

Comments on the Operational Audit of the Cemetery System

The following comments, when addressed and answered, should have reconsiderations and corrections made to the recommendations and the correction plans addressed in the Operational Audit.

Finding 1 – Issue No. 305

Cause

Bullet 1 - For example, “Carriage budgeted only \$75,000 and \$20,000 for road resurfacing at Lauderdale Memorial and Sunset Garden, respectively.” The \$20,000 should read \$37,500. \$20,000 was budgeted for survey and pin, not for road resurfacing. PLEASE REFER TO PROPOSED CAPITAL IMPROVEMENTS Tab 3 – Operational Plan

Bullet 2 - For example, “Carriage budgeted \$895,000 for the Lauderdale Mausoleum with an actual cost of \$968,402. PLEASE VERIFY THE SOURCE OF THE COST OF \$968,402.

Also, “Carriage used money budgeted for road resurfacing to develop a new garden and to upgrade the irrigation system.” The water charge for the cemeteries was exceptionally high. So, it was felt that lowering these high charges was of immediate concern. It is also necessary at times to approve special cases.

Bullet 3 - “The Cemetery Board and Parks Department did not get City Commission’s approval for the upgrade to the irrigation system.”

Please refer to SECTION XII – 12.1. EXCEPTIONS AND MODIFICATIONS. A. Recognizing that special cases may arise in which the literal enforcement of any rule may impose unnecessary hardships, and that the time required to obtain City Commission or Board of Trustees approval to grant such exemption would hinder an expedient resolution, the Cemetery Manager is granted the right, without notice to make exceptions, suspensions or modifications to the Rules and Regulations when, in his judgment, it appears advisable, and such temporary exemptions, suspensions or modifications shall in no way be construed as to affect the general application of such rule.

Finding 2 – Issue No. 306

Cause

“The Cemetery Board deviated from the original agreement and approved the reduction in scope for road paving agreed to in Carriage’s RFP response.” Please refer to SECTION XII – 12.1. A. cited above.

Finding 2 – Issue No. 306 (Continued)

Impact

“Due to the Cemetery Board’s deviation from the agreed upon Capital Improvement Plan, the City had to use the Trust Fund, after the extension of the contract renewal, to pay for the road paving & resurfacing at Sunset Garden & Lauderdale Memorial at a cost of \$185,500 and \$70,132.50, respectively (Total = \$255,632.50).” PLEASE VERIFY THE SOURCE OF THE COST NUMBERS USED IN THE AUDIT. The 2014 capital expense for paving at Sunset is listed as \$70,125. The capital expense for paving at Lauderdale Memorial Park is listed as \$168,370 in 2015. This totals \$238,495 not \$255,632.50.

The City published Public Solicitation No. 565-11701 for Cemetery Trust Fund Services. How many firms responded to the Solicitation? Why did the City just extend Sunset’s contract instead of giving Carriage a new five year contract? Legally how does that affect the Solicitation and its respondents?

Auditor Note: “A Request for Proposal (RFP) was issued for a Comprehensive Cemetery Master Plan; however it has been placed on hold at the direction of the Cemetery Board of Trustees.” The City Manager cited the City of Austin, Texas’ Master Plan. No details were presented nor were there any of the facts needed in order for the Board to approve an RFP for a Cemetery Master Plan. Without these details, the Board was asked to approve up to \$180,000 as a cost of the Master Plan. There were many issues that needed addressing before the Board could approve spending a large amount of money on an RFP. Basically the Board was being asked to approve the RFP in the blind. Therefore, the Board declined to approve the funds for a Cemetery Master Plan. To this date, there still have been no details regarding a Cemetery Master Plan presented to the Board for review and recommendations. It should also be noted that only Lauderdale Memorial Park has adequate spaces available. The other three city cemeteries are either full or nearly full. The Board, from time to time, has requested that a survey be made as to when the sellout period will be achieved. The Board has not been presented with a city proposal for the financial survey. The period of the sell-out of the cemeteries is also a great consideration when considering an RFP for spending up to \$180,000 on a Cemetery Master Plan for the City’s cemeteries. The Board was advised that the City of Austin, Texas paid \$180,000 to its contractor for the RFP. \$180,000 is not what Austin, Texas paid for its Cemetery Master Plan. Austin authorized an amount not to exceed \$207,647.57 for the Master Plan. The Board will certainly give further consideration to a Master Plan as long as all of the necessary factors are presented. For instance: The City of Austin’s cemeteries had multiple ownerships. When the cemeteries were established, between 1839 and 1928, many of the lots were sold to individuals. These lots had to be recaptured and included in the master plan. Fort Lauderdale does not have this issue. There was a quite a bit of pre-planning that went into the City of Austin’s Cemetery Master Plan.

Issue No. 307 – NOT INCLUDED IN THE AUDIT

Finding 3 – Issue No. 308 – addresses the hiring of a former City employee. No comment.

Finding 4 – Issue No. 309 – addresses the Finance Department. No comment.

Observation 2 – Issue No. 310 – addresses the Finance Department. No comment.

Finding 5 – Issue No. 311 – addresses Contractor Evaluations. No Comment.

