

**Town of Ossining -
Dale Cemetery Management Corporation**

Agreed Upon Procedures

December 31, 2013

Independent Accountant's Report

Susanne Donnelly, Town Supervisor
Members of the Town Board
Town of Ossining
16 Croton Ave Avenue
Ossining, New York 10562

We have performed the procedures enumerated below, which were agreed to by the Town of Ossining (Town), solely to review the management agreement provisions and accounting records for Dale Cemetery Management Corporation (Dale Cemetery) for the year ended December 31, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we were engaged to perform were as follows:

A. Dale Cemetery Management Corporation

1. Select revenue invoices for one month every quarter and trace deposits made directly into the Town's bank account.

Our procedures included inspecting thirteen (13) invoices in total for 2013. Each invoice was traced to the Dale Cemetery record of Interments and compared to the Dale Cemetery price listing for each service described. The total deposit for each day selected was traced to the Town's bank statements and general ledger. We found no exceptions as a result of applying these procedures.

2. Compare each monthly bank statement for Dale Cemetery for 2013 for deposits other than management fees received from the Town. There were four (4) such deposits; two (2) were payroll tax refunds, as well as a workers' compensation refund and an office expense refund. We found no exceptions as a result of applying these procedures.
3. Sample the invoicing system or duplicated receipts book for one month every quarter to assure sequentially numbered invoices for the year ended December 31, 2013.

As a result of sampling thirteen (13) invoices, we observed that there were not any pre-numbered invoices for Cemetery revenue. All invoices are manually handwritten and recorded by Barbara Hadjstylianos, who is in charge of the office. Barbara Hadjstylianos also collects the monies, records the deposits, and deposit these monies into the Town's bank account.

For the invoices reviewed we found no exceptions.

4. Analyze the lease for the rental of the apartment space (Cottage).

The lease between Dale Cemetery and one of its employees for use of the Cottage space was for one year term from July 1, 2010 through June 30, 2011, for \$1,100 per month. This lease was signed by George Weeks for the Dale Cemetery and Catherine Borgia, former Town Supervisor for the Town. We were not provided any renewal documents. Monthly invoices were generated by Barbara Hadjstylianos (Dale Cemetery) and did not contain any invoice date. We interviewed Barbara Hadjstylianos, who collected the rent in cash form the employee and then deposited it in the Town's bank account. The rent collected was traced from the invoices provided to the Town's records.

We found a number of exceptions as a result of performing these procedures. The rent for the June 2013 invoice was marked paid in December 2013, but could not be traced to the Town deposit records. After discussion with Barbara Hadjstylianos, she informed SaxBST she collected the rent in cash from the employee and put the monies in the safe. As a result of the Town requesting the employee no longer occupy the premises, Barbara Hadjstylianos claims she returned the monies to the employee and obtained a receipt written in Spanish from him that these monies were returned. No such receipt has been provided to SaxBST. Subsequent to the Town requesting the lease be terminated and employee be evicted, the Dale Cemetery collected four (4) additional months' rent from January to April 2014. These monies were deposited in the Town's bank account. It is unclear as to which months the monies collected in 2014 should be applied to for 2013.

5. Inspect the annual payroll tax filings and test the filings to ensure the W-2's agree with the Dale Cemetery payroll tax filings and Town records. Inspect personnel files for employer compliance with S & F laws for all employees.

We found a number of exceptions as a result of reviewing these procedures. The weekly and quarterly payroll records are kept internally by Barbara Hadjstylianos in Excel format; no payroll service is used. All quarterly reports tied out to the internal payroll summaries and W-2's. SaxBST could not verify the filing of these forms, but did verify the Federal tax withholding deposits made electronically. Total payroll paid in 2013 of \$285,842 is within \$462 of the 2013 amount per the Town budget. Barbara Hadjstylianos of Dale Cemetery prepares handwritten weekly payroll checks, signs the checks, files the payroll returns, and does the monthly bank statements. Barbara H. was not able to provide us with any employee files. There were neither W-4's nor I-9's for any employees through the December 31, 2013 year.

6. Inspect the 2013 tax filings (Form 990) with the Internal Revenue Service for receipts and expenditures.

We were not able to locate any tax filings from the inception of Dale Cemetery. There are various correspondences between the Town and Dale Cemetery claiming that Dale Cemetery is a component of the Town for tax filing purposes and does not need to file a separate return. The correspondence is inconclusive, and SaxBST cannot determine if this was a correct procedure.



7. Inspect the semiannual and annual operating reports as required in the management agreement and sample monthly cash receipts and payroll records from report.

