

**CITY OF FORT LAUDERDALE, FLORIDA
PARKS & RECREATION DIVISION**

CITY OF FORT LAUDERDALE CEMETERY SYSTEM

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

AS OF SEPTEMBER 30, 2015 AND 2016



ANTHONY BRUNSON P.A.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

City of Fort Lauderdale
Cemetery System Board of Trustees

We have performed the procedures described in Schedule A, which were agreed to by the senior management members of the City of Fort Lauderdale Parks and Recreation Department and the City's Cemetery Liaison (City of Fort Lauderdale's Management) on Carriage Funeral Services, Inc.'s (Carriage) Contract compliance with the financial components of its Agreement with the City of Fort Lauderdale, Florida as of and for the periods ended September 30, 2015 and 2016. The City of Fort Lauderdale's Management is responsible for the City's Cemetery System financial reports. The sufficiency of these procedures is solely the responsibility of the City of Fort Lauderdale Management. Consequently, we make no representation regarding the sufficiency of the procedures referred to in Schedule A either for the purpose for which this report has been requested or for any other purpose.

The agreed-upon procedures are described in Schedule A.

Our findings are described in Schedule B.

An addendum included herein estimates Carriage's potential liability to the City of Fort Lauderdale.

This engagement to apply agreed-upon procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the financial reports of the City of Fort Lauderdale Cemetery System as of and for the periods ended September 30, 2015 and 2016. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City of Fort Lauderdale management and the Cemetery System Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.


August 10, 2017

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**CITY OF FORT LAUDERDALE, FLORIDA
PARKS & RECREATION DIVISION
CITY OF FORT LAUDERDALE CEMETERY SYSTEM
AGREED-UPON PROCEDURES
SCHEDULE A**

AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2015 AND 2016

AGREED UPON PROCEDURES

- 1 Obtain and read solicitation 785-9854, Cemetery Management Services Agreement with the City of Fort Lauderdale (City) with special emphasis on sections:
 - a. Part IV-Scope of Services:
 - i. Section 06-Compensation to City
 - ii. Section 07-Records, Accounts, and Statements
- 2 Obtain and read the City of Fort Lauderdale Code of Ordinances with special emphasis on sections:
 - a. Rules and Regulations:
 - i. Section 6.2-Maximum Interment Rights
- 3 Obtain Perpetual Care Trust Fund (Trust) financial statements as of and for the period ended September 30, 2016 and 2015 to determine revenue recognized and/or forwarded by Carriage Funeral Services, Inc. (Carriage).
- 4 Obtain annual audit reports performed pursuant to the Cemetery Management Services Agreement as of and for the period ended September 30, 2016 and 2015.
 - a. Ensure audits were conducted for all four cemeteries;
 - i. Woodlawn;
 - ii. Evergreen;
 - iii. Sunset Memorial Gardens; and
 - iv. Lauderdale Memorial Park.
 - b. Perform review of auditor's working papers assessing scope of services performed.
- 5 Obtain and perform review of Florida Statute Chapter 497.
- 6 As a result of background attained in steps 1 through 5, test compliance of Carriage adherence to the Agreement's rules, regulations and/or procedures relating to revenue sharing with the Trust via examination its detail financial records, general ledgers and subsidiary schedules.
 - a. Special emphasis shall be placed upon its monthly payments of gross receipts and related supporting documents.
 - b. Reconciliation of monthly receipts to annual reports submitted to the City as well as auditor reports.
- 7 Report findings and provide recommendations based upon procedures performed in items 1 through 6.
- 8 Calculate an estimated liability, if any, due the City of Fort Lauderdale Cemetery System by Carriage Funeral Services, Inc.

**CITY OF FORT LAUDERDALE, FLORIDA
PARKS & RECREATION DIVISION
CITY OF FORT LAUDERDALE CEMETERY SYSTEM
SCHEDULE OF FINDINGS
SCHEDULE B**

AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2015 AND 2016

FINDINGS

Our findings are based upon the review of one hundred (100) contracts; ninety (90) contracts were for Property and ten (10) contracts were for Merchandise.

Finding 1.

City of Fort Lauderdale Municipal Cemeteries Rules and Regulations, Section 6.2-Maximum Interment Rights/ Resident Discount Program

An individual or entity may purchase no more than six (6) interment rights and interment services. Any individuals purchasing interments and services utilizing the city resident discount must at the time of purchase, assign each to a designated immediate family member.

