

FIRE PROTECTION LICENSING BOARD

Enabling Laws

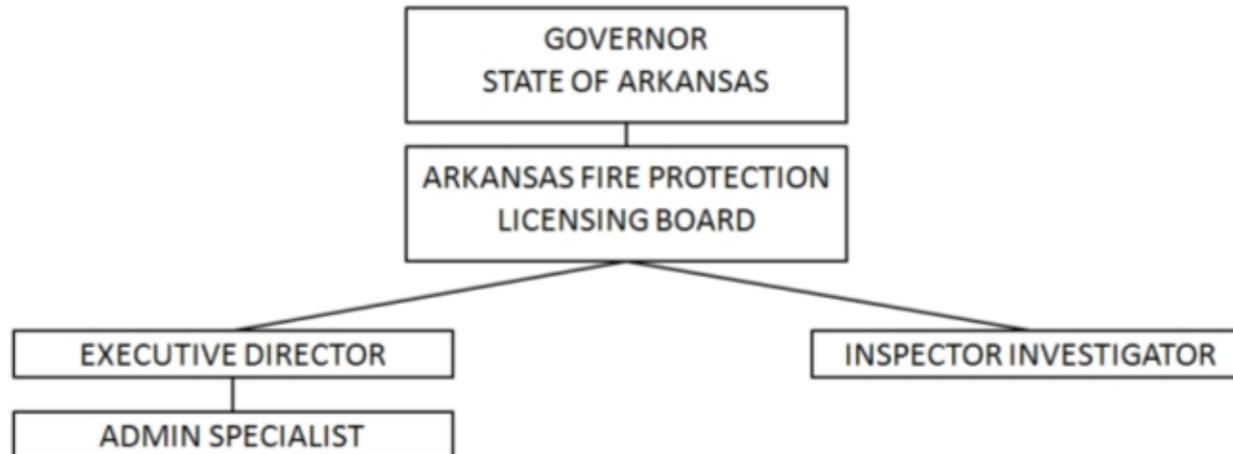
Act 112 of 2014
A.C.A. §20-22-601 et seq.

History and Organization

The Arkansas Fire Protection Licensing Board was created in 1977. In 1984, the automatic fire sprinkler contracting industry sought licensing legislation and in 1985, Act 702 brought the sprinkler industry under this Board.

The Board is comprised of eleven (11) Board members, appointed by the Governor. The Board employs at the present an Executive Director, Investigator, and Administrative Specialist.

The purpose and intent of the Board is to provide monitoring of the servicing of portable fire extinguishers, installation and/or servicing of fixed fire suppression systems and the installation and/or servicing of the sprinkler fire systems. Additionally, the Board provides for the registration and licensing of firms and individuals providing such services in order to protect and promote public safety by minimizing injury and property damage, which might result from improperly installed and improperly maintained fire protection systems.



Agency Commentary

This is a self funded board whose purpose is to license any company or person who installs, services or repairs fire protection equipment including Fire Extinguishers, Sprinkler Systems and other Life Safety Systems, for the protection of the general public. These companies/people are required to have certain levels of education or expertise and are tested and licensed by this Board, in their specific field.

The Board designed the 2015-2017 biennial budget to have the resources to license, inspect, and fine any company/person out of compliance with the rules and regulations set by this board. The Board requests additional appropriation to upgrade and maintain an 8+ year old Access Database system. The database stores the various licenses, renewals, inspections, violations and fines levied. The board is adding licensing for fire sprinkler installers to this database. This is an increase of \$24,500 in FY16 and \$9,500 in FY17.

The Board requests an increase in Operating Expenses for a copier replacement and a postage meter, mileage for the investigator, membership dues, janitorial service and various other expenses. This request is an increase of \$16,214 each year of the biennium. The Board also requests a decrease in Operating Expenses to align the budget to expenditures and to reflect lower cost for Telecommunications Wireless (cell phone/usage) and to lower budget in the areas where the previous Executive Director charged personal expenses. These expenditures included electricity, Other Expenses, Fuel Purchases, Office Supplies, and Drugs & Medicines. This decreases the budget \$12,744 each year.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
FIRE PROTECTION LICENSING BOARD
FOR THE YEAR ENDED JUNE 30, 2013

Findings

Ark. Code Ann. § 19-4-702 allows agencies to pay carryover obligations up to 45 days after the end of the fiscal year, but the carryover obligations "shall be charged against appropriations and cash fund balances of the fiscal year in which the obligations were incurred." During fiscal year 2014, the Agency paid five months of rent totaling \$7,542 and three months of telephone bills totaling \$1,014 applicable to expenses of fiscal year 2013. The Agency did not recognize the corresponding accounts payable at June 30, 2013, due to a lack of sufficient appropriation in Maintenance and Operations.