SaxBST was provided with the management agreement by the Town. Dale Cemetery personnel were not able to provide these reports as they were not prepared for the Town in accordance with the agreement.

8. Inspect the monthly Board minutes of Dale Cemetery with the Town.

SaxBST was provided with the management agreement by the Town. Dale Cemetery personnel were not able to provide these minutes as the Board meetings did not occur in accordance with the agreement.

9. Analyze procedures for annual billings and perpetual care of grave maintenance to clients.

Certain arrangements are made for annual and time payment billings regarding invoices that cannot be paid in full. Per discussion with Barbara Hadjstylianos, there is no perpetual care and, therefore, no annual billings. SaxBST did discover during our interview process with Barbara Hadjstylianos that there is an unofficial list of people who are paying over time totaling \$18,445 as of December 31, 2013.

There has been no communication with the Town concerning the list or collection of the outstanding balances. SaxBST cannot verify the accuracy of these balances outside of reviewing the Excel schedule provided by Dale Cemetery

10. Inspect any large agreements for purchase of burial plots over \$10,000.

Dale Cemetery provided SaxBST with a contract signed in September 2010 with On Hong Senior Center Inc. for the sale of 1,214 plots. The plots totaling \$1,827,500 are being paid for in installments between 2010 and 2014. We verified the four (4) payments made in 2013 to the contract terms and traced the deposit slips to the Town's records, as well as verifying the number of plots sold with Town management.

We found no exceptions as a result of applying these procedures.

B. Town of Ossining

1. Compare budgeted figures for payroll and management fees to actual payments.

The Town provided SaxBST with the 2013 portion of the budget that related to Dale Cemetery operations. Dale Cemetery personnel provided the records regarding the payroll and management fees transactions. We compared the actual payroll for 2013 paid to employees by Dale Cemetery to the approved budgeted amount of \$286,304. The actual amount was \$462 more than budgeted. We reviewed the Dale Cemetery bank statements for 2013, and the management fees deposited totaled \$328,178 which is the same as the budgeted figure.

We found no exceptions except for the small budget difference as a result of applying these procedures.



2. Sample large expenditures concerning the Dale Cemetery for approval and purchase orders, including compliance with adopted Town procurement policy.

The Town provided SaxBST with the portion of the 2013 general ledger related to Dale Cemetery disbursements (Dept. 8810) and the Town procurement policy. We inspected expenditures over \$2,000 from various general ledger categories in relation to the existence of a purchase order, compliance with the procurement policy, and compliance with the competitive bidding process.

After reviewing ten (10) invoices, we found compliance issues with the Town policies. A repetitive issue resulted from five (5) claim vouchers not approved by a department head from Dale Cemetery (George Weeks) but by office employee Barbara Hadjstylianos. This is not in accordance with the Town procurement policy. There were also five (5) instances for which the competitive verbal or written bidding process was not able to be verified. There was no evidence found that the proper bidding process occurred. The proper bidding process was followed for the purchase of an excavator for \$50,077. We recommend that future purchase orders be presented to the Town by Dale Cemetery prior to the purchase being made.

3. Inspect Town's fixed asset listing.

The Town provided SaxBST with a listing of fixed assets for Dale Cemetery.

Subsequent to signing the arrangement letter, the Town hired an independent person to investigate and inspect the fixed assets of Dale Cemetery. Accordingly we did not perform any procedures on the fixed asset listing.

4. Cross check a sample of monthly deposits to management's records.

We compared thirteen (13) transactions with deposits made by Dale Cemetery from invoices selected in 2013. Each deposit was traced to the Town's general ledger and to the bank statements.

We found no exceptions as a result of applying these procedures.

OTHER OBSERVATIONS

In the course of performing these limited procedures, SaxBST is recommending a number of internal control issues that need to be reviewed and revised.

- Pre-numbered invoices are not used. Pre-numbering provides a way to verify that all transactions have been recorded. Also, there is a lack of segregation of duties over the billing function, including invoicing, collecting payments, and depositing monies in the bank. Proper segregation of duties increases the opportunity for errors and irregularities to be detected.
- Barbara Hadjstylianos of Dale Cemetery prepares handwritten weekly payroll checks, signs the checks, files the payroll returns, and does the monthly bank statements. This is not proper segregation of duties. George Weeks from Dale Cemetery does not approve any payroll.



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- In addition to implementing segregation of duties controls, we recommend the Town receive and thoroughly review a quarterly schedule of outstanding balances and an update from Dale Cemetery personnel regarding the collection of the outstanding balances for all time payments.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the procedures taken as a whole. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the Town of Ossining and is not intended to be and should not be used by anyone other than the specified party.

SaxBST LLP

New York, New York
October 1, 2014