

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



**ITEM: 2.11**  
(ID # 15647)

**MEETING DATE:**  
Tuesday, June 29, 2021

**FROM :** AUDITOR CONTROLLER:

**SUBJECT:** AUDITOR-CONTROLLER: Internal Audit Report 2021-013 Riverside County Office of Economic Development, Perris Valley Cemetery District Audit, All Districts. [\$0]

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Received and file Internal Audit Report 2021-013: Riverside County Office of Economic Development, Perris Valley Cemetery District Audit Report

**ACTION:Consent**

*Tanya Harris*  
Tanya Harris, Assistant Auditor Controller

6/21/2021

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**MINUTES OF THE BOARD OF SUPERVISORS**

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

| <b>FINANCIAL DATA</b>       | <b>Current Fiscal Year:</b> | <b>Next Fiscal Year:</b> | <b>Total Cost:</b>        | <b>Ongoing Cost</b> |
|-----------------------------|-----------------------------|--------------------------|---------------------------|---------------------|
| <b>COST</b>                 | \$ 0.0                      | \$ 0.0                   | \$ 0.0                    | \$ 0.0              |
| <b>NET COUNTY COST</b>      | \$ 0.0                      | \$ 0.0                   | \$ 0.0                    | \$ 0.0              |
| <b>SOURCE OF FUNDS: N/A</b> |                             |                          | <b>Budget Adjustment:</b> | No                  |
|                             |                             |                          | <b>For Fiscal Year:</b>   | N/A                 |

**C.E.O. RECOMMENDATION:** Approve

**BACKGROUND:**

**Summary**

Our conclusion and details of our audit are documented in the body of this audit report.

**Impact on Residents and Businesses**

Provide an assessment of internal controls over the audited areas.

**Additional Fiscal Information**

Not applicable

**ATTACHMENTS:**

A: Riverside County Auditor-Controller - Internal Audit Report 2021-013: Riverside County Office of Economic Development, Perris Valley Cemetery District Audit Report

  
Stephanie Perez, Principal Management Analyst 6/21/2021

**Internal Audit Report 2021-013**

**Riverside County  
Office of Economic Development,  
Perris Valley Cemetery  
Audit  
Report Date: June 29, 2021**



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**Paul Angulo, CPA, MA  
Riverside County Auditor-Controller**

**Tanya S. Harris, DPA, CPA  
Assistant Auditor-Controller**

June 29, 2021

Suzanne Holland, Director  
Riverside County Office of Economic Development, Perris Valley Cemetery District  
3499 10<sup>th</sup> Street, Suite 400  
Riverside, CA 92501

**Subject: Internal Audit Report 2021-013: Riverside County Office of Economic Development, Perris Valley Cemetery District Audit Report**

Dear Ms. Holland:

In accordance with Board of Supervisors Resolution 83-338, we audited Riverside County Office of Economic Development, Perris Valley Cemetery District to provide management and the Board of Supervisors with an independent assessment of internal controls over the endowment care fund and the revenue cycle.

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 sufficient, reliable, relevant, and useful information to provide reasonable assurance that our objective as described above is achieved. An internal audit includes the systematic analysis of information to evaluate and improve the effectiveness of internal controls. We believe this 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 and non-financial information. Management is responsible for establishing and maintaining adequate internal controls. Our responsibility is to evaluate the internal controls.

Our conclusion and details of our audit are documented in the body of this audit report.

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As requested, in accordance with paragraph III.C of the Board of Supervisors Resolution 83-338, management responded to each reported condition and recommendation contained in our report. Management's responses are included in the report. We will follow-up to verify that management implemented the corrective actions.

