

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

791



FROM: County Auditor-Controller

SUBMITTAL DATE:
May 27, 2010

SUBJECT: Internal Audit Reports: 2010-501-001: Elsinore Valley Cemetery District and 2010-501-002: Wildomar Cemetery District

RECOMMENDED MOTION: Receive and file Internal Audit Reports: Internal Audit Reports: 2010-501-001: Elsinore Valley Cemetery District and 2010-501-002: Wildomar Cemetery District.

BACKGROUND:

Per the Board of Supervisors' request, the Auditor-Controller completed an audit of the Elsinore Valley and Wildomar Cemetery Districts. The results of each district have been issued in separate reports.

(Continued)

Bruce Kincaid
BRUCE KINCAID: ASST. AUD.-CONTR.
for Robert E. Byrd
County Auditor-Controller

ATTACHMENTS FILED WITH THE CLERK OF THE BOARD

Departmental Concurrences

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	N/A

SOURCE OF FUNDS: N/A	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

BY: *Karen L. Johnson*
Karen L. Johnson

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Buster, seconded by Supervisor Ashley and duly carried by unanimous vote, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Buster, Tavaglione, Stone, Benoit and Ashley
Nays: None
Absent: None
Date: August 10, 2010
xc: Auditor, Districts

Kecia Harper-Ihem
Clerk of the Board
By: *Kecia Harper-Ihem*
Deputy

2.6

- Consent
- Policy
- Consent
- Policy

May 27, 2010

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BACKGROUND continued:

Internal Audit Report 2010-501-001: Elsinore Valley Cemetery District

Our objective was to provide the district's management and the County Board of Supervisors with an independent assessment about the adequacy of internal controls over the Elsinore Valley Cemetery District's processes and fiscal procedures. We evaluated the adequacy and effectiveness of internal controls over district expenditures, operations, and revenues.

Elsinore Valley Cemetery District is operating efficiently with the current level of assets and staff. However, we noted weaknesses in internal controls over the district's revenue and expenditure processes and the assessment of endowment fees. We will follow-up with the district in one year to determine whether corrective actions have been implemented to address the audit findings.

Internal Audit Report 2010-501-002: Wildomar Cemetery District

Our objective was to provide the district's management and the County Board of Supervisors with an independent assessment about the adequacy of internal controls over the Wildomar Cemetery District's processes and fiscal procedures. We evaluated the adequacy and effectiveness of internal controls over district expenditures, operations, and revenues.

Wildomar Cemetery District is not operating efficiently with the current level of assets and staff. Additionally, we noted weaknesses in internal controls over the revenue and expenditure processes and the assessment of endowment fees. We will follow-up with the district in one year to determine whether corrective actions have been implemented to address the audit findings.



County of Riverside

INTERNAL AUDIT REPORT

2010-501-001

Elsinore Valley Cemetery District

May 27, 2010

Office of
Robert E. Byrd, CGFM
County Auditor-Controller

4080 Lemon Street
P.O. Box 1326
Riverside, CA 92502-1326



**COUNTY OF RIVERSIDE
OFFICE OF THE
AUDITOR-CONTROLLER**

County Administrative Center
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(951) 955-3800
Fax (951) 955-3802



May 27, 2010

Board of Trustees
Elsinore Valley Cemetery District
18170 Collier Avenue,
Lake Elsinore, Ca 92530

Subject: Internal Audit Report 2010-501-001: Elsinore Valley Cemetery District

Dear Board of Trustees:

We have completed an audit of Elsinore Valley Cemetery District at the request of the County of Riverside's Board of Supervisors. We conducted the audit during the period August 24, 2009, through November 30, 2009, for operations of July 1, 2007, through June 30, 2009.

Our objective was to provide management and the Board of Supervisors with an independent assessment about the adequacy of internal controls over the Elsinore Valley Cemetery District's processes and fiscal procedures. Specifically, we evaluated the adequacy and effectiveness of internal controls over district expenditures, operations, and revenues.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that our objective, as described in the preceding paragraph, is achieved. Additionally, the standards require that we conduct the audit to provide sufficient, reliable, relevant, and useful evidence to achieve the audit objective. We believe the audit provides a reasonable basis for our conclusion.

Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial information. Management is responsible for establishing and maintaining adequate internal controls; our responsibility is to express a conclusion on the internal controls based upon our audit.

Based upon the results of our audit, Elsinore Valley Cemetery District is operating efficiently with the current level of assets and staff. However, we noted weaknesses in internal controls over the district's revenue and expenditure processes and the assessment of endowment fees.

We discussed the results contained in this report, as well as comments and suggestions of lesser significance, with the Elsinore Valley Cemetery District's management.

We thank the Elsinore Valley Cemetery District's management and staff for their cooperation. Their assistance contributed significantly to successful completion of the audit.

Robert E. Byrd, CGFM
Auditor-Controller

Handwritten signature of Melissa S. Bender in black ink.

By: Melissa S. Bender, CIA
Audit Manager

cc: Board of Supervisors
Executive Office
Grand Jury

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Executive Summary

Audit Objective

Our objective was to provide management and the Board of Supervisors with an independent assessment about the adequacy of internal controls over the Elsinore Valley Cemetery district's processes and fiscal procedures. Specifically, we evaluated the adequacy, and effectiveness of internal controls over the Elsinore Valley Cemetery District's revenues, expenditures, and operations.

Overview

Elsinore Valley Cemetery District was originally founded on March 8, 1926. The District maintains the 26.5-acre cemetery. Their Mission as stated is "to offer affordable burial and the memorializing needs of our community with honor, dignity, compassion and care in an environment of beauty and serenity." Elsinore Valley Cemetery District is managed by the Board of Trustees appointed by the County of Riverside Board of Supervisors.

