

Cemetery Regulation in Ohio

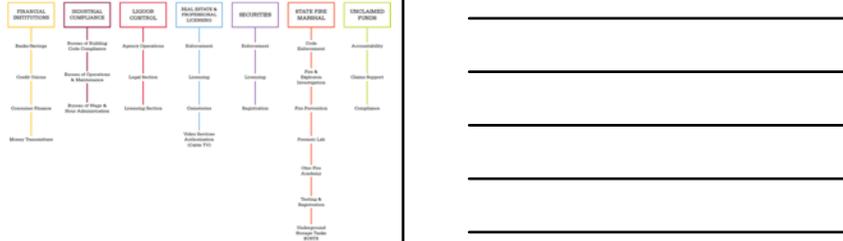
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The Ohio Department of Commerce is focused on equipping businesses and protecting consumers.

Commerce has seven Divisions including Real Estate & Professional Licensing

Our goal is to keep Ohioan's safe, sound and secure.



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Fraud in Cemeteries

Former NY cemetery chief accused of \$10K theft

Updated Friday, 26 Nov 2010, 5:02 PM EST
Published: Friday, 26 Nov 2010, 5:02 PM EST
LIQUORPORT, N.Y. (AP) — The former superintendent of a western New York cemetery has been charged with stealing thousands of dollars from the cemetery association.

Cemetery owners get prison time, ordered to pay \$160K in restitution

Updated Friday, 26 Nov 2010, 5:02 PM EST
Published: Friday, 26 Nov 2010, 5:02 PM EST
MICHIGAN (AP) — Cemetery owners charged with stealing thousands of dollars from the cemetery association have been sentenced to prison and ordered to pay \$160,000 in restitution.



Longtime cemetery treasurer charged with theft

Updated Friday, 26 Nov 2010, 5:02 PM EST
Published: Friday, 26 Nov 2010, 5:02 PM EST
A longtime treasurer of a cemetery association has been charged with stealing thousands of dollars from the association.



Missouri Couple Charged With Cemetery Fund Theft

Updated: Jun 8, 2010 8:41 AM by Associated Press
MISSOURI CITY (AP) — The mayor and city clerk of Missouri City, who are married, are charged with embezzling more than \$76,000 from the city's cemetery association.

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Fraud in Cemeteries

- What was your reaction?
 - "That could never happen in our cemetery."
 - "Our bookkeeper/treasurer/accountant has been with the cemetery **forever**. They would never steal from us."
 - "Our financial person is so dedicated. I do not know what I would do without them."
- Are you putting your trust in your processes or in a person?

Big Questions

- Would you know if someone was stealing from your cemetery?
- How would you catch it?

Why Do People Steal?

The Fraud Triangle



*The fraud triangle originated from Donald Cressey's hypothesis.

Fraud Triangle

- Pressure
 - Motivation to commit fraud:
 - Financial difficulties or crisis
 - Living beyond their means
 - Feeling of no other way out

Fraud Triangle

- Rationalization
 - Justification used by individuals who commit fraud:
 - Not a criminal
 - Just "borrowing" the money
 - Owed the money (i.e. extra work, no raises)

Fraud Triangle

- Opportunity
 - Individual has to be in a position to commit the fraud with minimal risk of getting caught.

Types of Fraud

- Three areas of possible fraud:
 - Income
 - Expenditure
 - Inventory

Income Fraud

Income Fraud

- Your biggest vulnerability is cash.
 - What is your process for handling cash transactions at your cemetery?
- Danger
 - Employee accepts cash for payment of lot/merchandise/services and keeps the cash without recording the payment in cemetery records.
 - Employee offers "discount" if customer pays in cash. Employee keeps the cash.

Income Fraud

A former clerk, between March 2009 and February 2011, received cash payments for utility bills as a village employee and pocketed the money rather than depositing it in the village account.

https://ohioauditor.gov/fraud/convictions_map.html

Income Fraud

- Receipts
 - Would you know if a receipt is missing?

- Danger
 - Employee may have given customer a receipt, but then removes or voids the carbon copy. They may even use a different receipt book.

Income Fraud

- Deed Book or Contract
 - Would you know if an employee filled out a deed or contract for a customer and then threw away the cemetery's copy?
 - Numbered receipts/deeds/contracts
 - Restrict access to reserve stock
 - Account for voided items

Income Fraud

- Checks and Credit Card Payments
 - Danger
 - Employee goes to a bank and sets up another account for the cemetery. They are the only signatory on account. Some checks are then diverted into the false account.
 - Employee sets up phone app to take credit cards, but uses personal or false account as depository.

Income Fraud

- Employee is most likely to target customers who will likely not be needing use of lot or services for many years.
- Fraud may not be discovered for years.

Income Fraud

- Deposits
 - Who prepares and takes the deposit to the bank? Is it the same person who receives the money?
 - Is the deposit verified at any time with the receipt book, deeds or contract?

