.

**Recommendation 19:** The Board should refund fees to applicants and pay penalties to the State General Fund if and when it does not meet the required application processing time frames.

Board Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Board would comply with any refunds of penalties if it failed to comply with time frames related to the application process. To date the Board has never been out of compliance processing applications in the required time frames.

**Recommendation 20:** The Board should conduct a review of its licensing and registration fees by analyzing the costs of its regulatory processes, comparing these costs to the associated fees, and determining the appropriate licensing fees, and then work with the Legislature to revise its fees accordingly.

Board Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Board staff will seek assistance from the Office of Strategic Planning and Budgeting (OSPB) to analyze the cost of its regulatory responsibilities and determine appropriate fees to allow the agency to fulfill its mission.

**Recommendation 21:** The Board should establish and implement a process to periodically review the appropriateness of its fees on an on-going basis.

Board Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Board executive director will seek assistance from OSPB analyst to review the appropriateness of all fees at least annually in conjunction with each fiscal budget submittal. The Board has had no increase to its fee structure in excess of twenty years. The Board will consider moving the current fees from the Arizona Revised Statutes to the Arizona Administrative Code.

**Sunset Factor 3:** The extent to which the Board serves the entire State rather than specific interests.

**Recommendation 22:** The Board should continue to implement its newly developed conflict-of-interest policies and procedures, such as using its new annual disclosure form, publicly disclosing conflicts of interests at Board meetings, and documenting disclosed Board member and staff conflicts of interest in a special file.

Board Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Board staff have updated all conflict of interest forms including both annual disclosures and those for each Board meeting. Additionally, training by the Board's assigned Assistant Attorney General will be ongoing with the goal of having quarterly training for Board members on the agenda.

**Sunset Factor 4:** The extent to which rules adopted by the Board are consistent with the legislative mandate.

**Recommendation 23:** The Board should work with its Assistant Attorney General to determine whether and when it can develop and adopt rules to clarify statutes and processes for crematory operations.

Board Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Board executive director will work with the AAG and Board members to seek rule change to modify requirements in Article 6 for cremation logs and crematory operations.

**Recommendation 24:** The Board should, contingent on receiving an exemption to the rule-making moratorium, adopt rules to specify crematory operation requirements consistent with A.R.S. §32-1399.

Board Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The executive director will seek an exemption to the rule-making moratorium so that all crematory operations and requirements have greater clarity and are consistent with statute.