The following is a summary of the Elsinore Valley Cemetery District's revenue and expenditures:

	FY2006/07	FY2007/08	FY2008/09	TOTAL
Total Revenue	\$1,047,191	\$1,015,013	\$993,046	\$3,055,250
Total Expenses	\$417,986	\$398,468	\$476,389	\$1,292,843

Audit Methodology

Our audit methodology was designed to determine whether the processes for: expenditures including the use of the endowment fund, revenues/cash handling and district operations provide reasonable assurance that district resources are adequately safeguarded, governing regulations and policies were complied with and operations were effective and efficient. To accomplish our objectives, we:

- Performed site visits to the cemetery to observe operations;
- Conducted interviews with cemetery personal, including staff and management;
- Identified and reviewed applicable policies and procedures, county of Riverside board ordinances, laws, codes, regulations, and Board of Trustees minutes;
- Verified compliance with the California Health and Safety Codes 8725-8745 and 9000-9093;

- Compared fees charged by the cemetery with surrounding cemeteries;
- Prepared a cost/benefit analysis of operational expenditures including landscape maintenance costs;
- Selected a statistical sample of expenditure transactions for further testing; and
- Completed an analysis to determine if key segregation of duties existed within the district.

Overall Conclusion

Based upon the results of our audit, Elsinore Valley Cemetery District is operating efficiently with the current level of assets and staff. However, we noted weaknesses in internal controls over the Elsinore Valley Cemetery District's revenue and expenditure processes and the assessment of endowment fees.

Details about our audit methodology and results are provided in the body of our report.

Results

Expenditures

During the audit period of July 1, 2007, through June 30, 2009, the district recorded a total of 1,059 expenditure transactions in their accounting system, Peachtree. We tested a statistically random sample of 68 transactions for the following attributes:

- Purchase was authorized;
 - Supporting documentation was reviewed for accuracy and approved prior to payment of invoice;
 - Amount paid matched supporting documentation; and
 - Account was properly classified.
-

Finding 1

There are no policies and procedures in place over the Elsinore Valley Cemetery District's expenditure, operations and revenue/cash handling processes. Without policies and procedures, there is no assurance that laws and regulations are complied with, assets are adequately safeguarded or financial transactions are authorized appropriately, recorded accurately and timely, and properly classified.

Due to the lack of policies and procedures, none of the invoices tested in our sample showed evidence of manager review and/or approval prior to purchase and payment. However, we separately evaluated fuel purchases and noted that fuel purchases exceeded the expected consumption amount by 49% (\$7,521.24) during the review period.

Furthermore, a review of the Elsinore Valley Cemetery District's expenditure process indicated there is inadequate segregation of duties. One employee has authority to perform all steps in the process from the point of purchase to preparing checks and sending vendor payments.

Failure to properly segregate duties may result in loss or misappropriation of funds.

Recommendation 1.1 Develop policies and procedures covering the district's processes.

Recommendation 1.2 Management should indicate purchase and invoice approval by signature, initial, etc. prior to purchase and payment.

Recommendation 1.3 Segregate duties within the expenditure process so no one person has control over the following key functions or

activities: purchasing, reviewing invoices, entering accounting information, preparing checks, and sending checks to vendors.

Management Reply

Concur. "Before the audit began, the Elsinore Valley Cemetery District (EVCD) was and still is in the process of updating and adding to our policies and procedures. This particular finding is somewhat skewed in that there is a policy in place as follows. Purchases up to \$500.00 are allowed by the Board and do not need prior approval. However anything over \$500.00 the Board must approve before the purchase can be made. The operations department uses purchase orders for all purchases and the foreman knows that any purchase over the allotted amount must be approved by the Board. When the invoices arrive in the office the manager verifies that all purchase orders and receipts are on the invoices before the expenditures are approved by the Board. The manager or secretary can enter the checks into the accounting software and then the expenditures are presented to the board for approval and signing. Only the board approved expenditures are signed and then mailed out.

Actual/estimated Date of Corrective Action: June 15, 2010

EVCD anticipates the corrected updated policies and procedures manual to be complete by June 15, 2010.

Estimated cost to implement recommendation (If material):
\$3500.00 (District Counsel Review)."

Results

Operations

According to the employee handbook, the Elsinore Valley Cemetery District has four types of positions: foreman, senior groundsman, groundsman (two employees), and district secretary. A fifth position, district manager, is not mentioned in the employee manual, as the district indicated the intent to create a contract for the position to describe the duties and expectations of the district manager.

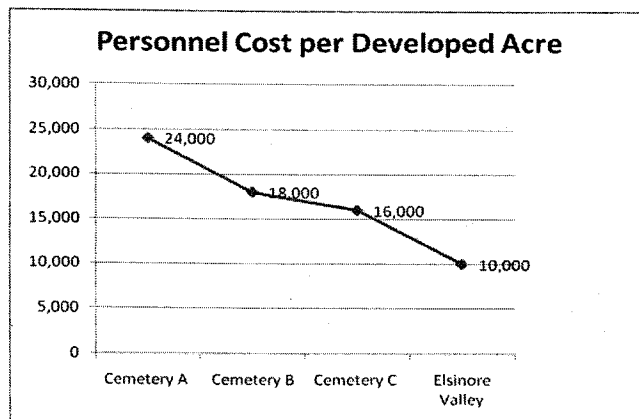
In addition to the above positions, the Elsinore Valley Cemetery District contracts with an outside bookkeeper to perform quarterly reconciliations of all accounting records, prepare the annual budget, and enter any annual audit adjustments recommended by the district's external auditors.

An analysis of time spent on assigned duties for each type of employee showed tasks are completed efficiently within the time allotted, and no employee is under-utilized based on our analysis.

In order to determine whether personnel and operating costs are reasonable, we prepared a cost/benefit analysis that compared the following:

- Elsinore Valley Cemetery District's personnel costs per developed acre vs. three other surrounding cemeteries; and
- Costs to perform landscape maintenance duties in-house vs. contract commercial landscaping service.

When compared to surrounding cemeteries, Elsinore Valley Cemetery District had the lowest personnel cost per developed acre:



Based upon our analysis, it would not be more beneficial for the Elsinore Valley Cemetery District to replaced groundskeeping staff with contracted commercial landscaping services. It is a greater benefit to the cemetery to have regular, full-time groundskeeping staff as their ability to be flexible and assist with burials in addition to maintaining grounds is a more effective use of resources.

