

Municipality
of
Anchorage



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Rick Mystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

August 16, 1995

Internal Audit Report 95-14
Anchorage Memorial Park Cemetery
Public Works Department

Introduction. The Anchorage Memorial Park Cemetery (Cemetery) was established in 1915 through a land grant from the Federal government. Conditions upon receipt of the Cemetery land were that half of the land could be sold to religious and fraternal organizations, and at least half of the land was required to be open to public burial privileges without charge for the land. The total area of the Cemetery is approximately 22.24 acres. Part of the Cemetery is owned by eight religious or fraternal organizations (private tract owners). Further, two religious organizations lease some land in the Cemetery.

In 1992, the Public Works Department was designated as the managing agency of the Cemetery, replacing Cultural & Recreational Services, and is responsible for the operation and maintenance of the Cemetery, both public and private tracts. A part-time manager operates the Cemetery with the majority of grounds work performed through a maintenance and burial services contract.

The Public Works Department is authorized to establish fees for services performed at the Cemetery. Fees have not been sufficient to fund the Cemetery operations. See Attachment A for the history of Cemetery financial activity.

Scope. Our audit objective was to perform a management review of the Cemetery operations. Accordingly, the audit included tests of records and such other procedures as we considered necessary in the circumstances. The audit included transactions during 1992 through 1994. The audit was requested by the Director of Public Works.

Overall Evaluation. The Cemetery was found to be well maintained and provided good service to the public. However, we noted several deficiencies as follows. An endowment fund had not been established for perpetual maintenance. The fee structure did not include all costs and Intergovernmental Charges (IGC's) to the Cemetery were excessive. Contract administration for maintenance and burial services required improvement. All graves did not contain a permanent marker. Further, the AMC does not specify whether the Cemetery should be operated as a tax supported Municipal facility or be self-supporting through the collection of fees and a trust/endowment fund when burial fees will no longer be collected. Currently, the Cemetery is supported through a combination of fees and tax revenue. (See Attachment A). The intent for financial support should be determined and incorporated into the AMC.

FINDINGS AND RECOMMENDATIONS

1. Endowment Fund Not Established.

- a. Finding.** An endowment fund has not been established to cover the future costs of Cemetery maintenance once the Cemetery is full and burial fees are no longer collected. The Cemetery Rules and Regulations state that a Perpetual Care Endowment Fund, funded through reservation fees, and/or fees contributed by the private tract owners and one-time maintenance fees has already been established. They further state that the general care of the entire Cemetery grounds is assumed by the Cemetery under the Endowment Care Trust Fund. In addition, the burial fee includes a portion designated as a perpetual maintenance fee. However, the entire fee has been used for day-to-day operations with none of it being deposited to an endowment fund. As a result, future Cemetery maintenance will most likely be funded by tax revenue.
- b. Recommendation.** The Director of Public Works, in coordination with the Chief Fiscal Officer, Budget Director, and the Municipal Attorney, should consider setting up an endowment fund for future maintenance and upkeep needs.

- c. **Management Comments.** Management concurred and stated, "Provisions for an endowment fund were added to the Cemetery Rules and Regulations in 1992 precisely because it was recognized that such a fund is urgently needed NOW in order to be prepared for out-year maintenance needs when burial fees can no longer be collected. Revenues cannot be deposited in such a fund, however, until cemetery operations can be carried out on a self-sustaining basis and totally devoid of funding by tax revenue. Intend to carry out the recommendation as stated."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. **Private Tract Owners and Lessees Not Billed Total Cost for Maintenance.**

- a. **Finding.** The annual maintenance fee charged to private tract owners and lessees did not cover all of the costs associated with maintenance of their tracts. Prior to 1994, the fee was \$250 per tract. However, we were unable to evaluate the basis for this fee. Our review of the computation of the current (1994) annual per-tract maintenance fee of \$1,501.55 revealed this fee was computed based on costs for mowing, watering, fertilizing, trimming, clipping, edging, pruning and herbicide/pesticide. Also included were the charges for water. Costs not included were:

- Salary and benefits of the Cemetery Manager - The Manager's job is to oversee the entire Cemetery maintenance and operation, public and private tracts.
- Additional materials purchased for the maintenance of the Cemetery, public and private tracts.
- Office and operating supplies used for the entire Cemetery maintenance and operation, public and private tracts.
- Repair and maintenance of the equipment used for the entire Cemetery, public and private tracts.
- Equipment purchased for the operation and maintenance of the Cemetery, public and private tracts.
- Utility costs other than water incurred for the operation and maintenance of the entire Cemetery, public and private tracts.
- Net costs charged to the Cemetery from other Municipal Departments as a result of services provided to the Cemetery, public and private tracts.

