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<th>TO:</th>
<th>Chair and Members</th>
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<td>Audit and Administration Committee</td>
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<td>WARD(S) AFFECTED:</td>
<td>CITY WIDE</td>
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<td>COMMITTEE DATE:</td>
<td>February 3, 2010</td>
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<td>SUBJECT/REPORT NO:</td>
<td>Audit Report 2009-08 - Cemeteries Administrative Office (AUD10002) (City Wide)</td>
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<tr>
<td>SUBMITTED BY:</td>
<td>Ann Pekaruk</td>
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<td>City Manager's Office</td>
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<td>PREPARED BY:</td>
<td>Ann Pekaruk 905-546-2424 x4469</td>
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**RECOMMENDATION:**

(a) That Report AUD10002 respecting Audit Report 2009-08, Cemeteries Administrative Office, be received; and  
(b) That the management action plans as detailed in Appendix “A” of Report AUD10002 be approved and the General Manager of Public Works direct the appropriate staff to have the plans implemented.

**EXECUTIVE SUMMARY**

The 2009 Internal Audit work plan approved by Council included an audit of the Cemeteries Administrative Office to assess processes, support systems and the control environment to ensure the effectiveness and efficiency of the services provided.

The results of the audit are presented in a formal report containing observations, recommendations and management responses attached as Appendix “A” of Report AUD10002.

*Alternatives for Consideration – Not Applicable*
FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

Financial: Properly securing the payments collected reduces the risk and possibility of the misappropriation of funds.

Staffing: Depending on the resources determined to fully populate the HMIS with appropriate data, additional temporary staff may be required to carry out the conversion.

Legal: None.

HISTORICAL BACKGROUND (Chronology of events)

The audit fieldwork was completed in August, 2009. The results of this audit are attached as Appendix “A” of Report AUD10002.

The Audit and Administration Committee receives and approves final audit and review reports as part of its responsibilities for the oversight of governance and control.

POLICY IMPLICATIONS

Cemeteries Act.

RELEVANT CONSULTATION

The attached report includes management action plans which reflect the responses of management and staff responsible for the administration of the Cemeteries Office, Public Works Department.

ANALYSIS / RATIONALE FOR RECOMMENDATION

(include Performance Measurement/Benchmarking Data, if applicable)

The audit reviewed the processes used by the Cemeteries Administrative Office to deliver the various services it provides, with particular attention to the support systems (computerized and paper documentation) used. The controls and management practices used to gauge the effectiveness and efficiency of the Cemeteries Administrative Office were assessed. Recommendations were made to improve controls, protect cash assets and promote accountability.
A formal audit report containing observations, recommendations and resulting management action plans was issued and is attached as Appendix “A” of Report AUD10002. Nine (9) recommendations were included in the Report and Addendum. They were:

- Completion of written procedures pertaining to the processes carried out by the Cemeteries Administrative Office and their annual review.
- Expeditious conversion of historically significant paper cemetery records from paper to electronic format.
- Control and security over funds collected.
- Protection and safeguarding of credit card information.
- Upgrade of the computer system to include tracking of transactions entered and regular review by management of the reports generated by the system.
- Elimination of duplicate recordkeeping.
- Investigation of more efficient methods of processing monthly installment payments.
- Accurate accounting records to reflect revenue amounts in the time period earned and cash in the period received.

Management and staff have agreed to or have already taken actions to implement all of the formal recommendations. Specific action plans can be found in the attached audit report.

**ALTERNATIVES FOR CONSIDERATION:**

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

Not Applicable.

**CORPORATE STRATEGIC PLAN** (Linkage to Desired End Results)


**Financial Sustainability**

- Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner.