Overall, the Elsinore Valley Cemetery District is operating efficiently and effectively with their current level of assets and staffing.

Results

Revenue/Cash handling

Elsinore Valley Cemetery District receives revenue from the sale of burial plots or interments either for immediate or future use. Prices vary according to interment type and plot use, whether it is a single or double underground burial, cremation burial or aboveground interment.

In addition to burial fees, the Elsinore Valley Cemetery District also collects an endowment fee for each burial/interment. Endowment fees range between \$125 for baby or child burials to \$250 for adult burials. The district invests all endowment fees collected and utilizes the interest earnings to maintain the cemetery in accordance with Health and Safety Codes 8725-8745. Furthermore, the district maintained an accurate and current record of available and acquired interment rights in accordance with Health and Safety Code 9064.

Finding 2

A review of the Elsinore Valley Cemetery District's cash handling process indicated there is inadequate segregation of duties. One employee has authority to perform all steps in the process from completing a sale and accepting payment to recording the accounting information and taking deposits to the bank. Failure to properly segregate duties may result in loss or misappropriation of funds.

Recommendation 2.1

Segregate duties within the cash handling process so no one person has control over the following key functions or activities: cash receipts, the endorsement of checks upon receipt, deposits, and monthly reconciliations.

Recommendation 2.2

Develop written policies and procedures for cash handling which clearly define the segregation of duties.

Management Reply

Concur. "EVCD actually has two employees who have authority to perform part of the steps and the process from completing a sale, accepting payment, recording information in the accounting software and depositing the money into the bank. The district secretary and the district manager can perform all or part of those steps and usually they are done by both employees as follows: the district secretary will usually receive the cash and the manager verifies the amount before the secretary makes out the deposit slip and then the manager will record the deposit in the accounting software. Either the secretary or the manager will then make the deposit. When either of the employees is on vacation then all duties would be performed by one or the other. These policies are also in place and will be in the updated policies and procedures manual.

Actual/estimated Date of Corrective Action: June 15, 2010

EVCD anticipates the updated policies and procedures manual to be completed by June 15, 2010.

Estimated cost to implement recommendation (if material): \$3500.00 (District Counsel Review)."

Finding 3

The Elsinore Valley Cemetery District currently utilizes a manual system for tracking sales and accounts receivable and maintaining an inventory of cemetery plots. There is no assurance the manual system ensures the completeness and accuracy of the recorded revenue, collections, accounts receivable and inventory.

Internal controls are not in place to ensure that reconciliations of accounting records are performed in a timely manner. Specifically, 10 (22%) out of 46 plot sale transactions tested did not show evidence that a reconciliation had been performed.

Recommendation 3

Collections recorded on the official form and plot cards should be reconciled and verified against bank deposits on a monthly basis to ensure that all collections were deposited.

Management Reply

Concur. "EVCD is currently having the Cemetery plots formatted for a GIS system that can be implemented into our current Cemetery software to keep track of cemetery plots that are occupied or available. Tracking sales and accounts receivable is currently being checked by the secretary or manager, depending on who received the payment. Reconciliations of accounting records are performed quarterly by an outside book keeper and EVCD has an independent audit performed every year. At the end of F/Y 08/09 the accounts receivable have been recorded into the accounting software differently than before. We are now entering the name of the purchaser and each chart of account is being credited with the amount for that account, i.e. open/close, vault, plot, endowment, setting fee, rent etc. This new procedure will also be in the updated policies and procedures manual. Our current book keeper has been contacted and will sit with the manager on her next reconciliation appointment to check our accounting software for another possible way that may be more efficient.

Actual/estimated Date of Corrective Action: June 15, 2010

EVCD anticipates the updated policies and procedures manual to be completed by June 15, 2010.

Estimated cost to implement recommendation (If material):
\$ 3500.00 (District Counsel Review)."

Finding 4

Endowment fees were not consistently charged according to the Board of Trustees' approved rates during the audit period. Of the 46 sales records tested, 6 (13%) did not specifically state the amount of the endowment fee collected, and 12 (26%) were charged an amount other than the approved rate.

Since the endowment fees were not accurately charged, the Elsinore Valley Cemetery District potentially will not have the level of funds required by the Health and Safety Codes for the future care of the cemetery. Furthermore, because of previously identified internal control weaknesses, there is a risk for the misappropriation of funds and loss of interest revenue.

Recommendation 4.1

Ensure established endowment fees are accurately charged for each new plot purchase.

Recommendation 4.2

Ensure established endowment fees are listed separately on each new purchase agreement.

Management Reply

Concur. "Current California Health and Safety Code 8738 define endowment charges as follows: \$4.50 per square foot for each grave and \$70 for each niche. Recently it was discovered that some endowment charges for Niche sales had not been separated from the actual sales amount or deposited into our endowment account. The Board has corrected this error by having the figured amount of \$4550.00 transferred from our General Fund with Wells Fargo Advisors into our Endowment Fund.

Current charges for endowment meet the Health & Safety Code 8738 guidelines according to the size of the grave. EVCD currently charges endowment as follows; baby or child = \$125.00, full size grave = \$300.00, cremation graves = \$125.00 - \$150.00, or niche wall = \$70.00.

Actual/estimated Date of Corrective Action:

Estimated cost to implement recommendation (If material): \$0"

RIVERSIDE COUNTY
AUDITOR-CONTROLLER

10 APR -7 PM 1:02

DATE: 4/1/10.
TO: Auditor-Controller's Office
Audits and Specialized Accounting Division
FROM: **Diana Russell District Manager**
Elsinore Valley Cemetery District
SUBJECT: Reply to Draft Audit Report 2010-501-002

Finding 1:

There are no policies and procedures in place over the Elsinore Valley Cemetery District's processes including expenditures, operations and revenue/cash handling. Furthermore, a review of the Elsinore Valley Cemetery District's expenditure process indicated there is no adequate segregation of duties. One employee has authority to perform all steps in the process from the point of purchase to preparing checks and sending vendor payments.

