



## *Columbus Consolidated Government*

### **Georgia's First Consolidated Government**

Post Office Box 1340

Columbus, Georgia 31902-1340

John D. Redmond, CMA, CIA  
Internal Auditor /  
Compliance Officer

706 225-3110

FAX: 706 653-4970

[jredmond@columbusga.org](mailto:jredmond@columbusga.org)

### **AUDIT OF COLUMBUS CEMETERIES NOVEMBER 28, 2017**

#### **AUDIT AUTHORIZATION**

An audit of the Columbus Cemeteries was requested by Public Works Director, Pat Biegler, and authorized by the City Council on June 20, 2017.

#### **BACKGROUND/HISTORY**

There are four city-operated cemeteries covering approximately 120 acres, Linwood, Porterdale, East Porterdale and Riverdale. Linwood Cemetery is the oldest among the four established in 1828.

Responsibilities of the cemetery staff include preparing gravesites for scheduled funerals, locating family plots/lots for research or funeral services, and working with vault companies for the placement of vaults and monuments. The City maintains the grounds and the right of ways in and around the cemeteries; this includes mowing grass, killing weeds, removing ant infestations, the pruning of trees, bushes and the maintenance of green space.

#### **GENERAL AUDIT PROCESS**

The audit process began with a whistleblower complaint received in June 2017 regarding income discrepancies and miscellaneous burial procedures. At that time, a conversation regarding initiating an audit, and what it would entail ensued. This "entrance conference" was conducted on June 9, 2017. In attendance was the Internal Audit Team (Internal Auditor John Redmond, Forensic Auditor Elizabeth Barfield, Summer Intern Zack Wash), members of the Public Works Department (Cemetery Division Chief, Darrell Meadows, Public Works Director, Pat Biegler and Assistant Public Works Director, Ron Smith) and Lindsey Glisson of the Clerk of Council's Office.

The auditors developed an audit program to include a review of and assessment of management supervision, operations, personnel, internal controls and facilities. Fieldwork began on July 6,

2017 and concluded on November 3, 2017. An exit conference was held on November 8, 2017 with Pat Biegler and Darrell Meadows to discuss the findings and recommendations. A draft report was presented to both Ms. Biegler and Mr. Meadows for discussion and response. Afterward, a final report including management's responses has been prepared and distributed to Mayor Tomlinson, and the City Council members concurrently. A presentation to City Council is scheduled to address any questions or concerns, and to make the report available to the public.

### **AUDIT SCOPE**

The scope of the audit included reviews of the following areas: the budget, actual revenues and expenses, the Perpetual Care Fund, cemetery operations, internal controls, recordkeeping, policies and procedures, employee interviews, a payroll audit and a fixed asset audit.

The audit also included a review of customer service, building maintenance and upkeep of the facility located at the Riverdale Cemetery.

### **BUDGET REVIEW**

The review of the budget for FY2008 through FY2017, found that the current financial statements show the department is \$25,782 over budget on expenses and \$81,293 over budget in revenue.

### **AUDIT FINDINGS-BUDGETARY**

After a detailed review and reconciliation of select cemetery revenue and expense accounts, it was found that there were numerous incidents of miscoding of revenue. These errors resulted in an understatement of revenues and expenses as well as distorted budgetary performance.

### **AUDIT RECOMMENDATIONS-BUDGETARY**

It is recommended that the Cemetery Division Chief review the budget performance report monthly. A review of the detailed transactions of cemetery accounts would help identify errors, and enable their correction.

### **AUDITEE RESPONSE**

The new Division Chief, Darrell Meadows, does, in fact, review the operating budget expenditure report monthly and has reported overages in expenditures to the Director. However, he has not received or reviewed the revenue reports. This recommended change has now been implemented.

### **PERPETUAL CARE FUND REVIEW**

A Perpetual Care Fund is a permanent maintenance account used for sodding of graves and cutting grass, raking and cleaning lots, pruning trees and bushes, maintaining and repairing all walkways, borders and streets.

