

February 27, 2017

Cemetery Operations Audit

Background

A major operational review of Mountain View Cemetery (MVC) was completed in 1999. Three options were presented in the study:

1. Continue operating the cemetery in its current state (status quo);
2. Investing a minimal amount to enable the sale of new space and to address the need for new buildings; or
3. Investing significantly in the redevelopment of the cemetery to re-establish Mountain View cemetery as the cemetery of choice in Vancouver and the lower mainland.

In 2004, City Council adopted option three and a Master Plan that set the direction for re-opening the cemetery to redevelop it into a viable and continuing service for the citizens of Vancouver. The goals of the Master plan were to:

- a. Eliminate the subsidy by year 7 (subsequently extended to 12 years);
- b. Retirement of all debts by year 25; and
- c. A fully self-funded operation by year 25.

Master Plan Project-Phase 1 included:

1. building of an administration building, operations yard and the Celebration Hall to provide the necessary infrastructure to support a modern active cemetery, and
2. landscaping and Interment project to enable the cemetery to sell new space and generate the revenue to fund the development and to reduce the continued reliance on City subsidy.

The final Phase 1 construction cost came in around \$19 million. The cemetery began offering cremation interment space and services in 2009. Reclaimed casket interment spaces were on sale starting in 2011 under provision provided for in provincial cemetery legislation.

A financial plan review¹ was conducted in 2013 to assess the results achieved in the first 5 years of activation under the 2004 Redevelopment and Financial Plan. The

¹ The Financial Plan Review was conducted by Stephen Olson who is an independent funeral services consultant with 35 years of experience as funeral director and in funeral home management.

consultant reported that the results were short of expectation and small variances in both sales and market share could negatively affect the revenue projection.

The consultant further stated that:

“Mountain View Cemetery must be viewed as a long-term, ultimately ‘perpetual’ commitment...” and suggested that *“...with refocused effort, lowered expectations in the short-term, prudent financial management and expense control the goals of:*

- *self-funding financial stability;*
- *long-term fiscal sustainability; and*
- *eventual removal from reliance from tax dollar subsidy; can still be achieved.”*

The report showed the following five years financial results since the Master Plan was implemented.

Category	1st 5 Years Projected (2004)	Actual (2007 - 2012)
Space Sales (Cremation & Casket)	\$ 7.5 million	\$ 5 million
Interments	\$ 1,910 million	\$ 864 thousand
Memorials	\$ 920 thousand	\$ 197 thousand

The consultant recommended that a measured, consistent and conservative approach to budgeting, sales projections and expense management would be needed. Keeping schedule of rates current and adjusting them as needed, and focusing on marketing Mountain View cemetery in the minds of the public would also help its profile in the community.

Cremation, Interment and Funeral Services Act (CIFSA): Key components of this Act include Operation of Places of Interment, Application of Business Practices and Consumer Protection Act and establishment of a Care Fund².

² A Care Fund is monies set aside for the care and maintenance of a place of interment. Specifically Care Fund deposits must be in the prescribed amounts, kept separate and apart, and in accordance with the terms and conditions imposed by the CIFSA.

Scope

Our audit objective was to provide reasonable independent assurance that Mountain View Cemetery's business objectives meet management expectations, and operational processes and internal controls are adequate and effective. We also followed up on our 2009 Cemetery Audit recommendations against Internal Audit's 6-month Follow-up procedures, examined inherent risks and assessed achievement targets as identified in the revised financial plan for the Cemetery. Our work covered the following activities:

- Strategic direction and long-term vision;
- Current field and business operations with respect to:
 - Resource sufficiency
 - Policies and procedures
 - Record keeping
- Financial accountability and internal controls;
- Physical assets, inventory and security;
- Management objectives;
- Compliance to legislations; and
- Future development.

The audit is not designed to detect fraud. Accordingly there should be no such reliance.

Conclusion

Mountain View Cemetery's operation complies with the *Cremation, Interment and Funeral Services Act*. Internal reporting and cash management procedures need improvement. The cemetery committee needs to establish effective oversight and the Cemetery's Financial Plan objective of achieving financial self-sufficiency should be reviewed with respect to its debt financing.

Findings and recommendations have been discussed with appropriate management and work is underway to address them.

The more significant findings and recommendations are:

Provide Formal Report and Update to City Council

To complete the Mountain View Cemetery's Master Plan reporting requirement, management should formally report to Council the outcome of the Phase 1 development as well as the financial results to date.

Cemetery Committee to establish effective governance and oversight

City Council delegated the executive power to the Cemetery Committee under section 331 of the Vancouver Charter. The Cemetery Committee should meet regularly to establish oversight/governance to promote growth and development of the cemetery.

Adherence to Cash Handling Procedure Required

City's Cash Handling Manual requires that large cash deposits be couriered by contracted armoured service for banking to ensure safety of staff and security of City assets.

Review of Cemetery's Debt Financing needed

The Cemetery committee needs to re-evaluate the cemetery's present Capital Financing Fund arrangement. This would help to determine whether the cemetery's operation and revenue streams are adequate to meet its loan obligation and financial plan objectives.

Develop a Customer Satisfaction Survey Process

Mountain View cemetery should survey services provided to clients and use the results as input for future operation and business development.

The Manager of Mountain View Cemetery should maintain inventory records of items purchased for resale and to conduct annual inventory counts as a tool to manage this business line. A list of sales items should be prepared by June 30, and an inventory count starting on December 31, 2017 and continue thereafter at every year-end.

Formalize Inventory Process and Conduct Inventory Counts

The Manager of Mountain View Cemetery should maintain inventory records of items purchased for resale and to conduct annual inventory counts as a tool to manage this business line. A list of sales items should be prepared by June 30, and an inventory count starting on December 31, 2017 and continue thereafter at every year-end.