

## **SANTA MARIA CEMETERY DISTRICT**

### **An Organization in Turmoil**

The 2007-2008 Santa Barbara County Civil Grand Jury conducted an investigation and sponsored a procedural audit of the troubled Santa Maria Cemetery District. While the Auditor-Controller's office found that the District meets the basic requirements of *Government Accounting Standards*, the Jury's investigation revealed that the District's failure to develop a written agreement regarding an Angel of Hope Memorial on District property has resulted in ongoing serious conflicts among Santa Maria Cemetery District Board of Trustees members and a financial drain to the District. These problems have in turn brought into question the composition of the current District Board of Trustees and their governance of the District to the extent that it has required the intervention of the County Board of Supervisors.

### **INTRODUCTION**

The Santa Maria Cemetery District was established as an independent special district in 1917 pursuant to authorization enacted by the Legislature in 1909 to "...assume responsibility for the ownership, improvement, expansion, and operation of cemeteries and the provision of interment services from fraternal, pioneer, religious, social, and other organizations...." There are 254 cemetery districts in the State of California. The Santa Maria Cemetery District is governed by a three-member board of trustees, the minimum number allowed by statute, appointed by the 5<sup>th</sup> District Supervisor. A trustee's term of office is four years (the terms are staggered) and may be extended by the supervisor through reappointment. The tenure of current trustees is 1, 7, and 24 years. Until recently the Board of Trustees has been meeting twice a month; however, the Grand Jury was told that, as a cost saving effort, the Board now meets once a month. The day-to-day management of the District and its \$1.2 million budget is the responsibility of the business manager hired by the Board of Trustees.

As a public agency, the Santa Maria Cemetery District is required to establish a maintenance endowment fund with a specific investment strategy and to review, approve, and publish the District's financial information on a monthly basis. Additionally, the District's books and procedures are subject to audit by the County Auditor-Controller as are their contractual agreements with employees and third parties.

The Calvary Chapel of Santa Maria offers a bereavement ministry that includes the Angel of Hope Memorial. In March 2006 the District and the Calvary Chapel of Santa Maria (hereafter referred to as Calvary), a California nonprofit corporation under IRS Code Section 501(c)(3), entered into a verbal agreement whereby the District accepted the Angel of Hope statue to be placed on a parcel of District land equivalent in area to 36 burial plots. The statue is the centerpiece of a memorial where parents whose young children have passed away can purchase an appropriately engraved remembrance brick to be placed adjacent to the Angel of Hope statue. This is one of 71 such memorials

worldwide. No written contract was signed to document the transfer/donation/lease of the land or to specify the terms for operating and maintaining this memorial. As a result, controversy, bickering, allegations of professional and fiscal impropriety, as well as financial hemorrhaging, have ensued.

## **METHODOLOGY**

The Grand Jury reviewed the minutes of board meetings, District financial reports, third party contracts, and legal documents pertaining to the Angel of Hope Memorial. Jury members interviewed the 5<sup>th</sup> District Supervisor, Cemetery District Trustees, the Cemetery District Manager, and community members. The issues reviewed included operating procedures, internal financial controls, employment practices, the Angel of Hope statue, and Board relations. Additionally, Jury members attended District Board meetings and sponsored a procedural audit of the District by the County Auditor-Controller.

## **OBSERVATIONS AND ANALYSIS**

### **Angel of Hope**

The minutes of the District Board of Trustees meeting of March 20, 2006 state, “The Board reviewed the information regarding the donation of an angel statue for the expansion. A motion was made by Mr. Hill (since deceased) to accept the donation. Vote 3 Yes 0 No.” During interviews with the Trustees, Grand Jury members were told that discussions had subsequently occurred between the District and Calvary, but no written agreement was finalized. The ownership of the statue remains in dispute.