When plots are sold within the perpetual care areas in Linwood Cemetery, an additional fee (\$1.25/sq. ft.) is charged to the buyer and added to the perpetual care fund increasing the balance. In Riverdale and East Porterdale, twenty five percent (25%) of the \$150 and \$100 grave spaces is deposited to perpetual care. When our cemeteries were at an earlier stage in their life cycle, and plot sales were brisk, the deposits to the fund were consistent. Today, all of the lots have been sold by the City; there are no more deposits from sales being made to enhance the fund. The ultimate goal of the account is maintaining a balance for perpetuity and producing adequate income for perpetual care maintenance.

A perpetual care account must not be withdrawn from or borrowed against, as any deviation from the plan will adversely affect its income producing capabilities. According to our City Ordinance, the funds are to be kept separate from all other funds of the City and used solely for the perpetual care of the cemeteries. The income, not the corpus, is the only money available for use.

Only the Riverdale and Linwood Cemeteries have designated perpetual care areas. Riverdale's perpetual care area covers 12 acres. Linwood's perpetual care area covers approximately 2 acres; the chapel sits in the middle of this designated area.

The Columbus Cemeteries have a Perpetual Care Fund managed in our Finance Department. At the end of FY2017, the balance in the fund was \$1,961,535. Currently, the funds are invested in certificates of deposit.

#### **AUDIT FINDINGS- PERPETUAL CARE FUND**

Over the last 10 years, the fund balance has grown from \$1,529,049 to \$1,961,535 (\$432,486). This growth has come from the sale of lots to the Historic Linwood Foundation and unused interest income. Unused interest income was re-classified as "restricted" and not made available for use. For the last 10 years, \$427,608 has been generated in interest income; only \$182,781 has been withdrawn from the fund leaving \$244,827 for perpetual care maintenance.

In 2014, our four Columbus cemeteries had annual maintenance costs of \$170,000 per computations based on their budget report. Based on 2014 budget numbers, today, that amount should be approximately \$180,000. To help insure that our fund balances are sufficient to meet the City's objectives, it is a good rule of thumb:

To determine how much the fund *should* provide:

**Annual Maintenance Costs X % of Perpetual Care Property in Relation to the Total Property**

\$180,000 X 14 perpetual care acres/117 total acres = \$21,600 to be provided by fund annually

Then, determine how much is *currently being provided* by the fund:

**Balance in the fund X rate of return**

\$1,542,249 X 1.69% = \$26,064

**AUDIT RECOMMENDATIONS—PERPETUAL CARE FUND**

Based on the above computations, the fund is generating enough income at this time to meet the City's perpetual fund objectives.

The Perpetual Care Fund balance at the beginning of FY2008 was \$1,529,049. The only additions that should have been made was the \$13,200 for perpetual care on the lots sold to the Historic Linwood Foundation. The adjusted FY2017 ending balance should be \$1,542,249. All unused interest income and all future interest income should be transferred to a perpetual care maintenance account.

It is recommended that the cemetery staff, along with the Finance Department, closely monitor and manage the fund balances insuring that the income is used for regularly performed maintenance.

**AUDITEE RESPONSE**

Concur with the recommendation and will meet with Public Works Budget Analyst to properly utilize the available funds for the stated purpose. Purchase of software for the cemeteries operations would be beneficial and we hope to use perpetual funds interest revenue to purchase such a program along with the use of funds for maintenance.

**CEMETERY OPERATIONS**

A staff of four full time employees operate and maintain the four cemeteries in the city. In addition to the maintenance of the grounds and upkeep of the facilities at the cemeteries, these employees are responsible for all interments, disinterments, coordinating cremations with funeral home processing, incoming customer telephone calls as well as unexpected customer visits.

As well as upholding our City Ordinances, organizing all paperwork, collection of payments, scheduling of funeral services and oversight of any projects undertaken at the cemeteries (i.e. recent construction of the Veteran's Columbarium), the Cemetery Division Chief is responsible for managing the budget and any future planning to maintain the City's cemetery services.

There are currently two volunteer organizations, The Historic Linwood Foundation and The Riverdale-Porterdale Foundation. The Cemetery Division Chief is responsible for maintaining on-going communications with these foundations and coordinating efforts to make continuing improvements to the cemeteries.

**AUDIT FINDINGS—CEMETERY OPERATIONS**

Procedures currently in place include the Columbus City Ordinances, and Public Works created procedures documenting daily operations and grounds and equipment maintenance. The Columbus Cemeteries have no performance metrics other than budgetary.