Every purchaser utilizing the City of Fort Lauderdale ("City") resident discount program must show at least two (2) proofs of residency.

Residents

Based on our review of ninety (90) contracts for property sold, forty seven (47) were sold to residents determined by the alternative procedures described below. As a result of our review and observations we were unable to find any written evidence of proof of residency as required by the Cemetery's Rules and Regulations. Hence, the internal control environment does not provide documentation as to whether a buyer is a resident or non-resident. Therefore, our team performed an alternate procedure which matched addresses on the contracts against the City of Fort Lauderdale's zip codes. This process was used as the basis to determine residency. Based upon the process describe above, of the forty seven (47) resident contracts reviewed, a total of thirty eight (38) contracts received the resident discount and nine (9) did not receive the resident discount.

Additionally, based upon the thirty eight (38) residents who received the resident discount, three (3) residents purchased six (6) interments and there was no evidence that at the time of purchase any of these three (3) contracts assigned a designated immediate family member to the interments as outlined in section 6.2 of the Cemetery Rules and Regulations.

Moreover, of the thirty eight (38) residents who received the City's 25% resident discount, eight (8) resident contracts received discounts in addition to the standard 25% resident discount outlined in the Cemetery Rules and Regulations.

**CITY OF FORT LAUDERDALE, FLORIDA
PARKS & RECREATION DIVISION
CITY OF FORT LAUDERDALE CEMETERY SYSTEM
SCHEDULE OF FINDINGS
SCHEDULE B**

AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2015 AND 2016

Finding 1. (cont'd)

Section 6.2-Maximum Interment Rights/ Resident Discount Program (cont'd)

Nonresidents

Based upon our sample of the ninety (90) property contracts reviewed, forty three (43) were nonresident files. As a result of the zip code process previously described, the forty three (43) nonresidents, eighteen (18) received resident discounts which are not in accordance with the Cemetery rules and regulations.

Additional observations disclosed that three (3) individuals purchased in excess of six (6) interments. A church purchased thirty six (36) grave spaces, it was noted that subsequent to the initial purchase of thirty six (36) spaces, the sales was broken-down into six (6) individual contracts, each for the purchase of six (6) grave spaces.

For one(1) individual, contract number 451 026834 was executed in March 2015 for six (6) grave spaces and the same individual purchased two (2) additional individual grave spaces in March 2014 resulting in a total purchase of eight (8) grave spaces.

None of the aforementioned contracts provided evidence of residency or non-residency.

Recommendation

Our observations reflect an internal control environment with material weaknesses; we suggest that the management company enhance its processes and /or procedures currently used to comply with the Cemetery Rules and Regulations with the City of Fort Lauderdale.

**CITY OF FORT LAUDERDALE, FLORIDA
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CITY OF FORT LAUDERDALE CEMETERY SYSTEM
SCHEDULE OF FINDINGS
SCHEDULE B**

AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2015 AND 2016

Finding 2.

Cemetery Management Services Solicitation 785-9854 Part IV – Technical Specifications/Scope of Services- Section 06 Compensation to City and Section 10-47 of the City of Ft Lauderdale Code of Ordinances.

Payment shall be based on gross receipts (total collections, cash or equivalent, before any deductions for returned items, discounts, allowances, taxes, etc.). Nineteen (19) per cent of the total amount received from each sale of each lot or plot columbarium niche or mausoleum crypt shall be set aside and deposited in the perpetual care trust fund. Additionally, for each memorial, monument, marker or bench sold or installed, twenty cents (\$.20) per square inch of the top surface shall be set aside and deposited in the perpetual care trust fund.

Based on our review of ninety (90) executed contract agreements, Carriage's calculation of the 19% remittance to the City cannot be fully determined as a result of a lack of segregation of non-qualifying items as well as contracts sold on an installment basis. Although it strongly appears that the City does not participate in interest earnings of Carriage for contracts sold over time. Hence, significant discounts of the sales price are being absorbed by the City.

As an example, the present value of \$1 using an interest rate of 5.9% over five years is 75 cents. The present value of \$1 using an interest rate of 7.9% over five years is 68 cents. The aforementioned terms are consistent with the installments agreements used by Carriage.

2nd Rights Sales Observations

Cemetery Management Services Solicitation 785-9854 Part IV – Technical Specifications/Scope of Services- Section 06 Compensation to City Pursuant to paragraphs three and four gross income is defined as all revenue from the Contractor's operation of the Cemetery system from sales from any and all items. Moreover, payments should be based upon gross receipts from the Contractor's operation of the Cemetery system.