Management position concerning the recommendation: Concur

Comments:

Before the audit began, the Elsinore Valley Cemetery District (EVCD) was and still is in the process of updating and adding to our policies and procedures. This particular finding is somewhat skewed in that there is a policy in place as follows. Purchases up to \$500.00 are allowed by the Board and do not need prior approval. However anything over \$500.00 the Board must approve before the purchase can be made. The operations department uses purchase orders for all purchases and the foreman knows that any purchase over the allotted amount must be approved by the Board. When the invoices arrive in the office the manager verifies that all purchase orders and receipts are on the invoices before the expenditures are approved by the Board. The manager or secretary can enter the checks into the accounting software and then the expenditures are presented to the board for approval and signing. Only the board approved expenditures are signed and then mailed out.

Actual/Estimated Date of Corrective Action: June 15, 2010

EVCD anticipates the corrected updated policies and procedures manual to be complete by June 15, 2010.

Estimated cost to implement recommendation (If material):
\$ 3500.00 (District Counsel Review)

Finding 2:

A review of the Elsinore Valley Cemetery District's cash handling process indicated there is no adequate segregation of duties. One employee has authority to perform all steps in the process from completing a sale and accepting payment to recording the accounting information and taking deposits to the bank.

Management position concerning the recommendation: Concur

Comments:

EVCD actually has two employees who have authority to perform part of the steps and the process from completing a sale, accepting payment, recording information in the accounting software and depositing the money into the bank. The district secretary and the district manager can perform all or part of those steps and usually they are done by both employees as follows: the district secretary will usually receive the cash and the manager verifies the amount before the secretary makes out the deposit slip and then the manager will record the deposit in the accounting software. Either the secretary or the manager will then make the deposit. When either of the employees is on vacation then all duties would be performed by one or the other. These policies are also in place and will be in the updated policies and procedures manual.

Actual/estimated Date of Corrective Action: June 15, 2010

EVCD anticipates the updated policies and procedures manual to be completed by June 15, 2010.

Estimated cost to implement recommendation (If material):
\$ 3500.00 (District Counsel Review)

Finding 3:

The Elsinore Valley Cemetery District currently utilizes a manual system for tracking sales and accounts receivable and maintaining inventory of cemetery plots. There is no assurance the manual system ensures the completeness and accuracy of the recorded revenue, collections, receivables and inventory. Internal controls are not in place to ensure that reconciliations of accounting records are performed in a timely manner. Specifically, 10 (22%) out of 46 plot sale transactions tested did not show evidence that a reconciliation had been performed.

Management position concerning the recommendation: Concur

Comments:

EVCD is currently having the Cemetery plots formatted for a GIS system that can be implemented into our current Cemetery software to keep track of cemetery plots that are occupied or available. Tracking sales and accounts receivable is currently being checked by the secretary or manager, depending on who received the payment. Reconciliations of accounting records are performed quarterly by an outside book keeper and EVCD has an independent audit performed every year. At the end of F/Y 08/09 the accounts receivable have been recorded into the accounting software differently than before. We are now entering the name of the purchaser and each chart of account is being credited with the amount for that account, i.e. open/close, vault, plot, endowment, setting fee, rent etc. This new procedure will also be in the updated policies and procedures manual. Our current book keeper has been contacted and will sit with the manager on her next reconciliation appointment to check our accounting software for another possible way that may be more efficient.

Actual/estimated Date of Corrective Action: June 15, 2010

EVCD anticipates the updated policies and procedures manual to be completed by June 15, 2010.

Estimated cost to implement recommendation (if material):

\$ 3500.00 (District Counsel Review)

Finding 4:

Endowment fees were not consistently charged according to the Board of Trustees' approved rates during the audit period. Of the 46 sales records tested, 6 (13%) did not specifically state the amount of the endowment fee collected, and 12 (26%) were charged an amount other than the approved rate.

Management position concerning the recommendation: Concur

Comments:

Current California Health and Safety Code 8738 define endowment charges as follows: \$4.50 per square foot for each grave and \$70 for each niche. Recently it was discovered that some endowment charges for Niche sales had not been separated from the actual sales amount or deposited into our endowment account. The Board has corrected this error by having the figured amount of \$4550.00 transferred from our General Fund with Wells Fargo Advisors into our Endowment Fund.

Current charges for endowment meet the Health & Safety Code 8738 guidelines according to the size of the grave. EVCD currently charges endowment as

follows; baby or child = \$125.00, full size grave = \$300.00, cremation graves =
\$125.00 - \$150.00, or niche wall = \$70.00.

Actual/estimated Date of Corrective Action:

Estimated cost to implement recommendation (if material): \$ 0.00



County of Riverside

INTERNAL AUDIT REPORT

2010-501-002

Wildomar Cemetery District

May 27, 2010

Office of
Robert E. Byrd, CGFM
County Auditor-Controller

4080 Lemon Street
P.O. Box 1326
Riverside, CA 92502-1326



**COUNTY OF RIVERSIDE
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**COUNTY OF RIVERSIDE
AUDITOR-CONTROLLER**

**Robert E. Byrd, CGFM
AUDITOR-CONTROLLER**

**Bruce Kincaid, MBA
ASSISTANT
AUDITOR-CONTROLLER**

May 27, 2010

Board of Trustees
Wildomar Cemetery District
21400 Palomar Street
Wildomar, CA 92595

Subject: Internal Audit Report 2010-501-001: Wildomar Cemetery District

Dear Board of Trustees:

We have completed an audit of Wildomar Cemetery District at the request of the County of Riverside's Board of Supervisors. We conducted the audit during the period August 24, 2009, through November 30, 2009, for operations of July 1, 2007, through June 30, 2009.

Our objective was to provide management and the Board of Supervisors with an independent assessment about the adequacy of internal controls over the Wildomar Cemetery District's processes and fiscal procedures. Specifically, we evaluated the adequacy and effectiveness of internal controls over district expenditures, operations, and revenues.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that our objective, as described in the preceding paragraph, is achieved. Additionally, the standards require that we conduct the audit to provide sufficient, reliable, relevant, and useful evidence to achieve the audit objective. We believe the audit provides a reasonable basis for our conclusion.

Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial information. Management is responsible for establishing and maintaining adequate internal controls; our responsibility is to express a conclusion on the internal controls based upon our audit.

Based upon the results of our audit, Wildomar Cemetery District is not operating efficiently with the current level of assets and staff. Additionally, we noted weaknesses in internal controls over the revenue and expenditure processes and the assessment of endowment fees.

We discussed the results contained in this report, as well as comments and suggestions of lesser significance, with the Wildomar Cemetery District.

We thank the Wildomar Cemetery District's management and staff for their cooperation. Their assistance contributed significantly to successful completion of the audit.

Robert E. Byrd, CGFM
Auditor-Controller

A handwritten signature in black ink that reads "Melissa S. Bender". The signature is written in a cursive, flowing style.

By: Melissa S. Bender, CIA
Audit Manager

cc: Board of Supervisors
Executive Office
Grand Jury

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Executive Summary

Audit Objective

Our objective was to provide management and the Board of Supervisors with an independent assessment about the adequacy of internal controls over the Wildomar Cemetery District's processes and fiscal procedures. Specifically, we evaluated the adequacy, and effectiveness of internal controls over the district's revenues, expenditures, and operations.

Overview

Wildomar Cemetery District was originally founded on March 28, 1955 to serve a 23-square-mile-area that includes approximately 70% of the city of Wildomar. The Wildomar Cemetery District owns 10 acres, 5.5 of which are pristinely maintained as the cemetery. Wildomar Cemetery District is managed by the Board of Trustees appointed by the County of Riverside Board of Supervisors.

The following is a summary of the Wildomar Cemetery District's revenue and expenditures:

	FY2006/07	FY2007/08	FY2008/09	TOTAL
Total Revenue	\$348,938	\$449,994	\$486,961	\$1,285,893
Total Expenses	\$312,591	\$295,384	\$261,072	\$869,047

Audit Methodology

Our audit methodology was designed to determine whether the processes for: expenditures including the use of the endowment fund, revenues/cash handling and district operations provide reasonable assurance that district's resources were adequately safeguarded, governing regulations and policies were complied with and operations were effective and efficient. To accomplish our objectives, we:

- Performed site visits to the cemetery to observe operations;
- Conducted interviews with cemetery personal, including staff and management;
- Identified and reviewed applicable policies and procedures, county of Riverside board ordinances, laws, codes, regulations, and Board of Trustees minutes;
- Verified compliance with the California Health and Safety Codes 8725-8745 and 9000-9093;

- Compared fees charged by the cemetery with surrounding cemeteries;
- Prepared a cost/benefit analysis of operational expenditures including landscape maintenance costs;
- Selected a statistical sample of expenditure transactions for further testing; and
- Completed an analysis to determine if key segregation of duties exists within the district.

Overall Conclusion

Based upon the results of our audit, Wildomar Cemetery District is not operating efficiently with the current level of assets and staff. Additionally, we noted weaknesses in internal controls over the revenue and expenditure processes and the assessment of endowment fees.

Details about our audit methodology and results are provided in the body of our report.

Results

Expenditures

During the audit period of July 1, 2007, through June 30, 2009, the district recorded a total of 670 expenditure transactions in Peachtree, the District's accounting system. We tested a statistically random sample of 128 transactions for the following attributes:

- Purchase was authorized;
- Supporting documentation was reviewed for accuracy and approved prior to payment of invoice;
- Amount paid matched supporting documentation; and
- Accounts were properly classified.

All transactions tested were properly classified within Peachtree.

Finding 1

Of the 128 items tested, 8 (6.3%) lacked supporting documentation. As a result, we were unable to rely on management's review as an adequate internal control to verify purchase authorization or payment approval. Furthermore, the Wildomar Cemetery District does not have written policies and procedures for the expenditure process. Without policies and procedures, there is no assurance that rules and regulations are complied with, assets are adequately safeguarded or financial transactions are authorized appropriately, recorded accurately and timely, and properly classified.

Recommendation 1.1 Ensure appropriate supporting documentation is retained for all transactions.

Recommendation 1.2 Management should indicate invoice approval by signature, initial, or approval stamp prior to payment.

Recommendation 1.3 Develop written policies and procedures regarding expenditures which clearly define the process.

Management Reply **Concur.** "Board position concerning the finding: We concur and the recommendations are current policy and we have implemented training with clerical staff to maintain compliance."

Finding 2

Even though Excel is being used to track sick and vacation hour accruals, the ending balances are being calculated

manually instead of using formulas within Excel. As a result, ending sick leave accrual balances for current employees are incorrectly stated.

Additionally, one employee who is no longer employed by the district and was paid for their ending accrued leave balances was overpaid for 16 sick hours and underpaid for 50 vacation hours due to incorrectly calculated leave accrual ending balances. The net underpayment of 35 accrued leave hours amounts to \$1,057.70 (\$30.22 hourly rate x 35 hours).

Recommendation 2

The Wildomar Cemetery District should utilize formulas in their Excel leave accrual worksheet to automatically calculate ending balances.

Management Reply

Concur. "Board position concerning the findings: We concur and have implemented training to correct the situation and to maintain future compliance."

Results

Operations

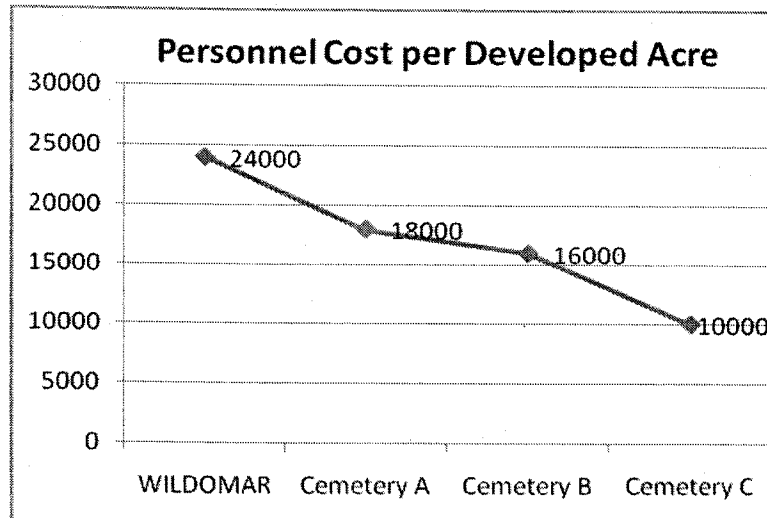
According to the employee handbook, the Wildomar Cemetery District has four types of positions: district manager, senior groundsman, groundsman, and secretary.

