



Metropolitan Government of Nashville and Davidson County

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◆ Monitoring Report of ◆

Nashville Zoo, Inc.

Issued by



**Office of Support Services
Division of Grants Monitoring**

July 3, 2002

Fred Adom, CPA
Director

LaShawn Barber,
Lead Auditor

Our Vision: To be excellent and proficient in monitoring and management services.

BILL PURCELL
MAYOR



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DEPARTMENT OF FINANCE
222 THIRD AVENUE NORTH, SUITE 650
NASHVILLE, TENNESSEE 37201

July 3, 2002

Jim Hunt
Board Chair
Nashville Zoo, Inc.
3777 Nolensville Road
Nashville, TN 37211

Dear Mr. Hunt:

Please find attached the Monitoring Report of Nashville Zoo, Inc. relating to the contract it has with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2002. The Division of Grants Monitoring (DGM) is charged with the responsibility of monitoring grant funds from Metropolitan Nashville Government to any nonprofit organization that receives appropriations from the Metropolitan Government of Nashville and Davidson County. DGM is also responsible for monitoring the federal and state grants to departments within the Metropolitan Nashville Government.

We appreciate the assistance provided by your agency during the review. If you have any questions, please call me at 615-880-1035.

Sincerely,

Fred Adom
Director

cc: Rick Schwartz, Executive Director of Nashville Zoo, Inc.
Susan Brischke, Director of Finance and Administration of Nashville Zoo, Inc.
David Manning, Director of Finance, Metropolitan Government of Nashville and Davidson County
Nancy Whittemore, Asst. Director of Finance, Metropolitan Government of Nashville and Davidson County
Joe Holzmer, Division of Accounts, Metropolitan Government of Nashville and Davidson County
Kim McDoniel, Internal Audit, Metropolitan Government of Nashville and Davidson County
Cristi Scott, Legal, Metropolitan Government of Nashville and Davidson County
LaShawn Barber, Div. of Grants Monitoring, Metropolitan Government of Nashville and Davidson County

MONITORING REPORT
for the
NASHVILLE ZOO, INC.

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OBJECTIVES, SCOPE AND METHODOLOGY

The Division of Grants Monitoring (hereinafter referred to as DGM) is charged with the responsibility of monitoring grant funds from Metropolitan Government of Nashville and Davidson County (hereinafter referred to as Metro) to nonprofit organizations that receive appropriations from the Metropolitan Nashville and Davidson County government. DGM is also responsible for monitoring the federal and state grants to departments within Metro.

We have completed a monitoring review of the grant to Nashville Zoo, Inc. for the year ended June 30, 2002. A monitoring review is substantially less in scope than an audit in that DGM did not audit the financial statements and accordingly, does not express an opinion or any assurance regarding the financial statements of Nashville Zoo, Inc. The objectives for this review were:

- To determine the reliability of the financial and programmatic reporting
- To determine the reliability of internal controls
- To determine if costs and service are allowable and eligible
- To determine that program objectives are being met
- To determine compliance with civil rights and ADA requirements
- To determine contractual compliance
- To determine whether the agency has the resources and capacity to administer the grant funds

The review was limited to Metro grant L325 to Nashville Zoo, Inc. for the fiscal year ending June 30, 2002. Upon receipt of the grant award in August 2001, the Metro grant accounted for approximately 69% of the total revenues of and contributions to the agency. To accomplish our objectives of the monitoring review we:

- Interviewed the officials responsible for grant management and financial reporting.
- Identified transactions involving the Metro grant funds as of the month ended March 31, 2002.
- Reviewed controls and supporting documentation of grant expenditures for allowability, necessity and reasonableness of the costs incurred.
- Reviewed operations and activities offered by the Nashville Zoo and its compliance with the intended beneficiaries of the grant funds.
- Reviewed Nashville Zoo's compliance with required Civil Rights and ADA regulations regarding the prohibition of discriminatory practices and the accessibility of services to employees and clients and measures taken to ensure compliance.
- Reviewed Nashville Zoo's compliance with the reporting requirements imposed by Metro.
- Reviewed the financial stability of the Nashville Zoo, Inc. and its ability to continue to administer the grant program funded by Metro.