Based upon the review of the ninety (90) executed contracts, sixteen (16) included 2nd rights purchases.

As a result of the sixteen (16) contracts reviewed ten (10) were 2nd rights purchased simultaneously with grave spaces and six (6) were 2nd rights purchased separately after the initial grave space purchase. We noted that, for 2nd rights purchases that are purchased simultaneously with grave spaces, the required 19% of the sales price was not remitted to the City. For the 2nd rights that are purchased separately, the 19% was calculated and payments were included in Carriage's monthly remittance to the City.

**CITY OF FORT LAUDERDALE, FLORIDA
PARKS & RECREATION DIVISION
CITY OF FORT LAUDERDALE CEMETERY SYSTEM
SCHEDULE OF FINDINGS
SCHEDULE B**

AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2015 AND 2016

Finding 2. (cont'd)

Recommendation

Carriage failed to remit to the Trust Fund 19% of the revenue from finance charges and from sales of second rights and double depth plots. Pursuant to Section 10-47 of the City Code of Ordinances and Solicitation 785-9854, 19% should come from gross sales, including revenue from finance charges and sales of second rights and double depth plots. Carriage did not provide the accounts receivable information for those purchases with installment plans.

Carriage should be required to submit segregated information so that the City may provide effective monitoring of the collections and related contributions to the Trust Fund. The Parks Department should enhance its monitoring procedure to ensure that the Trust Fund receives all the money required under Section 10-47 of the City's Code of Ordinances and Solicitation 785-9854.

**CITY OF FORT LAUDERDALE, FLORIDA
PARKS & RECREATION DIVISION
CITY OF FORT LAUDERDALE CEMETERY SYSTEM
SCHEDULE OF FINDINGS
SCHEDULE B**

AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2015 AND 2016

Finding 3.

Cemetery Management Services Solicitation 785-9854 Part IV – Technical Specifications/Scope of Services, Paragraph 2 General Specifications Section 7 Records, Accounts and Statements

The City's Auditor or designee shall have the right, during regular business hours upon three (3) business days' notice and upon the City's written request to Contractor to audit, inspect examine and copy the Contractor's fiscal and financial records, books, ledgers, statements, reports, tax returns and documents relating to this agreement.

We requested audit work-papers which could have provided additional information/insight on the internal control environment or management operations. Audit work-papers were not provided.

Recommendation

The City should specifically include the auditor's working papers of the Contractor as a component of books and records subject to review.

The Contractor should be required to make working papers available, upon request by the City. All working papers and reports must be retained at the Contractor's expense. In addition, the Contractor shall respond to the reasonable inquiries of internal/external auditors and allow internal/external auditors to review working papers relating to matters of continuing accounting significance. Contractor shall make all records pertaining to the resulting contract available for review or audit.

**CITY OF FORT LAUDERDALE, FLORIDA
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SCHEDULE OF FINDINGS
SCHEDULE B**

AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2015 AND 2016

Finding 4.

Contract Noncompliance Matters and Other Observations

a. City of Fort Lauderdale Municipal Cemeteries Rules and Regulations, Section 7.14- Prior Payment Required

No interment, entombment, inurement or any other service shall be performed by the cemetery system where all fees and charges have not been paid in full prior to rendering of such services by the cemetery.

We noted that for contract number 451026797, four (4) At Need graves spaces were purchased on February 18, 2015 and the customer was given a payment plan and the amount was paid off in May 2015 this is a violation of the City's rules and regulations.

- b. Two (2) contracts were issued with duplicate legacy number. Purchases made by Manual Baez and Hugh Hood were issued with the same legacy number, 20167692; and 20167808 was used for Veronica Beverly and Wesley Brown.
- c. During our examination we noted that contracts no. 451-20168109 and 451-20168141 dated October 19, 2016 and October 31, 2016, respectively were completed by a sales representative with the sales representative address listed as the purchaser's address. Subsequently, these contracts were cancelled which reflects weaknesses in the design and operation of internal control environment that would allow a sales representative to issue a contract with their personal address. Moreover, these contracts could be fraudulent or indicate a misappropriation of funds.
- d. Based on our review of executed contracts, the contract agreement preparation process is not standardized. For resident contracts it appears that there were varied sales practices regarding the way some contracts are written whereby contracts are written for higher prices and a discount is applied to reflect a final purchase price that is representative of the City's standard 25% resident discount.
- e. Pursuant to the Agreement, Woodlawn cemetery was excluded from the annual audit examinations. Currently, no burials are permitted in Woodlawn cemetery since no records are available of the burials or plotting of how burials occurred. Carriage receives reimbursement for the maintenance of this cemetery.

