
Secretary of State

State of Oregon

SOUTHERN CURRY CEMETERY MAINTENANCE DISTRICT

Special Review



Audits Division

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Auditing for a Better Oregon

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At the request of the Southern Curry Cemetery Maintenance District, we conducted an audit of the district's accounting records. The purpose of this audit was to determine if there were improprieties involving the district's funds.

In conducting this audit, we reviewed the district's accounting and related records and interviewed current and former board members and personnel from the County Treasurer's office. We also obtained relevant deposit records from the district's and County Treasurer's banks. In addition, we reviewed death certificates at the Department of Human Resources, Health Division. We limited our audit procedures to those we considered necessary in the circumstances.

The results of our review determined that \$1,990 of funds received from September 15, 1994 through March 12, 1998 were not deposited. We also determined burial and accounts receivable records reflected \$1,320 of payments that may not have been deposited. Furthermore, we determined the district's records are inconsistent and unreliable. For example, receipt slips were not always written for payments received and receipts did not always correspond to deposits. In addition, deposits were not made timely and were not always made to the appropriate account.

Our review also found that the district does not have an established collection process. Therefore, collection efforts on approximately \$15,000 of overdue amounts have not occurred on a regular basis. In addition, the district has continued to pay almost \$1,400 per month for a maintenance contractor, although the contract expired in 1993.

This report makes recommendations for the district to improve its procedures for depositing funds and recording receipts. The district agrees with the recommendations.

OREGON AUDITS DIVISION

John N. Lattimer
Director

Fieldwork Completion Date:
June 30, 1998

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SUMMARY

BACKGROUND

On December 5, 1997, the Southern Curry Cemetery Maintenance District (the district), through its legal counsel, requested the Audits Division perform an audit of the district's financial records. This request was in response to a number of concerns regarding possible improprieties involving district funds.

AUDIT PURPOSE

The primary purpose of this audit was to review the district's records and determine if improprieties involving the district's funds existed.

AUDIT RESULTS

- From September 15, 1994 through March 12, 1998, the district's receipts exceeded its deposits by \$1,990.
- Burial and accounts receivable records reflected payments not shown in the district's receipts or deposits. Since 1991, these transactions totaled \$1,320.
- The district's records are inconsistent and unreliable. Receipt slips did not always correspond with the details of items actually deposited, or with plot purchase agreements or plot deeds.
- The district did not deposit receipts timely. For example, we found deposits with checks dated several months prior to the deposit. Further, certain receipts were deposited to the district's checking account rather than to the Curry County Treasurer's pool account as required.
- Based on accounts receivable records, overdue accounts totaled almost \$15,000. However, these records may be unreliable; certain transactions were not dated or did not agree with receipt information. The district does not have an established collection process; therefore, collection efforts have not occurred on a regular basis. Of the overdue amount, about \$5,000 has been owed since 1994 or prior.

- The district has continued to pay a maintenance contractor almost \$1,400 per month, although the contract expired in 1993. The district has not yet requested proposals or competitive quotes for the maintenance services.
- The district does not maintain fixed assets records.
- A board member purchased a burial plot at a price lower than the price the general public was required to pay.
- The Government Standards and Practices Commission found violations of ethics laws by two former board members.

DISTRICT'S RESPONSE The district agrees with the recommendations.

INTRODUCTION

BACKGROUND

On December 5, 1997, the Southern Curry Cemetery Maintenance District, through its legal counsel, requested the Audits Division perform an audit of the district's financial records. This request was in response to a number of concerns regarding possible improprieties involving district funds.

The Audits Division carries out the Secretary of State's duties relating to endowment care cemeteries. These duties are specified in Oregon Revised Statutes 97.810 – .920.

The Southern Curry Cemetery Maintenance District is located in Brookings, Oregon. The district relies primarily on property taxes and charges for burial services to fund its operations.

A board of three elected directors manages the district. Each director is elected to serve for a term of four years.

FINANCIAL ACTIVITIES

According to the district's audited financial statements for fiscal year ending June 30, 1997, property tax receipts totaled approximately \$32,000 and charges for services totaled approximately \$18,000. During this year, the district spent approximately \$36,000, of which \$23,000 was for maintenance and contractual services and the rest for miscellaneous supplies and administrative costs.

SCOPE AND METHODOLOGY

In performing this audit, we reviewed the district's accounting and related records; interviewed current and former board members; confirmed transactions and interviewed personnel from the County Treasurer's office; obtained relevant deposit records from the district's and County Treasurer's banks; and reviewed death certificates at the state Department of Human Resources, Health Division.