**APPENDICES / SCHEDULES**

Appendix “A” to Report AUD10002

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<th>OBSERVATIONS OF EXISTING SYSTEM</th>
<th>RECOMMENDATION FOR STRENGTHENING SYSTEM</th>
<th>MANAGEMENT ACTION PLAN</th>
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<tr>
<td>1.</td>
<td><strong>Policies and Procedures</strong>&lt;br&gt;The Cemeteries Administrative Office (the Office) offers for sale a number of cemetery related articles and services ranging from the sale of the interment rights to the installation of markers and monument foundations. While many of the Office’s policies are governed by the Cemeteries Act (Revised), 1990 and the By-Laws of the Hamilton Municipal Cemeteries, the Office has no formal written procedures that would provide guidance for the day-to-day processes associated with the sale of the many and varied cemetery related articles and services to the public. Without written procedures, the employees currently carrying out the processes rely on personal understanding and experience which could result in incorrect, incomplete or inconsistent application of the processes. It may also be problematic and inefficient for a successor to commence his/her duties within a short period of time.</td>
<td>That procedures pertaining to the processes carried out by the Cemeteries Administrative Office be formally documented in writing. These procedures should be reviewed regularly (once each year) to ensure that they remain current and are applied appropriately and consistently.</td>
<td>Agreed. This is a work plan item for the Cemeteries Administrative Supervisor. Flowcharts created from the audit will assist in the establishment of such procedures. Target completion date is quarter 4, 2009.</td>
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<td>2.</td>
<td><strong>Information of Historic Significance</strong>&lt;br&gt;Many of the City’s cemeteries date back to the early 1800’s. The information related to many of those interred in these cemeteries is currently only available on old paper maps, lot owner cards and ledgers, all of which are stored at the Administrative Office at Hamilton Cemetery. In the event of a fire or flood at this location, many of these historically important documents would be lost as no backup system exists. For a number of years, a Data Entry Clerk has been entering this information into the Hanlon Management Information System (HMIS) (an application purchased in the mid 1990’s to maintain electronic cemetery records). This has been an extremely lengthy process. Management has indicated that they are in the process of determining the resources required to complete the conversion of paper documents to electronic format.</td>
<td>That management complete the calculation for the resources required to convert the historically significant paper cemetery records into electronic format. Resources should then be temporarily assigned to complete the conversion within a reasonable time period.</td>
<td>Agreed. Calculation for the resources will be completed in quarter 4, 2009. Resource options for the conversion will then be assessed based on the calculation and the need for completion within a reasonable time period.</td>
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### OBSERVATIONS OF EXISTING SYSTEM

#### Payment Collection and Processing

3. Transactions involving the sale of cemetery related articles or services produce contracts and payments. While the majority of the clients pay by cheques or credit cards, some continue to pay with cash. Often individual transactions can total more than $1,000 each.

Upon completing a transaction, the payment (including any cash payments) and the contract are stored in an unsecured file that is shared amongst the three Cemetery Support Clerks. The payments remain in the file and may be accessed by the Clerks as well as other office staff that provide relief coverage during lunches and breaks.

Every Thursday, a Financial Assistant II (FA II) attends the Cemetery office, balances the payments and prepares the weekly deposit. The deposit is then left in an area that is accessible by all office staff until it is picked up by Brinks the following morning.

The above procedures leave the funds subject to risk. Since the week’s transactions are known to be reviewed only on Thursdays, a misappropriation or even a “borrowing and replacement” of cash within the week of collection can occur and no one individual can be held accountable.

### RECOMMENDATION FOR STRENGTHENING SYSTEM

3. That the payments collected daily are secured with controlled access. Ideally, a process whereby each Clerk’s daily intake is kept separate and is supported by an independent record for balancing (i.e. Point of Sale (POS) deposit log) would provide for accountability for City funds.

4. That, after the deposit is prepared, it is secured so that it remains intact and inaccessible until it is picked up for deposit to the bank.

### MANAGEMENT ACTION PLAN

3. Agreed. A Point of Sale (POS) deposit log for balancing will be implemented by November 2009. A lock box option to secure payments is targeted for completion in quarter 1, 2010.

4. Agreed. See above. Further, a no cash option for customer payments will be investigated to encourage all payments be made through cheque, credit card or debit card. Target completion quarter 1, 2010.

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### Pre-Payment Plan (PPP)

4. A PPP is a formal contract between the client and Hamilton Municipal Cemeteries whereby the client agrees to make equal monthly payments for the interment services offered. The client usually makes such payments by providing a series of post-dated cheques or by providing a credit card number against which the monthly payment can be charged.

During the course of this audit, it was noted that not only is the original paper document with the credit card information kept, it is also duplicated in paper form as well as being stored electronically. In addition, the paper document containing the client’s credit card information is stored in an unsecured accordion file for as much as a week before it is properly filed (see #3 above). Therefore, sensitive information provided by clients runs the risk of being inappropriately accessed or disclosed.