Income Fraud

A former village utility clerk pocketed \$79,123 in cash that she was supposed to deposit into the village's bank account.

https://ohioauditor.gov/fraud/convictions_map.html

Expenditure Fraud

Expenditure Fraud

- Areas of concern
 - Checks
 - Credit cards
 - Expense reimbursement

Expenditure Fraud

- Checks
 - Would your cemetery know if the person who writes your checks starting writing some to themselves?
 - False entries into check register or computer
 - Look for checks out of order

Expenditure Fraud

The wife of a fiscal officer stole and forged township checks totaling \$34,337. Over the course of several years, she took township checks and forged signatures of the fiscal officer and township trustees to illegally convert township funds for personal use. In addition, she tampered with bank statements to conceal this theft.

https://ohioauditor.gov/fraud/convictions_map.html

Expenditure Fraud

- Bank Statements and Checkbook
 - Who gets the bank statement?
 - Who balances the checkbook?
 - Does someone look to see that the payee on the check matches the register or computer?

Expenditure Fraud

A former township fiscal officer was sentenced to four years in prison for her theft of nearly \$138,000 in township funds. A review of township and the fiscal officer's personal bank records showed numerous transfers of public dollars into the personal account, totaling nearly \$138,000.

https://ohioauditor.gov/fraud/convictions_map.html

Expenditure Fraud

- Credit Cards
 - Does your cemetery use a credit card for business expenses?
 - Who has access to the card?
 - Is it restricted?
 - Who verifies that all charges are authorized work related expenses and not personal expenses?

Expenditure Fraud

- Credit Cards
 - Who looks to see that all checks written to credit card company show up on cemetery credit card statement?
- Danger
 - Employee gets a credit card with same company as cemetery and writes checks from cemetery to pay off his/her card.

Expenditure Fraud

Former village fiscal officer admitted to using the village's credit card for personal expenditures, issuing village checks to herself for personal use and taking cash received by the village. A special audit by the Ohio Auditor of State determined that the former fiscal officer made 125 credit card transactions totaling \$11,646 that were not for purposes related to village operations.

https://ohioauditor.gov/fraud/convictions_map.html

Expenditure Fraud

- Does your cemetery reimburse employees for work related expenditures?
- What is your process to validate that they are authorized expenditures?
- Watch for double payments: credit card and expense reimbursement.

Inventory Fraud

Inventory Fraud

- Theft or misuse of equipment
 - Mowers, trimmers and other tools
 - Mulch, soil, plants, and other items bought in large quantities
 - Gasoline – using it for personal vehicles

- Watch for purchases that look correct, but are never delivered to the cemetery and/or services that are never performed.

Inventory Fraud

- Bronze and Brass
 - How do you destroy mistakes or damaged items?
 - Is it always the same person?
 - How are you getting paid – cash or check?
 - Do you keep records of what is scrap?

Inventory Fraud

- In 2013, a Florida cemetery worker admitted to taking more than 100 bronze markers and urns. He had made a copy of an old letter authorizing him to scrap some damaged markers from the previous year and was using it to scrap the stolen markers. (The Daytona Beach News-Journal)

- In 2015, a worker at the Rhode Island Veteran's Memorial Cemetery was accused of stealing more than 150 granite gravestones to pave the floor of his garage and shed, according to the U.S. Attorney's Office in Rhode Island and federal court documents. (NBC News)

Preventing Fraud

- Fraud cannot be completely prevented. If employees want to steal, they will. However, there are ways that you can make it harder or help you catch it quicker.
- What are some of the risk management tips that will help a cemetery prevent or reduce fraud?

Preventing Fraud

Remember the Fraud Triangle

The Fraud Triangle



Take away or minimize the opportunity to steal without getting caught.

Preventing Fraud

- Recognize the warning signs
 - Changes in employee lifestyle or living beyond means
 - Employee never takes time off
 - Employee reluctance to cross train anyone in their duties
 - Unexpected overdrafts or reductions in cash balance in cemetery accounts

Preventing Fraud

- Internal Controls
 - Segregation of duties – one person should not handle all of the financial duties:
 - Receiving & recording payments/opening mail
 - Making deposit/taking deposit to bank
 - Writing checks
 - Reconciling bank & credit card statements

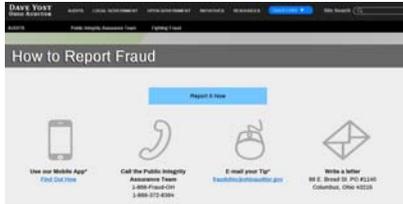
Preventing Fraud

- Mandatory time off for employees
- Cross-train employees
- Background checks of new employees
- Periodic unannounced, unscheduled review of accounts by someone in your office
- Periodic audit by someone outside your office. Be sure to provide clear instructions to the auditor

Preventing Fraud

- Periodically meet with fiscal personnel to assess their procedures
- Create or update a plan of action to create stronger controls
- Place safeguards in a formal written policy
- Each employee should be given the policy and sign an attestation that they have read and understood it.
- Administrators should conduct routine checks to ensure employees are in compliance

Preventing Fraud



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Questions?

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