

JACKSONVILLE ZOO

**AUDIT OF OPERATIONS AND
CONSTRUCTION COSTS
AUGUST 4, 2000**

REPORT #517

OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



August 4, 2000

Report No. 517

Honorable Members of the City Council
City of Jacksonville

INTRODUCTION

Pursuant to Section 5.10 of the Charter of the City of Jacksonville, Chapter 102 of the Jacksonville Municipal Code, and Section 3.1 of the Agreement between the Jacksonville Zoological Society and the City of Jacksonville (Resolution 71-499-174), we examined the operations and construction costs of the Jacksonville Zoological Society and present this report thereon.

The Jacksonville Zoo was founded on May 12, 1914 in Springfield Park, just north of downtown Jacksonville. The Zoo relocated to its present location at 8605 Zoo Parkway on the Trout River on July 19, 1925. Per Resolution 71-499-174, on October 1, 1971, the Jacksonville Zoological Society, Inc., a private, not-for-profit corporation, assumed management and operation of the Zoo for the City of Jacksonville. Although the Society operates the Zoo, the City maintains ownership of the property and all equipment. This agreement will expire on June 1, 2001.

Each year the Jacksonville Zoological Society receives a Public Service Grant from the City of Jacksonville to be used towards the Zoo's operational costs. These funds are appropriated in the City's annual budget and are issued through an agreement between the City and the Jacksonville Zoological Society. For the 1998/1999 and 1999/2000 fiscal years, the Society received \$1 million and \$1.2 million, respectively.

In addition to funds for operations, the City entered into a project funding agreement on November 15, 1993 that provided the Zoo \$10 million for Master Plan construction projects from the River City Renaissance bond issuance. The agreement has been amended three times bringing the total agreement to \$12.5 million. All of the funds, except for \$1 million authorized in the first amendment, are paid to the Zoo monthly on a reimbursement basis. As of March 31, 2000 the Zoo has received \$12,349,057 of the \$12.5 million.

STATEMENT OF OBJECTIVES

The objectives of the audit were to determine if:

1. Proper internal controls exist and are working as intended for the safeguarding and accounting for cash collections.

2. Bank accounts are being used for their intended purpose and are properly managed.
3. Procedures for acquiring, safeguarding, disposing and accounting for the Jacksonville Zoological Society's fixed assets are reasonable and accurate.
4. Pledges and in-kind contributions to the Jacksonville Zoological Society are being used for their intended purpose.
5. Funds provided to the Jacksonville Zoological Society by the City through the Public Service Grant were spent in accordance with the contract and Chapter 118 of the Municipal Ordinance Code.
6. Supporting documentation for construction expenditures are complete and accurate and that these expenditures appear to be appropriate.
7. Construction payments to the Jacksonville Zoological Society were properly made and recorded by the City, remitted timely, reviewed and approved by the appropriate personnel, and the minority business requirements were met, as specified in the Project Agreement between the City and the Jacksonville Zoological Society.

STATEMENT OF SCOPE

The audit period for detailed testing varied depending on the audit objective. For Audit Objectives one, two, three, four, six and seven, the audit period was October 1, 1998 through March 31, 2000. For Audit Objective five, the audit period was October 1, 1998 through September 30, 1999.

STATEMENT OF METHODOLOGY

Our examination consisted of the documentation and assessment of management controls, a review of the laws and regulations concerning the Jacksonville Zoological Society and its relationship with the City of Jacksonville, discussions with employees of the Jacksonville Zoo and detailed testing in various areas of the Zoo related to the Audit Objectives outlined above. All samples were randomly selected using the Stats v.1.1 statistical sampling program.

STATEMENT OF AUDITING STANDARDS

We conducted our audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgements and conclusions regarding the organization, program, activity, or function under audit. This audit also included an assessment of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

AUDIT CONCLUSIONS

1. Overall, the internal controls for cash are sufficient and are working as intended for the safeguarding of cash collections. However, we did note certain internal control weaknesses, as delineated below under subheading "Audit Objective #1".