Additionally, in June 1998 we requested deposit records for January 1998 through June 1998 from the County Treasurer's bank. We received records through March 12, 1998. After we made several additional requests for the other deposit records, in November 1998, the bank stated that deposit records were sent to the County Treasurer. The Treasurer indicated that she never received these records. As a result, we limited our scope for reviewing deposit transactions to the period from September 1994 through March 12, 1998.

AUDIT RESULTS

MISSING RECEIPTS

Undeposited Receipts

For September 15, 1994 through March 12, 1998, the district's receipts exceeded its deposits by at least \$1,990.

For this period, we compared the individual items contained in the district's bank deposits to recorded district receipts. Beginning in January 1995, we found instances where receipts did not correspond to deposits. In some cases, checks were deposited that had not been recorded in the district's receipt books. However, other recorded receipts were not deposited to the district's bank account.

The following table summarizes the missing funds.

Deposit Date	Receipt Number	Amount
1/17/95	Either #1262 or 1268 not deposited.	\$ (400.00)
9/21/95	#1284 not deposited.	\$ (400.00)
12/12/95	#1297 & 1298 not deposited.	\$ (900.00)
6/10/96	#6122 Undeposited cash.	\$ (190.00)
1/14/97	#6150 not deposited.	\$ (50.00)
6/10/97	#6162 not deposited.	\$ (50.00)
Total Missing Receipts		<u><u>\$(1,990.00)</u></u>

Unreceipted, Undeposited Burial Fees

Our comparison of receipt, deposit, accounts receivable, and burial records indicates some burial fees which appear to have been received were not receipted nor deposited. These apparently missing receipts total \$900 since March 1992 and an additional \$420 appears to be missing from 1991.

There were many factors contributing to these losses not having been previously identified. Among those factors, which are discussed in the following sections, are inaccurate or unrecorded receipts, untimely deposits and inconsistent and unreliable records. Improvement in these factors is necessary to ensure the integrity of the district's accounting for funds it receives.

RECORDKEEPING DEFICIENCIES

Receipts

- Receipts were not written for several burial fees that were deposited. These unrecorded, but deposited fees totaled \$10,250 from November 1994 through March 1998. This situation indicates that, in addition to the recorded but not deposited receipts (as previously noted in the report), there may also be unrecorded receipts which are not being deposited to the official bank account. These types of losses are more difficult to detect.
- Receipt dates often did not match the dates on the deposited checks by significant periods of time. For example, two checks dated April 22, 1996 and May 13, 1996 were receipted on May 6, 1996 and May 24, 1996. These inconsistencies indicate receipt slips are written when convenient rather than when funds are received. This occurs because the district does not have full-time office staff; however, arrangements should be made to record district receipts on a more timely basis.
- Receipt slips were not always consistent with the actual checks that were deposited. For example, a check received from a funeral home for \$2,700 dated June 10, 1996 was apparently recorded on three individual receipt slips dated from May 1 to June (unspecified date), 1996, for \$400, \$900, and \$1,400. On the other hand, separate checks were at times receipted as one payment. For example, two checks from the same person for \$100 and \$300 were recorded as a single payment of \$400. The checks were dated one month apart, but receipted at the same time due to delays in recording and depositing payments.
- The receipt slips often did not note the method of payment, such as cash or check. As a result, the

composition of receipts and deposits could not be compared to determine if all funds were recorded and deposited.

Inaccurately prepared receipt records make it more difficult to ensure all monies received have been deposited.

Deposits

- The district did not deposit receipts timely. We found deposits with checks dated up to five months prior to the deposit. For example, two checks totaling \$2,950, which were dated January 8, 1997, were not deposited until June 10, 1997. Further, receipt number 6143 for \$1,000 was deposited nine months after the check date of October 10, 1996. As with the delay in receipting payments, deposits are delayed due to the district not having office staff. However, alternate arrangements are needed to ensure the district's receipts are recorded and deposited timely to ensure that funds are protected.

One alternative would be to have a lockbox arrangement with a bank. Such an arrangement provides for incoming receipts to be deposited by the bank, with the related documents being sent to the district to make the appropriate entries on its accounting records.

Untimely deposits of checks can increase the risk of the checks being stale-dated, canceled, or returned due to insufficient funds in the accounts. Furthermore, undeposited receipts are more susceptible to loss or misappropriation.

