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Audit Report

**CORONER
CREMATION FEES**

As of September 30, 2016

**Office of the Controller
County of Northampton
Pennsylvania**



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March 20, 2017

Members of the Northampton County Council
John A. Brown, County Executive
County of Northampton, Pennsylvania

We have completed an audit of Coroner Cremation Fees as of the nine months ended September 30, 2016.

The Executive Summary on page 1 summarizes the audit results, while the Audit Results section provides a detailed explanation.

We acknowledge the cooperation and assistance we received from the Office of the Coroner. Their help was essential to the performance of this audit.

Management's response is included in the Audit Results section of the report.

Very truly yours,

Stephen J. Barron, Jr., CFE
County Controller

Kathleen A. Kuzma, MBA, CPA, CGMA
Lead Auditor

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EXECUTIVE SUMMARY

No errors were noted in the processing of requests for cremation authorizations. However, improvements could be made that would enhance the internal controls over the process.

The Coroner would benefit from updating the policies and procedures manual to reflect the financial aspects of the cremation authorization process. Improvements could be made with regard to the cremation authorization log, supervisory review of deposits, and clarification of responsibilities for the bank reconciliation process.

Automation of the Cremation Authorization Log would improve the efficiency of maintaining this data. Finally, developing a procedure for transferring credit card receipts to the County's interest-bearing bank account would increase interest earned for the County.

INTRODUCTION

This audit was performed at the request of the Coroner to assess accountability of fees collected from requests for cremation authorizations. While the Coroner had no immediate concerns within his office or with the cremation authorization process and assessment of fees, he wanted some assurance that internal controls were functioning as intended since the office recently started accepting credit cards as a payment option.

The Coroner is responsible for investigating the facts and circumstances concerning deaths within the County. The purpose of the investigation is to identify the deceased, determine the cause and manner of death, and decide whether the death may have resulted from criminal acts or criminal neglect by a person other than the deceased.

In addition, Pennsylvania requires that an additional authorization be obtained from the coroner prior to cremation to avoid the possibility of destroying evidence of foul play and to ensure proper identification of the body before disposition. This authorization is obtained from the coroner where the death occurred. The funeral director, being familiar with this requirement, must ensure that this authorization is obtained prior to cremation.

To offset the administrative cost of providing this authorization, the Coroner's Office assesses a fee for each request for cremation authorization as allowed by Pennsylvania Statutes "Title 16 P.S. Counties § 1236.1. Requests for Examinations and Reports". The Coroner fee schedule was approved by Council with Resolution 32-2013 and became effective July 1, 2013. This fee schedule includes a \$50 cremation permit fee which increases to \$75 if invoicing is required.

PURPOSE AND SCOPE

The purpose of this audit was to:

- Determine the adequacy of internal controls over processing the requests for cremation authorizations.
- Analyze credit card activity to assist the Coroner and Fiscal Affairs in making financial decisions about the credit card payment option.

The scope of the audit covers testing of requests for cremation authorizations during the period beginning January 1, 2016 through September 30, 2016.

METHODOLOGY

Our methodology included:

- Interviewing the Coroner and his staff to document the cremation authorization policies and procedures.
- Interviewing Fiscal Affairs staff to document the financial aspects of the credit card payment option.
- Identifying applicable policies and procedures, and laws and regulations.
- Identifying and assessing internal controls for the cremation authorization process.
- Performing tests of transactions for requests for cremation authorizations for compliance with internal controls, policies and procedures, and laws and regulations.
- Reviewing credit card fees to assist Fiscal Affairs in making decisions about transferring funds to the County's common bank account.

Our review included an assessment of internal controls in the audited areas. Any significant findings related to internal controls are included in the Audit Results section of the report.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT RESULTS

Section A – Policies and Procedures

1. Maintaining a Current Policies and Procedures Manual

OBSERVATION

The Coroner follows guidelines outlined in the Pennsylvania Statutes Title 16. As of the fieldwork date, the Coroner has a policies and procedures manual for the office but it dates back to 2001 which precedes the implementation of the cremation authorizations and collection of the fees, and does not include procedures with regard to financial matters associated with the collection of fees. The Executive Secretary maintains a list of procedures for handling requests for cremation authorizations, but this also does not include the procedures for handling financial aspects of the authorization process.

A policies and procedures manual is a document for employees to refer to for guidance in their daily job responsibilities. The absence of a policies and procedures manual or the use of an outdated manual can lead to inconsistent handling of duties between staff members and could have an adverse impact on internal controls in the office.

RECOMMENDATION

The Coroner should update the policies and procedures manual and implement it as soon as possible. The revised manual should include policies and procedures for all aspects of the daily operation of the office particularly with regard to financial matters, and should be easily accessible to the staff as a reference tool in performing their daily duties. Staff should be trained to ensure policies and procedures are understood and properly followed. The Controller's Office is available to assist the Coroner in updating the manual.

MANAGEMENT RESPONSE

Zachary Lysek, Coroner

The Standard Operating Procedure is focused on handling cremation requests that are faxed to the Coroner's Office. This includes detailed instructions concerning the fees set by county ordinance and the steps to handle credit card transactions. This procedure does not include the details of handling the financial transactions (i.e. deposits and credit card summary reports) since Chief

Deputy Coroners, Deputy Coroners and part-time clerical staff are not responsible for this aspect.

When the Coroner's Office Policy and Procedures Manual is updated, the section referencing cremation authorizations and payments for these authorizations will be added.

