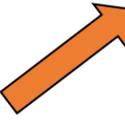


**CORPORATE SERVICES DEPARTMENT / PUBLIC WORKS DEPARTMENT
CEMETERY TRUST AUDIT DELIVERABLES - AUD23001**

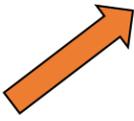
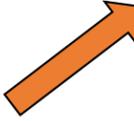
Completion Status Legend:

- Ongoing/ On Target 
- Progressing but delayed 
- Incomplete 
- Not started / Pending 
- Complete 

| Recom. No. | Audit Recommendation | Agree / Disagree | Management Response | Expected Completion Date | Completion Status | Status Update |
|------------|---|------------------|---|--|---|--|
| | | | | | | Q3 2023 (AUD23001) |
| 1 | <p>We recommend that a review of prior year trust allocations (as far back as there are available records) for completed Prepayment Plan (PPP) contracts be considered and an adjustment made to ensure all applicable money collected from cemetery sales is allocated to the correct trusts. All adjustments and support should be reviewed by FPAP management. A one-time adjustment should be made to bring any currently active PPP contracts into compliance with the Funeral Burial and Cremation Services Act (FBCSA) by moving all applicable trust amounts into the respective trusts. As the responsible party for recording the financial activity for Cemeteries, FPAP should have the authority to make the decision on the amount to record.</p> <p>Office of City Auditor Comment: In addition to interest adjustments, trust principal amounts collected and not properly allocated to the applicable trusts (incorrectly put into the operating account) should be adjusted. As noted in our report, the impact of not having the principal amounts properly allocated is estimated to have resulted in \$214K in lost interest.</p> | Agreed | It is recognized that the old process that was being used was incorrect and has been corrected for 2021 onward. By the time the audit report is approved in 2023, most active PPPs will be closed so there will not be many open contracts (estimated at \$25,000). Interest adjustments identified in other recommendations in this report and management responses will be considered. | Complete |  | Completed for 2022 year end |
| 2 | <p>To meet the record-keeping requirements of the FBCSA for the Pre-Need Trust, consider moving the trusts to individual trusts and tracking. If our current banking provider, does not provide this service, there are other financial institutions that currently offer the service. Alternatively, a process could be put in place to more accurately calculate the interest earned on the Pre-Need trust amounts. Currently, CAO staff calculates and provides an amount to be taken out of the trust and transferred to the operating account to FPAP when Pre-Need services are needed. This calculation should be done by FPAP staff and reviewed by FPAP management.</p> | Agreed | <p>Collaborative FPAP/CAO Response: Best practices from other municipalities will be researched. The processes to setup and manage individual Pre-Need Trust accounts with a financial institution will be reviewed and assessed against the current processes. The current processes include a separate database in a Microsoft Excel spreadsheet where individual trusts and accumulated interest are tracked. FPAP staff and Cemetery Office staff can implement new procedures immediately to update the interest rate and reconcile the spreadsheet to external sources.</p> | <p>Revised Completion Date Q4 2024</p> <p>Original AUD23001, Completion: Q2 2023</p> |  | Current/existing contracts are not recommended to transition to individual accounts. EAM is in the process of being configured to incorporate interest rate calculations. An interim process is being implemented until this process has been configured in EAM. Staff to explore if new contracts can have individual accounts. |