Observation 3 – Issue No. 312

Condition

The cemetery ground maintenance could be improved and the cemetery appearance could be enhanced. NOTE: THE BOARD AUTHORIZED THE LIAISON TO OBTAIN BIDS FROM IRRIGATION CONTRACTORS KNOWLEDGEABLE IN CEMETERY OPERATIONS AND MAINTENANCE. THE BIDS WERE PRESENTED TO THE BOARD. AFTER THE BOARD'S EVALUATION OF THE BIDS, A DECISION WAS MADE TO HIRE THE BEST ALL AROUND CONTRACTOR. THE CITY NEGATED THE BOARD'S ACTION SO THAT THE CITY COULD USE THE PROCUREMENT PROCESS. THIS HAS RESULTED IN AN 18 MONTH TO 24 MONTH DELAY IN UPGRADING AND REPAIRING THE IRRIGATION SYSTEMS FOR THE CEMETERIES. SINCE THIS HAS BEEN A SOMEWHAT DRY SEASON, THE AUDIT HAS NOT CONSIDERED ALL OF THE ISSUES REGARDING THE IRRIGATION OF AND MAINTENANCE OF THE CEMETERIES.

Cause

The current agreement provides Carriage with a maintenance reimbursement to the extent of revenue from interest and dividends of the Trust Fund. Therefore the available funding may not be adequate to pay for all of the maintenance needed to keep the system up to the level expected. THIS IS AN ASSUMPTION WITH NO BASIS IN FACT.

Finding 6 – Issue No. 313 – addresses the allowable number of spaces sold to one entity or purchaser. No comment.

Finding 7 – Issue No. 314 – addresses a joint workshop to discuss the cemetery investment policy.

Condition

The Cemetery Board improperly determined that nineteen percent of the total amount received from the sale of each lot or plot, crypts, and niches belongs to the corpus of the Trust Fund. THIS STATEMENT IS NOT ACCURATE. UNDER SEC. 10-47 (1) Income - set aside and deposited in the perpetual care trust. Item a. Nineteen percent of the total amount received from the sale of each lot or plot, columbarium niche and mausoleum crypt, THE CITY DESIGNATED THE 19% SET ASIDE, NOT THE BOARD.

Criteria

The audit reiterates the Code of Ordinances Provision Sec. 10-47 after the Condition Statement. THE CRITERIA ITEMS CLEARLY REFLECT THE ERRONEOUS ACCUSATION UNDER THE CONDITION ISSUE/OBSERVATION TITLE IN THE AUDIT.

Issue No. 315 – NOT INCLUDED IN THE AUDIT.

Finding 8 – Issue No. 316 – addresses the investment policy. To be discussed at the joint workshop.

Finding 9 – Issue No. 317 – addresses SOP's and continuing education. To be discussed at the joint workshop.

Observation 4 – Issue No. 318 – and bullet points from page 21 of the audit presentation.

Bullet 1 – “The Trust Fund balance for the period ending 9/30/2014 is approximately \$25 million.” THE AUDIT IS DATED JUNE 29, 2016. WHY DIDN'T THE AUDITOR USE THE MORE CURRENT 2016 DATE FOR THE TRUST FUND BALANCE? The bank statements were readily available to the auditor.

“The current repair and maintenance costs are approximately \$500,000 annually and there is no analysis to review the appropriate level of the corpus. THE AUDITOR WAS PROVIDED THE ACTUAL COSTS OF MAINTENANCE WHICH WERE \$498,168 IN 2010; \$679,155 IN 2011; \$721,620 IN 2012; \$764,361 IN 2013; \$746,778 IN 2014; \$768,426; IN 2015 AND \$720,870 FOR THE FIRST NINE MONTHS IN 2016. THE AUDIT SUBSTANTIALLY UNDER REPORTS THE MONIES SPENT FOR MAINTENANCE ON THE CITY'S CEMETERIES. FOR EXAMPLE: THE 2015 MAINTENANCE EXPENSE AT \$768,420 IS 54% HIGHER THAN WHAT WAS STATED IN THE AUDIT.

Observation 4 – Issue No. 318 Continued)

2016 ANNUAL MAINTENANCE COSTS ARE EXPECTED TO BE HIGHER THAN THE PRIOR YEAR'S MAINTENANCE COSTS. AFTER THE AUDITOR'S PRESENTATION TO THE BOARD, THE AUDITOR WAS ASKED TO CORRECT THE \$500,000 MAINTENANCE COST. TO DATE THIS HAS NOT BEEN COMPLETED OR PRESENTED TO THE BOARD.

Bullet 4 – “The City has not conducted a study to evaluate the adequacy of the Trust Fund”. DUE TO THE FACT THAT THREE OF THE CITY'S CEMETERIES HAVE LITTLE TO NO SPACES AVAILABLE AND ONLY ONE CEMETERY HAS REASONABLY ADEQUATE SPACES AVAILABLE. THE STUDY SHOULD ESTIMATE A SELLOUT PERIOD SO THE AMOUNT OF READILY AVAILABLE TRUST FUNDS MAY BE EVALUATED. WITHOUT THESE FACTS BEING KNOWN, A CONCLUSION AS TO THE ADEQUACY OF THE TRUST FUNDS CANNOT BE MADE.

Auditor's Note: Refers to a “Comprehensive Cemetery Master Plan.” IT IS APPARENT THAT THE AUDIT HAS BEEN PREPARED WITHOUT THE BENEFIT OF A REVIEW OF THE CITY OF AUSTIN, TEXAS' CEMETERY MASTER PLAN, CHAPTER 14 FUNDING AND REVENUE. INVESTMENT CRITERIA ARE NOT ADDRESSED IN CHAPTER 14 – Funding and Revenue.

Finding 10 – Issue No. 319 – addresses the RFP for cemetery management. No Comment.

Finding 11 – Issue No. 320 – addresses document control. No Comment.

Finding 12 - Issue No. 321 – addresses plot inventory records. No comment.