

A stylized illustration of a hand holding a pen, poised to write on a document. A large dollar sign (\$) is prominently displayed on the document. The background features faint, overlapping numbers and lines, suggesting a financial or accounting context. The overall style is clean and modern, with a focus on financial themes.

*Trends to Know About and
Ways to Prepare in 2021*

When the Auditor Comes Knocking

by Bill Williams, Jr. and
Wendy Russell Wiener, Esq.

THE CORONAVIRUS PANDEMIC remains at the top of the list of challenges and concerns for most funeral directors and cemeterians, but deathcare professionals should pay close attention to two others that will continue to impact operations this year: audits and inspections.

Taking care of families and being part of the local community are essential to success in our industry. But deathcare executives get so focused on meeting the needs of families that administrative tasks may get overlooked. As professionals, we can recount stories of funeral and cemetery operators who ran afoul of federal, state, and local regulations and had to pay the price—in time and money.

New digital recordkeeping platforms can be useful in improving internal policies and procedures that state and federal regulators always review as part of an audit.



Poor management of records and contracts and weak internal policies and procedures can result in unwanted attention from regulators—and potentially tarnish a funeral home’s reputation. Deathcare firms that have been slow to adopt new recordkeeping and administration technology—and still rely on the old-fashioned way of manually processing mountains of paperwork—are often the most at risk of making mistakes that get flagged by auditors.

Summer is nearing, but it’s not too late to do some “spring cleaning” of your internal controls and procedures and look for ways to improve administrative and financial operations. Below are four areas to be prepared for and to review so you are ready if or when you are notified of an audit or inspection.

1. More inspections and audits

Expect to see a lot more audits, inspections, and investigations this year. Why? Regulators in various states now have more time because they have taken care of many of the challenges of managing their work during the early and peak months of the pandemic.

In December, for example, regulators discovered that the Oregon Mortuary and Cemetery Board—the state agency that is charged with overseeing the deathcare industry in Oregon—did not conduct inspections of licensed deathcare facilities from September 2018 to January 2020.

With the economy opening up, we are already seeing more audits, inspections, and investigations, especially in states that are permitting government officials to travel. Now is the time to get your administrative and financial house in order.

2. More attention to detail

In the past, auditors tended to ask for a certain number of contracts and then extrapolate errors to the universe of contracts that were completed. Now, with additional time on their hands and access to more data, we are seeing auditors really *dig into every contract* or pre-need trust transaction. Sometimes, additional errors are revealed with this closer look.

New technology can mitigate compliance risk. Today’s digital tools can dramatically improve managing client records and contracts, especially pre-need trusts. New digital recordkeeping platforms can be useful in improving internal policies and procedures that state and federal regulators always review as part of an audit.

3. Failing to know the law and rules

Even though this is not a new problem, it is one that continues to persist. In our experience, neither of us has ever been presented with a deathcare trust audit that is 100% correct. There is nearly always a way to refute the auditor’s findings; often, it is based on a



misunderstanding or just lack of knowledge of the relevant laws, especially the regulatory rules.


One way to stay one step ahead of the auditors is to review your company's operations. Reassess internal controls to ensure that transactions are approved and processed by authorized employees. Look at procedures for creating, amending, storing, and filing contracts to make sure you are in compliance with federal, state, and local regulations. Those are just two examples that can help you prepare for the dreaded knock at your door.

4. Even auditors make mistakes

For some reason, it seems that many audits we review have mathematical errors. "It's only math," our colleagues always say, but apparently math is still pretty hard—even for auditors. We have seen third-party recordkeepers recalculate the numbers and arrive at an entirely different result that is in favor of the funeral home or cemetery.

The best way to win any dispute over the "math" is to regularly review and reconcile all financial transactions in a trust account to validate that they have been properly processed. One simple mistake can lead to material errors if not identified and corrected. Digital

tools can reduce compliance risk by automating routine financial transactions.

This year will bring dramatic change to the deathcare industry. The pandemic caused what is likely a permanent shift in how families interact (virtual meetings and tours) with funeral directors and cemeterians. Consumer attitudes toward traditional end-of-life services are also evolving. By fine-tuning administrative and financial recordkeeping, deathcare professionals can spend less time managing audits and more time improving their service to families and communities. 

Bill Williams, Jr., LFD is a licensed Florida funeral director and embalmer with 40 years of experience in the deathcare industry. Bill is president/CEO and vice-chairman of Funeral Services, Inc. (FSI), one of the nation's oldest and largest deathcare trust administration companies. He is active in and has presented to several state associations, NFDA, ICCFA, ICCFAU, and CANA.

Wendy Russell Wiener, Esq., managing member, WRW Legal, PLLC, practices regulatory deathcare industry and regulatory insurance law, representing entities and individuals who interact with the administrative agencies that regulate all aspects of the deathcare and insurance industries. Wendy is also regulatory counsel for the Florida Cemetery, Cremation, and Funeral Association (FCCFA).