



City of Chattanooga

INTERNAL AUDIT

City Hall

Chattanooga, Tennessee 37402

Stan Sewell
Director

Ron Littlefield
Mayor

February 3, 2011

Mayor and City Council
City of Chattanooga
Chattanooga, TN 37402

RE: Post Audit Review of Chattanooga Zoo, Audit 09-09

Dear Mayor Littlefield and Council Members:

On March 23, 2010, the Internal Audit Division released an audit on the Parks and Recreation Department's zoo operations. We performed certain procedures, as enumerated below, with respect to activities of the Chattanooga Zoo in order to render a conclusion on the status of the recommendations made as a result of that audit.

This Post Audit Review consisted principally of inquiries of City personnel and examinations of various supporting documentation. It was substantially less in scope than an audit in accordance with generally accepted government auditing standards.

The evidence obtained provided a reasonable basis for our conclusions; however, had an audit been performed, other matters might have come to our attention that would have been reported to you and our conclusions may have been modified.

The conclusions of Audit 09-09 were that:

1. The zoo's operations are not in compliance with all applicable laws and regulations.
2. There are not adequate policies and procedures in place to ensure the City's assets and funds are protected and well managed.
3. The current operational structure of the zoo is not efficient and effective. Full operational control of the Chattanooga Zoo needs to rest with one entity.

The audit contained 9 recommendations that addressed the audit's findings. Based on the review performed, we concluded that recommendations 1, 8 and 9 were implemented, recommendation 7 was partially implemented and recommendation 6 was not implemented. Recommendations

2, 3, 4 and 5 were not considered as a part of this Post Audit Review because the City no longer operates the zoo. As of September 17, 2010, an agreement was signed leasing the Chattanooga Zoo to Friends of the Zoo (FOZ). FOZ has agreed to manage the day to day operations of the zoo and as compensation for their services the City will provide them with an annual appropriation of not less than \$639,000.

Recommendations Implemented 1, 8, 9

We recommended (**Recommendation 1**) the City review the total operations of the zoo and determine the most beneficial operating arrangement that would be in the best interest of the City. Should the final determination of structure involve activities of FOZ beyond fundraising, all necessary legal requirements should be met and a comprehensive formal document should be executed.

The City executed a lease and management agreement with FOZ for the operations of the zoo.

We recommended (**Recommendation 8**) the zoo funds be secured at all times. All funds should be stored in a locked safe or locked drawer until time of use. Access to valuable assets should be restricted to a limited number of people to minimize risk. Receipts should be supported by appropriate documentation to flag any missing funds.

After visiting the zoo and meeting with FOZ staff, it appears they have taken steps to secure funds at all times by keeping them locked in a safe or secured area. Access to the safe is now limited to key personnel. Funds are now counted behind locked doors and out of the public eye. Procedures have been implemented to require documentation for the majority of collections.

We recommended (**Recommendation 9**) the City either retain full operational control of the zoo or develop a lease agreement that will allow FOZ to take full operational control. If the City chooses to turn over full operational control to FOZ, we recommended the agreement require FOZ to have in place a comprehensive set of policies and procedures that ensure strong internal controls, proper documentation to provide an audit trail and assurance of accountability. The agreement should also provide for unfettered access to all facilities, records, and staff by the City.

The City entered into a lease and management agreement with FOZ. The contract requires FOZ to establish a comprehensive set of accounting policies and procedures. The contract also stipulates the City has access to all facilities and records of the zoo and FOZ.

Recommendation Partially Implemented 7

We recommended (**Recommendation 7**) that all funds generated at the zoo be receipted and reconciled on a daily basis. Each individual cashier should be assigned a separate cash drawer. A predetermined amount should be set as startup money for each cashier and maintained at a constant amount. Each cashier should summarize and document their collections each day indicating any cash short or over. All deposits and collections should be properly supported. Gift shop staff should consolidate the individual cashier collections into a daily report. This

process should include reconciling the amounts present with supporting documentation (such as Z tapes). Further, when custody of funds is transferred from one employee to another, the money should be counted and documented by signature of both employees.

We also recommended the duties of cash handling be separated from the duties of recording and reconciling the financial data. Also, access to and the ability to sign checks should be limited to only a few employees that are not involved in the record keeping and reconciliation process. We further recommended FOZ have an employee knowledgeable about accounting system processes and controls with specified and required duties related to keeping the organization's books and records.

FOZ has hired a Business Manager with an Accounting degree and a Visitors Services Manager who has extensive experience in cash handling and retail operations. They have developed some written procedures for cash handling which have been implemented by the staff. The staff has made substantial progress in strengthening the internal controls over collections. However, there are a few remaining areas that staff have targeted for improvement.

FOZ is still lacking the detailed financial procedures and requirements related to the job duties of the Business Manager to ensure the organization has strong financial controls.

Recommendations Not Implemented 6

We recommended (**Recommendation 6**) FOZ develop a comprehensive set of written policies that governs their Board, employees and operations. If future operations at the zoo involve FOZ beyond fundraising, we recommend the City ensure that the organization has a comprehensive set of policies and procedures in place to address various issues such as conflicts of interest, related party transactions, nepotism, internal controls over cash collections, procurement, outside employment, and personal use of City/FOZ property.

As stated above, the contract requires FOZ to provide a comprehensive set of policies addressing such topics as conflicts of interests, nepotism, comprehensive accounting and financial policies and other related topics. However, according to FOZ staff and Parks and Recreation Administrator Zehnder, FOZ has not submitted a comprehensive set of policies yet. They have engaged a firm to do an overview of their operations and develop a strategic plan. Management stated this process will include the development of comprehensive policies.

Recommendations Not Considered

The remaining recommendations provided in our report, detailed below, are no longer applicable due to the City eliminating zoo employees and leasing the property to FOZ.

We recommended (**Recommendation 2**) the Finance Department follow all applicable City and State Codes when distributing funds to any not-for-profit organization. Further, the

Administrator of Parks and Recreation, as well as the Director of the Zoo, should be aware of all relevant codes, regulations, and policies related to their areas of responsibility and they should exercise diligence in the administration of expenditures.

We recommended (**Recommendation 3**) the Director of the Zoo should not allow private entities to utilize City property in violation of the City Code. Administration should take appropriate disciplinary action.

We recommended (**Recommendation 4**) Administration take appropriate disciplinary action regarding gratuitous payments received.

We recommended (**Recommendation 5**) Administration should take immediate action to eliminate any conflict of interest or appearance thereof. Further, Administration should take appropriate disciplinary action.

We thank the personnel in Finance, Parks and Recreation and Friends of the Zoo for their assistance in conducting this review. We will consider this report to be final unless directed to continue our review.

Sincerely,



Stan Sewell, CPA, CGFM
Director of Internal Audit

cc: Dan Johnson, Chief of Staff
Larry Zehnder, Parks and Recreation Administrator
Gary Chazen, Board President of Friends of the Zoo
Audit Committee