In addition to the above positions, the Wildomar Cemetery District contracts with an outside bookkeeper to perform quarterly reconciliations of all accounting records, prepare the annual budget, and enter any annual audit adjustments recommended by the district's external auditors.

In order to determine whether personnel and operating costs are reasonable, we prepared a cost/benefit analysis that compared the following:

- Wildomar Cemetery District's personnel costs per developed acre vs. three other surrounding cemeteries; and
- Costs to perform landscape maintenance duties in-house vs. contract commercial landscaping service.

When compared to surrounding cemeteries, Wildomar Cemetery District had the highest personnel cost per developed acre:

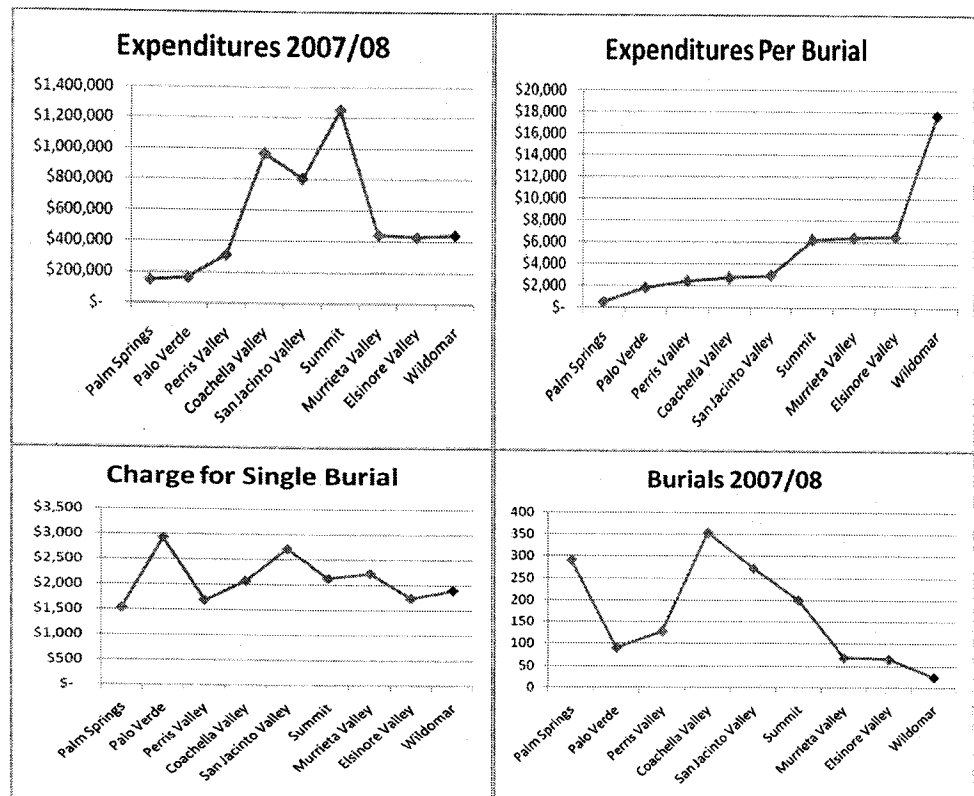


Finding 3

While it is more cost beneficial for the cemetery to have regular, full-time groundskeeping staff instead of contract landscaping services, it appears the district could maintain the cemetery grounds at a satisfactory level with less groundskeeping staff. If Wildomar Cemetery District eliminated a position, its cost per developed acre would decrease by approximately \$6,600 (approx. \$36,300 annual savings) and be more comparable to surrounding cemeteries.

After observing the grounds at Wildomar Cemetery District, a commercial landscaper mentioned in his quote for services that the grounds were "well manicured, almost over manicured." This is consistent with audit observations that the general manager was performing tasks such as edging and mowing that did not appear necessary given the already-pristine state of the grounds in spite of the fact that the senior groundskeeper had been out for a week due to injury and the groundskeeper took several days off due to illness.

However, it should be noted that even with the inclusion of the cost-saving opportunities identified above, Wildomar Cemetery District would still have the highest expenditures per burial of all cemeteries compared.



Recommendation 3.1 The Wildomar Cemetery District should eliminate a position and assign that position's duties to the general manager.

Recommendation 3.2 The Wildomar Cemetery District should work with other local cemeteries to temporarily fill staff vacancies should the possibility occur that one of the two remaining groundskeepers are out due to vacation or illness the day of a scheduled burial.

Management Reply **Partially Concur.** "We have a consensus on the board that it is in the interests of the city of Wildomar to maintain the Cemetery in a "well manicured, almost overly manicured condition." The citizens of the new City of Wildomar take great pride in the beauty and serenity of our well-maintained Cemetery District. Further, we are unaware of the identity of a commercial landscaper who made the above statement consider it to be inappropriate to utilize anecdotal comments.

With respect to the staffing issues, we have released the General Manager. We are in the process of reviewing our staffing needs."

Finding 4

An analysis of time spent on assigned duties for each type of employee showed tasks are generally completed efficiently within the time allotted. However, both the general manager and secretary are not performing the duties assigned to their position as per the written employee manual prepared by the Board of Trustees. Specifically:

The general manager does not perform the following assigned duties:

- Client file maintenance - performed by secretary;

The secretary does not perform the following assigned duties:

- Set up appointments - district does not regularly set up formal appointments as most clients are on a walk-in basis;
- Prepare agendas for board of Trustee meetings - performed by general manager; and
- Assist with preparation of budget - performed by general manager.

