

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



ITEM: 2.6
(ID # 15362)

MEETING DATE:
Tuesday, June 08, 2021

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2021-306: Riverside County Office of Economic Development, Perris Valley Cemetery District, Follow-up Audit, All Districts. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2021-304: Riverside County Office of Economic Development, Perris Valley Cemetery District, Follow-up Audit

ACTION: Consent


Tanya Harris, Assistant Auditor Controller 6/2/2021

MINUTES OF THE BOARD OF SUPERVISORS

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

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0	\$ 0	\$ 0	\$ 0
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS: N/A			Budget Adjustment: No	
			For Fiscal Year: n/a	

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

We have completed a follow-up audit of the Riverside County Office of Economic Development, Perris Valley Cemetery District. Our audit was limited to reviewing actions taken as of August 19, 2020, to help correct the findings noted in our original audit report 2019-005 dated June 24, 2019. The original audit report contained five recommendations, all of which required implementation to help correct the reported findings.

Please review the audit report for details of our audit results

For an in-depth understanding of the original audit, please refer to Internal Audit Report 2019-005 at www.auditorcontroller.org/Divisions/AuditsandSpecializedAccounting/InternalAuditReports.

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

Additional Fiscal Information

Not applicable

ATTACHMENT A: Riverside County Auditor-Controller - Internal Audit Report 2021-306: Riverside County Office of Economic Development, Perris Valley Cemetery District, Follow-up Audit.


 Stephanie Perez, Principal Management Analyst 6/2/2021

Internal Audit Report 2021-306

**Riverside County
Office of Economic Development,
Perris Valley Cemetery
Follow-up Audit
Report Date: June 8, 2021**



**Office of Paul Angulo, CPA, MA
Riverside County Auditor-Controller
4080 Lemon Street, 11th Floor
Riverside, CA 92509
(951) 955-3800**

www.auditorcontroller.org



COUNTY OF RIVERSIDE
OFFICE OF THE
AUDITOR-CONTROLLER

County Administrative Center
4080 Lemon Street, 11th Floor
P.O. Box 1326
Riverside, CA 92502-1326
(951) 955-3800
Fax (951) 955-3802



Paul Angulo, CPA, MA
Riverside County Auditor-Controller

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

June 8, 2021

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

Subject: Internal Audit Report 2021-306: Riverside County Office of Economic Development, Perris Valley Cemetery District, Follow-up Audit

Dear Ms. Holland:

We have completed the follow-up audit of Riverside County Office of Economic Development, Perris Valley Cemetery District. Our audit was limited to reviewing actions taken as of August 19, 2020, to help correct the findings noted in our original audit report 2019-005 dated June 24, 2019.

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, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our conclusion.

The original audit report contained five recommendations, all of which required implementation to help correct the reported findings. Based on the results of our audit, we found that of the five recommendations:

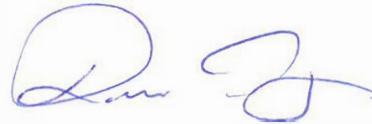
- Four of the recommendations were implemented.
- One of the recommendations was not implemented.

Details of the findings from the original audit and the status of the implementation of the recommendations are provided in this report. For an in-depth understanding of the

**Internal Audit Report 2021-306: Riverside County Office of Economic Development,
Perris Valley Cemetery District, Follow-up Audit**

original audit, please refer to Internal Audit Report 2019-005 at www.auditorcontroller.org/Divisions/AuditsandSpecializedAccounting/InternalAuditReports.