2. Overall, the bank accounts are being used for their intended purpose and are properly managed. However, we did have one finding related to this objective as delineated below under subheading “Audit Objective #2”.
3. The procedures for acquiring fixed assets at the Jacksonville Zoo are reasonable and accurate; however, the safeguarding, disposing and accounting of fixed assets are not. The details of this finding can be found under the subheading “Audit Objective #3”.
4. Pledges and in-kind contributions are being used for their intended purpose.
5. Funds provided to the Jacksonville Zoological Society by the City through the Public Service Grant were spent in accordance with the contract and Chapter 118 of the Municipal Ordinance Code.
6. The supporting documentation for construction expenditures was complete, accurate, and appeared to be appropriate.
7. Construction payments to the Jacksonville Zoological Society were properly made and recorded by the City, remitted timely, and reviewed and approved by appropriate personnel. We were unable to verify that the minority business requirements were met as specified in the Project Agreement due to the amount of time that has elapsed since the Project Agreement was entered into with the Zoo. The details of this finding can be found under the subheading “Audit Objective #7”.

AUDIT OBJECTIVE #1

In order to determine that proper internal controls existed and were working as intended for the safeguarding and accounting of cash collections, we initially reviewed and documented the cash collection process from the time a purchase is made until the funds are deposited noting internal control strengths and weaknesses, and then performed cash counts at the Teller’s Office, the front gate, the Mombasa Gift Shop and the Zambezi River Restaurant. Based on our cash counts, we found no exceptions. Our assessment of internal control strengths and weaknesses is as follows:

INTERNAL CONTROL STRENGTH:

Internal Control Strength #1

The Teller’s Office, which is the central location for cash collections on the Zoo’s premises, is in a secure and inconspicuous location. There are numerous doors that conceal the location as well as a security system on the building. All entrants must ring a doorbell to notify the teller that someone is there and then the teller looks through a one-way window to determine if entry into the outer office is authorized. If entry is authorized, the teller releases the door lock and the individual may enter the outer office. The inner office door is equipped with a deadbolt lock that requires a key for entry. No entry is permitted into the inner office by anyone other than the tellers and their supervisors.

INTERNAL CONTROL WEAKNESSES:

Internal Control Weakness #1

Currently, the Jacksonville Zoo does not issue tickets when a patron seeks admittance to the Zoo. Instead, receipts are issued and the patron proceeds through the front gate into the park. There is no one collecting receipts upon entry to the park to ensure that the guest has paid for the admission, nor are there any physical deterrents, such as turnstiles, to minimize unauthorized entry. Because pre-numbered tickets are not used, there is no way to ensure that the cashiers are charging all patrons for admission nor is there a way to reconcile the number of admissions into the Zoo to the number of tickets issued. The current method increases the risk of unauthorized admissions to the park and does not allow the Zoo to maximize revenue collection.

Recommendation

In order to minimize the loss of revenue at the front gate, a new method should be employed to deter unauthorized entry into the park. This could include the installation of turnstiles or an individual collecting tickets before entry into the park is granted as well as the use of pre-numbered tickets.

Auditee's Response to Internal Control Weakness #1

We agree with the auditor's recommendations to increase our controls at the front gate in keeping with the overall growth the Zoo has experienced over the past few years. Approximately one year ago, we began researching a Point-of-Sales (POS) system, which includes access controls (turnstiles), an automated ticketing system, an inventory control system and a computerized data gathering system. This POS system will require a \$150,000 to \$200,000 investment. Presently, we anticipate installing this POS system during the next fiscal year.

Internal Control Weakness #2

The cash collection process at the Jacksonville Zoo is a very manual process. For example, the cash register receipts from each cashier showing the amount collected for the day must be totaled by the teller's office every morning—there is no system generated report that can be run showing the total collections for the Zoo in a given day. This type of manual operation increases the risk for errors to be made or for collections to be misappropriated.

Recommendation

We recommend that the Jacksonville Zoo gradually automate areas of the cash collection process as funding permits. This could include the installation of a point-of-sale system. Through the use of better technology, employees could become more efficient and the overall integrity of the process would improve.