RESULTS OF MONITORING

This section presents an overall summary of results of the testing performed, including conclusions regarding the key objectives, recommendations for improvement, and an action plan for implementing the conclusions. Deficiencies considered to be significant can be found in the Findings and Recommendations section. The results of monitoring are as follows:

1. Possess necessary resources and capacity to administer the grant funds

Our review of the agency's accounting system, qualifications of the individuals assigned to manage the grants and/or accounting records, and other available resources, found that there are significant weaknesses in the accounting controls, although adequate expertise with grant administration exists within the agency.

The Board of Directors has recently changed its meeting schedule from monthly to bimonthly, to better accommodate board members' schedules. Nonetheless, this has not lessened the Board's involvement in the financial activities of the agency. During the meetings, the Executive Director and Director of Finance and Administration both provide updates to the board members as to the status of various programs and financial performance, including a comparison of budget-to-actual. The Board Chair is also one of the signatures required on all checks. Further, the staff at the Nashville Zoo consists of an Executive Director, Director of Finance and Administration, and Director of External Affairs, all with two to five years experience in administering grant funds.

The agency's Department of Finance and Administration is composed of a Director and an Accounting Assistant. The system of accounting is managed and maintained by Peachtree accounting software, in which restricted and unrestricted agency funds are accounting for separately. Our review found several weaknesses in the accounting and fiscal controls, which are highlighted in Finding #3 the Findings and Recommendations section of this monitoring report.

Our review of the agency's financial position revealed that general solvency requirements are not met. We found a positive cash flow, however the agency could face potential liquidity problems if faced with inability to maintain operations.

2. Allowable and Eligible costs and services

DGM normally reviews a sample of the agency's individual expenses to determine the agency's compliance with any specific requirements outlined in the grant contract. The contract between Metro and Nashville Zoo, Inc. for the year ended June 30, 2002, indicates that funds should be used for operational purposes. Specifically, the contract states that the grant award is to "offset the anticipated operational deficits for 2001 and 2002." The contract also required the submission of the annual audited financial statements. Our review determined that the Nashville Zoo, Inc. was in compliance with both of these requirements.

Also, the contract did not specify that Metro grant funds should be separated to prohibit commingling with other sources of funding, therefore, the agency accounted for Metro funds with other unrestricted funds. As a result, we could not segregate and account for the expenditures separately funded with Metro dollars. The Metro funds were deposited into a money market account, against which the Director of Finance and Administration withdrew funds to supplement the operational bank account. Although we obtained an explanation as to the manner in which the Metro funds were used, we could not associate the disbursements to the withdrawals from the money market account. DGM found the expenses indicated as related to the Metro grant to be primarily for operational purposes including payroll, stamps/mailing, animal expenses, etc.

RESULTS OF MONITORING

3. Program objectives being met

The contract between Metropolitan Nashville Government and the Nashville Zoo for the year ended June 30, 2002, did not contain any specific programmatic objectives, except that funds must be used “for the general welfare of residents of Metropolitan Davidson County.” Since the Nashville Zoo is a public place

and the motto of the agency is “the Nashville Zoo is for everybody, for all time,” our review concluded that the operations are not exclusionary in any intentional respect. The agency provided demographics, which identify the breakdown by zip code, and it is apparent that the Nashville Zoo properly serves Nashville residents. Our review did reveal potential issues with accommodations for individuals with impairments, in accordance with the Americans with Disabilities Act (ADA) Title III. This is addressed further in the Findings and Recommendations section of this report. Due to the lack of more specific programmatic objectives, we could not determine further whether program objectives were met.

4. Reliability of financial and programmatic reporting

There were no financial and/or programmatic reporting requirements in the contract for the Nashville Zoo to monitor except for the submission of an annual audit report performed by a certified public accounting firm. The agency complied with this requirement. The contract included a standard clause that indicates that payments “shall be made only after receipt of invoice(s) and any supporting information.” Our review revealed that funds were distributed by Metro to the Nashville Zoo prior to the receipt of any invoice(s), and that the entire grant amount was awarded to the agency by Metro at once.

5. Reliability of internal controls

Our review of the internal controls of the Nashville Zoo revealed that the agency has 501(c)(3) status, as per the Internal Revenue Code of 1986. Supporting documentation was provided for expenditures identified as charged against the grant and memos providing some guidance on purchasing procedures, however there were several instances of poor accounting and fiscal controls. This resulted Finding #3, which is explained further in the Findings and Recommendations section of this report.

