

Internal Audit Report 18-02
Great Plains Zoo & Delbridge Museum
April 2019



City of Sioux Falls
Internal Audit Department
Carnegie Town Hall
235 W. 10th Street
Sioux Falls, SD 57117-7402
www.siouxfalls.org/council/internal-audit

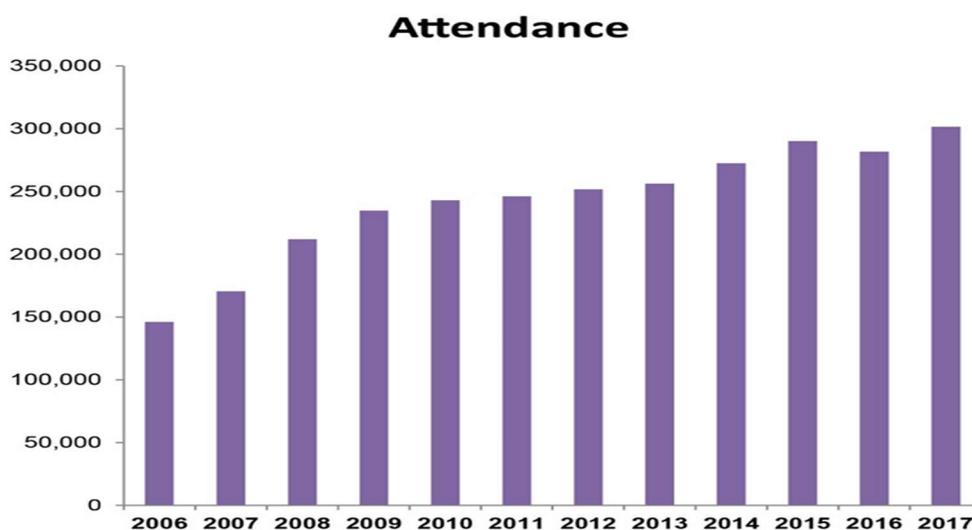
GREAT PLAINS ZOO & DELBRIDGE MUSEUM INTERNAL AUDIT REPORT 18-02

INTRODUCTION

The City of Sioux Falls (City) owns the Great Plains Zoo and Delbridge Museum (Zoo). An agreement exists between the City and the Zoological Society of Sioux Falls (Society) that the Society will operate, manage, maintain, plan, and develop the Zoo. The purpose of the audit is to determine the Society’s compliance with the management agreement and whether adequate controls are in place over Zoo operations and maintenance.

BACKGROUND

The Society hires a President/Chief Executive Officer (CEO) of the Zoo to supervise the overall operations of the Zoo. The President also acts as the CEO of the Society’s Board of Directors (BOD) and is the official representative of the Society in all matters dealing with the management of the Zoo. The President and City Director of Parks and Recreation meet regularly and function as a coordinating group between the City and the Society. The Director of Parks and Recreation serves as an ex-officio, non-voting member of the Society’s BOD. The Zoo is home to 1,000 live animals and the Delbridge museum includes a collection of 150 mounted animals. As an accredited member of the Association of Zoos and Aquariums (AZA), the Great Plains Zoo and Delbridge Museum strives to fulfill four major objectives: Education, Conservation, Recreation, and Discovery.¹ The graphs below indicate attendance trends and annual membership trends.



¹ Information obtained from the Great Plains Zoo and Delbridge Museum page on the City of Sioux Falls website.



OBJECTIVES

The objectives of this audit were to:

1. Determine if the Society is compliant with the following major requirements of the management agreement:
 - a. required financial reports are provided to the City on a timely basis,
 - b. proper insurance coverage and AZA (Association of Zoos and Aquariums) accreditation are maintained,
 - c. operating funds are only being used for their stated purpose, and
 - d. buildings and equipment are properly maintained;
2. Determine if the City has proper internal controls in place to ensure the Society is compliant with the management agreement;
3. Determine if City fixed asset items under the control of the Society/Zoo truly exist and are properly reported and safeguarded;
4. Determine if proper internal controls are in place to protect cash receipts and disbursements of the Society/Zoo, and;
5. Evaluate the operational and program performance trends of the Zoo.

