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MAYOR



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

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

June 11, 2007

Mr. Rick Schwartz, President
The Nashville Zoo
3777 Nolensville Road
Nashville, TN 37211

Dear Mr. Schwartz:

Please find attached the monitoring report of the Nashville Zoo Allocation relating to the contract it has with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2006.

The Office of Financial Accountability (OFA) is charged with the responsibility of monitoring grant funds from Metropolitan Nashville Government to nonprofit organizations. The OFA is also responsible for monitoring the federal and state grants to departments within the Metropolitan Nashville Government. Staff from the OFA conducted the review on May 16, 2007.

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

Sincerely,

Fred Adom

Fred Adom
Director

cc: David Manning, Director of Finance
Jennifer Frist, Board of Directors (Chairman)
Renee Chevalier, Board of Directors (Chairman Elect)
Elizabeth Washko, Board of Directors (Secretary)
Kevin Ault, Board of Directors (Treasurer)
Jim Dickson, Board of Directors (Legal)
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◆ Monitoring Report of ◆

The Nashville Zoo



Issued by



Office of Financial Accountability

June 11, 2007

Fred Adom, CPA
Director

Bill Walker
Auditor

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

Monitoring Report
for the
Nashville Zoo

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OBJECTIVES, SCOPE AND METHODOLOGY

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review for the Nashville Zoo (hereinafter referred to as “agency”). The OFA conducted its monitoring review along the major compliance areas identified in the Office of Management and Budget (OMB) Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations” and in accordance with Generally Accepted Government Auditing Standards and the Metro Grants Manual of the Metro Nashville Government of Nashville and Davidson County (hereinafter referred to as “Metro”).

Overview of the Agency

The Nashville Zoo, established in 1997, is dedicated to providing the Nashville area with a quality Zoo that includes a variety of wildlife exhibits and programs. The Nashville Zoo’s founding was a result of a merger between the Nashville Zoo in Ashland City and the Grassmere Wildlife Park. The Zoo is located on 200 acres in the Nashville area. Along with numerous animal and wildlife exhibits, the Nashville Zoo also hosts the largest community playground and the historic Grassmere plantation. The Zoo has over 35 wildlife exhibits, a Café, a gift shop and served over 525,000 visitors in 2006. The Nashville Zoo offers a numerous and diverse series of programs and activities to the community. A sample of these activities include a 5K run, an yearly Easter Egg hunt, Photo Safari, Campouts at the Zoo, Keeper Talks, All Access Expeditions, Summer Camps, and a Teacher Workshop Program. Unique to most Zoo’s across the country, the Nashville Zoo receives Metro funding for capital improvements only. All operating costs are funded through private donations or the Nashville Zoo. The Nashville Zoo has invested a considerable amount of resources to improve its capital infrastructure; since opening making enhancements to numerous exhibits. The Zoo has recently opened the Giraffe Savanna, Lorikeet Landing and Alligator Cove exhibits.

For the fiscal year ended June 30, 2006, the Nashville Zoo received a capital contribution in the amount of \$5 million which was to be used for construction and construction related expenses. The \$5 million contribution was part of an overall \$15 million capital contribution by Metro to the Nashville Zoo provided through three installments beginning in 2001. The review period for this monitoring report was for the third capital allocation of \$5million and covered the time period of January 1, 2005 through June 30, 2006.

Objectives, Scope, and Methodology

A monitoring review is substantially less in scope than an audit. The OFA did not audit Nashville Zoo’s financial statements and, accordingly, does not express an opinion or any assurances regarding the financial statements of Nashville Zoo or Metro. The OFA is responsible for monitoring the direct appropriations awarded by the Metro Council to nonprofit organizations. The OFA is also responsible for monitoring Metro departments that receive Federal and State grants and financial assistance, including cooperative agreements. In summary, any agreement(s) that imposes performance and/or financial requirements on Metro Government is subject to review by the OFA.

The monitoring objectives for this review were as follows:

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

To accomplish the objectives of the monitoring review, the OFA conducted a review of all supporting documentation submitted in support of the allocation of funds for the specified purposes. The OFA auditors obtained supporting documentation from both the agency as well as the contracting company.