The District has provided an area in the newer section of the cemetery equivalent to 36 cemetery plots to accommodate the Angel of Hope Memorial and an associated 2,000 remembrance bricks. To date, approximately 250 of the 2,000 bricks have been replaced with those inscribed in memory of deceased children. The price of an inscribed brick is \$100. Thus 250 inscribed bricks in place represent \$25,000 from contributors to the memorial with a potential of reaching \$200,000. This money goes to the Angel of Hope Foundation, which bears the expenses associated with the bricks.

The cemetery plots in the Angel of Hope area were originally designated for cremated remains and commanded the lowest price at \$430 (\$270 for the plot plus \$160 for the maintenance endowment fee). Therefore, the value to the District of the land occupied by the memorial was \$15,480 (36 plots @ \$430). Calvary’s initial investment in preparing the memorial, providing the bricks, and acquiring the Angel of Hope statue was in excess of \$35,000. Calvary continues to maintain the Angel of Hope memorial area.

In the absence of a definitive written agreement between the District and Calvary, problems have emerged regarding the ownership, financing, and maintenance of the memorial. These problems have created significant friction and animosity among the three current Board members as well as between the Board and Calvary. Furthermore, the District has spent in excess of \$25,000 on legal fees related to the memorial, fees

which, as noted by the County Controller-Auditor, "...result in a decrease in revenues available to fund District operations." These legal fees, when added to the costs previously cited for land and associated expenses, place the total value of the current investment in the memorial by all parties at more than \$75,000 with the potential to exceed a quarter of a million dollars, all based on a "handshake."

The need for a Memorandum of Understanding (MOU) for the project has been under discussion for more than two years. Approximately one year after the donation of the statue, the Angel of Hope Board submitted to the Santa Maria Cemetery District a written proposal dated April 9, 2007, a PROPOSAL FOR THE SANTA MARIA CEMETERY DISTRICT TO LEASE THE ANGEL OF HOPE PROPERTY TO THE EXISTING AND FUTURE ANGEL OF HOPE BOARD. Four key provisions of the proposal were:

- 1) "Calvary Chapel of Santa Maria has agreed to add a binder to their insurance to cover the Angel of Hope Project."
- 2) "The future marketing, brick sales; brick settings and ceremonies would be coordinated through the Angel of Hope Board of Directors."
- 3) "All costs would be the responsibility of the Angel of Hope through the Calvary Chapel Bereavement Ministry."
- 4) "That the Santa Maria Cemetery District agree to lease the property where the Angel of Hope is erected to the Angel of Hope Board of Directors for \$1 a year."

The District did not accept the proposal.

Subsequently, in an attempt to break the impasse between the District and Calvary and stem the outflow of cash, the attorney for the District developed a draft Memorandum of Understanding, dated November 12, 2007. The stated goal of this document is: "The District and Calvary wish to memorialize their respective understanding regarding the maintenance and use of the Angel Project as provided herein." The following provisions were included:

- 1) Calvary will continue to maintain the memorial.
- 2) Calvary will fund a \$6800 non-refundable maintenance endowment.
- 3) Calvary will maintain a \$1 million liability insurance policy.
- 4) The number of inscribed bricks that can be sold without District approval is limited to 750.
- 5) The parties' performance will be subject to annual review.
- 6) Either party to the agreement can cancel it unilaterally upon not less than 120 days written notice. If the District terminates the agreement, the memorial becomes a "permanent fixture on the Cemetery Property" if not removed by Calvary. If Calvary terminates the agreement, "Calvary shall restore the turf area."

No further activity has taken place between the District and Calvary regarding this draft Memorandum of Understanding.

## **Board Relations**

Grand Jury members attended several meetings of the Board of Trustees. It was obvious that the Board operates in a state of disharmony. During meetings attended by Jurors it became evident that there is a definite division and apparent distrust among the trustees. One issue that has fueled the apparent divide is the Angel of Hope Memorial and the efforts to reach a legal agreement between the District and Calvary. Other issues include differences between the trustees on oversight of the general manager, fiscal controls, security of the cemetery, and whether the number of trustees on the Board should be increased from three to five.