Paul Angulo, CPA, MA
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA
Chief Internal Auditor

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

**Internal Audit Report 2021-306: Riverside County Office of Economic Development,
Perris Valley Cemetery District, Follow-up Audit**

Table of Contents

Results:	Page
Cash Handling	4
Attachments:	
A. Internal Audit Report 2019-005	
B. Status of Findings as Reported by: Riverside County Office of Economic Development on November 4, 2020	

**Internal Audit Report 2021-306: Riverside County Office of Economic Development,
Perris Valley Cemetery District, Follow-up Audit**

Cash Handling

Finding 1: Safeguarding of Monies

Perris Valley Cemetery did not securely store monies for deposit received from customers as payments for funeral services. Monies were not stored in a safe or locked cabinet overnight and were instead left on the desk. The Riverside County Auditor-Controller's Standard Practice Manual 1001, *Internal Controls*, (Formerly referred to as SPM 104), requires county departments to establish, document, and maintain an effective system of internal controls that includes the safeguarding of assets. The cemetery office has a safe for which no key or pin code was provided by the prior staff member with access to the safe, preventing monies to be stored securely. The risk of theft or loss increases when Perris Valley Cemetery staff do not adequately safeguard monies.

Recommendation 1.1

Update policies and procedures to require customer payments and deposits be safeguarded through use of locked drawers/cabinets or a safe.

Current Status 1.1: Implemented

Recommendation 1.2

Ensure customer payments and deposits are safeguarded through the use of locked drawers/cabinets or a safe.

Current Status 1.2: Implemented

Finding 2: Reconciliations of Plot Payments

Based on our review of monthly reconciliations of plot payments to work orders, we verified five out of a sample of five (100%) were not completed timely as they were completed after the auditor's request date. Standard Practice Manual 1001, *Internal Controls*, states records must be "routinely examined and reconciled to determine that transactions were properly processed." Perris Valley Cemetery's current operations manual does not address the need or the timeframe to complete monthly reconciliations

**Internal Audit Report 2021-306: Riverside County Office of Economic Development,
Perris Valley Cemetery District, Follow-up Audit**

of plot payments to work orders. Timely reconciliations allow Perris Valley Cemetery staff to timely address any issues such as losses or inadequate recording. Not performing reconciliations in a timely manner also increases the risk of theft and fraud.

Recommendation 2.1

Update policies and procedures to require reconciliations to be performed within a specific timeframe.

Current Status 2.1: Implemented

Recommendation 2.2

Ensure reconciliations are performed timely.

Current Status 2.2: Implemented

Finding 3: Pre-Need Payments

Perris Valley Cemetery's pre-need payments are not maintained in a trust fund as required by state law. We verified pre-need funds are kept in the operating fund. Pre-need funds must be invested in a trust account that is separate from the operating fund. Business and Professions Code §7737, *Pre-need Funeral Arrangements*, states "the trustee shall hold the money or securities in trust for the purposes for which deposited and the trustee . . . shall deliver the corpus of the trust to the funeral establishment upon the filing of a certified copy of the death certificate or other satisfactory evidence of the death of the beneficiary, together with satisfactory evidence that the funeral establishment has furnished the merchandise and services."

Additionally, Riverside County Perris Valley Cemetery District, *2019 Operations Manual*, "In a sale of burial rights for future use, the funds for the grave space are placed in the pre-need fund . . . In the future, when a person is interred, the funds for the grave rights are moved from the pre-need fund into the general fund."

Perris Valley Cemetery stated the operating fund was set up to include pre-need funds prior to them assuming responsibility in 2009. By not establishing the pre-need fund correctly, Perris Valley Cemetery is not in compliance with state law. A pre-need

**Internal Audit Report 2021-306: Riverside County Office of Economic Development,
Perris Valley Cemetery District, Follow-up Audit**

account that is not separate from the general fund increases the risk of funds being commingled and accessible for uses other than its intended purpose.

Recommendation 3

Establish a pre-need fund in accordance with, Business and Professions Code §7737, *Pre-need Funeral Arrangements*, by separating the pre-need funds from the operating fund and placing them in a trust fund.

