

Audit of Administration and Management of Evergreen Cemetery Operations

September 22, 2021





City of Gainesville Office of the City Auditor

GAINESVILLE CITY COMMISSION

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Executive Summary

What We Did

The objective of this audit engagement was to review the design adequacy and operating effectiveness of financial and operational controls related to Evergreen Cemetery Trust Fund allocation and management of cemetery operations and maintenance activities. This audit was included in the City Auditor's 2021 Audit Plan.

Through interviews, observations, and limited substantive testing, we assessed the effectiveness of the internal control environment and management monitoring processes around revenue and expense reporting. We also reviewed the adequacy of trust fund allocations and merchant vendor fees through an analysis of transactions and supporting documentation.

In addition, we reviewed the status of the burial lot inventory by reconciling recent interments and lot sales to inventory records, and performed an analysis to determine how long the cemetery could provide services to the public without adding additional acreage to the cemetery grounds.

A review of user access rights was performed to ensure access was limited to the roles and responsibilities of each individual user.

We would like to thank the Cemetery Coordinator and management personnel from Parks, Recreation and Cultural Affairs and the Budget and Finance Department for their cooperation and professionalism throughout this audit.

What We Found

Incomplete Cemetery Lot Inventory

A full inventory of lots and spaces at the Evergreen Cemetery has not been completed and verified. The inventory of cemetery lots and spaces began in June of 2018. While sellable lots have been identified, management's verification of the survey of the oldest section of the cemetery (Old Yard) and the entire cemetery inventory had not had not been completed at the time audit fieldwork was completed.

Insufficient Policies and Procedures

Policies and procedures are insufficient to provide guidance and consistency over day-to-day cemetery operations, including, but not limited to, the preparation of supporting documents such as Certificates of Interment and Perpetual Care Certificates, and maintenance of burial lot inventory.

Insufficient Oversight and Monitoring

Oversight and monitoring of cemetery operations were not sufficient. Reviews of merchant service fees and chargebacks, operating expenses and the status of the burial lot inventory process were not performed in a consistent, repeatable and well-documented manner.

Inadequate User Access Management Process

ActiveNet user accounts supporting cemetery operations had inappropriate and inadequate access privileges. One of four users had more access than necessary to perform their job duties and one user performed cash reconciliations while having access to record and void cash transactions.

INTRODUCTION

The objective of this audit engagement was to review the design adequacy and operating effectiveness of financial and operational controls related to Evergreen Cemetery Trust Fund allocations and management of cemetery operations and maintenance activities. This audit was included in the City Auditor's 2021 Audit Plan.

The primary contact for day-to-day operations of the cemetery is the Cemetery Coordinator (Coordinator). The Coordinator is responsible for processing the sale of cemetery lots/grave spaces, collecting payment from sales, preparation of required receipts and certificates, scheduling interments, and assisting guests and customers with other burial needs including locating burial sites within the cemetery and coordinating tours and other events at the cemetery.

The Coordinator uses software provided by The Active Network, Inc. (ActiveNet) to perform point of sale functions for cemetery operations. Other operating units of the Parks, Recreation and Cultural Affairs Department also use the software. ActiveNet charges a per-transaction fee for utilizing the software as well as other fees related to reservations and processing credit/debit card transactions (Merchant Services).

SCOPE AND METHODOLOGY

The scope of this engagement included a review of internal controls around Evergreen Cemetery Trust Fund allocations for operational expenditures, and administration, operations and maintenance activities, from October 1, 2018 through June 30, 2021. During this engagement, we interviewed cemetery management and staff, observed operations, and performed a test of controls on a risk-based sample of revenue, expenses and burial lot inventory. Specifically, the audit team:

Governance

- Assessed the adequacy and completeness of policies, procedures, guidelines and management oversight of cemetery administration, operations, trust fund allocations and related controls.

Charge Capture

- Reviewed the administration and management of trust fund allocations to support its intended purpose (i.e. care and maintenance of cemetery lots, spaces and grounds).
- Reviewed the accuracy and timeliness of recording revenue related to cemetery operations.
- Reviewed the fee structure and charge back monitoring processes related to the merchant processing agreement with ActiveNet.
- Reviewed completeness and accuracy of financial reporting related to cemetery administration and operations.

Operations and Maintenance

- Reviewed storage, security and expenditures for tools and supplies.
- Reviewed the accuracy, completeness and overall management of burial lot inventory.

IT Application Controls

- Reviewed the adequacy of user access controls related to ActiveNet as it relates to cemetery operations.
- Reviewed key roles and responsibilities related to cemetery administration and operations for adequate separation of duties.