The District has operated under the oversight of a three member Board of Trustees since it was established in 1917. While the law allows for a board to consist of a minimum of three members, other cemetery districts of similar size in California have five board members. Although the trustees are appointed by the 5<sup>th</sup> District Supervisor, any increase in the number of trustees on the Board must first be proposed and voted on by the existing trustees. Should a majority of the trustees (2) vote to increase the number from three to five, the proposal would then be brought before the Santa Barbara County Board of Supervisors for ratification. In accordance with California Health and Safety Code Section 9025(a):

A board of trustees may adopt a resolution requesting the board of supervisors of the principal county to increase or decrease the number of members of the board of trustees.

During a District Board of Trustees meeting on February 11, 2008, a motion was made by one trustee to increase the Cemetery Board to five members. On that occasion, the motion died for a lack of a second. In past attempts to increase the number of trustees from three to five, the reason given for not doing so by the Board majority is the cost to the District of the additional board members.

However, the Board of Supervisors has the option to expand the Cemetery Board from three to five members, as authorized by California Health and Safety Code 9026(a):

The board of supervisors of the principal county may appoint itself to be the board of trustees of a district and the board of supervisors may divest itself of the authority, pursuant to this section.

At the Board of Supervisors meeting on April 1, 2008, the Supervisors directed staff to draft a resolution to exercise their option to appoint themselves as Board of Trustees of the Santa Maria Cemetery District. Subsequently, at its meeting on April 14, 2008, the Board of Trustees voted to petition the Board of Supervisors to increase the numbers of trustees from three to five members.

## **Audit**

At the request of the Grand Jury, the Auditor-Controller's office conducted a procedural audit of the District to "...assist the Santa Barbara County Grand Jury in evaluating the Santa Maria Cemetery District's (the District's) internal control structure over receipts and disbursements for the fiscal year ending June 30, 2007." It included an evaluation of the business manager's key duties and responsibilities to determine if adequate segregation of duties exists, the District's revenue collection cycle for burials and plot

sales, the accounts payable disbursement cycle, the Angel of Hope Memorial agreement, and vehicle maintenance and use. It also covered cell phone and credit card use, Board authorization of health insurance for Board retirees, and burial plots purchased by Board members and/or employees.

While the audit found some areas in need of improvement, the District's internal control structure met the basic standards set out by the American Institute of Certified Public Accountants and the *Government Auditing Standards* issued by the Comptroller General of the United States.

*For a complete copy of the Santa Maria Cemetery District audit, refer to the Grand Jury's website at: [www.sbcgj.org](http://www.sbcgj.org)*

## **CONCLUSION**

The Angel of Hope Memorial represents a significant financial and emotional investment. Established with the best of intentions, it has been a source of discord and needless expense for all parties because of the lack of an initial written contractual arrangement. The draft Memorandum of Understanding that is currently under review is only a first step toward resolving the many issues facing the District.

## **FINDINGS AND RECOMMENDATIONS**

### **Finding 1**

The Santa Maria Cemetery District Board of Trustees failed to prepare a written document defining the relationship, duties, and responsibilities for the Angel of Hope project at the time of its acceptance. Without an accepted written document, there has been a continual financial drain on the District.

### **Recommendation 1**

Without delay, the District must execute a written agreement defining the duties, relationships, and responsibilities of all parties relative to the Angel of Hope project.

## **REQUEST FOR RESPONSE**

In accordance with Section 933(c) of the California Penal Code, each agency and government body affected by or named in this report is requested to respond in writing to the findings and recommendations in a timely manner. The following are the affected agencies for this report, with the mandated response period for each:

### **Santa Maria Cemetery District Board of Trustees - 90 days**

Finding 1  
Recommendation 1

**Santa Barbara County Board of Supervisors**  
Information only