Current Status 3: Not Implemented

ATTACHMENT A

Internal Audit Report 2019-005

**Riverside County
Economic Development Agency,
Perris Valley Cemetery District Audit**

Report Date: June 24, 2019



**Office of Paul Angulo, CPA, MA
Riverside County Auditor-Controller
4080 Lemon Street, 11th Floor
Riverside, CA 92509
(951) 955-3800**

www.auditorcontroller.org



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

County Administrative Center
4080 Lemon Street, 11th Floor
P.O. Box 1326
Riverside, CA 92502-1326
(951) 955-3800
Fax (951) 955-3802

**ACQ | AUDITOR
CONTROLLER
COUNTY OF RIVERSIDE**

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

**Oscar Valdez
Assistant Auditor-Controller**

June 24, 2019

Robert Field
Assistant Chief Executive Officer
Riverside County Economic Development Agency, Perris Valley Cemetery District
3403 Tenth Street, Ste. 300
Riverside, CA 92501

Subject: Internal Audit Report 2019-005: Riverside County Economic Development Agency, Perris Valley Cemetery District Audit

Dear Mr. Field:

In accordance with Board of Supervisors Resolution 83-338, we completed an audit of the Riverside County Economic Development Agency, Perris Valley Cemetery District to provide management and the Board of Supervisors with an independent assessment of internal controls over cash handling, cemetery operations, and endowment fund.

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.

Based upon the results of our audit, we:

- 1) Determined internal controls over cemetery operations and endowment fund are operating effectively.
- 2) Identified opportunities for improvement of internal controls relating to cash handling.

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



Internal Audit Report 2019-005: Riverside County Economic Development Agency, Perris Valley Cemetery District Audit

report. Management's responses are included in the report. We will follow-up to verify that management implemented the correction actions.

Paul Angulo, CPA, MA
Riverside County Auditor-Controller

By: René Casillas, CPA, CRMA
Chief Internal Auditor

cc: Board of Supervisors
George Johnson, County Executive Officer
Grand Jury

Table of Contents

	Page
Executive Summary	4
 Results:	
Cash Handling	6
Cemetery Operation	10
Endowment Fund.....	11

Executive Summary

Overview

Riverside County Economic Development Agency, Perris Valley Cemetery District (Perris Valley Cemetery) provides burial and cremation services for families of the deceased. The Perris Valley Cemetery was created as an independent district in 1927 and Riverside County Economic Development Agency began managing the cemetery in 2009. Perris Valley Cemetery has a recommended budget of \$679,606 for FY 2019-20.

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 cash handling, cemetery operations, and endowment fund. 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 December 10, 2018, through May 1, 2019, for operations from July 1, 2016, through January 31, 2019. Following a risk based approach, our scope included cash handling, cemetery operations, and endowment fund.

Audit Highlights

Existing Conditions

The current processes are unable to mitigate the following risk areas:

- Perris Valley Cemetery does not securely store monies for deposit from customer payments.
- Monthly reconciliations that assist in tracing various cemetery regulatory compliance items such as the endowment fund and the pre-need fund are not completed timely.
- Perris Valley Cemetery's pre-need account was not correctly established in a pre-need fund or agency fund separate from the general/operating fund as required by state law.

Improvement Opportunities

The major improvement opportunities are in the following areas:

- Ensure customer payments are safeguarded through use of locked drawers/cabinets or a safe.
- Ensure reconciliations are performed timely.
- Establish a pre-need fund in accordance with state law.

Audit Conclusion

Based upon the results of our audit, we:

- 1) Determined internal controls over cemetery operations and endowment fund are operating effectively.
- 2) Identified opportunities for improvement of internal controls relating to cash handling.

Cash Handling

Background

Perris Valley Cemetery collects payments to provide a variety of services to the community for their funeral and memorial service needs. These payments consist of checks and money orders only. Perris Valley Cemetery has a daily deposit exemption from the Auditor-Controller dated September 20, 2011. This exemption allows them to deposit customer payments once a week and states that the money will be secured in a pouch in the safe. The total for the weekly deposits average \$9,000.

Pre-need Funeral Arrangements, Business and Professions Code §7737, mandates that a pre-need fund be established for any funeral establishment selling rights to a burial plot space before an interment has occurred. Funds obtained from the pre-sale of a burial plot space are to be kept in a trust fund until the interment occurs, at which point the funds are transferred from the pre-need fund to the funeral establishments operating fund.