Monitoring Review Highlights

The Nashville Zoo staff appeared to be knowledgeable about program and financial operations and provided valuable assistance. Our review did not reveal any discrepancy with the financial operations of the Nashville Zoo. In the “Results of Monitoring” section that follows, the OFA provides an overview of the overall results of the tests and analyses performed to meet the monitoring review objectives.

RESULTS OF MONITORING

The overall results of the monitoring review for the Nashville Zoo Capital Allocation are provided in this section. The results are based on tests performed and include conclusions regarding the specific review objectives and, if applicable, recommendations for improvement and an action plan for implementing the conclusions. There were no findings of non-compliance.

1. Resources and capacity to administer the grant funds

Our review of the agency's accounting system, the qualification of the individuals assigned to manage the accounting records, and other available resources, indicates that the Nashville Zoo possesses the necessary resources and expertise to administer the grants funds. The agency has various individuals who oversee various financial operations. The Nashville Zoo's fiscal manager appears to be adequately performing the fiscal functions.

2. Allowable and Eligible costs and services

The contract between Metro and the Nashville Zoo for the period ending June 30, 2006 awarded capital contribution funds to be used for construction and construction related expenses. Based on the tests performed, we found the agency charged only allowable and eligible costs to the grant in compliance with applicable guidelines, including OMB Circulars A-122 and the Metro Grants Manual. The agency utilized the funds specifically toward the construction and construction related expenses. The OFA auditors randomly selected thirty (30) expenditures relating to capital expenditures billed to Metro for testwork. The OFA auditors reviewed \$524,167.03 (10%) of the \$5 million expenditures reported for the third allocation of \$5 million. The OFA also verified the contractors compliance with the Davis Bacon Act relating the wages paid to workers on the project.

Based on the grant agreement between the Nashville Zoo and Metro, the agency was required to raise \$15 million in donations to be placed into an endowment to match Metro's funding. The OFA obtained and reviewed a listing of donations made to the Nashville Zoo. The OFA noted that the Nashville Zoo was able to exceed the \$15million match requirement. It must be noted that the agreement does not restrict the Zoo to use the funds raised solely for capital projects. In addition not all of the funds pledged have been collected yet. The OFA randomly selected a sample of 20 donations for testwork. The OFA obtained supporting documentation that the donations were actually received by the Nashville Zoo.

The OFA determined through testing that the Nashville Zoo utilized the grant funds for construction and construction related expenses. The table below summarizes and compares the total amounts the Nashville Zoo spent on Capital Projects and the portion of those cost funded by Metro.

	<u>Contribution</u>	<u>Percentage</u>
Total construction costs (Since 1997)	\$ 25,922,000.00	100%
Other sources of funding	\$ 10,165,000.00	41%
Metro - Capital Imp. Appropriation and Land	\$ 15,000,000.00	59%

The Metro Nashville Government grants manual specifies for the separate accounting of the Metropolitan Nashville Government grant funds to prohibit co-mingling of the Metro funds with other sources of funding. The agency is in compliance with this requirement of the grants manual. The agency has established different revenue classes as well as expenditure classes, so the agency can accurately track the

RESULTS OF MONITORING

sources and amounts of their funding. Also, the agency can easily and accurately report the expenses supported by the Metro appropriation.

3. Program objectives being met

The contract between Metro Nashville Government and the Nashville Zoo for the year ended June 30, 2006, stipulates that the Grantee is to use the funds for construction and construction related expenses. Based on the test performed, the Nashville Zoo appears to have achieved this goal.

4. Reliability of financial and programmatic reporting

The Nashville Zoo is required to submit to Metro reports of the program outcome and expenditure reports periodically during the term of the contract. Our review determined that the Nashville Zoo was in compliance with this requirement.

5. Contractual compliance

Overall, the OFA found the agency in compliance with the contract requirements. The purpose of the Metro capital contribution was for the grant funds to be used for construction and construction related expenses. Based on our inquiry and review of supporting documentation the Nashville Zoo has complied with this intent and purpose of the grant.