Recordkeeping consists of ledgers dating back to the late 1800s and early 1900s, card files, ledgers and cash receipt booklets. Lotus Notes is currently being used to record burials and cremations but there is no organized record of number of plots sold, number of plots available for sale, or number or location of plots unoccupied. There is no physical record of the deeds prepared at the date of sale; for many years, ownership was never proven prior to burial. This has recently led to some customers preparing for a loved one's burial only to find someone else buried in their plot. Incidents such as this will become more frequent due to incomplete procedures followed in the past; because of incomplete record keeping, it is impossible to rectify these issues ahead of time.

With the majority of our plots already sold, the City has found itself in the position of running out of burial space. Currently, East Porterdale has a pauper columbarium; the primary objective for this structure is to house cremains. It is 6' X 14' in size and has the capacity for storing up to 720 cremains. Recently, Public Works, has constructed a Veteran's Columbarium in Riverdale. It is twice the size of the structure in East Porterdale and can house up to 1440 cremains. In Riverdale, there is adjacent space available to build additional columbariums of similar size and capacity. In East Porterdale, there is sufficient space for additional structures as well.

Payment is due prior to the time a burial is performed; the city no longer allows interment fees to be paid after the burial. The current system is not designed to track accounts receivable and would have to rely upon the memory of the employee that allowed a deferred payment. For the payments received, copies of all documents pertaining to the burial are filed in the cemetery office. Payments are forwarded to the Finance Department but no payments are keyed into a computer system at the cemetery or used for comparison to financial reports.

Pauper cremations are conducted at the City's expense. Cremains are maintained in the cemeteries' columbarium. Should the family wish to collect their cremains, fees associated with the cremation process, previously paid by the City to the funeral homes, is reimbursed to the City. Due to a lack of recordkeeping, statistics are not readily available on how many pauper cremations occur annually nor do we have accurate figures on how many reimbursements we receive. During the audit, it was determined that, since 2014, \$176,737 has been paid to funeral homes for the processing of 384 cremains.

Recently, the cemetery staff has tried to implement and make changes to better enforce the City Ordinances. Most specifically, deeds are being required and ownership must be determined prior to groundbreaking. The Cemetery Division Chief is making efforts to track activity at the cemeteries but all efforts are paperwork driven.

While observing employees, it was apparent that they were very proficient at performing their tasks. The customer service skills observed were excellent. Conversely, while observing employees and supervisors, a deficiency in their knowledge of computer skills and the use of those tools in which to enhance productivity and internal controls was noted. We observed a

considerable amount of manual recordkeeping maintaining repetitive processes and the inefficient retention of hard copy files.

A payroll audit was conducted to determine the physical existence of all persons being paid. No discrepancies were found. It was noted, however, that the Crew Leader is paid less than one of his subordinates. The Crew Leader is second in command of the Cemetery Division and has significantly greater responsibilities than that of the subordinate that is paid more due to his longevity.

During employee interviews, it was noted that job descriptions were consistent with the actual tasks being performed by the employees.

The fixed asset audit identified three vehicles currently being used by the cemetery but are not assigned to the cemetery division.

The cemetery office at Riverdale Cemetery was in average condition with some repairs of outside woodwork needing to be addressed. A storage building in the Porterdale Cemetery is in need of repairs and removal of debris.

#### **AUDIT RECOMMENDATIONS—CEMETERY OPERATIONS**

The cemetery is in need of software that is property driven, not burial driven. Software would provide statistical information that could help better manage the operations and the budget at the cemetery. We are also unable to make any definite statements about our occupancy levels and where occupancies exist. There is no statistical information that can help determine a timeline as to space restrictions. The information needed to make informed decisions does not exist or is not readily available.

Bookkeeping procedures should be implemented along with new software. Cemetery software would maintain all payments received on services provided and who made the payments. Receipts would no longer be handwritten but generated from the software. The pricing of services would be consistently calculated with current and updated amounts; revenues would be coded correctly; monthly reports would compare budget to actual. Discrepancies and coding errors can be identified and corrected immediately. Important documents such as deeds, birth and death certificates, DFACS paperwork, and funeral home receipts would be scanned into the system and attached to the plot profile.