### RECOMMENDATION FOR STRENGTHENING SYSTEM

That client’s credit card information be retained electronically in a secure environment and protected by password so as to limit access.

### MANAGEMENT ACTION PLAN

Agreed. Credit card information will now be retained only in a secured electronic file, effective immediately. Further, once the contract has been fully paid (maximum of 2 years), the credit card information will be blocked from the file and inaccessible. Expected implementation quarter 3, 2009.
### OBSERVATIONS OF EXISTING SYSTEM

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<th><strong>HMIS</strong></th>
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<td>5.</td>
<td>HMIS is the cemetery administration and management software tool used by many cemeteries across North America including the Hamilton Municipal Cemeteries. As of February 1, 2009, all cemetery contracts are generated and tracked through HMIS. A review of the access rights to HMIS indicated that the Cemeteries Administrative Supervisor has full access (including system administration) to HMIS. Further, due to the small number of employees at the Cemeteries Office, the Supervisor has, on occasion, had to enter data into the system. An individual with full access rights to a system should not be involved in handling transactions as this is not an adequate segregation of duties. It was also noted that, due to a missing module in HMIS, it is not possible to verify the number and type of transactions entered into HMIS by staff members. Such access would provide a trail that would facilitate tracking unusual HMIS usage as well as verifying the Administrative Supervisor’s minimal operational duties.</td>
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### RECOMMENDATION FOR STRENGTHENING SYSTEM

That management invest in the HMIS module which tracks transactions by individual staff entering the data. Reports detailing such information should be regularly reviewed by management.

### MANAGEMENT ACTION PLAN

Agreed. The HMIS module was implemented September 1, 2009 to track transactions entered by individual staff. Management will review the reports at least once monthly beginning quarter 4, 2009. The Supervisor will not be entering information into HMIS unless there is no other option, in which case, the Supervisor will enter the transaction in HMIS and notify the manager that she has done so. The record can then be reviewed.
ADDENDUM

The following items were noted during the course of the audit. Although they do not present internal control deficiencies, they are indicated in this Addendum so management is aware of the issues, risks and inefficiencies and can address them appropriately.

1. During the course of this review, it was noted that since February 2009 each sale of the cemetery related articles and services is tracked by two different systems: the computerized HMIS system and the manual system involving lot owner cards, books, ledgers and maps. This duplication of effort is inefficient.

In addition, the manual system results in the production of many different paper documents. A considerable amount of time is spent filing away this paper to facilitate retrieval of information which, in many cases, is available on the HMIS system. Further, when these documents are requested, they must be photocopied (sometimes more than once) and forwarded in hard copy format to requesting staff. Due to their volume and manual element, they risk being lost, damaged or destroyed.

It is recommended:
That the current system of duplicate recordkeeping be eliminated with emphasis placed on effective utilization of the HMIS. The full functionality of this software needs to be investigated.

Management Response:
Agreed. Respecting the elimination of duplicate recordkeeping and placing emphasis on HMIS, the Cemeteries Administrative Supervisor will determine which manual systems should be discontinued with an expected completion of quarter 2, 2010. Management will develop a plan to address the investigation of the full functionality of the HMIS software once the POS implementation (as noted in #3 above) and other audit recommendations have been implemented. The additional, specialized resources required for the investigation and continued systems upkeep will be identified by quarter 2, 2010.

2. The installment payments made by the clients each month are processed in a manual and labour intensive fashion. Post-dated cheques are retrieved and processed at the end of the month. Each credit card PPP requires the manual keying of the individual card number, card expiry date, transaction amount and contract number into the card reader repetitively every month over the term of each PPP contract. As a result, the current manual procedures are inefficient.

It is recommended:
That management investigate alternate, more efficient methods of processing clients’ monthly installment payments (e.g. promoting pre-authorized chequing or contacting the bank to process the monthly credit card transactions).

Management Response:

3. On occasion, the Cemeteries Administrative Office accounting records reflect that a payment was received in a particular month when it was actually received the following month, particularly when contracts are entered into close to a month end. Such reporting discrepancies make it more difficult and time consuming to perform proper month end reconciliation.

It is recommended:
That the accounting records be maintained so as to accurately reflect revenue amounts in the time periods they are actually received.

Management Response:
Agreed. The Cemetery accounting records will be maintained to accurately reflect revenue amounts in the period earned and cash in the period received.