Auditee's Response to Internal Control Weakness #2

We agree with this recommendation, and as stated above, are planning to install a POS system in the next fiscal year. The continued automation of our processes will help improve overall efficiency and accuracy.

Internal Control Weakness #3

The Jacksonville Zoo does not have complete, up-to-date, written Standard Operating Procedures (SOP's) for each department or activity.

Recommendation

We recommend that the Jacksonville Zoo update existing Standard Operating Procedures and develop new procedures to reflect current practices. A copy of these procedures should be documented in a formal manual and distributed to the appropriate areas.

Auditee's Response to Internal Control Weakness #3

Our standard operating procedures and policies are currently being updated. In conjunction with this update, we are evaluating our distribution process to ensure the effective utilization of this manual.

AUDIT OBJECTIVE #2

In order to determine that the bank accounts are being used for their intended purpose and are properly managed, we reviewed the bank statements and reconciliation reports for all eight of the Zoo's bank accounts from October 1, 1998 through March 31, 2000. Based on our testing, we noted that the bank accounts are being used for their intended purpose and are being properly managed. However, we did have one finding related to this audit objective:

Finding #1

In reviewing the bank reconciliations for the Zoo's eight bank accounts, we attempted to verify that the adjusted book balance on the reconciliation report for that month agreed to the balance for that account in the Zoo's General Ledger for the same month. We did note that the balances per the General Ledger were correct. However, based on our review of a total of 144 reconciliations (eight bank accounts times 18 months), we noted that in nine instances, the adjusted book balance on the reconciliation report did not agree with the balance per the Zoo's General Ledger. These discrepancies were due to the fact that the reconciliation reports were run prior to all transactions for the month being posted to the General Ledger.

Recommendation

We recommend that the Zoo provide additional training to the appropriate accounting personnel concerning the reconciliation process and other areas as necessary. Reconciliations should also be reviewed monthly by the Finance Director or authorized designee to ensure that the reconciliations are correct.

Auditee's Response to Finding #1

We recognize that continued training regarding all areas of the zoo's accounting process and computer system to all new accounting personnel must remain in effect. We have updated procedures relating to reconciliations and have enhanced training to ensure accuracy. We want to emphasize that all financial information that has been reported has been from the general ledger, which has always been correct.

AUDIT OBJECTIVE #3

In order to determine if the procedures for acquiring, safeguarding, disposing and accounting of fixed assets at the Jacksonville Zoo are accurate and reasonable, we selected a random sample of 30 fixed assets from the Zoo's Fixed Assets Listing and attempted to identify their existence on the Zoo's premises. We also randomly selected 10 assets on the Zoo's premises and attempted to trace the item back to the Fixed Assets Listing. Based on our testing, we noted that the procedures for acquiring fixed assets are reasonable and accurate; however, the safeguarding, disposing and accounting for them are not. Our finding is as follows:

Finding #2

We were unable to identify with certainty the existence of 23 of the 30 (76.67%) items randomly selected from the Zoo's Fixed Assets Listing. In addition, we could not trace with certainty, four of the 10 (40%) items selected from the Zoo's premises as being on the Fixed Assets Listing. This finding is due to the fact that the Jacksonville Zoo does not have a system in place that allows for specific identification or tracking of its fixed assets or a formal procedure in place for the disposing of assets. When an asset is acquired, the location of that asset on the Zoo's premises is not recorded nor is any identifying information, such as the serial number or model number (some information is recorded on radio equipment, but the information is not consistent). The Zoo currently does not assign asset numbers or tag its assets so that the asset can be uniquely identified once it is located. When an asset is disposed of, there is no paper trail showing that the asset has been disposed of—the information is simply passed on to the Accounting Department. Without a formal system in place, the risk of inventory shrinkage is increased. From the City's perspective, if the agreement between the City and the Jacksonville Zoological Society were terminated, the City would not have accurate or up-to-date inventory records. This is necessary since the Zoo's entire inventory reverts to the City when the agreement is terminated.