BACKGROUND

In February 1856, the ground now known as Evergreen Cemetery received its first burial from the newly named community of Gainesville, Florida. The infant daughter of cotton merchant and landowner James Tilatha Thomas and Elizabeth Jane Hall Thomas, died at the age of 10 days. They laid her to rest in a place of serene natural beauty beneath a young cedar tree.

In 1866, Thomas sold the entire parcel of 720 acres to Watson Porter and William K. Cessna for \$6,000. At some time prior to 1888, the original Evergreen Cemetery Association was formed and land was deeded to the Association over the ensuing years. From 1888 until 1944, a group of singularly devoted members of venerable Gainesville families privately operated the Association and Cemetery. They lovingly cared for it until May 11, 1944 when the Association sold the Cemetery to the City of Gainesville for \$1.00 and the City has managed it since. Evergreen Cemetery currently sits on over 56 acres of land in the heart of the city and consists of over 23,000 spaces of which 3,445 were available to the public as of June 30, 2021 (see Figure 1 below).



Figure 1 – Evergreen Cemetery Burial Spaces

INTERMENTS AND SPACES PURCHASED	16,408
ROADWAY SPACES (NOT CURRENTLY AVAILABLE FOR INTERMENTS)	3,228
SPACES AVAILABLE FOR SALE	3,445
TOTAL SPACES IN CEMETERY	23,081

Source: Cemetery Coordinator as of June 30, 2021

The public has the ability to purchase a burial space when needed for an interment or on a pre-need basis. The cemetery also provides interment services for the Alachua County indigent population and Tacachale Developmental Disability Center. Prices for burial spaces are listed in Figure 2 below:

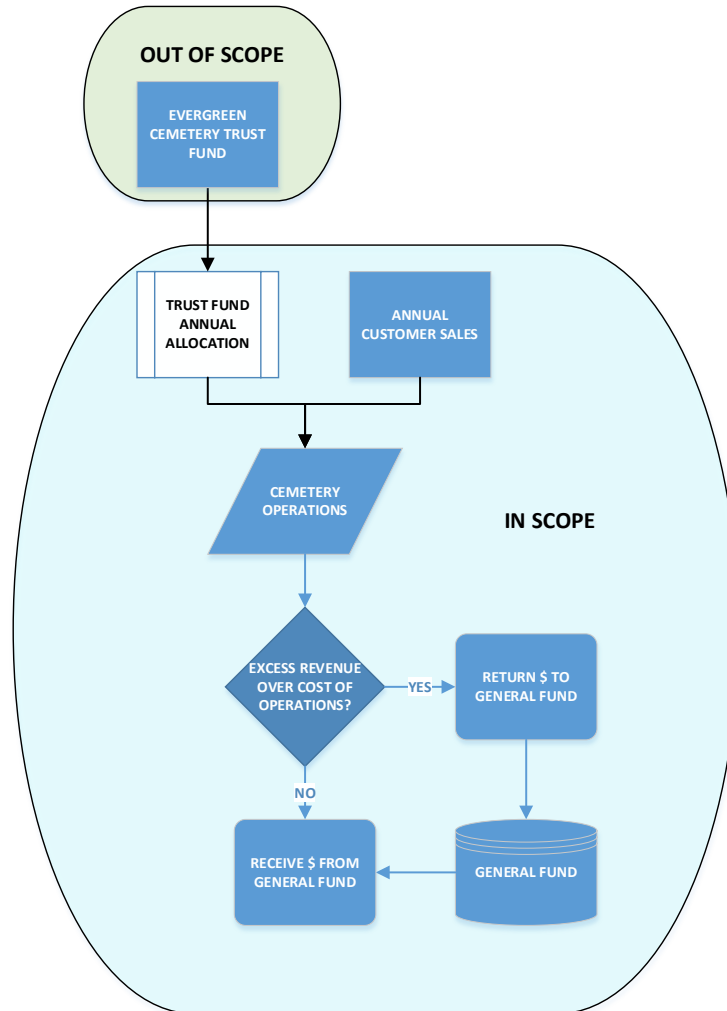
Figure 2 – Grave Space Prices (Prices Include Perpetual Care Fee)

Adult	\$1,699.00
Infant	\$299.50
Cremains	\$470.50

Source: Gainesville Code of Ordinances, Appendix A – Schedule of Fees, Rates and Charges

A portion of cemetery lot sales (Perpetual Care Fee) is transferred to the Evergreen Cemetery Trust Fund (Trust). The objective of the Trust is to provide income that shall be “used exclusively for the care and maintenance of lots and spaces covered thereby and for the care and maintenance of the cemetery grounds”.¹ Monies are transferred from the Trust to the City’s General Fund on an annual basis to help offset these expenses. Figure 3 below is a visual representation of this process.