- Deposits were at times made to the wrong account. The district collects burial fees for the sale of burial plots, grave liners, and for opening and closing the grave plots. These fees are to be deposited to the Curry County Treasurer's pool account. The district also maintains a checking account to which the Treasurer transfers regular monthly amounts and from which the district pays its operating expenses.

On four occasions, receipts for which we could not initially find deposit records were found deposited to the district's checking account rather than to the Curry

County Treasurer's pool account as required. Of the \$11,735 deposited to the wrong account, only \$4,340 was transferred back to the appropriate account, the Curry County Treasurer's pool account.

The Treasurer's pool account invests funds for the district. The Treasurer's pool account also provides a measure of control over the district's receipts and expenditures. Depositing funds directly to the district's checking account prevents this control from being effective at minimizing the amount of cash on hand and increases the risk of loss to the district.

Inconsistent, Unreliable Records

Our audit of the district's records was complicated by the many inconsistencies found among the receipt, deposit, accounts receivable, and burial records.

While comparing receipts, cash on hand, and plot deeds on December 5, 1997, we noted the following inconsistencies:

- Receipts did not always indicate the type of service purchased and paid for or for whom the service was purchased. Also, the District did not maintain an ongoing price list of the various goods and services, which include plots, opening and closing, liners, and marker setting. As a result, we were not always able to determine the type of services purchased or the current price of services provided. Incomplete record keeping can allow errors and misappropriations to go undetected.
- A plot deed dated May 1996 reflected the purchase of two plots for \$1,000. A review of the accounts receivable record indicates one plot was purchased in May 1996 and another plot had been purchased and paid for, by the same person, in October 1994. A review of receipt and deposit records indicates payment was received for only the October 1994 purchase.

A former member of the board indicated that deeds were to be written for the plot amount only, excluding any opening and closing, liner, and marker setting fees. During 1994 and 1996, plots were priced at \$500 each. In this case, the deed appears to reflect both purchases from 1994 and 1996, although payment has not been received for the 1996 plot. There is insufficient detail in

the district's records to verify that the plots listed on the deed are the ones purchased in 1994 and 1996.

- November 1997 receipts for \$600 were supported by two plot purchase agreements which did not total the amount receipted. The first receipt slip indicated \$500 was for a down payment on one plot plus opening and closing fees. The second receipt indicated it was a \$100 down payment on a plot. Since opening and closing fees total \$200, the two plot payments should have equaled the remaining \$400. However, payments shown on the two plot purchase agreements totaled only \$300. The related check, which was still on hand at the district office, matched the \$600 total of the two receipt slips.

We also compared accounts receivable transactions to receipt and deposit records. Payments totaling \$12,445 were recorded on the accounts receivable ledgers that were not receipted. Most of these funds could be traced to deposit, but \$1,320 could not be confirmed as being deposited. This amount includes the \$900 previously noted as not being deposited, plus another \$420 from 1991. We did not get the detailed bank deposit records for the 1991 amounts, but the district's copies of the related deposit tickets do not show these three fee payments being deposited.

Accounts Receivable

Based on the accounts receivable records maintained by the district, the district may be owed \$14,865. However, these records may not be reliable.

- Sixteen of the twenty-nine accounts with outstanding balances date back to the 1980's and early 1990's but have never been written off. Overdue accounts from the 1980's total \$2,250; overdue accounts from 1990 through 1993 total \$2,380. The district does not have an established collection process, which is a significant factor in the large amount of delinquent accounts. Both a current and a former board member indicated that calls are made occasionally or letters sent to ask for payments, but this does not occur on a regular basis. As a result, the district is not collecting monies owed and necessary for maintenance of the cemetery.

- Accounts receivable entries were not always dated. This makes it difficult to locate the related receipts and deposits to confirm the amounts that are owed or have been paid.
- One of the accounts receivable records showed a \$100 payment received and an outstanding balance of \$300. However, the related receipt showed the payment was for \$400; therefore, the account balance should have been zero.
- The accounts receivable record for one individual indicated one plot was being purchased. However, one of the related receipts referred to a second plot the person was also purchasing. The amount owed and any payments on this second plot were not shown on the individual's account card.

As a result of the unreliable accounting entries, it was time consuming and difficult to determine account balances. More accurately maintained records would ease the collection process. Furthermore, timely billings or collection reminders are usually effective in reducing the amount of unpaid accounts.

Expired Contract

The district's agreement with the maintenance contractor expired in June 1993; however, the district has continued paying the contractor during the past 5 years. According to the district's chairman, as of June 30, 1998, the board had not yet taken steps to procure a new contract.