Recommendation

The Jacksonville Zoo should establish a formal system for tracking and identifying all of its fixed assets. This should include a system that uniquely identifies each asset and records pertinent information about the asset such as the serial number, date of acquisition, location, and purchase price. The system should also track the location of the asset as it is transferred to other departments within the Zoo or when it is finally disposed of. The Zoo should also establish a more formal method of disposing of obsolete or unusable inventory.

Auditee's Response to Finding #2

We have started the process of making more formal our fixed asset tracking system. We have been in compliance with our agreement with the City of Jacksonville, which states the "Society may also acquire and dispose of personal property used or to be used at the Jacksonville Zoo, on behalf of the City". The city was aware that we discontinued the tagging of fixed assets in 1992, and made no further recommendations. The Zoo's financial efficiency has not allowed a surplus of fixed assets to accumulate. A mitigating control in this area is the immediate reporting by staff of any missing asset because all assets have been necessary for the day-to-day operations of the zoo. Of the Zoo's \$23.4

million in fixed assets, \$22.6 million, or 97%, are buildings, exhibits, improvements and land.

AUDIT OBJECTIVE #4

In order to determine that pledges and in-kind contributions are being used for their intended purpose, we randomly selected 15 pledges and in-kind contributions from the Pledge Summary/Donor List that were greater than \$5,000. Within our sample, we verified that the pledge was properly entered into the Zoo's Donor Tracking system, the pledge card on file noting the restriction agreed with the information in the Donor Tracking System, and that the donor received proper recognition for the donation.

We did not have any findings for this audit objective.

AUDIT OBJECTIVE #5

In order to determine that funds provided to the Jacksonville Zoological Society by the City through the Public Service Grant were spent in accordance with the contract and Chapter 118 of the Municipal Ordinance Code, we examined all disbursements made from the Zoo's City bank account, the account in which the Public Service Grant funds are initially deposited, that were greater than \$1,000 from October 1, 1998 through September 30, 1999. We pulled the voucher package for each disbursement selected noting the purpose of each disbursement. We then verified that the disbursement was an allowable expense under Chapter 118 of the Municipal Ordinance Code.

We did not have any findings for this audit objective.

AUDIT OBJECTIVE #6

In order to determine that the supporting documentation for construction expenditures was complete, accurate, and appeared to be appropriate, we obtained the reimbursement packages from October 1, 1998 through March 31, 2000 submitted by the Zoo monthly to the City of Jacksonville. These packages contain all of the invoices that have been paid by the Zoo for that particular month for the various construction projects at the Zoo. We entered all of the information from the invoices into a spreadsheet in order to determine if there were duplicate or outdated invoices or if any of the invoices appeared unusual. In addition, we chose a sample of three months of expenditures and pulled the voucher packages for all invoices greater than \$5,000 and verified that the invoice was actually paid.

We did not have any findings for this audit objective.

AUDIT OBJECTIVE #7

In order to determine that construction payments to the Jacksonville Zoological Society were properly made and recorded by the City, remitted timely, and reviewed and approved by appropriate personnel, we first obtained a list of the payments made by the City to the Jacksonville Zoological Society from the City's general ledger (FAMIS). We then obtained the voucher packages from the City's General Accounting Division (GAD) noting the City's approval of the payment and verified that the payment agreed to the payment request submitted by the Zoo. For compliance with the minority business requirements,

we obtained documentation from the Jacksonville Zoo regarding their use of minority sub-contractors. Our finding concerning the minority business requirements is as follows:

Finding #3

The Project Funding Agreement between the City of Jacksonville and the Jacksonville Zoological Society outlines the Zoo's equal business opportunity goals. The agreement requires that the Zoo submit a brief report showing the actual utilization of minority sub-contractors at the completion of each project. The Jacksonville Zoo has been submitting a report each month showing the amount designated to minority sub-contractors as well as the actual cost paid to minority sub-contractors for each project to the Public Works Department. This report has remained in the Public Works Department and has not been forwarded to the Equal Business Opportunity Office for the City of Jacksonville for monitoring. Due to the fact that the Project Funding Agreement has been in effect since November of 1993 and no monitoring has been done by the City on compliance with the equal business opportunity goals outlined in the agreement, we were unable to determine compliance with this section of the Agreement. However, we were able to confirm the Jacksonville Zoo's use of minority sub-contractors during the time period under audit.