Figure 3 – Cemetery Operations Revenue and Expense Flow



In the past, the location and status of burial spaces were maintained on a rolodex, supported by paper copies of maps and other documents (e.g. Certificates of Interment, invoices, etc.). In 2018, the current Cemetery Coordinator was hired and began converting the records (including over 15,000 back records) to a digital format. Management initiated a survey and inventory of the grounds to properly record the status of each burial space. This process is expected to be completed in the fall of 2021. Based on the average monthly sales of burial spaces, it is estimated that the available spaces will meet the community’s needs for the next 91 years (see Figure 4 below).

¹ City of Gainesville Code of Ordinances. Municode library. (2021, July 29). https://library.municode.com/fl/gainesville/codes/code_of_ordinances?nodeld=PTIICOOR_CH7CE.

Figure 4 – Availability of Evergreen Cemetery Burial Spaces

Burial Spaces Sold from Oct 1, 2019 thru Jun 30, 2021	104
Monthly Average (33 Months)	3
Total Lots Available @ June 30, 2021	3,445
Number of Years Current Inventory Can Meet Needs	91

RESULTS AND CONCLUSION

As a result of our audit, we identified opportunities to strengthen controls around the administration and daily operations of the cemetery. Adequate policies and procedures, separation of duties, strong IT governance of related systems, and effective oversight and monitoring of daily activities are critical to mitigate risks of error, loss, and misappropriation. Four moderate risk observations are listed below.

1. Incomplete Cemetery Lot Inventory (Moderate)
2. Insufficient Policies and Procedures (Moderate)
3. Insufficient Oversight and Monitoring (Moderate)
4. Inadequate User Access Management process (Moderate)

- **High Risk:** Key controls do not exist or are not effective, resulting in an impaired control environment. High Risk control weaknesses require immediate corrective action detailed in the management action plan.
- **Moderate Risk:** Adequate control environment exists for most processes. Moderate risk control weaknesses require corrective action detailed in the management action plan.
- **Low Risk:** Satisfactory overall control environment with a small number of low risk control improvement opportunities that do not require corrective action or a management action plan.

Audit issue details and management action plans are included within the *Audit Issues and Management Action Plans* section beginning on page 9. We would like to thank the Cemetery Coordinator, Parks, Recreation and Cultural Affairs and Budget and Finance Department personnel for their cooperation and professionalism throughout this audit.

GOVERNMENT AUDITING STANDARDS COMPLIANCE

We conducted this audit engagement in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the engagement to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

INTERNAL AUDIT TEAM

Ginger Bigbie, CPA, CFE, City Auditor

Brecka Anderson, CIA, CFE, CGAP, Assistant City Auditor

Gregory Robeson, CPA, CIA, CFE, Internal Audit Manager (Lead Auditor for this engagement)

Patrick Keegan, CISA, Senior IT Auditor

Diana Ferguson-Satterthwaite, FCCA, CIA, Senior Internal Auditor



AUDIT ISSUES AND MANAGEMENT ACTION PLANS

ISSUE #1 Incomplete Cemetery Lot Inventory

Risk rating: [Moderate]

Observation:

A full inventory of lots and spaces at the Evergreen Cemetery, including the status of each lot and space, has not been completed and verified. The status of a lot and space is determined by whether it contains remains, has been purchased on a pre-need basis, or if it is available for sale to the public. The inventory of cemetery lots and spaces began in June of 2018, but had not been completed at the time audit fieldwork was completed. Additionally, the “Old Yard” section of the cemetery, which does not contain any sellable lots, still requires a complete survey.

Criteria:

Inventory accuracy is important as it provides an organization with clear insight and confidence in their available stock of a product. This allows management the opportunity to provide more efficient and clear communication of available product to the customer, thereby establishing a better customer experience.

Cause:

Prior to the current Cemetery Coordinator taking the position, only manual records were maintained of the location and dates of interred remains. The manual record consisted of a rolodex and supporting documents such as Certificates of Interment. As part of the inventory process, the current Cemetery Coordinator is establishing an electronic record of all interments and available spaces by observing each space and reviewing all supporting documents. The process has been slowed due to minimal staffing. As a long-term project assigned to the Cemetery Coordinator, it has been secondary to meeting the immediate needs of customers.

Risk:

With an incomplete inventory, there is an increased risk that a specific lot may be sold on a pre-need basis to more than one customer. This could then lead to a negative customer experience should the lot or space not be available for interment when the customer requires it. Leveraging technology to manage inventory in the future will help to improve efficiencies and reduce the risk.