| Recom. No. | Audit Recommendation | Agree / Disagree | Management Response | Expected Completion Date | Completion Status | Status Update |
|------------|--|------------------|---|--|---|--|
| | | | | | | Q3 2023 (AUD23001) |
| 3 | <p>There is no oversight or involvement from FPAP for the annual BAO regulatory reporting for the Cemetery Trusts. We recommend that it be clearly defined who is to be involved in the collection and validation of the information and who has the authority to complete this type of annual reporting on behalf of the City.</p> <p>The reporting is a combination of annual sales detail and trust amounts collected. It is recommended that Cemeteries and Finance staff work together to gather the information and the report be reviewed by both Cemeteries and Finance management prior to submission. The final submission should be approved by Finance.</p> | Agreed | A Standard Operating Procedure (SOP) will be created to define roles and responsibilities between FPAP and Cemetery Office staff. An annual meeting to review the report prior to submission will be part of the SOP and scheduled with defined staff and management. SOP to be completed by July 1, 2023, and annual meeting to be held thereafter. | <p>Revised Completion Date Q4 2023</p> <p>Original AUD23001, Completion: Q2 2023</p> |  | Standard Operating Procedures to define roles and responsibilities is underway and are expected to be completed by December 31, 2023. |
| 4 | <p>We recommend that FPAP in conjunction with Financial Services (FS) review all current and prior year revenue recognition for transactions related to Cemeteries operations and trusts. Consider consulting the City's external auditors regarding the process to restate prior year revenues.</p> <p>Additionally, current processes should be updated to ensure proper revenue recognition in the future.</p> | Agreed | FPAP staff and Cemeteries Office staff will review the revenue recognition requirements under the FBSCA financial reporting and municipal financial reporting. Staff will update processes and procedures. Staff will analyze old transactions to adjust trust fund revenues, City municipal revenues for cemeteries and other accounts. Staff will consult with the External Auditors on the process to restate prior year revenues. | Complete |  | Completed for 2022 year end. |
| 5 | <p>We recommend that work continue to determine why the \$1.2M Due From the City of Hamilton (COH) to the Cemeteries Trust exists and to ensure any amounts which should go to the Cemeteries Trusts are properly allocated to the applicable trust. This issue may be related to Recommendation 6.</p> | Agreed | Initial analysis up to 2021 already started, on the Due From the City of Hamilton to Cemeteries Trusts, will be restarted. With creation of the new City of Hamilton in 2001, transactions back to 2000 should be available for analysis but, depending on the volume of transactions, the exercise may be time consuming. Interest adjustments identified in other recommendations in this report and management responses will be considered. Current practices have already been corrected to prevent a repeat of this issue once required adjustments are made. | Completion Date Q4 2023 |  | All items are reconciled with the exception of a net balance of \$115K which is being investigated with the assistance of Acctg Services to determine how to finalize. Once all entries are complete, bank transfers will be requested and appropriate journals completed. |
| 6 | <p>We recommend that FPAP include the impact of the Inter-Business Unit Balancing transaction that was part of the journal voucher to record Special Income C&M Trust amounts to determine if these are part of the total that makes up the Due From amount owed to the C&M Trust. Additionally, since adjustments to move the Special Income portions of the C&M Trust amount were needed to move those amounts to the trust, FPAP should also review to determine if an adjustment needs to be made to the years prior to 2014 to bring the C&M Trust up-to-date and to be in compliance with the FBSCA requirements. Related to this, standard operating procedures need to be developed to document the current procedure to book the Special Income revenue and C&M Trust amounts. The procedures should include the process in the OW's Division to pay for the Special Income burial services and graves including any limitations which may exist for covering this expense. The procedures should include a process to communicate to FPAP if this should happen.</p> | Agreed | The analysis of past transactions in other recommendations affecting the Due from City to Cemeteries Trust will include Special Income Transactions. The appropriate SOP's will be updated too. | Completion Date Q4 2023 |  | The Due To/ From balance owing to the Special Income C&M Trust amounts has been reconciled and journalled, including amounts prior to 2014. |