Recommendation 4.1 The Wildomar Cemetery District's Board of Trustees should meet with staff to evaluate how duties are actually being performed.

Recommendation 4.2 The employee manual should be revised to reflect the current performance of duties, or employees should be directed to perform those duties specifically assigned to them in the employee manual.

Management Reply **Concur.** "Board position concerning the finding: We concur. The board is currently going through all aspects of its procedural manual, including identification and assignment of specific duties."

Finding 5 Though the district pays for the software and staffing to update it, the Wildomar Cemetery District is not currently utilizing Pontem, their cemetery management software to track and maintain plot and burial information. Pontem contains information about all plots and burials from the beginning of the Wildomar Cemetery District's records up to September 2008. The current general manager does not know the password to access the software, and has not contacted the software vendor for assistance to reset the password.

The task of keeping Pontem current is assigned to the secretary, and should take approximately 3.5 hours per week to perform. At the current hourly rate of \$14.52 for the secretary, the potential cost of underutilization of the secretary for this task is \$2,439.36 (3.5 hours x 4 weeks x 12 months x \$14.52).

Additionally, the Wildomar Cemetery District pays \$750 annually for Pontem software service and licensing, whether they are using it or not. Therefore, the total annual cost of underutilization of the Pontem software could be as much as \$3,189.36.

Recommendation 5 The Wildomar Cemetery District should work with the software vendor to gain access to the software and update all records.

Management Reply **Concur.** "Board position concerning the finding: We concur and have corrected the deficiency."

Auditor's Comment On March 9, 2010 we confirmed that the Wildomar Cemetery District had obtained access to the Pontem software and has been updating the records.

Results

Revenue/Cash handling

Wildomar Cemetery District receives revenue from the sale of burial plots or interments either for immediate or future use. Prices vary according to interment type and plot use, whether it is a full underground burial, cremation burial, or above-ground niche interment.

In addition to burial fees, the district also collects an endowment fee for each burial/interment. Endowment fees per the Wildomar Cemetery District's price list, effective August 25, 2009, range from \$200 for cremation and child underground burials to \$400 for adult underground burials. The district invests all endowment fees collected and utilizes the interest earnings to maintain the cemetery in accordance with Health and Safety Codes 8725-8745. Furthermore, the district maintained an accurate and current record of available and acquired interment rights in accordance with Health and Safety Code 9064.

A review of the Wildomar Cemetery District's cash handling process indicated there is adequate segregation of duties.

Finding 6

The Wildomar Cemetery District does not have written policies and procedures for the revenue and cash handling processes. Without policies and procedures, there is no assurance that rules and regulations are complied with, assets are adequately safeguarded or financial transactions are authorized appropriately, recorded accurately and timely, and properly classified.

Due to the lack of policies and procedures, cash and checks are not adequately secured. When cash and/or checks are received from clients, the money is kept in a zippered bank bag in a locked fire safe until the general manager or senior groundskeeper takes it to the bank for deposit. The key to access the fire safe and the endorsement stamp used to sign checks are located in plain view in the top drawer of the secretary's desk which is unable to be locked. Additionally, the office is frequently open and unattended, as the secretary only works 9am-2pm Monday, Wednesday, and Friday, and the other employees are generally performing landscaping and maintenance duties outside for the majority of each day. While the general manager stated the front door is locked when the office is unattended, we noted during fieldwork the door was left unlocked when the office was unattended.

Failure to properly secure cash, checks, and the endorsement stamp could result in loss or misappropriation of funds. It should be noted that the petty cash is also kept in this unlocked drawer. During our surprise count on November 5, 2009, the petty cash fund was short \$48.61 of the authorized \$285.

Recommendation 6.1 Develop written policies and procedures regarding revenue and cash receipts which clearly define the processes.

Recommendation 6.2 Store the key to the fire safe and petty cash in a secure, restricted-access location.

Management Reply **Concur.** "Board position concerning the finding: We concur and have already implemented changes to insure that all financial transactions are properly authorized recorded and classified. We have increased our security as to petty cash, and access to the check endorsement stamp.

The Board is reviewing it's procedural manual through software developed especially for Special Districts."

Finding 7 Endowment fees were not consistently charged according to the Board of Trustees' approved rates during the audit period. Of the 33 sales records tested, 2 (6%) were not charged an endowment fee, and 8 (24%) were charged an amount less than the approved rate. Additionally, 7 (21%) of the sales records tested were not included in reconciliations to the Peachtree system.

Burial and endowment fees are not specified for cremation interment on top of an existing underground burial; as a result, fees charged for these interments vary. Because endowment fees are not accurately charged or reconciled, the Wildomar Cemetery District potentially will not have the level of funds required by the Health and Safety Codes for the future care of the cemetery. Furthermore, because of the previously identified internal control weaknesses, the Wildomar Cemetery District is at risk for the misappropriation of funds and loss of interest revenue.

Recommendation 7.1 Ensure endowment fees are charged accurately for each sale.

Recommendation 7.2 The Wildomar Cemetery District's Board of Trustees should expand their price list to include appropriate burial and endowment fees for cremation interment on top of an existing underground burial.

Recommendation 7.3 Ensure all sales are entered in the Pontem and Peachtree systems.

Recommendation 7.4 Collections recorded in Peachtree and plot cards should be reconciled and verified against bank deposits on a monthly basis to ensure that all collections were deposited.

Management Reply **Concur.** "Board position concerning the finding: We concur.

Recommendation 7.1: It is the current policy of the employees and staff of the District to charge the appropriate amount for endowment fees.

Recommendation 7.2: The Wildomar Cemetery District does not currently permit burials atop one another, given the geotechnical conditions.

Recommendation 7.3: This is being accomplished through the training of staff.

Recommendation 7.4: This is being accomplished through the training of The Board.

In closing, the current Board of Trustees of the Wildomar Cemetery District objects to the failure of the auditors to consider current practices in the process of being implemented by the current board. Particularly inappropriate is data included in the findings taken from activities which occurred as far back as 1995, which have no bearing whatsoever on today's management practices or Board oversight."