Objective

To verify the adequacy of internal controls over cash handling.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of board policies, applicable standards, and laws.
- Conducted interviews with Perris Valley Cemetery management and staff to obtain an overview of the process for cash handling.
- Verified deposits are appropriately safeguarded.
- Sampled monthly reconciliations to verify they were completed timely, adequately supported, and approved by appropriate level of management.
- Discussed with County Counsel how a cemetery pre-need fund should be established per state law .
- Reviewed Perris Valley Cemetery pre-need fund to determine if it was established in accordance with state law.

Finding 1: Safeguarding of Monies

Perris Valley Cemetery did not securely store monies for deposit received from customers as payments for funeral services. Monies were not stored in a safe or locked cabinet overnight and were instead left on desk. The Riverside County Auditor-Controller's Standard Practice Manual 1001, *Internal Controls*, (Formerly referred to as SPM 104), requires county departments to establish, document, and maintain an effective system of internal controls that includes the safeguarding of assets. The cemetery office has a safe for which no key or pin code was provided by the prior staff member with access to the safe, preventing monies to be stored securely. The risk of theft or loss increases when Perris Valley Cemetery staff do not adequately safeguard monies.

Recommendation 1.1

Update policies and procedures to require customer payments and deposits be safeguarded through use of locked drawers/cabinets or a safe.

Management's Response:

"**Concur.** Procedures are being updated to require customer payments be safeguarded through the use of locked drawers/cabinets or a safe."

Actual/estimated Date of Corrective Action: **July 15, 2019**

Recommendation 1.2

Ensure customer payments and deposits are safeguarded through the use of locked drawers/cabinets or a safe.

Management's Response:

"**Concur.** The broken safe has been replaced. In addition, procedures will be reviewed with staff to ensure the understanding of security needs and manager will spot check each time they visit the Cemetery. A remote deposit machine will be set up at the cemetery location to ensure checks and money orders can be deposited daily on location. Executed payments will be kept in the safe until they are transported weekly to the Accounting and Finance Division who will store the executed payments."

Actual/estimated Date of Corrective Action: **August 15, 2019**

Finding 2: Reconciliations of Plot Payments

Based on our review of monthly reconciliations of plot payments to work orders, we verified five out of a sample of five (100%) were not completed timely as they were completed after the auditors request date. Standard Practice Manual 1001, *Internal Controls*, (Formerly referred to as

Internal Audit Report 2019-005: Riverside County Economic Development Agency, Perris Valley Cemetery District Audit

SPM 104) states records must be “routinely examined and reconciled to determine that transactions were properly processed.” Perris Valley Cemetery’s current operations manual does not address the need or the timeframe to complete monthly reconciliations of plot payments to work orders. Timely reconciliations allow Perris Valley Cemetery staff to timely address any issues such as losses or inadequate recording. Not performing reconciliations in a timely manner also increases the risk of theft and fraud.

Recommendation 2.1

Update policies and procedures to require reconciliations to be performed within a specific timeframe.

Management’s Response:

“**Concur.** Procedures are being updated to include Cemetery work order reconciliations be completed monthly and reviewed by a supervisor.”

Actual/estimated Date of Corrective Action: **July 15, 2019**

Recommendation 2.2

Ensure reconciliations are performed timely.

Management’s Response:

“**Concur.** Reconciliation deadlines have been added to staff and managers calendars performing the work and review. The reconciliations will be performed monthly.”

Actual/estimated Date of Corrective Action: **June 30, 2019**

Finding 3: Pre-Need Payments

Perris Valley Cemetery’s pre-need payments are not maintained in a trust fund as required by state law. We verified pre-need funds are kept in the operating fund. Pre-need funds must be invested in a trust account that is separate from the operating fund. Business and Professions Code §7737, *Pre-need Funeral Arrangements*, states “the trustee shall hold the money or securities in trust for the purposes for which deposited and the trustee . . . shall deliver the corpus of the trust to the funeral establishment upon the filing of a certified copy of the death certificate or other satisfactory evidence of the death of the beneficiary, together with satisfactory evidence that the funeral establishment has furnished the merchandise and services.”

Additionally, Riverside County Perris Valley Cemetery District, *2019 Operations Manual*, “In a sale of burial rights for future use, the funds for the grave space are placed in the pre-need fund . . . In the future, when a person is interred, the funds for the grave rights are moved from the pre-need fund into the general fund.”