Recommendations

We recommend that all invoices be paid timely and recorded in the appropriate fiscal year and that the Board monitor available appropriations at each Board meeting.

Agency Response:

The Board is now reviewing reports provided by the Office of Accounting to verify that bills are being paid timely and to monitor available appropriation. The Board has received training from DFA on how to read and review the reports being provided.

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
FIRE PROTECTION LICENSING BOARD
FOR THE YEAR ENDED JUNE 30, 2013

Findings

Ark. Code Ann. § 19-4-1103 states that it is the responsibility of each executive head of a state agency to establish adequate internal controls to ensure prompt and accurate payment of obligations. In a sample of 20 expenditures, 4 totaling \$3,683 were not paid timely, resulting in accounts being turned over to collection agencies and the Agency incurring late fees.

Ark. Code Ann. § 19-4-1103 requires that agencies retain documents supporting expenditures of the State. The Agency had inadequate supporting documentation for two expenditures, totaling \$563, tested during our 2013 assessment.

In addition to the two items listed above, DFA - Internal Audit reviewed 48 expenditures totaling \$25,113 from fiscal year 2011 through March 31, 2014, and noted inadequate supporting documentation for 35 expenditures totaling \$8,186.

Additionally, DFA - Internal Audit reviewed direct reimbursements paid to former Executive Director Catherine Gray from June 2010 through March 2014. During this time, Director Gray was reimbursed \$6,680; however, the files obtained contained inadequate or no supporting documentation for \$4,599 of these reimbursements.

Financial Management Guide Regulation R4-19-4-501 states that "good internal controls dictate daily deposits to Treasury and/or a commercial bank account. Weekly deposits are allowable if an agency receives only minimal amounts of cash and/or checks." A review of Agency receipts revealed that cash receipts totaling \$22,826, processed by the Agency between June 18 and June 30, 2013, were not deposited with the Treasury until August 28, 2013. Lack of expediency in making deposits could allow for misappropriation of public funds.

Recommendations

We recommend the Agency establish controls to ensure that all obligations are paid accurately and timely.

Agency response:

The Board is now reviewing reports provided by the Office of Accounting to verify that bills are being paid timely. The Board Treasurer is also signing all bills prior to payment being processed until the new Executive Director is hired. Expenditures greater than \$500 will be approved by either the Board Treasurer or Vice Chair prior to processing. Full Board approval will be required for expenditures in excess of \$2,000.

We recommend the Agency maintain detailed records, including receipts and invoices, to support the business purpose of all expenditures. We also recommend that all future reimbursements be reviewed and approved by the Board or a designated Board member and that documentation of the approval be maintained.

Agency Response:

The Board has implemented a policy that all reimbursements must have supporting receipts, including meal purchases, prior to review for payment. The Board Treasurer will review a listing of all disbursements each month. All reimbursements to the Executive Director will be reviewed and approved by the Board Chair, Vice Chair, or Treasurer prior to issuance.

We recommend the Agency establish controls to ensure that all revenue collected is recorded and deposited timely, in accordance with DFA Financial Management Guide regulations.

Agency Response:

The Board has implemented changes to the agency business processes that provide better internal controls. Currently, two employees must be present to open mail. The employee responsible for issuing licenses can't open the mail or log it in. A listing of checks received is made as the checks are opened and signed by both employees when all the mail is opened. Two copies of each check/money order are made, one copy is forwarded to the employee that issues the license, and one copy is retained in the file. The original checks/money orders are locked in a file cabinet until the deposit is made.

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
FIRE PROTECTION LICENSING BOARD
FOR THE YEAR ENDED JUNE 30, 2013

Findings

DFA - Internal Audit reviewed purchasing card (P-Card) activity from March 15, 2012 through March 5, 2014, and noted the following questionable purchases:

- \$8,520 in personal items purchased using a P-Card issued to Director Gray. These items included \$940 in gift cards and \$537 in non-travel meals, in addition to social media charges, personal electric bills, prescriptions, gas, car repairs, cigarettes, beer, dog food, clothing, movies, groceries, and toiletries. As of June 10, 2014, Director Gray had reimbursed the Board \$3,358.
- \$25 gift card, purchased at the direction of Director Gray, and \$23 in non-travel meals purchased using a P-Card issued to Administrative Assistant Patricia White.
- \$122 in non-travel meals purchased using a P-Card issued to Board Investigator Steven Hodges.
- \$10,692 in purchases for which documentation was inadequate to identify a business purpose.
- \$2,258 in purchases of food, beverages, and other grocery items for consumption in the office by employees; Christmas gifts for Board members and employees; and Christmas decorations for the office.