Recommendation:

The City Auditor recommends and agrees with the following management action plan.

Management Action Plan

As of August 2021, the Cemetery Coordinator has completed the inventory on sellable lots/spaces in the cemetery. The Coordinator will finalize the Inventory Project by completing the survey of the “Old Yard” section (which does not have sellable lots/spaces) within the next four months. The survey must be completed before the data conversion to a new cemetery software solution.

The Assistant Cultural Affairs Manager will begin the process of developing the business process and evaluation rubric for the new cemetery software solution Request for Proposal (RFP), with an anticipated completion in October 2021. The RFP criteria will be prepared and ready to go out to bid by the end of November.

Cultural Affairs Management will periodically run an inventory spot check. The Assistant Cultural Affairs Manager will use a lot diagram to do a physical, on-site validation. After confirming that the diagram matches the physical environment, the diagram will be compared to the available lots spreadsheet to ensure accuracy. This process will change slightly once we have a cemetery software solution.

Due date:	March 31, 2022
Responsible Party:	Karen Pruss, Cemetery Coordinator
Accountable Party:	Leslie Ladendorf, Assistant Cultural Affairs Manager

ISSUE #2 Insufficient Policies and Procedures

Risk rating: [Moderate]

Observation:

Policies and procedures are insufficient to provide guidance and consistency over day-to-day cemetery operations, including, but not limited to, the preparation of supporting documents such as Certificates of Interment and Perpetual Care Certificates, and maintenance of burial lot inventory.

Criteria:

Written policies and procedures provide instruction and guidance in performing daily activities accurately and consistently, and should include adequate controls to prevent theft, fraud or mismanagement. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework identifies five components of internal control (Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring). COSO describes control activities as “actions (generally described in policies, procedures, and standards) that help management mitigate risks in order to ensure the achievement of objectives”.

Cause:

The Cemetery Coordinator is the sole community builder that completes operational activities for Evergreen Cemetery. Prior to her assuming her responsibilities, no procedures existed and other priorities (i.e. daily operational workflow, providing customer service, completing the inventory of available lots and spaces, etc.) have taken precedence over the preparation of procedures.

Risk:

Without adequate written procedures, adequate service levels may not be maintained if staff is out or there are staffing changes.

Recommendation:

The City Auditor recommends and agrees with the following management action plan.

Management Action Plan

Management will establish or enhance standard operating procedures to guide the proper administration of Evergreen Cemetery operations. Areas where procedures will be established or improved include, but are not limited to, the following:

- Preparation and distribution of Certificates of Interment
- Preparation and distribution of Perpetual Care Certificates
- Updating and maintaining the inventory of Evergreen Cemetery burial lots and spaces

Due date: March 31, 2022

Responsible Party: Karen Pruss, Cemetery Coordinator

Accountable Party: Leslie Ladendorf, Assistant Cultural Affairs Manager

ISSUE #3 Insufficient Oversight and Monitoring

Risk rating: [Moderate]

Observation:

Oversight and monitoring of Evergreen Cemetery operations were not sufficient or consistent. While reviews were routinely conducted in some areas, they were not performed in a structured, repeatable or well-documented manner. Specifically,

- Burial lot inventory – While management was kept informed of the progress of the inventory project, there wasn't any direct review for accuracy and completeness by management.
- Merchant service fees/chargebacks – Fees assessed for ActiveNet merchant account services, were higher than comparable merchant services fees in the City. ActiveNet also charges significant fees for processing cash and check transactions on-site at the City. Management did not adequately review chargebacks.
- Expenses – Periodic reviews of expense activity, including comparisons with projections and variance investigations, were not documented. Periodic reviews for duplicate charges were not conducted.

Criteria:

Principle 16 of The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Integrated Framework states, "The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning." Monitoring is one of the five components of internal control identified by COSO and includes routine activities such as supervisory reviews, reconciliations and analysis of, and appropriate follow-up on, operating reports or metrics that might identify anomalies.

Cause:

Limited staffing and other daily priorities prevented management from establishing and documenting a more robust review process. Additionally, management experienced difficulty running and obtaining ActiveNet reports to properly administer and monitor merchant account fees and charges.

Risk:

Cemetery operations could be interrupted or customer interactions adversely impacted if committed lots were later determined to be unavailable. Additionally, the risk of adverse financial impact increases without a consistent review process for improper, inaccurate and excessive merchant services fees.

Recommendation:

The City Auditor recommends and agrees with the following management action plan.