| Recom. No. | Audit Recommendation | Agree / Disagree | Management Response | Expected Completion Date | Completion Status | Status Update |
|------------|--|------------------|---|---|---|--|
| | | | | | | Q3 2023 (AUD23001) |
| 7 | We recommend the processes and procedures in CAO and FPAP be improved to address the risks identified in the audit report prior to the customizing of these processes in the City's new Enterprise Asset Management (EAM) system. This would ensure we are making the best and most efficient use of the customizations available for the new system. For example, consideration should be made when the switch to EAM is implemented to allow for reports to be run so Finance can independently pull financial transactions for booking transactions. Finance should also be involved in the EAM development. Cemeteries may also want to consider obtaining subject matter expertise of cemeteries management software and FBCSA to help build the EAM system for them. Additionally, we recommend a risk assessment be performed with IT Security to ensure all risks with using an unsupported version of HMIS on a limited-supported server are known and considered in the event of delays to the implementation. | Agreed | The EAM business case that was presented to Council prior to the project being approved is based on eliminating non-value-added activities from the business. The project will therefore improve, standardize and optimize processes for the business areas as the processes are configured into the system. The EAM system is highly configurable and does not require or involve customization. In the next stage of the project, the EAM team will be working with Cemeteries to elaborate and drill down on their required area specific workflows. These sessions will be held with Cemeteries, Finance, subject matters experts and other project team members including technical resources. Furthermore, current manual processes not included in HMIS, such as Trust Management, will be configured within the EAM system enabling the reduction of errors and cycle time. Finance will have access to the system so that they may adjust as required. The project will also be able to handle and, if desired, automate the month end requirement that is currently conducted in Excel, and trigger an email to happen under prescribed parameters. The EAM team welcomes a Subject Matter Expert (SME) of cemeteries management software and FBSCA to inform the configuration. A Risk Assessment will be completed with IT security in order to better understand the unsupported version of HMIS and the limited support server. | Revised Completion Date Q4 2024 Original AUD23001, Completion: Q3 2023 |  | Staff from both FPAP and CAO have been included in the configuration of the EAM system and as such are ensuring the process built into the system is compliant and efficient. A Service Request has been submitted to IT to initiate a risk assessment. (October 13, 2023) |
| 8 | We recommend that the CAO charge the Council-Approved user fees for all transactions. Any price changes should be submitted as part of the annual budget process for Council approval. Cemeteries staff do not have the authority to waive or reduce fees. | Agreed | Agree, once prices are set only Council can approve waiving or reducing fees that are within the City's authority to set; some fees are legislated, and should a change occur the CAO would need to comply and neither Council or the CAO can waive or change those fees. Staff are currently charging the approved fees. | Complete |  | Completed for 2022 year end |
| 9 | We recommend that a standard operating procedure be implemented for non-resident fees. It should include both validation and record retention requirements. | Agreed | The creation of a Standard Operating Procedure (SOP) is underway with some progress to date. The matter of non-resident fees is complicated by Hamilton's ownership of Woodlands Cemetery, that falls within the boundaries of Burlington. Staff will prepare a recommendation report for Council consideration on how to address non-resident fees for Hamilton-owned Cemeteries. | Revised Completion Date Q4 2024 Original AUD23001, Completion: Q2 2023 |  | Underway; need to determine what a "non resident" is especially for Woodland cemetery that is within the boundary of another municipality. CAO staff will investigate and analyze various options to see if it makes sense to keep a non resident fee or consider removing it and bring forward recommendations for consideration by General Manager of Public Works. This item will be considered as part of the business and land needs service delivery review to be started in Early 2024. |
| 10 | We recommend that the City's Cemetery By-Laws be updated to include a policy for refunds for lots/graves or niches/columbarium's to ensure compliance with the FBCSA. The City can decide if it will refund a purchase or not, but the decision should be documented in the By-laws and, the contract clause in the contract for refunds should be updated accordingly. | Agreed | The By-law will be updated and submitted to BAO for approval in order to become compliant with this recommendation and the legislation. When the legislation changed a few years ago, it was determined that Hamilton would not buy back lots/graves or niches/columbarium's, however the By-law was not updated at that time. It is anticipated that a staff report will be brought to Public Works Committee in Q2 2023. Once the By-law is approved by Council, it requires BAO review and approval, which staff estimate will take an additional 2-3 months. If changes are required by the BAO, a revised By-law and report to committee will be required. | Complete |  | By-law amendment submitted as part of Report FCS23090/PW23078 |