Recommendation

We recommend that the City's Equal Business Opportunity Office periodically monitor organizations that have agreements with the City that contain equal business opportunity goals for compliance with the agreement. In order for the monitoring to occur, the appropriate information must be forwarded to the Equal Business Opportunity Office. We also recommend that the Jacksonville Zoo and the Equal Business Opportunity Office work together to develop a monitoring plan for any future projects.

No response from the Auditee for Finding #3

NOTEWORTHY ACCOMPLISHMENTS

Noteworthy Accomplishment #1

In 1993, the Jacksonville Zoological Society adopted the Master Plan 2001, a comprehensive capital improvement plan. Since the plan's inception, the Zoo has completed 24 projects including a new Front Entry, the Main Camp Safari Lodge, the Riverbranch Foundation Animal Medical Center, the Birthday Pavilion, PepsiCo Foundation Education Campus, Giraffe/Zebra Exhibit, Great Apes of the World Exhibit, Plains of East Africa Exhibit, Rhino and Buffalo Exhibit, the Zambezi River Restaurant and has expanded the Railroad around the Zoo. The Florida Wetlands Exhibit is currently under construction. The Jacksonville Zoo's Board of Directors, management, and employees are committed to improving the overall quality of the Zoo for both the animals and the guests that visit the Zoo as shown through the improvements that have been made. We commend this commitment and dedication to continuous improvement that has been exhibited at the Jacksonville Zoo.

Noteworthy Accomplishment #2

During the time we spent at the Jacksonville Zoo performing our audit, we observed numerous occasions in which employees from one Department would fill in for other

Departments to ensure that the job at hand was completed. The Jacksonville Zoo should be commended for promoting such a team-oriented work environment.

We would also like to thank the employees at the Jacksonville Zoo for being so cooperative throughout the course of our audit.

Auditee's Overall Comments

We believe the relationship between the City of Jacksonville and the Jacksonville Zoological Society, Inc. is a model public/private partnership. Over the past four years, the Zoo's operating revenues have increased from \$4.5 million to an estimated \$6.7 million for the current fiscal year ending in September. During the same time frame, operating support from the city has decreased from 22% of our operating budget to 18%. Achieving financial stability has allowed us to continuously improve the guest experience and therefore the quality of life in our community. This fiscal year, for every \$1 of city support, the Zoo will earn an additional \$4.61. This represents an excellent return on investment for the City of Jacksonville.

Respectfully Submitted,

Robert O. Johnson, CPA
Council Auditor

Audit Performed by:

Kimberly Taylor, CPA

Allison M. Luker

Jennifer Spinelli



1 August 2000

Robert O. Johnson, C.P.A.
City Council Auditor
City of Jacksonville
117 West Duval Street, Suite 200
Jacksonville, Florida 32202

Dear Mr. Johnson:

Pursuant to your invitation to respond and as a result of our audit conference held on 19 July 2000, I am providing the Jacksonville Zoological Society, Inc.'s response to your Audit Report No. 517.

I am commenting on your recommendations regarding Internal Control Weaknesses as well as individually to your findings. At your suggestion, we would appreciate these comments being included in the audit report forwarded to the City Council.

We plan to implement your recommendations where staffing and funding allow. Also, we would like to acknowledge the professionalism displayed by Ms. Markham, Ms. Taylor, Ms. Luker and Ms. Spinelli in the performance of this audit.

Sincerely,

A handwritten signature in cursive script, appearing to read "C. Douglas Page, DVM".

C. Douglas Page, DVM
Executive Director

Cc: Tom Schmidt
Holly Marlowe