In addition to the review of P-Card transactions noted above, DFA - Internal Audit noted other issues in its report, as summarized below.

- A review of direct reimbursements to Director Gray, before she obtained a P-Card, revealed \$219 in reimbursements for personal expenses.
- An Administrative Assistant failed to disclose to DFA, in accordance with Ark. Code Ann. § 19-11-706, the benefit received from a \$100 monthly janitorial contract to clean the Board's office. The Administrative Assistant performed these janitorial services during normal working hours. The contract was cancelled on April 23, 2014.
- Travel reimbursements made to Board members contained various violations of travel regulations, including lack of documentation supporting

Recommendations

Only the Executive Director has access to this file cabinet. Deposits are made daily during peak licensing periods.

We recommend the Board seek to recover \$5,162 from Director Gray for personal purchases, gift cards, and non-travel food purchases; \$48 from White for a gift card and a non-travel food purchase; and \$122 from Hodges for non-travel food purchases.

We also recommend the Board closely monitor future expenditures to ensure proper use of state funds.

We recommend that a single P-Card be issued to an employee of the Board, the Board properly segregate cardholder and reviewer duties, and all supporting documentation for purchases be properly maintained.

As of report date, Arkansas State Police were investigating the improper P-Card transactions.

Agency Response:

If a P-Card is implemented at the Board in the future, internal controls will be designed by DFA - Internal Audit, and the Board will implement the controls to properly segregate duties and provide proper review of all purchases.

We recommend the Board seek reimbursement of \$219 from Director Gray. We further recommend the Board obtain training for Board members and staff to ensure compliance with all state laws and regulations.

Agency Response:

- The Board is now receiving copies of all monthly reports from the Office of Accounting. The Board Treasurer also worked with the Office of Accounting to create a report that is being presented at each Board meeting that includes all expenditures by commitment item, revenues, and fund balances.
- The Board is aware of this issue and is seeking to contract janitorial through an outside service.
- The Board is now using Google Maps to document all mileage claimed. These

DIVISION OF LEGISLATIVE AUDIT
 AUDIT OF :
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 FOR THE YEAR ENDED JUNE 30, 2013

Findings

- reimbursement of the shortest route, not separately listing vicinity mileage traveled, and no written documentation of Board members' official stations.
- A temporary staffing agency was used in excess of 240 hours per quarter, in violation of Financial Management Guide Regulation R3-19-4-1601.

Recommendations

- are being printed and attached to the TR-1 to document the mileage claimed. Official stations have now been added to all TR-1s that are being submitted for payment, and the TR-1s will not be processed without a signature of approval. At this time, the approval is made by the Board Treasurer, but once the new Executive Director is on staff, she/he will approve all TR-1s, except her/his own, which will require approval by the Board Chair, Vice Chair, or Treasurer.
- The Board understands the finding concerning temporary help and will seek guidance from DFA prior to hiring any additional temporary help.

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2014

None

Employment Summary

	Male	Female	Total	%
White Employees	1	1	2	100 %
Black Employees	0	0	0	0 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			0	0 %
Total Employees			2	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
None	N/A	N	N	0	N/A	0	0.00

Agency Position Usage Report

FY2012 - 2013						FY2013 - 2014						FY2014 - 2015					
Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused
	Filled	Unfilled	Total				Filled	Unfilled	Total				Filled	Unfilled	Total		
3	3	0	3	0	0.00 %	3	2	1	3	0	33.33 %	3	2	1	3	0	33.33 %

Analysis of Budget Request

Appropriation: 920 - Fire Protection Operations

Funding Sources: MFP - Fire Protection Licensing Board

Created by Act 743 of 1977, the Arkansas Fire Protection Licensing Board strives to help protect the public through the certification and licensing of individuals and companies that install and service fire extinguishers and sprinkler systems. The Board is funded from examination and renewal fees charged pursuant to Arkansas Code Annotated §20-22-610.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2015 1% Cost of Living Adjustment and Career Service payments for eligible employees. Personal Services Matching also includes a \$10 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for Merit Pay Increases. The Base Level request for Regular Salaries includes board member stipend payments.