If all costs associated with the maintenance of the private and leased tracts were included, an annual fee of almost \$5,000 would be required.

The failure to include all applicable costs incurred into the fee structure contributed to the tax revenue subsidy of the Cemetery.

- b. **Recommendation.** The amount billed for the annual maintenance of private and leased tracts should be reviewed in detail by the Public Works Director. A fee which more closely equals the Municipality's costs incurred to maintain the private tracts should be considered. The results of this review and the coordinating decision on what costs to charge private tract owners and lessees should be formalized in a policy or Cemetery regulation to provide consistency of billing from year to year.
- c. **Management Comments.** Management concurred and stated, "This review will be made and a policy statement articulated upon clarification of the intent for financial support of the cemetery."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Public Works IGC's Excessive.**

a. **Finding.** IGC's for administrative and financial control services charged to the Cemetery by the Public Works Department appeared to be excessive. Our review revealed the following:

- 1) The IGC's charged to the Cemetery for administrative services were computed incorrectly. The amount charged was based on the Cemetery being a Public Works' division. However, the Cemetery is only a section within the Public Works Administration Division. This resulted in an excess charge to the Cemetery.
- 2) The IGC's charged to the Cemetery for financial control services were not documented and could not be substantiated. The Municipality of Anchorage IGC Manual stated that financial control charges should be based on an annual review of actual work performed.

b. **Recommendation.** The IGC methodology for charges to the Cemetery from Public Works for administrative and financial control services should be reviewed by the Public Works Director. The Cemetery should be charged a realistic amount for services provided by the Public Works Department.

c. **Management Comments.** Management concurred and stated, "The IGC methodology has been revised as recommended."

d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

4. **Cemetery Contract Awarded on Inaccurate Information.**

a. **Finding.** The Cemetery maintenance and burial service contract was awarded based on inaccurate and underestimated required services. This contract went out to bid in 1992 and 1993. The current Contractor was awarded the contract in 1993. The bid requests significantly underestimated the amount required for unskilled labor and materials. For example, the 1992 bid estimated 100 hours of unskilled labor and the 1993 bid estimated 250 hours. However, actual unskilled labor hours totaled 1,674 for 1992, 1,200 for 1993 and 1,013 for 1994. This underestimation resulted in the Cemetery paying \$50,450 more than was estimated just for unskilled labor. Material was also underestimated by approximately \$70,000 for the three years. Other contract items underestimated included marker alignment services, grave renovation services, and topsoil/reseeding services. In total for 1992 through 1994, Contractor payments exceeded total estimated bid submittals by approximately \$161,000.

- b. **Recommendation.** The Public Works Director should ensure that estimated quantities for the next request for bids meet the realistic needs of the Cemetery and are based on prior year requirements, adjusted for any anticipated changes in the level of work for the contract period.

- c. **Management Comments.** Management concurred and stated, "Estimated quantities for the next request for bids will be revised now that such information has become available from usage of this bid specification format. NOTE: The seemingly excessive contractor payments appear so primarily because state grant funds for restoration became available in 1993 and 1994, an occurrence not planned for in the initial estimation of quantities for the competitive bid."