Recommendation

Our observations reflect an internal control environment with material weaknesses. Without appropriate internal controls, there is potential for the further loss of funds due to fraud, employee error and misrepresentation that may not be prevented or detected in a timely manner. Parks Department will establish a system of internal controls and related procedures for contract monitoring and compliance.



CITY OF FORT LAUDERDALE

**CITY OF FORT LAUDERDALE
CEMETERY SYSTEM
AGREED-UPON PROCEDURES PERFORMED
ADDENDUM**

TWO YEAR PERIOD BEGINNING
OCTOBER 1, 2014 THROUGH
SEPTEMBER 30, 2016



ANTHONY BRUNSON P.A.

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CITY OF FORT LAUDERDALE

**CITY OF FORT LAUDERDALE CEMETERY SYSTEM
AGREED-UPON PROCEDURES PERFORMED
ADDENDUM
TWO YEAR PERIOD BEGINNING OCTOBER 1, 2014
THROUGH SEPTEMBER 30, 2016**

Carriage Funeral Services Data

Contracts	<u>5,081</u>
Merchandise Sales Only	<u>2,990</u>
Property Sales	<u>2,091</u>
Property Sales Value	<u>\$ 8,355,261</u>
Discount Value on Sales	<u>1,763,227</u>
Net Property Sales Value	<u>\$ 6,592,034</u>
Interest Earned on Property Sales	<u>\$ 1,059,825</u>



CITY OF FORT LAUDERDALE

**CITY OF FORT LAUDERDALE CEMETERY SYSTEM
AGREED-UPON PROCEDURES PERFORMED
ADDENDUM
TWO YEAR PERIOD BEGINNING OCTOBER 1, 2014
THROUGH SEPTEMBER 30, 2016**

Sampling Data Statistics

Total Contracts Sampled	<u>90</u>
Resident Contracts	<u>47</u>
Non-Resident Contracts	<u>43</u>
Average Sales Value Per Contract	<u>\$ 3,153</u>
Calculated Resident Contracts	<u>1,092</u>
Calculated Non-Resident Contracts	<u>999</u>
2nd Rights Purchased Contracts	<u>16</u>



CITY OF FORT LAUDERDALE

CITY OF FORT LAUDERDALE CEMETERY SYSTEM AGREED-UPON PROCEDURES PERFORMED ADDENDUM TWO YEAR PERIOD BEGINNING OCTOBER 1, 2014 THROUGH SEPTEMBER 30, 2016

Sample Data Error Rates

- A. No remittance to the Trust for finance charges occurred.
- B. Eight (8) of thirty eight (38) resident contracts received an additional discount of \$300.
- C. Eighteen (18) of forty three (43) non-resident contracts received a 25% resident discount.
- D. Ten (10) of sixteen (16) 2nd rights contracts purchased remitted no amounts to the Trust for fees earned.
- E. Nine (9) resident contracts did not receive any discount.

Calculation of Amounts Due Trust Fund

Description	19% of Unpaid Amount
A. Interest earnings total \$1,059,825.	\$ 201,367
B. Twenty one percent (21%) of resident contracts (8/38) or 229 contracts received an additional \$300 discount or \$68,700.	\$ 13,053
C. Forty two percent (42%) of non-resident contracts (18/43) received additional 25% discount. The average contract value of \$3,153 discounted an additional 25% is \$788. Hence, 999 contracts represent a value of \$787,212.	\$ 149,570
D. Eighteen percent (18%) of contracts purchased 2nd rights (16/90) or 376 contracts. Therefore 62% (10/16) of the 376 contracts or 233 contracts remittance no 2nd rights income to the Trust at an average value of \$1,345 contracts totaled \$316,075.	\$ 60,054

Conclusion

Based upon the above sampling data and related outcomes Carriage Funeral Services potential unpaid liabilities to the City of Fort Lauderdale Cemetery Trust Fund ranges from \$201,367 to \$424,044 for the two year period beginning October 1, 2014 through September 30, 2016.