The Agency requests a Change Level net increase of \$27,970 for FY16 and \$12,970 for FY17 in Operating Expenses as follows:

- Increase of \$40,714 for FY16 and \$25,714 for FY17 for Rent of Office Equipment for a copier replacement and a postage meter \$3,720; Mileage for the Investigator \$7,700; Membership Dues \$1,000; Janitorial Service \$2,000; various other expenses \$1,794; and Miscellaneous Technical Services \$24,500 in FY16 and \$9,500 in FY17 to update the database licensing system to allow easier maintenance and updating and increased uniformity with other regulatory boards' databases. The current database is over eight (8) years old, FY16 is for replacement/upgrade and FY17 is for maintenance. This is included in the Board's IT plan.
- Decrease of \$12,744 each year to align budget with expenditures and reflect lower cost for Telecommunications Wireless and to lower budget in areas where the previous Executive Director charged personal expenses. These expenditures included Electricity, Other Expenses, Fuel Purchases, Office Supplies, and Drugs & Medicines.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: 920 - Fire Protection Operations
Funding Sources: MFP - Fire Protection Licensing Board

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2015-2016			2016-2017		
		2013-2014 Actual	2014-2015 Budget	2014-2015 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	89,357	87,992	92,985	88,794	88,794	88,794	88,794	88,794	88,794
#Positions		3	3	3	3	3	3	3	3	3
Personal Services Matching	5010003	38,723	33,442	34,166	34,033	34,033	34,033	34,033	34,033	34,033
Operating Expenses	5020002	74,361	85,274	85,274	85,274	113,244	113,244	85,274	98,244	98,244
Conference & Travel Expenses	5050009	226	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300
Professional Fees	5060010	43	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		202,710	211,008	216,725	212,401	240,371	240,371	212,401	225,371	225,371
Funding Sources										
Fund Balance	4000005	172,284	156,498		117,490	117,490	117,490	80,089	52,119	52,119
Cash Fund	4000045	186,924	172,000		175,000	175,000	175,000	180,000	180,000	180,000
Total Funding		359,208	328,498		292,490	292,490	292,490	260,089	232,119	232,119
Excess Appropriation/(Funding)		(156,498)	(117,490)		(80,089)	(52,119)	(52,119)	(47,688)	(6,748)	(6,748)
Grand Total		202,710	211,008		212,401	240,371	240,371	212,401	225,371	225,371

Change Level by Appropriation

Appropriation: 920 - Fire Protection Operations
Funding Sources: MFP - Fire Protection Licensing Board

Agency Request

Change Level		2015-2016	Pos	Cumulative	% of BL	2016-2017	Pos	Cumulative	% of BL
BL	Base Level	212,401	3	212,401	100.0	212,401	3	212,401	100.0
C01	Existing Program	16,214	0	228,615	107.6	16,214	0	228,615	107.6
C03	Discontinue Program	(12,744)	0	215,871	101.6	(12,744)	0	215,871	101.6
C08	Technology	24,500	0	240,371	113.2	9,500	0	225,371	106.1

Executive Recommendation

Change Level		2015-2016	Pos	Cumulative	% of BL	2016-2017	Pos	Cumulative	% of BL
BL	Base Level	212,401	3	212,401	100.0	212,401	3	212,401	100.0
C01	Existing Program	16,214	0	228,615	107.6	16,214	0	228,615	107.6
C03	Discontinue Program	(12,744)	0	215,871	101.6	(12,744)	0	215,871	101.6
C08	Technology	24,500	0	240,371	113.2	9,500	0	225,371	106.1

Justification

C01	The board requests an increase of \$16,214 in Operating Expenses for Rent of Office Equipment for a copier replacement and postage meter \$3,720, Mileage for the Investigator \$7,700, Membership Dues \$1,000, Janitorial Service \$2,000, and various other expenses of \$1,794.
C03	The board requests a decrease of \$12,744 in Operating Expenses to more closely align budget with expenditures and to reflect lower cost for Telecommunications Wireless, and to lower budget in the areas where the previous Executive Director charged personal expenditures. These expenditures included electricity, Other Expenses, Fuel Purchases, Office Supplies, and Drugs & Medicines.
C08	The board requests an increase of \$24,500 in FY16 and \$9,500 in FY17 in Operating Expenses for Miscellaneous Technical Services to update the database licensing system to allow easier maintenance and updating and increased uniformity with other regulatory board's databases. The current database is over eight (8) years old. The first year will cover the upgrade/replacement and the second year will cover maintenance. The request is by amendment to the board's IT plan as a software purchase with a hosted web resource.