Paul Angulo, CPA, MA  
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA  
Chief Internal Auditor

cc: Board of Supervisors  
Jeff A. Van Wagenen, Jr., County Executive Officer  
Grand Jury

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## **Executive Summary**

### **Overview**

Perris Valley Cemetery District serves the community by providing burial and cremation services for the families of the community, on the 19 acres of the memorial park. The Perris Valley Cemetery was created in 1927 as an independent district. In January of 2002, the Riverside County Board of Supervisors appointed itself as Trustees to provide administrative oversight and establish cash reserves and fiscal controls. The department provides these services with an adopted budget of 8 administrative positions and a budget of \$736,041 for fiscal year 2020-21. *County of Riverside, Fiscal Year 2020/21 Adopted Budget, September, 2020, 75. Riverside County Business & Community Services, Perris Valley Cemetery, accessed November 23, 2020, <https://rivcobcs.org/perris>.*

### **Audit Objective**

Our objective is to provide management and the Board of Supervisors with an independent assessment about the adequacy and effectiveness of internal controls over the endowment care fund and the revenue cycle. 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.

### **Audit Scope and Methodology**

We conducted the audit from October 21, 2020, through April 13, 2021, for operations from July 1, 2018, through November 3, 2020. Following a risk-based approach, our scope included a review of internal controls over the endowment fund and revenue cycle.

### **Audit Highlights**

#### ***Summary of Existing Conditions***

- Endowment care fees are not reviewed by an actuary to analyze the future financial consequences and risks. Funds collected for endowment care should be invested appropriately in order to maximize the earning potential of the fund.

#### ***Summary of Improvement Opportunities***

- Establish an actuarial review of the endowment care fund fees and investment. This will ensure that there are sufficient funds for cemetery operations once all plots have been sold.

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**Audit Conclusion**

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to the endowment care fund.

**Endowment Care Fund**

**Background**

A cemetery endowment trust fund is designed to ensure that income will be available for the continued maintenance and upkeep of the cemetery once all interment spaces are sold. As per SEC. 3, Section §8726 of the Health and Safety Code, 8726 (a) "the principal of all funds for endowment care shall be invested and the income only may be used for the care, maintenance, and embellishment of the cemetery in accordance with the provision of law... and for no other purpose." These funds are intended to be permanent and for the purpose of maintaining the cemetery past its primary operations. Health and Safety Code §8726.2 (b)(1) "provides the investment objectives of the trust and those objectives promote the mutual goals of (A) growing the principal assets to sufficiently cover the costs of future and ongoing care and maintenance of the cemetery and (B) generating income to support the cemetery... ."

Theoretically, when a cemetery is no longer active, its administrative and service costs will be lower, thereby reducing the operating expenses necessary to maintain the cemetery. The 2017 Endowment Care Fund Sufficiency Report, published by the California Department of Consumer Affairs Cemetery and Funeral Bureau noted that of the 180 privately-owned cemeteries they surveyed, the income for 21 (12%) cemeteries endowment care appear to be sufficient to cover long-run costs, while the income of 117 (65%) cemeteries endowment care is not sufficient. Forty-two (23%) cemeteries may face additional challenges to endowment care sufficiency. The goal of the endowment fund is to sustain cemetery operations, and its funds are intended to be invested to ensure a continuity of the cemetery operational goals.

**Objective**

To verify that internal controls over the cemetery endowment fund are adequate to ensure the continuity of cemetery operations.



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### Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of department policies and applicable standards.
- Interviewed department management and staff.
- Review annual fee methodology.
- Perform analysis of annual burial numbers and related collected fees.

### Finding 1: Endowment Care Fund Methodology

The cemetery's current endowment care fee is based on the current and historical costs of services. In addition, cemetery management compares the endowment fee to the endowment fees currently charged by other local cemeteries for comparison. The average endowment fee collected by this group of cemeteries for a single grave was \$1,100, Perris Valley Cemetery's proposed and consequently adopted fee is \$800. As a best practice, the endowment care fees should be reviewed by an actuary in order to analyze the future financial consequences and risks. Additionally, the funds should be invested in appropriately rated equities in order to maximize the earning potential of the fund. Below is a chart by month of the actual investment earnings of the endowment care fund and the actual expenses, predicated on the cemetery's proposed activity at the time the endowment fund will be required to maintain operations. The salary expense has been eliminated as well as all related office expenses.

