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Date: April 8, 2014

To: Audit, Finance and Enterprise Committee

From: Jennifer Ruttman, City Auditor

Subject: Follow-up Review – Audit of Mesa Cemetery

cc: Mayor and Council
Kari Kent, Deputy City Manager
Marc Heirshberg, PRCF Director

Pursuant to the Council-approved Audit Plan, the City Auditor's office has completed a follow-up review of our audit of our audit of the City of Mesa Cemetery. The final report is attached and will be presented at the next scheduled meeting of the Audit, Finance and Enterprise Committee. Please feel free to contact me with any questions or concerns.

FOLLOW-UP REVIEW

CITY AUDITOR

Report Date:	April 8, 2014
Department:	Parks, Recreation & Commercial Facilities (PRCF)
Subject:	City of Mesa Cemetery
Lead Auditor:	Karen Newman, Sr. Internal Auditor

OBJECTIVE

The objective of this review was to determine whether the Parks, Recreation & Commercial Facilities (PRCF) Department has effectively implemented the action plans presented in their responses to our May 2013 audit of the City of Mesa Cemetery.

SCOPE & METHODOLOGY

To accomplish our objectives, we interviewed key personnel, reviewed financial data from January to December 2013 and evaluated internal controls related to the Agreement of Sale process.

BACKGROUND

On May 2, 2013, we issued a report on our audit of the City of Mesa Cemetery. The objective of that audit was to evaluate the adequacy of the Cemetery's internal controls related to revenues, inventory, and other resources.

The audit report included several recommendations, which can be summarized as follows:

1. Improve the security, accuracy and reliability of the database used by the Cemetery to record transactions.
2. Implement controls over voided invoices.
3. Improve the billing process for sales agreements.

The department responded with a corrective action plan for each of the recommendations.

CONCLUSION

The majority of the corrective action plans have been implemented. However, improvements to the sales agreement billing process could not be achieved in the manner proposed in the department's audit response. This is primarily due to the inability of the Advantage ERP system to maintain customer balances, apply interest, and invoice customers in a manner that meets the business needs of the department. As an alternative, staff is now implementing a manual process to accomplish these tasks.

A complete list of the original recommendations, the department's planned corrective actions, and our findings regarding their implementation status at the time of this review, is presented in the attached [Appendix](#).

APPENDIX

 = Implemented

 = In Progress

 = Not Implemented

<u>Corrective Action</u>		<u>Implementation Status</u>
CAP#1: Cemetery database needs improvement		
<p>Recommendation 1-1: Management should work with the City's Information Technology Department to improve the security, accuracy and reliability of the Cemetery's database. In addition, to the extent possible and practical, alternative options for recording transactions, maintaining customer accounts, and managing grave inventory should be explored.</p> <p>Management Response: PRCF has been actively working with ITD to determine a long-term solution for an improved cemetery management system. Previous evaluations of external software have been cost prohibitive but will continue to be evaluated as technology and systems continue to improve. In the interim basis ITD has moved the Cemetery database from an Access Program to a SQL Server based platform, this has resulted in improved security controls, the ability to backup data easily and on a more routine basis (nightly). ITD was able to make these changes without disturbing the user interface resulting in no additional training or increased opportunities for error by users. Testing is currently underway and anticipated to be finalized by 6/1/13. As stated earlier PRCF along with ITD will continue to evaluate "off the shelf" software solutions vs. building a new web-based data system internally.</p>	<p>Implemented</p> <p>No additional issues with the Cemetery database have been reported since the audit. Additionally, PRCF and ITD are currently working on purchasing a new Cemetery Management System.</p>	
CAP#2: Controls over voided invoices need improvement		
<p>Recommendation 2-1: Management should ensure that every voided invoice is properly approved and listed on the voided invoice log, and that a detailed explanation is provided. The invoice should also be noted as voided in the database.</p> <p>Management Response: Cemetery staff has been reminded of and reviewed Management Policy #210, and the Cemetery Procedures Manual on how to properly void invoices and record them properly.</p>	<p>Implemented</p> <p>All invoices that were voided in the database during the follow-up period were properly approved and listed on the voided invoice log with a detailed explanation.</p>	
<p>Recommendation 2-2: PRCF Admin staff should periodically review the sequential numbering of invoices to ensure that all voided invoices have been properly recorded and reported.</p> <p>Management Response: PRCF Administrative staff will review this process as part of our internal audit procedures to ensure accuracy.</p>	<p>Implemented</p> <p>PRCF Admin staff processes ensured that all voided invoices reviewed during the follow-up were properly recorded and reported.</p>	

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Corrective Action

Implementation Status

CAP#3: Billing process for sales agreements needs improvement

Recommendation 3-1: Management should ensure that all customer balances are accurately recorded and managed in the Advantage financial system. Interest should be automatically calculated and applied to balances, billing should be automated, and payments should be accurately applied to customer accounts in a timely manner.

Management Response: PRCF continues to work with ITD and the CityEdge team to create an interface with Advantage that successfully and accurately records interests, generates invoices, etc. ITD has been made aware of this Audit Report and the need to address this interface.

In Progress

PRCF is currently working on an alternative process to ensure customer balances, interest and payments are accurately recorded and invoices are automatically generated.