Internal Audit Report 2019-005: Riverside County Economic Development Agency, Perris Valley Cemetery District Audit

Perris Valley Cemetery stated the operating fund was set up to include pre-need funds prior to them assuming responsibility in 2009. By not establishing the pre-need fund correctly, Perris Valley Cemetery is not in compliance with state law. A pre-need account that is not separate from the general fund increases the risk of funds being accessible for uses other than its intended purpose.

Recommendation 3

Establish a pre-need fund in accordance with, Business and Professions Code §7737, *Pre-need Funeral Arrangements*, by separating the pre-need funds from the operating fund and placing them in a trust fund.

Management's Response:

"Do Not Concur. Pre-need Funeral Arrangements, Business and Professions Code §7737 does not state funds must be invested in a trust account. The code states the funds must be held in trust. Pre-need funds are held in trust by deposit into a liability account. These funds are available for refund to the purchaser should they decide to revoke their agreement at any time.

Pre-need Funeral Arrangements, Business and Professions Code §7737.3 states "All commingled pre-need trust funds held by a funeral establishment shall be subject to an annual, independent certified financial audit with a copy of the audit to be submitted to the bureau for review within 120 days of the close of the fund's fiscal year. Any findings of noncompliance with existing law regarding pre-need trust funds shall be identified by the auditor in a separate report for review and action by the bureau. Audits and reports of noncompliance shall be filed simultaneously." Teaman, Ramirez & Smith, Inc. has audited the cemetery annually since 2009. They have concluded the existing model is appropriate. Findings related to noncompliance with existing law regarding pre-need trust funds have not been documented or issued. The latest audit from 2018 makes note of Deposits Payable - Pre-need in the notes to the financial statements and discloses the amount held at June 30, 2018."

Actual/estimated Date of Corrective Action: **Not applicable**

Auditor's Comment

Business and Professions Code §7737, *Pre-need Funeral Arrangements*, states "the trustee shall hold the money or securities in trust." California Code of Regulation §1263, *Investment of Funds Allowable*, further states, "The trust funds shall be invested and reinvested." This is the basis for stating that pre-need funds must be invested in a trust account that is separate from the operating fund. We consulted with General Accounting Division and County Counsel and they both agree with our recommendation that pre-need funds should be separated from the operating fund and placed in a trust fund. Finally, Perris Valley Cemetery is not in compliance with their own operations manual, which requires pre-need payments to be maintained in a pre-need fund. Once the person is interred, the money may be moved from the pre-need fund and placed in the general fund.

As for the work performed by Perris Valley Cemetery's external auditors, we cannot express why they did not identify any compliance issues with the setup of the pre-need fund. The scope of our audit did not include assessing the validity of the external auditor's report.

Cemetery Operations

Background

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 prudent fiscal controls. In 2009, the Perris Valley Cemetery came under the management of Riverside County Economic Development Agency. The cemetery sits on 19 acres and has approximately 11,000 interment residents.

Objective

To verify the adequacy of internal controls over cemetery operations.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of board policies, applicable standards, and regulations.
- Conducted interviews with Perris Valley Cemetery management and staff to obtain an overview of cemetery operations.
- Sampled payments for burial plots to verify plot existence and availability.
- Sampled burial plots and traced back to plot management system to verify payment was made and burial permits were on file.
- Sampled pre-need plots purchased to verify payment, plot availability, and ensure money was deposited into correct account.
- Sampled migrated accounts from the old plot management system to the new plot management system to verify information was complete and accurate.

Findings: *None Noted*

Based upon the results of our testing, we verified adequate internal controls are in place to ensure payment and supporting documentation was obtained for plots and that account information migrated to the new plot management system is accurate.

Endowment Fund

Background

As mandated by state law, Perris Valley Cemetery established and maintains an endowment care fund. The endowment fund is designed to ensure that income is available for the continued maintenance of the cemetery after all spaces have been sold. A non-refundable endowment fee is included in the sale of all burial rights. By state law, a cemetery is not permitted to withdraw the principal of the endowment fund and may only withdraw the interest earned to offset upkeep and maintenance expenses.