|   | July 2018  | August 2018 | September 2018 | October 2018 | November 2018 | December 2018 | January 2019 | February 2019 | March 2019 | April 2019 | May 2019 | June 2019 |
|---|------------|-------------|----------------|--------------|---------------|---------------|--------------|---------------|------------|------------|----------|-----------|
| <b>Fiscal Year 2018-19</b>                      |            |             |                |              |               |               |              |               |            |            |          |           |
| Investment Interest Earned**                    | \$ (2,588) | \$ 4,127    | \$ 2,588       | \$ 172       | \$ -          | \$ -          | \$ 3,408     | \$ -          | \$ 3,883   | \$ 509     | \$ -     | \$ 12,377 |
| Expenditures                                    | 11,026     | 10,931      | 4,894          | 11,972       | 9,825         | 14,523        | 12,625       | 5,990         | 10,178     | 5,125      | 6,671    | 26,066    |
| Expenditures not covered by investment earnings | \$ 11,026  | \$ 6,805    | \$ 2,305       | \$ 11,800    | \$ 9,825      | \$ 14,523     | \$ 9,217     | \$ 5,990      | \$ 6,295   | \$ 4,616   | \$ 6,671 | \$ 13,688 |
| <b>Fiscal Year 2019-20</b>                      |            |             |                |              |               |               |              |               |            |            |          |           |
| Investment Interest Earned                      | \$ (4,135) | \$ (3,449)  | \$ 4,135       | \$ 955       | \$ -          | \$ 3,858      | \$ 395       | \$ -          | \$ 4,007   | \$ 1,074   | \$ -     | \$ 9,007  |
| Expenditures                                    | 3,865      | 21,070      | 5,805          | 8,901        | 5,793         | 11,476        | 7,743        | 5,744         | 7,223      | 20,094     | 8,118    | 20,296    |
| Expenditures not covered by investment earnings | \$ 3,865   | \$ 21,070   | \$ 1,671       | \$ 7,946     | \$ 5,793      | \$ 7,619      | \$ 7,348     | \$ 5,744      | \$ 3,217   | \$ 19,020  | \$ 8,118 | \$ 11,290 |

\*\* Negative investment interest earned as shown in the table above, is the result of negative cash balance maintained in the county treasury.

If the endowment care fund does not take preemptive action over the management of the endowment care fund, future interest earnings will not be sufficient to sustain the

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maintenance of Perris Valley Cemetery. Cemetery management has discussed investing the endowment care fund but has not taken actionable steps to invest these monies.

**Recommendation 1.1**

Establish an actuarial review of the endowment care fund fees and investment of those funds.

**Management's Response**

**"Concur.** Based on low return of the county interest pool and projected expenses to continue appropriate maintenance and upkeep of the cemetery upon it's maximization of space, an actuarial review of the endowment funds will be conducted to review investment opportunities and ensure sufficient future funding will be available."

Actual/estimated Date of Corrective Action: **Estimated December 31, 2021**

**Recommendation 1.2**

Implement any recommendations resulting from the actuarial review.

**Management's Response**

**"Concur.** It will be critical to the future upkeep of the cemetery to ensure endowment funds will be sufficient to support appropriate maintenance and upkeep of the cemetery when no further revenues are being earned."

Actual/estimated Date of Corrective Action: **Estimated December 31, 2021**

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## **Revenue Cycle**

### **Background**

The cemetery collects fees for the following services: grave burials, cremation burials, cremation niches, marker setting, disinterment, and the endowment. When providing these burial and cremation services for the community they collect the fee as appropriate through money order or credit card, and all fees collected are deposited daily. The fees are deposited into a bank account before being transferred to either the pre-need or general cemetery funds, based immediate or future use of the funds. The cemetery utilizes a general fund, pre-need fund, and endowment care fund. The department performs a monthly reconciliation to ensure all funds have been appropriately deposited and accounted for. CemSites, allows them to track the payments made by customers and the locations of the plot sites selected. A receipt is generated which includes the amount paid, identifying amounts allocated to pre-need and endowment care funds.

### **Objective**

To verify that internal controls over the cemetery's operational revenue cycle are adequate.

### **Audit Methodology**

To accomplish these objectives, we:

- Obtained an understanding of department policies, and applicable standards.
- Interviewed department management and staff.
- Performed analysis of Pre-need Fund payments
- Test a sample of cash receipts from point of sale through deposit
- Review of bank statements

**Findings: None Noted**