6. Contractual compliance

Overall the Nashville Zoo is in compliance with the Metro contract. As mentioned previously, the agency provided 2001 demographics by zip code for visitors to the Nashville Zoo. Upon review of this information, we determined that the agency’s operations benefit Metro Nashville residents as required. Our review revealed issues with accommodations for individuals with impairments, in accordance with ADA Title III, and Finding #2 is included in the Findings and Recommendations section of this report to address this issue. Due to the lack of more specific contractual requirements, we performed no other testing for contract compliance.

7. Civil rights requirements

DGM found during our review, that the agency is currently not compliant with ADA requirements. Although we found conspicuous postings for Equal Opportunity and Sexual Harassment and written policies on harassment and discrimination, individuals with certain disabilities or impairments are potentially excluded from Nashville Zoo services. This is a finding, which is explained further in Finding #2 of the Findings and Recommendations section.

FINDINGS AND RECOMMENDATIONS

1. The Nashville Zoo does not have a written, comprehensive policies and procedures manual.

Finding

The Nashville Zoo operations are not clearly identified or explained. Various operational policies and procedures for Zoo operations are neither readily available for employee's review nor for an outside review. Also, a lack of a basic manual to direct the operations of the Zoo leads to inefficient and inconsistent actions by employees, which affects the effectiveness of operations.

Recommendation

Management should immediately ensure that all Zoo policies and procedures for various operational processes are documented and compiled into a readily available manual. Management should also ensure that the manual is maintained and updated on a regular basis.

2. Modifications to practices and procedures are needed to accommodate individuals with disabilities.

Based on our assessment, it appears that the Nashville Zoo has not made special modifications to practices to ensure certain accommodations for individuals with certain disabilities, including vision and hearing impairments. According to the Americans with Disabilities Act, Title III, Section 36.303, public places must take "those steps necessary to ensure that no individual is excluded, denied services, segregated, or otherwise treated differently than other individuals because of the absence of auxiliary aids and services..." Furthermore, the grant contract with Metro states that, "no individual with a disability...shall be excluded from participation in...discrimination in the performance of this Grant." Without appropriate accommodations, Zoo patrons with visual and/or hearing impairments are potentially excluded from, and hence cannot fully benefit from, the services offered by the Nashville Zoo.

Recommendation

The Nashville Zoo should work with Metro's Division of ADA Compliance to obtain guidance as to the requirements and appropriate modifications needed to accommodate individuals with impairments and disabilities.

3. Accounting and fiscal controls are inadequate.

Finding

Several instances of poor controls were encountered during our review of the Nashville Zoo.

First, the Department of Finance & Administration has not designed a comprehensive accounting policies and procedures manual. The Director has issued various memos to Nashville Zoo staff to indicate the procedures for specific processes such as expenditure procedures and long-distance telephone codes. This is directly related to Finding #1 in that the entire agency has no comprehensive manual to document the overall policies and procedures of the agency.

Next, auditors noticed during fieldwork that certain key fiscal responsibilities were not adequately segregated. During the review the auditor identified the following instances of a lack of segregation:

FINDINGS AND RECOMMENDATIONS

- The gate staff on duty at closing is responsible for counting the cash received for the day, preparing the deposit, and sometimes physically making the deposit at the bank.
- The same person that prepares bank deposits and bank reconciliations performs cash reconciliations.
- The accounting clerk is the custodian for, replenishes, and reconciles the petty cash fund.
- The mail receipt process is not centralized. Several employees can potentially open incoming mail, exposing contributions (checks) to staff outside of the Finance Department.
- Purchasing responsibilities are not centralized in the Finance Department. Employees in the various divisions of the Nashville Zoo are responsible for contacting the vendors, completing the necessary forms for purchases, and requesting the check for payment.

Our review also revealed that financial information is not always forwarded to the Department of Finance & Administration in a timely manner. Contributions or pledges received by members, foundations, other organizations, or the Board of Directors sometimes arrives in the Fundraising Division and is sometimes held there rather than provided to the Department of Finance & Administration for immediate deposit. Further, the Department of Finance & Administration relies on other departments within the agency to code their respective deposits for entry into the system, which does not always occur timely.

The Zoo does not maintain a comprehensive inventory listing, conduct small equipment and inventory reviews, or maintain equipment in an adequately secured location. Small equipment has been taken from the Zoo property for lack of secured location.