In addition, the expired maintenance contract was unclear in describing the services to be provided for the monthly maintenance payments. Instead, the contract stated, "Contractor shall maintain the aesthetic beauty and desirability of said cemeteries equal to or better than in the past." The contract also allowed the contractor to charge separately for opening and closing gravesites.

In 1996 and 1997, the district paid the contractor monthly maintenance payments of \$1,382 which totaled \$31,796. In addition, during these two years, the district paid the contractor \$5,814 for opening and closing services and

\$5,914 for additional services, such as installing sod and sprinkler systems. Therefore, without the benefit of a contract, payments during 1996 and 1997 totaled \$43,523. During this time period, competitive bid proposals were required for contracts totaling over \$25,000 in a year. In 1997, that amount was increased to \$75,000. However, for purchases of this significance, the district should at a minimum obtain competitive quotes to ensure services are obtained at a reasonable cost.

RECOMMENDATIONS

We recommend the district:

- Record receipts when funds are received.
- Deposit all funds in a timely manner. Ensure funds are deposited in the proper account. Consider the use of a lock box arrangement to reduce the risk of loss or misappropriation.
- Implement a billing and collection system in order to collect on unpaid accounts.
- Review outstanding receivable balances to determine whether they are collectible. Consider writing off those that are determined to be uncollectible.
- Obtain competitive quotes for maintenance contract and execute a new contract.

RESPONSE

The district responded:

- *We have changed the way we do things as far as depositing. We try to deposit a couple times a month. Nothing goes over 30 days before being deposited.*
- *We can implement a billing and collection system. We made a form for billing. For unoccupied graves, if payments are not made after so many days, we will take back plots that have not been paid for.*
- *We can do this.*

- *We are working on this. We are going to see a lawyer to help us get a contract out for bid and determine what we can do legally. We intend to get an attorney of record for writing contracts and for advice.*

OTHER MATTERS

1. One board member may have benefited from her position on the board. An individual purchased a plot for \$200, but did not make any payments on the burial plot. The board member purchased the plot for \$200 although the rate for a burial plot at that time was \$500. The burial plot was not made available to the general public at the reduced price prior to the board member purchasing it.
2. The district does not maintain fixed assets records. Therefore, it is not possible to determine what, if any, equipment the district owns nor the identity and dollar value of the equipment. For example, in approximately 1988, the district gave a jeep to the maintenance contractor in exchange for services. There is no documentation about the year or condition of the jeep nor the value of services the district received in exchange.
3. During our review, we noted checks issued in 1993 and 1994 made payable to a former board member that exceeded the amount provided by statute as compensation for services performed by board members. Based on a complaint it received, the Oregon Government Standards and Practices Commission (GSPC) investigated this issue and determined in February 1998 the circumstances that resulted in these payments totaling \$209 were conflicts of interest and resulted in a financial gain to the former board member. GSPC issued a civil penalty in the amount of \$309.

Similarly, the GSPC investigated a second complaint regarding a former board member signing SCCMD checks to her spouse. In January 1998, GSPC found the board member failed to publicly declare an actual conflict of interest in the matter and took official action in her capacity as a board member which resulted in financial gain to a relative. These payments totaled \$115. GSPC issued a civil penalty in the amount of \$150.

RECOMMENDATIONS

We recommend the district:

- Ensure board members are familiar with and comply with the requirements of Oregon's ethics laws contained in Oregon Revised Statutes, Chapter 244.
- Maintain fixed assets records, including documentation of purchases and written agreements for any sale or exchange of assets.

RESPONSE

The district responded:

- *We found a lot of that out; we do know this now. Board members, including new members, do need to learn about these things.*
- *We have talked about this with our accountant.*

REPORT DISTRIBUTION

This report is a public record and is intended for the Southern Curry Cemetery Maintenance District, Curry County, the governor of the state of Oregon, the Oregon Legislative Assembly, and all other interested parties.

COMMENDATION

The courtesies and cooperation extended by officials and employees of the Southern Curry Cemetery Maintenance District and Curry County during the course of this review were commendable and sincerely appreciated.

AUDIT TEAM

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FACTS ABOUT THE SECRETARY OF STATE AUDITS DIVISION

The mission of the Audits Division is to “Protect the Public Interest and Improve Oregon Government.” The Oregon Constitution provides that the Secretary of State shall be, by virtue of his office, Auditor of Public Accounts. The Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of the Executive, Legislative, and Judicial branches of Oregon government. The division audits all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

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This report is intended to promote
the best possible management of public resources.



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