Objective

To verify the adequacy of internal controls over the cemetery endowment fund.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of board policies, applicable standards, and regulations.
- Conducted interviews with Perris Valley Cemetery management and staff to obtain an overview of the endowment fund.
- Sampled endowment fund expenditures to verify compliance with regulations and policies and procedures.

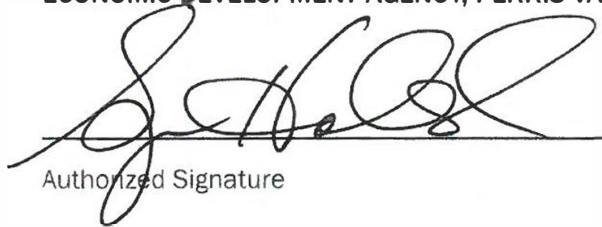
Findings: *None Noted*

Based upon the results of our testing, we verified adequate internal controls are in place to ensure endowment fund expenditures are in compliance with regulations and policies and procedures.



ATTACHMENT B

THE FOLLOWING ARE THE CURRENT STATUS OF THE REPORTED FINDINGS AND PLANNED CORRECTIVE ACTIONS CONTAINED IN INTERNAL AUDIT REPORT 2019-005: RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY, PERRIS VALLEY CEMETERY DISTRICT AUDIT.


Authorized Signature

11/4/20
Date

Finding 1: Safeguarding of Monies

Perris Valley Cemetery did not securely store monies for deposit received from customers as payments for funeral services. Monies were not store in a safe of locked cabinet overnight and were instead left on desk. The Riverside County Auditor-Controller's Standard Practice Manual 1001, *Internal Controls*, (Formerly referred to as SPM 104), requires county departments to establish, document, and maintain an effective system of internal controls that includes the safeguarding of assets. The cemetery office has a safe for which no key or pin code was provided by the prior staff member with access to the safe, preventing monies to be stored securely. The risk of theft or loss increases when Perris Valley Cemetery staff do not adequately safeguard monies.

Current Status

Reported Finding Corrected?

Yes

No

Recommendations 1.1 and 1.2 have been implemented by cemetery administration. Specific responses to these recommendations can be found after each individual recommendation. These findings were corrected immediately after the audit was completed.

Recommendation 1.1

Update policies and procedures to require customer payments and deposits be safeguarded through use of locked drawers/cabinets or a safe.

Management Reply

“Concur. Procedures are being updated to require customer payments be safeguarded through the use of locked drawers/cabinets or a safe.”

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

New policies and procedures have been created and implemented by cemetery office staff. Also, monies for deposit received from customers are stored in a new safe purchased and installed on February 2019.

Recommendation 1.2

Ensure Customer payments and deposits are safeguarded through the use of locked drawers/cabinets or a safe.

Management Reply

“Concur. The broken safe has been replaced. In addition, procedures will be reviewed with staff to ensure the understanding of security needs and manager will spot check each time they visit the Cemetery. A remote deposit machine will be set up at the cemetery location to ensure checks and money orders can be deposited daily on location. Executed payments will be kept in the safe until they are transported weekly to the Accounting and Finance Division who will store the executed payments.”

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

The broken safe has been replaced. In addition, a remote deposit machine has been installed at the Perris Cemetery office in order to make remote deposits at the close of each business day. Once the checks/money orders have remote deposited, cemetery office staff writes "Void" on them. Then, the executed payment is kept in the safe until they are transported weekly to the Accounting and Finance Division. Only management has key of the safe.

Finding 2: Reconciliation of Plot Payments

Based on our review of monthly reconciliations of plot payments to work orders, we verified five out of a sample of five (100%) were not completed timely as they were completed after the auditor's request date. Standard Practice Manual 1001, *Internal Controls*, (Formerly referred to as SPM 104) states records must be "routinely examined and reconciled to determine that transactions were properly processed." Perris Valley Cemetery's current operations manual does not address the need or the timeframe to complete monthly reconciliations of plot payments to work orders. Timely reconciliations allow Perris Valley Cemetery staff to timely address any issues such as losses or inadequate recording. Not performing reconciliations in a timely manner also increases the risk of theft and fraud.