Section B – Internal Controls

1. Merchant Services Bank Account Reconciliations

OBSERVATION

The Coroner began accepting credit card payments for fees associated with cremation authorization requests in May 2016. A merchant services bank account was established for depositing these credit card payments. The bank statement for this account is mailed directly to the Coroner. The Coroner forwards the bank statement to Fiscal Affairs for preparation of the bank reconciliation; however the detail for credit card transactions is not being forwarded to Fiscal Affairs.

It was discovered that there was confusion between the Coroner and Fiscal Affairs as to who was responsible for verifying that credit card transactions were properly reflected on the bank statement. Procedures for reconciling this bank account and processing credit card payments were discussed between Fiscal Affairs and the Coroner; however, no training was provided to the Coroner or his staff for handling these financial matters.

Because the detail for credit card transactions is not forwarded to Fiscal Affairs, the Accountant is not able to verify the deposits that are posted to the bank account. As a result, the bank reconciliation performed by Fiscal Affairs is not being prepared in the prescribed manner and is not a proper reconciliation.

RECOMMENDATION

We recommend that Fiscal Affairs and the Coroner meet to discuss the bank reconciliation process and each individual's responsibilities in ensuring a proper bank reconciliation is being performed. The Coroner should consider changing the address on the bank statement so that it is mailed directly to Fiscal Affairs. Training should be given to the Coroner and his staff to aid them in the performance of their fiscal duties.

MANAGEMENT RESPONSE

Zachary Lysek, Coroner

Identifying the responsibility of both departments has been evolving as new procedures are implemented. Both departments have agreed on a procedure that will reconcile the bank statements monthly.

2. Supervisory Review of Receipts and Deposits

OBSERVATION

Payments made by check are received in the mail by the Coroner and forwarded to the Executive Secretary for processing. The Executive Secretary enters payment information on the Cremation Authorization log and prepares the Daily Cash Summary Sheet for weekly deposits. The Coroner reviews and approves the deposit and verifies it to the Revenue register receipt.

The Coroner does not maintain a log of checks received for verification to the Daily Cash Summary Sheets or the register receipt. The Coroner does not initial or sign the forms as proof of his review or his verification of the deposit. This was a previous discussion item in the 2015 Cash Collection Internal Control Review agreed-upon procedures project. In addition, no one in the Coroner's Office is verifying the accuracy of deposit postings in the County's financial system.

The Cremation Authorization Log entries are misleading and, at times, inaccurate with regard to the payment information. The following items make it difficult for the Coroner to perform his review of deposits.

- The fee entered in the log is not always the actual fee paid. When the request for cremation authorizations is received, the standard fee of \$50 is entered automatically unless an invoice is requested immediately. The Executive Secretary does not change the fee on the log if there is a change made subsequent to the request such as in the case of issuance of an invoice.
- The Cremation Authorization Log does not indicate that an invoice has been issued as an indication of the fee that is due.
- When the checks are received, the Executive Secretary enters the date the check was written, not the date the check was received or deposited. This can result in difficulties with tracing items on the Daily Cash Summary Sheet if the check was not mailed in a timely manner after it was written.

While no errors in deposits were noted during testing, internal controls with regard to processing and depositing of payments could be improved as the current procedures afford no way of ensuring that all fees have been properly assessed and all checks received have been deposited. See Section C, Economy and Efficiency Finding #1 for further details with regard to automating the log to benefit the office.

RECOMMENDATION

The Coroner and his staff would benefit from training with regard to fiscal responsibilities to ensure they develop proper procedures and internal controls for the cremation authorization process.

MANAGEMENT RESPONSE

Zachary Lysek, Coroner

The Auditor's suggestions have been implemented to correct any inaccurate information.

The Cremation Log is to log cremation requests from funeral homes and the cremation authorizations numbers given. Payment and invoice information will now be filled in when payment is received or when an invoice is issued.

The Coroner's Office will make changes that will assist with tracking items on the daily cash summary sheet.

The Coroner's Office requested this audit as a proactive approach to develop the proper procedures as set by our auditors. Knowing that our expertise does not encompass the recommended fiscal procedures we want to ensure that our procedures are in compliance with all regulations.

Since the inception of the cremation authorization fee in July 2013, the Coroner's Office has authorized and collected approximately 4,540 cremations resulting in over \$236,500 deposited into the County's general fund account. Of these cremations, the Coroner's Office has been unable to collect on three cremations to date that total \$225.00. The names of the outstanding funeral homes are listed so that the Coroner's Office staff are aware and no cremation authorizations will be given unless repayment is received.

Section C – Economy and Efficiency

1. Automation of the Cremation Authorization Log

OBSERVATION

The Coroner uses a manual, paper log to track requests for cremation authorizations. This log limits the amount of information that can be tracked for each request due to the size of the paper stock it is printed on. See Section B, Internal Controls Finding #2 for details on items that could be improved in the log.

Per the County's *Proposed Budget* narrative, one of the Goals and Objectives of the Coroner's Office is "to expand office computerization". The Cremation Authorization Log is an area that could be automated. In addition to the ability to track more information, an automated log would provide search and reporting capabilities not possible with a manual log. This would render the Cremation Authorization Log more useful to the office.

RECOMMENDATION

The Coroner should consider automating the Cremation Authorization Log and ensure that everyone that requires access to the log is granted the proper computer approval. The Controller's Office and the County's Information Technology Group (Conduent) can be consulted in developing an automated log.

MANAGEMENT RESPONSE

Zachary Lysek, Coroner

The Coroner fully understands the importance of automation and the use of new technology. But with that there also comes the need to balance the needs of the staff and logistics of the office. The method currently used to handle the cremation authorization log allows for our office to address constraints and work flow issues for our staff. This recommendation will be reviewed and changes made when it can be implemented within confines and workflow of the Coroner's Office.