SCOPE AND METHODOLOGY

The scope of this audit included a review of the terms of the agreement effective on January 1, 2017 and internal controls as they are currently in place. Any detailed testing of transactions included those that occurred during calendar year 2017. To complete this audit, we performed the following steps:

- Reviewed the management agreement between the City and the Society;

- Interviewed various City and Society management and staff;
- Observed cash control procedures on site with Society staff;
- Reviewed insurance coverage requirements;
- Obtained evidence of the Zoo's AZA accreditation;
- Reviewed financial records for evidence of preventative maintenance on buildings and equipment;
- Walk-throughs and observations on the Zoo campus;
- Reviewed a sample of the Society's inventory of assets;
- Reviewed a sample of expenditures to ensure proper use of funds;
- Reviewed internal controls in place by the City to ensure compliance with the management agreement;
- Reviewed written policies and procedures regarding cash handling and cash controls;
- Reviewed revenue data, trend in annual passes, number of visitors, and performance trends at the Great Plains Zoo.

RESULTS

Great Plains Zoo Contract Compliance

We interviewed management, reviewed insurance documentation, verified accreditation information, reviewed financial reports, and expenses. Following are the results of our testing:

- Insurance type and coverage amounts were verified and agree with Section 11 of the management agreement.
- AZA presented to the City Council at the July 11, 2017 Informational Meeting that the Zoo received their continued accreditation with the AZA from 2017-2021.
- AZA website lists Great Plains Zoo as accredited through September 2021.
- We verified that the Zoo did, in fact, file the major required financial reports with the City.
- A judgmental sample of expenses was reviewed. It was determined that funds from the operating account are being spent on Zoo operations, maintenance and development.
- Maintenance of buildings and equipment is performed and documented. The Zoo uses "Dude Solutions" as their facilities maintenance management system. All repair work orders and preventative maintenance tasks are entered into the database, assigned to a location/structure/vehicle, routed for approval, assigned to a maintenance person, and documented when completed.
- We verified proof of maintenance on the general ledger expense report. We also observed, while doing a walk through at the Zoo, that buildings and equipment are in appropriate, working condition.

Based on the testing and evaluation performed, we conclude that the Zoo is in compliance with the major requirements of the management agreement that were tested and evaluated as a part of this objective.

City Internal Controls over Contract Compliance

Based on our interviews with City management, we determined that the Parks and Recreation Administrative Manager has begun to maintain an expanded contract monitoring checklist to ensure that the Zoo is meeting the terms of the management agreement. This expanded checklist was implemented in 2018 and will be updated throughout the course of the year, each year the contract is in place. After meeting with Parks and Recreation management staff, we determined that the Parks and Recreation Administrative Manager will ultimately be responsible for updating the checklist and ensuring both parties are compliant with the terms of the contract. However, there are some pieces of the checklist that will be maintained by the Business Analyst assigned to Parks in Finance. This working relationship, along with the working relationship with the District Park Supervisor, should ensure that this contract is being monitored and followed as expected by both parties. The District Park Supervisors are responsible for documenting any meetings or visits they have with contract managers. Quarterly meetings are also held with Zoo management.

The contract checklist is a working document, meaning changes will be made by the Parks and Recreation Administrative Manager to improve it whenever necessary. Previously, contract compliance was the responsibility of the Assistant Director of Parks and Recreation, who has since retired and is no longer with the City. It is unclear how non-financial contract compliance was being monitored prior to the establishment of the electronic checklist in 2018. Finance had maintained a contract checklist beginning in 2014 that included the financial pieces of the contract. Initially, we noted that it was not stated on the checklist when specific items are to be received and/or reviewed for compliance. At the time of our final meeting with management at the end of the audit, updates had been made to the checklist to improve it. The checklist now includes a 'Frequency' column, which indicates how often each item should be received and/or reviewed. Based on the evaluation performed, we determined that adequate internal controls are in place to monitor compliance.

City Fixed Assets

We judgmentally selected a sample of both capitalized and non-capitalized assets from MUNIS, the City's accounting system, and went to the Zoo to verify their existence and condition. We verified their existence based on the asset tag number, asset description, or the serial number (if available) obtained from the MUNIS report. We determined that the City fixed assets in our sample do truly exist and are physically located at the Zoo. The assets are properly safeguarded as well. All buildings where assets are located or stored are locked when not in use. Security cameras are also located throughout the Zoo and Museum. In addition, the Zoo also has a contract with a third party security company, which comes through three times per night to check the security of the buildings and the premises. In addition, the assets tested in our sample were in appropriate, working condition. A yearly inventory is taken to ensure proper reporting and management must sign off on the inventory list before returning to the Parks and Recreation department. Based on the testing performed, we determined that City fixed assets under the control of Great Plains Zoo and Delbridge Museum do truly exist, are properly safeguarded and reported, and are in appropriate and acceptable condition.

Cash Receipts and Disbursements

We interviewed management, reviewed cash control procedures on site, reviewed written policies and procedures, and the external audit report, and reviewed a questionnaire filled out by Great Plains Zoo management. We determined that the following internal controls exist to protect cash receipts and disbursements.