Any secondary lot sales or transfer of lot ownership must be recorded and maintained by the Office of the Clerk of Council. As prescribed by City Ordinance, this office is responsible for issuing deeds on new lot sales, and cancelling and reissuing deeds when the ownership transfers. It is further suggested that anyone purchasing a cemetery lot also have it recorded in the office of the Clerk of Superior Court.

In light of the elevated need for space, it is recommended that the City begin addressing the decreasing capacity levels as it pertains to the city-related service of providing pauper burials. In an effort to maximize existing property, the space adjacent to the new Veteran's Columbarium

could house additional structures. Each structure, the same size and capacity of the Veteran's Columbarium, can be constructed for approximately \$50,000. These structures can house, not only paupers, but can be sold to any other citizens that may want to be laid to rest at the Riverdale Cemetery. Pricing needs to be determined and included in the City Ordinance along with the other cemetery fees.

When implementing a new process, it is recommended that communications with all third parties (funeral homes, coroners, internal departments like Finance, etc...) occur PRIOR to implementation. Communicating beforehand is an opportunity to involve other areas to share information, concerns and suggest addition controls that may be beneficial to insuring the success of the new process.

Supervisory personnel are in need of management training in terms of the importance of implementation and follow up of internal controls. Training in the management functions of planning, organizing, staffing, directing, controlling, reporting and budgeting would be extremely beneficial in setting performance metrics.

The compensation of the Crew Leader should be reviewed and adjusted as necessary to compensate for his greater responsibilities than that of his subordinates.

Paperwork for the three vehicles currently being used for cemetery operations needs to be filed with the Finance Department to transfer the assets to their correct division.

Communications with The Historic Linwood Foundation and The Riverdale-Porterdale Foundation must be cultivated. Currently there is a Memorandum of Understanding between the City of Columbus and both of those organizations. The memos were composed 10 years or more ago and should be revisited and updated. Meetings, of the above foundations, should be attended by the Cemetery Division Chief; ideas and future plans for the cemeteries should be discussed. These relationships are an excellent opportunity for the City to engage with a group that wants to help make improvements.

## **AUDITEE RESPONSE**

The auditor has recommended construction of additional columbarium space in anticipation of limited land. Obviously, the Department and the Division have recognized this need and have been moving forward with construction. There are already two columbariums in place. We will be moving forward with recommendation of a fee for the veterans' columbarium and will be discussing the construction of a new columbarium for non-veterans who might wish to purchase such space.

The need for improved communication is noted. Enhanced communication is always a good idea. Communication of changes with third parties will be emphasized in the coming years.

Public Works has implemented a number of training opportunities for its staff, to include internal training with some session planned for 2018, along with the annual up and motivated conference, and the Leadership Development program. Additionally, the division chief holds safety and operational training on a quarterly basis with plans to expand that to monthly in 2018. The division chief, Darrell Meadows, has also been enrolled into a three year UGA Public Works Management certification program sponsored by APWA which began in January, 2017.

The identified salary issue has been recognized and is a result of pay compression. Since funding in the general fund has become more restricted each year, adjustments of this type have not been possible, but will be kept in mind for future budgets.

At this time, the Division Chief attends foundation meetings and meets with foundation members on a regular basis. The Department head has an open door policy and has discussed issues with them on several occasions. As stated earlier, communication is vital to any operation and any improvement in that arena is to be desired. We will place more emphasis on communications in the future.

### **RECOMMENDED UPDATES TO THE COLUMBUS CITY ORDINANCES**

Sec. 9-44 States that funeral directors in good business standing with the consolidated government have the privilege of allowing fees to accrue to the last day of the month and be payable the tenth day of the following month.

RECOMMENDED UPDATE: Because our current system does not support maintenance of accounts receivable, it is recommended that this option be removed from the ordinances.

Sec. 9-13 Grave Opening and Closing Fees

RECOMMENDED UPDATE: To help fund the building and maintenance of future columbariums, it is recommended the City offer the storage of cremains in our columbariums for a fee of \$200.

Sec. 9-4 Sale of Lots; Receipts; Deed

RECOMMENDED UPDATE: Secondary sales of lots by original owner to another party require that such sales be recorded by the Clerk of Council, original deed cancelled and re-issued to secondary purchaser.



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John D. Redmond, Internal Auditor and Compliance Officer      Date