WILDOMAR CEMETERY DISTRICT



DATE: [Click here to enter a date.](#)

TO: Auditor-Controller's Office
Audits and Specialized Accounting Division

FROM: Board of Trustees
Wildomar Cemetery District *af*

SUBJECT: Reply to Draft Audit Report 2010-501-001

Finding 1:

Of the 128 items tested, 8 (6.3%) lacked supporting documentation. As a result, we were unable to rely on management's review as an adequate internal control to verify purchase authorization or payment approval. Furthermore, the Wildomar Cemetery District does not have written policies and procedures for the expenditure process. Without policies and procedures, there is no assurance that rules and regulations are complied with, assets are adequately safeguarded or financial transactions are authorized appropriately, recorded accurately and timely, and properly classified.

Management position concerning the finding: Concur

Comments:

Board position concerning the finding: We concur and the recommendations are current policy and we have implemented training with clerical staff to maintain compliance.

Actual/estimated Date of Corrective Action: [Click here to enter a date.](#)

[Click here to comment if necessary to clarify what action the timing refers to.](#)

Estimated cost to implement recommendation (if material): \$ 0.00

Finding 2:

Even though Excel is being used to track sick and vacation hour accruals, the ending balances are being calculated manually instead of using simple formulas within Excel. As a result, ending sick leave accrual balances for current employees are incorrectly stated.

Additionally, one employee who is no longer employed by the district and was paid for their ending accrued leave balances was overpaid for 16 sick hours and underpaid for

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WILDOMAR CEMETERY DISTRICT



50 vacation hours due to incorrectly calculated leave accrual ending balances. The net underpayment of 35 accrued leave hours amounts to \$1,057.70 (\$30.22 hourly rate x 35 hours).

Management position concerning the finding: Concur

Comments:

Board position concerning the findings: We concur and have implemented training to correct the situation and to maintain future compliance.

Actual/estimated Date of Corrective Action: [Click here to enter a date.](#)

[Click here to comment if necessary to clarify what action the timing refers to.](#)

Estimated cost to implement recommendation (if material): \$ 0.00

Finding 3:

While it is more cost beneficial for the cemetery to have regular, full-time groundskeeping staff instead of contract landscaping services, it appears the district could maintain the cemetery grounds at a satisfactory level with less groundskeeping staff. If Wildomar Cemetery District eliminated a position, its cost per developed acre would decrease by approximately \$6,600 (approx. \$36,300 annual savings) and be more comparable to surrounding cemeteries.

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However, it should be noted that even with the inclusion of the cost-saving opportunities identified above, Wildomar Cemetery District would still have the highest expenditures per burial of all cemeteries compared.

Management position concerning the finding: Partially Concur

Comments:

We have a consensus on the board that it is in the interests of the city of Wildomar to maintain the Cemetery in a "well manicured, almost overly



WILDOMAR CEMETERY DISTRICT



manicured condition." The citizens of the new City of Wildomar take great pride in the beauty and serenity of our well-maintained Cemetery District. Further, we are unaware of the identity of a commercial landscaper who made the above statement consider it to be inappropriate to utilize anecdotal comments.

With respect to the staffing issues, we have released the General Manager. We are in the process of reviewing our staffing needs.

Actual/estimated Date of Corrective Action: Click here to enter a date.

Click here to comment if necessary to clarify what action the timing refers to.

Estimated cost to implement recommendation (if material): \$ 0.00

Finding 4:

An analysis of time spent on assigned duties for each type of employee showed tasks are generally completed efficiently within the time allotted. However, both the general manager and secretary are not performing the duties assigned to their position as per the written employee manual prepared by the Board of Trustees. Specifically:

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- Assist with preparation of budget - performed by general manager.

Management position concerning the finding: Concur

Comments:

Board position concerning the finding: We concur. The board is currently going through all aspects of its procedural manual, including identification and assignment of specific duties.



WILDOMAR CEMETERY DISTRICT



Actual/estimated Date of Corrective Action: [Click here to enter a date.](#)

[Click here to comment if necessary to clarify what action the timing refers to.](#)

Estimated cost to implement recommendation (If material): \$ 0.00

Finding 5:

Though the district pays for the software and staffing to update it, the Wildomar Cemetery District is not currently utilizing Pontem, their cemetery management software to track and maintain plot and burial information. Pontem contains information about all plots and burials from the beginning of the Wildomar Cemetery District's records up to September 2008. The current general manager does not know the password to access the software, and has not contacted the software vendor for assistance to reset the password.

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Additionally, the Wildomar Cemetery District pays \$750 annually for Pontem software service and licensing, whether they are using it or not. Therefore, the total annual cost of underutilization of the Pontem software is \$3,189.36.

Management position concerning the finding: Concur

Comments:

Board position concerning the finding: We concur and have corrected the deficiency.

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[Click here to comment if necessary to clarify what action the timing refers to.](#)

Estimated cost to implement recommendation (If material): \$ 0.00

Finding 6:

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WILDOMAR CEMETERY DISTRICT



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Management position concerning the finding: Concur

Comments:

Board position concerning the finding: We concur and have already implemented changes to insure that all financial transactions are properly authorized recorded and classified. We have increased our security as to petty cash, and access to the check endorsement stamp.

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Estimated cost to implement recommendation (If material): \$ 0.00



WILDOMAR CEMETERY DISTRICT



Finding 7:

Endowment fees were not consistently charged according to the Board of Trustees' approved rates during the audit period. Of the 33 sales records tested, 2 (6%) were not charged an endowment fee, and 8 (24%) were charged an amount less than the approved rate. Additionally, 7 (21%) of the sales records tested were not included in reconciliations to the Peachtree system.

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Management position concerning the finding: Concur

Comments:

Board position concerning the finding: We concur.

Recommendation 7.1: It is the current policy of the employees and staff of the District to charge the appropriate amount for endowment fees.

Recommendation 7.2: The Wildomar Cemetery District does not currently permit burials atop one another, given the geotechnical conditions.

Recommendation 7.3: This is being accomplished through the training of staff.

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WILDOMAR CEMETERY DISTRICT



Estimated cost to implement recommendation (if material): \$ 0.00