- Segregation of duties exists within the invoicing/accounts payable process. Preparing and mailing checks is done by someone other than the check signing authority.
- Cameras are located on each area that deals with any cash handling.
- Cashiers have individual passwords assigned which are required to log in and open point of sale registers.
- Segregation of duties exists between the receipt of funds and recording the revenue in QuickBooks.
- Expenses over \$100 are approved in advance by an authorized employee.
- Financial policies and procedures are documented and reviewed annually.
- Cash in the safe is counted weekly, by two individuals.
- Register drawers are reconciled by a team lead at the end of each shift.
- Register drawers and cash bags are stored in the safe.

Internal audit obtained and reviewed the written cash handling policies and procedures from the Great Plains Zoo and Delbridge Museum. We also performed an observation of cash procedures on site. Based on our review of documented policies and procedures and observations of cash handling, we determined that policies and procedures are current and are properly followed by staff. We determined that policies and procedures are properly documented with the exception of purchasing card policy and procedure documentation. The Great Plains Zoo Director of Finance indicated in our meeting that the Zoo does not currently have documentation for a purchasing card policy and procedure. The director stated that this is something they are going to work toward implementing. We determined that adequate internal controls are in place to protect cash receipts and disbursements at the Zoo. Policies and procedures are properly followed and documented, with the exception of Purchasing Card policies and procedures, which are currently being developed. See **Audit Recommendation** on page seven.

Operational and Program Performance Trends

The information received for this objective was only reviewed. It was not audited. We verified that this information is consistent with the audited financial statements for 2013-2017.

According to the information received, attendance has steadily increased over the years and increased to over 300,000 visitors in 2017. Annual memberships sold each year has also steadily increased to over 6,000 memberships sold in 2017. Operating revenue has seen steady growth over the past 12 years, while the management fee paid to the Zoo by the City of Sioux Falls has remained relatively flat. There was a slight dip in revenue, memberships sold, and attendance in 2016. This can be explained by a higher than average year in 2015. 2015 was impacted by bringing in a travelling dinosaur exhibit, giving the Zoo a good bump in winter attendance and

membership, per the Great Plains Zoo Finance Director. Several new exhibits and attractions have also been added that contribute to the Zoo's growth, including a Snow Monkey exhibit that received AZA Top Honors and a summer Koala exhibit in 2017 that increased attendance by 13% in the summer and 8% overall. Based on the information that was received and reviewed, we conclude that the Great Plains Zoo is trending positively in revenue, annual passes, and number of visitors. The Great Plains Zoo has been adding new exhibits and attractions in accordance with a strategic Master Plan of improvements that contribute to its growth.

RECOMMENDATION

We made the following recommendation that addresses the above referenced result.

We recommend that The Great Plains Zoo management add a policy and procedure to their Financial Procedure Manual that addresses their purchasing card program. Purchasing cards should have specific policies and procedures documented to provide direction and guidance to all employees who use a company purchasing card.

Management's Response: The Zoological Society of Sioux Falls created a Credit Card Agreement and Guide to be added to the Financial Procedure Manual effective February 21, 2019. Each employee given access to a Zoo credit card received instruction on the procedures which included proper use, required documentation and fiscal responsibility. Those employees also signed a document agreeing to follow the credit card procedures. New credit card holders will go through this same process.

Management Representative Responding: Dan Simon

Date of expected implementation: 2.21.2019

CONCLUSION

Based on our review, we believe that The Great Plains Zoo and Delbridge Museum is in compliance with the management agreement and that the City has established controls to monitor the compliance of the management agreement. The recommendation above, which is based on industry best practices, will provide additional control designed to provide guidance to employees on the proper use of company purchasing cards.

We would like to thank the Parks and Recreation Department as well as Great Plains Zoo and Delbridge Museum management staff for their cooperation and assistance provided during this audit.

AUTHORIZATION

The Sioux Falls City Council approved this audit by resolution in January 2018 as part of the 2018 Annual Audit Plan. The Internal Audit Division operates under the authority of Sections 32.010 through 32.025 of the Sioux Falls Code of Ordinances.

AUDIT STANDARDS

This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

STATEMENT OF INDEPENDENCE

Internal Audit is administratively and operationally independent of the programs and departments it audits, both in appearance and in fact. The Internal Audit Manager is accountable to an Audit Committee appointed by the City Council per section 32.022 of the Code of Ordinances of Sioux Falls, SD.

DISTRIBUTION OF REPORT

This report is intended for the information and use of the Mayor and City Council, management, and others within the City of Sioux Falls. However, the report is a matter of public record and its distribution is not limited.

PERFORMED BY

Abby Vandelanotte
Internal Auditor