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

5. **Cemetery Contract Utilized to Circumvent Municipal Controls.**

- a. **Finding.** The Cemetery Manager utilized the Cemetery maintenance and burial services contract to purchase computer equipment, computer software, and maintenance equipment, circumventing the required Municipal procurement system. This contract contained a clause by which the Contractor may be required to acquire items, products or

services for their performance of the contract, reimbursed with a 10% markup. Our review of purchases made through this contract for 1993 and 1994 revealed the following items that were purchased by the Contractor at the request of the Cemetery Manager:

- 1) A computer backup drive and a software mapping system totaling \$4,000. Municipal Policy & Procedure 28-1, Information Resource Management, requires prior approval from the Management Information System (MIS) Policy Committee to acquire computer software and hardware. Cemetery management did not receive approval from the MIS Policy Committee to purchase these computer items. Further, the computer items purchased were not used by the Contractor in his performance of the contract.
- 2) Approximately \$10,000 of tools and equipment.

As a result the procurement of this equipment bypassed the competitive bidding process, resulted in the equipment not being entered on records of accountability nor tagged as Municipal assets, and understated the fixed asset accounts.

- b. Recommendation.** The Public Works Director should ensure the Municipal procurement process is not circumvented. All acquisitions

should be procured only when properly approved by the MIS Policy Committee and the Purchasing Department and correctly coded to the appropriate equipment/software account. Further, all Cemetery equipment should be appropriately tagged, identifying them as Municipal assets.

- c. **Management Comments.** Management concurred and stated, "Internal controls have been revised to ensure compliance with the Municipal procurement process with the understanding that deviation may be required: extraordinary efforts are occasionally needed to meet a burial commitment once it has been scheduled by the funeral director who has many other concomitant arrangements to balance as well as the travel itineraries of bereaved family members from Outside. Municipal policy is to meet the burial schedule at all reasonable costs in order to avoid further exacerbation of a grieving family's trauma.

"All cemetery equipment will be tagged and properly identified as Municipal assets."

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

6. **Cemetery Fees Charged Not Authorized.**

- a. **Finding.** The fees charged by the Cemetery were not always authorized in the Municipal Schedule of Fees. Our review of the actual fees charged revealed that the amounts charged did not always agree with the Municipal Schedule of Fees. Most amounts were higher than specified in the Schedule. In addition, several fees charged were not in the Schedule at all.
- b. **Recommendation.** The Public Works Director should ensure all fees charged agree to the Municipal Schedule of Fees. Policy and Procedure 24-2, Establishment and Revision of Municipal Fees, should be followed.
- c. **Management Comments.** Management concurred and stated, "Action has begun to ensure compliance with Policy and Procedure 24-2."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

7. **Graves Not Marked.**

- a. **Finding.** Graves did not always have a permanent marker identifying the deceased buried in the Cemetery. Our discussion with the

Cemetery Manager revealed that there were approximately 1,500 unmarked graves in the Cemetery. The majority of the graves were located in the public area of the Cemetery. Without permanent grave markers, it can be difficult to locate specific gravesites. The cost to order and install all markers for these graves has been estimated to be at least \$75,000.

- b. **Recommendation.** The Public Works Director should formulate a plan for complying with Anchorage Municipal Code 25.60.070 which requires all graves to have a permanent grave marker.

- c. **Management Comments.** Management concurred and stated, "AMC 25.60.070 was included in the Anchorage Municipal Code specifically to address this problem of unmarked graves, all of which arise from interments prior to this amendment on January 1, 1990. An appropriation of \$75,000 is needed and will be requested from the fund balance to accomplish this objective."

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

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Discussion With Responsible Officials. The results of this audit were discussed with appropriate officials on July 20, 1995.



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SUMMARY OF CEMETERY FINANCIAL ACTIVITY
Operating and Grant Funds

Managing Department	Public Works Department				Cultural and Recreational Services	
	Budget 1995	Actual 1994	Actual 1993	Actual 1992	Actual 1991	Actual 1990
Year						
Direct Expenses	\$166,522	\$151,481	\$266,655	\$203,837	\$152,595	\$74,335
IGC's	\$37,370	\$17,288	\$33,723	\$51,994	\$52,589	\$116,601
Total Expenses	\$203,892	\$168,769	\$300,378	\$255,831	\$205,184	\$190,936
Total Revenues	\$146,102	\$127,270	\$245,947	\$183,760	\$82,809	\$68,882
Amt Funded By Tax Revenue	\$57,790	\$41,499	\$54,431	\$72,071	\$122,375	\$122,054