| Recom. No. | Audit Recommendation | Agree / Disagree | Management Response | Expected Completion Date | Completion Status | Status Update |
|------------|---|------------------|---|---|---|---|
| | | | | | | Q3 2023 (AUD23001) |
| 11 | We recommend that the CAO address the issues identified in the Cash Handling portion of the audit (as listed in Confidential Appendix "C" to Report AUD23001) to be compliant with the Council-approved City-Wide Cash Handling Policy and Guidelines. | Agreed | Management agree that separation of duties to ensure proper oversight of cash and financial matters is important. However, separation of duties is a challenge with Cemeteries office because there are not many staff in the administration area to provide layers of approval. The Supervisor of Cemeteries does now ensure management review and sign-off of contracts and other documents where changes are required. This ensures documentation is clear for approvals. Additionally, updates to Standard Operating Procedures (SOP's) and creation of new SOP's to reflect the requirements of the cash handling policy is ongoing. | Revised Completion Date Q4 2023 Original AUD23001, Completion: Q3 2023 |  | Cash handling SOP for the Cemeteries Administration Office is underway and is expected to be completed by December 31, 2023. The SOP addresses all issues identified at the Cemeteries Administration Office as documented on Confidential Appendix "C" to Report AUD23001. Police background checks for current staff are underway and are pending results. Safe is on order but has not yet been delivered. |
| 12 | We recommend that the CAO and FPAP Division document standard operating procedures for their respective processes for their current processes around cemetery sales and trust administration. The processes should ensure that compliance requirements are addressed and there is adequate segregation of duties. Included in the procedures should be more management oversight over processes (e.g. management review over any adjustments to the trusts, a periodic review of deposits and refunds, etc.). | Agreed | Management agree that Standard Operating Procedures (SOP's) be updated or created where there are none, to ensure management oversight and segregation of duties is clear and compliant. This is being addressed in Recommendation 11 as well as others related to SOP's to define roles and responsibilities between Cemeteries and Finance interactions. | Completion Date Q4 2023 |  | CAO Standard Operating procedures are underway with target completion November 2023. FPAP are expected to begin late October 2023 and be complete by December 2023. |
| 13 | We recommend that the Council-approved investment policy either be updated to allow for security lending for trusts or this practice be discontinued for trusts to comply with the current policy. While completing the above, the risks of securities lending should be assessed for all trusts which earn income in this manner. | Agreed | While the inclusion of securities lending is missing from section 5 of the Statement of Investment Policies and Procedures (SIPP, Appendix "A" to Report FCS19074), securities lending is permitted in the custodian agreements through a separate securities lending agreement. Securities lending revenue is minimal. The existing agreement will be reviewed for the impact of cancelling and ceasing lending of cemetery trust securities. | Complete |  | Agreements with RBC Investor Services Trust have been authorized. Changes to the Statement of Investment Policies and Procedures (SIPP) will be made in the next SIPP report to Council in Q4 2023. |
| 14 | We recommend that Legal Services review the current Securities Lending Agreement and determine if there could be more advantageous or transparent terms which could be negotiated in addition to updating the terms to be current (e.g. update the list of Security Borrowers, etc.). | Agreed | Under recommendation 13, FPAP staff are looking to cease lending of cemetery trust securities so Legal Services will not be needed to negotiate terms for a new agreement. | Complete |  | Completed for 2022 year end. |
| 15 | We recommend that FPAP determine the purpose of the allocation of revenue to specific cemeteries and include this in their standard operating procedures. If there is no impact to financial reporting or budgeting, discontinue this to streamline the financial reporting process. This should also extend to the refund process. | Agreed | FPAP staff will discuss with CAO Manager/Superintendent to understand if there is requirement to have separate cost centers or Dept IDs for each cemetery or general cemetery costs and revenues. | Revised Completion Date Q2 2024 Original AUD23001, Completion: Q4 2023 |  | FPAP staff are meeting late October 2023 to review options and will present recommendations to CAO Management. Completion anticipated with the 2024 budget load, Spring 2024. |
| 16 | We recommend that Cemeteries staff ensure copies of BAO reports and all contract file information is saved electronically and that Finance ensures that journal entries in PeopleSoft include applicable attachments, particularly for any one-time entries or adjustments to financial records. | Agreed | Cemeteries staff are working on the transition to digital filing and good progress is being made. All contracts are digital and reporting to the BAO is now digital per the BAO processes. Cemeteries records are nearing completion of transition to digital with scanning of archive files. FPAP staff will ensure supporting documents are saved with PeopleSoft journals. | Complete |  | Completed for 2022 year end. |

| Recom. No. | Audit Recommendation | Agree / Disagree | Management Response | Expected Completion Date | Completion Status | Status Update |
|------------|---|------------------|--|--|---|--|
| | | | | | | Q3 2023 (AUD23001) |
| 17 | <p>On the BAO website, there is a Compliance Self-Evaluation Checklist for Cemetery Operators that covers the breadth of the FBCSA requirements over all of cemeteries management. OCA recommends that Cemeteries and Finance review this checklist to understand what other areas or processes applicable to the COH cemeteries that may require improvements to be in compliance with the FBCSA.</p> <p>Additionally, Finance should consider reaching out to the BAO directly for any questions and being less reliant on Cemeteries staff to make inquiries. This could help develop a relationship with the BAO independently of the Cemeteries staff.</p> | Agreed | <p>Management agree to undertake the self-assessment and follow any recommendations. Finance staff and Cemetery staff can have specific independent discussions with the BAO as required to clarify process and ask questions. It will be a priority to ensure ongoing collaboration and coordination between Cemetery and Finance staff, to be clearly defined through Standard Operating Procedure (SOP) to be created per Recommendation 3.</p> | <p>Revised Completion Date Q4 2023</p> <p>Original AUD23001, Completion: Q2 2023</p> |  | <p>Checklist is completed for Cemeteries. Only a few minor changes needed to be compliant. Finance review underway with one item that is being investigated.</p> |