Also, blank checks are occasionally provided for emergency purchases, even though a petty cash fund has been established.

Time-off request forms are not used to document sick and personal time off from work. Although Zoo staff use a time clock to verify the time worked, the Director of Finance and Administration cannot always verify the type of time off from work for employees.

Finally, the safe, which holds at least \$3,000, is accessible by seven (7) staff members and is not located in the Finance & Administration work area. The location is not optimal to ensure its safeguard against theft.

The lack of adequate accounting and fiscal controls results in inefficient management of finances and activities. More specifically, the following are direct results of the control weaknesses identified:

- Various operational policies and procedures for Zoo operations are not readily available for employee's review, which could result in inefficient management of activities and finances.
- In addition, a lack of segregation of duties contributes to a lax environment, which could potentially encourage or fail to prevent inappropriate handling of cash and/or fraudulent activity.
- With financial information not being forwarded to the Finance Department in a timely manner, cash flow is potentially
- A lack of adequate equipment and inventory controls, including no comprehensive listing, no routine reviews or inventory counts, and no secured location, could potentially contribute to the theft of Zoo property.
- Blank checks could be lost or stolen by either an outside party or a dishonest employee. Also, the Zoo does not prevent any potential fraud by disbursing blank checks.

FINDINGS AND RECOMMENDATIONS

- Without time-off request forms, or other means to document the reason for employee absence(s), the Department of Finance & Administration cannot adequately maintain vacation and sick time balances or ensure that employees are properly paid.
- Excessive access to and poor location of the safe contributes to the potential theft of cash kept in the safe.

Recommendation

Management should take an active effort in assuring that adequate accounting controls are implemented within the organization. Management should also ensure that environmental controls are always scrutinized to avoid and prevent instances of theft, fraud, inefficiency, etc.

All departments, specifically the Department of Finance & Administration, should immediately document operational procedures and compile these procedures into a readily available manual. Management should also ensure that the manual is maintained and updated on a regular basis and that.

In addition, management should ensure that all fiscal and accounting procedures, including but not limited to check receipt, coding for posting to accounting system, bank deposits, and purchasing are handled by the Division of Finance and Administration and are adequately segregated. Where segregation is not possible, compensating controls such as documented management review should be incorporated.

4. The financial position of the Nashville Zoo does not meet general solvency requirements.

Tests revealed that the financial position of the Nashville Zoo, Inc. is not adequate to meet solvency requirements. A review of the audit report as of December 31, 2000 and financial statements as of February 28, 2002 revealed a current ratio (a comparison of short-term assets to short-term liabilities) of 1.19:1 and .8 to 1 respectively. In analyzing financial statements and their relative soundness, 2:1 is generally accepted as a satisfactory current ratio. The agency's current ratio for both periods reviewed did not meet this business standard. Similarly, our review of the financial statements as of February 28, 2002 revealed a quick ratio (a comparison of short-term, highly liquid assets to short-term, highly liquid liabilities) of .79:1, which is less than the generally accepted satisfactory ratio of 1:1. Again, we found that the Nashville Zoo's financial position did not meet this business standard.

Recommendation

The Nashville Zoo should monitor financial status and ensure that current, or short term, liabilities are in line with current assets such as cash and accounts receivable. The Nashville Zoo should also continually minimize current liabilities to a more favorable level and continue to ensure positive cash flow for the agency.

5. Other Recommendations:

- I. Metropolitan Government of Nashville and Davidson County should revise the provisions of the contract with Nashville Zoo, Inc. to include, but not be limited to, the following:
 - Provisions for program outcomes and programmatic reporting requirements including format, frequency, and type of information
 - Financial reporting requirements, including format, frequency, and type of costs.

FINDINGS AND RECOMMENDATIONS

- II. Metropolitan Government of Nashville and Davidson County should develop a comprehensive Grants Administration Manual that will outline the minimum and general expectations and requirements of all grant recipients of Metro funds. This manual should address allowable and unallowable costs and cost principles to be followed by all nonprofit recipients of Metro funds.

- III. Metropolitan Government of Nashville and Davidson County should address the process and necessary claim documentation by which Nashville Zoo, Inc. and other nonprofits can obtain funds to administer the grant.

- IV. Metropolitan Government of Nashville and Davidson County should ensure compliance with American with Disabilities Act, Title II, for all entities situated on Metro property.