Management Action Plan

Management will enhance procedures to include additional oversight and monitoring efforts of Cemetery operations. Some areas where processes will be enhanced include:

- **Lot Inventory Monitoring:** The Assistant Cultural Affairs Manager will physically verify lot inventory by comparing physical counts to the inventory diagram and invoices of lot sales. This process will change slightly once we have a cemetery software solution. The process will be documented by sending a confirmation memo to the Cultural Affairs Manager.
- **Merchant Fees/Chargebacks:** The Parks, Recreation and Cultural Affairs Department (Department) will first reach out to ActiveNet (our current provider) to renegotiate the fees, and discuss the options for more transparent reporting. If negotiations are unsuccessful then the Department will issue a Request For Proposal (RFP) for a new recreation management software solution. The Department will work with the Department of Technology and Innovation through their project request process.

While we are still using ActiveNet, we have updated our distribution list so that the Lead Analyst will now receive Chargeback notifications in a timely manner. If we receive any new chargeback notices, the Lead Analyst will take the lead to work with ActiveNet to provide documentation in a timely manner to resolve any disputes and to preserve revenue for services rendered.

- **Expenses:** The Assistant Cultural Affairs Manager will develop a procedure to be included in the Cemetery Coordinator’s procedure as to how and when expenses will be tracked. A monthly report will be provided to the Cemetery Coordinator to show what is budgeted, what is encumbered and what has been spent per spend category. The Assistant Cultural Affairs Manager will review the expense reports provided in Workday to monitor expenditures against the budget on a bi-weekly basis. On a monthly basis, expenditures will be reviewed for duplicates. For these processes, a process confirmation memo will be generated to go to the Cultural Affairs Manager. All credit card expenditures go through Workday and are reviewed and approved by the Assistant Cultural Affairs Manager as they occur within three days of the charge hitting the system. Backup documentation (invoices, contracts, receipts) is attached to those approvals. Approvals are electronically recorded in the system.

Due date:	March 31, 2022
Responsible Party:	Karen Pruss, Cemetery Coordinator
Accountable Party:	Leslie Ladendorf, Assistant Cultural Affairs Manager
Consulted Parties:	Roxana Gonzalez, PRCA Director Cintya Ramos, Finance Director

ISSUE #4 Inadequate User Access Management Process

Risk rating: [Moderate]

Observation:

ActiveNet user accounts supporting Evergreen Cemetery operations had inappropriate and inadequate access privileges, though management indicated that a review of user access was completed in the past year. One of four users had more access privileges than necessary to perform job duties and one user performed cash reconciliation while simultaneously having the ability to collect, record, and void cash transactions.

Criteria:

COBIT 2019 (Control Objectives for Information Technologies) recommends the following as best practice for segregation of duties and least privileged access:

- Allocate roles for sensitive activities so there is a clear segregation of duties,
- Allocate access rights and privileges based on the minimum access required to perform job duties, and
- Remove or revise access rights immediately if the job role changes or a staff member leaves the business process area.

Cause:

The prior user access review was inadequate as management was not aware of which ActiveNet user privileges were appropriate to limit or prevent circumvention of segregation of duties good practices and to limit roles to only those necessary to perform job duties.

Risk:

Circumvention of segregation of duties in the key roles of cash handling and reconciliation processes combined with user access to collect cash and record sales as well as having users with more access than necessary increases the risks that error or fraud will not be detected and users will have access to personal identifiable information (PII). This could result in financial loss, potential litigation and a negative impact to the City's reputation.

Recommendation:

The City Auditor recommends and agrees with the following management action plan.

Management Action Plan

Parks, Recreation and Cultural Affairs (PRCA) will setup a user access management procedure for the ActiveNet software program using best practice recommendations and the confirmation memo template provided by the Director of Technology and Innovation. PRCA management will also conduct a periodic review of access rights and responsibilities of ActiveNet users.

Using an approved request form, managers in PRCA will request Assistant Director level approval for any new staff that need ActiveNet access or staff in need of increased security access. The request will detail what level access they are requesting. Once approved, the requesting manager will perform the approved user access action in ActiveNet per the approved form. Managers and the Assistant Director will be responsible for periodic review of the department's access rights and limit access to only what is necessary to perform the user's job duties.

The user access management procedure will include how often reviews will be performed. The procedure and supporting documentation will be managed by the Accreditation Coordinator. This person will also maintain evidence of the periodic reviews performed by the PRCA management team.

Due date:	March 31, 2022
Responsible and Accountable Party:	Roxana Gonzalez, PRCA Director
Consulted Party:	David Duda, Director of Technology and Innovation