Current Status

Reported Finding Corrected? Yes No

Findings 2.1 and 2.2 have been corrected. Reconciliations are being performed monthly and verbiage regarding the timely reconciliation requirements have been added to the PVC operation manual effective July 2019.

Recommendation 2.1

Update policies and procedures to require reconciliations to be performed within a specific timeframe.

Management Reply

"Concur. Procedures are being updated to include Cemetery work order reconciliations be completed monthly and reviewed by a supervisor."

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

Procedures were updated to include the monthly reconciliation requirement effective July 15, 2019.

Recommendation 2.2

Ensure reconciliations are performed timely.

Management Reply

"Concur. Reconciliation deadlines have been added to staff and managers calendars performing the work and review. The reconciliations will be performed monthly."

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

Reconciliation deadlines have been added to staff and manager's calendars and reconciliations have been prepared monthly.

Finding 3: Pre-Need Payments

Perris Valley Cemetery's pre-need payments are not maintained in a trust fund as required by state law. We verified pre-need funds are kept in the operating fund. Pre-need funds must be invested in a trust account that is separate from the operating fund. Business and Professions Code §7737, *Pre-need Funeral Arrangements*, states "the trustee shall hold the money or securities in trust for the purposes for which deposited and the trustee . . . shall deliver the corpus of the trust to the funeral establishment upon the filing of a certified copy of the death certificate or other satisfactory evidence of the death of the beneficiary, together with satisfactory evidence that the funeral establishment has furnished the merchandise and services."

Additionally, Riverside County Perris Valley Cemetery District, *2019 Operations Manual*, "In a sale of burial rights for future use, the funds for the grave space are placed in the pre-need fund . . . In the future, when a person is interred, the funds for the grave rights are moved from the pre-need fund into the general fund."

Perris Valley Cemetery stated the operating fund was set up to include pre-need funds prior to them assuming responsibility in 2009. By not establishing the pre-need fund correctly, Perris Valley Cemetery is not in compliance with state law. A pre-need account that is not separate from the general fund increases the risk of funds being accessible for uses other than its intended purpose.

Current Status

Reported Finding Corrected?

Yes

No

We have contacted the Auditor Controller for guidance on any appropriate funding solution.

Recommendation 3

Establish a pre-need fund in accordance with, Business and Professions Code §7737, *Pre-need Funeral Arrangements*, by separating the pre-need funds from the operating fund and placing them in a trust fund.

Management Reply

"Do Not Concur. Pre-need Funeral Arrangements, Business and Professions Code §7737 does not state funds must be invested in a trust account. The code states the funds must be held in trust. Pre-need funds are held in trust by deposit into a liability account. These funds are available for refund to the purchaser should they decide to revoke their agreement at any time.

Pre-need Funeral Arrangements, Business and Professions Code §7737.3 states "All commingled pre-need trust funds held by a funeral establishment shall be subject to an annual, independent certified financial audit with a copy of the audit to be submitted to the bureau for review within 120 days of the close of the fund's fiscal year. Any findings of noncompliance with existing law regarding pre-need trust funds shall be identified by the auditor in a separate report for review and action by the bureau. Audits and reports of noncompliance shall be filed simultaneously." Teaman, Ramirez & Smith, Inc. has audited the cemetery annually since 2009. They have concluded the existing model is appropriate. Findings related to noncompliance with existing law regarding pre-need trust funds have not been documented or issued. The latest audit from 2018 makes note of Deposits Payable - Pre-need in the notes to the financial statements and discloses the amount held at June 30, 2018."

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

The Perris Valley Cemetery has undergone two additional private audits since this Internal Audit was completed with no findings or concern regarding the safe keeping of the pre-need funds as they relate to the State of California requirements. We are currently consulting with the Auditor Controller Office for any potential separate fund solutions to see if there are any more appropriate revenue tracking options that can enhance the current safeguarding of these liabilities.