



Greg Fischer
Mayor
Louisville Metro Council

The Office of Internal Audit provides independent, objective assurance and consulting services that adds value to and improves Louisville Metro Government.



Office of Internal Audit

Louisville Zoo

Financial Operations

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PROJECT TITLE	
Zoo Financial Operations	
OBJECTIVE AND SCOPE	
<p>The objective was to obtain assurance that operational risks are adequately mitigated through the internal control structure. The primary focus of the review was the fiscal and operational administration of activity in the following areas: revenue, payroll, procurement, custodial assets and vehicle management. This included how activity is processed, recorded, and monitored. This audit was conducted at the request of the Director of the Zoo.</p> <p>Testing included activity occurring during the fiscal year 2010 (July 2009 through June 2010). The details of the scope and methodology of the review are addressed in the Observations and Recommendations section of this report.</p>	
INTERNAL CONTROL ASSESSMENT	SECTION
Needs Improvement	Revenue, Payroll, Procurement, Custodial Assets, Vehicle Management
RESULTS	
<p>Examples of the issues impairing the effectiveness of the internal control structure for the administration of the Zoo’s activities include the following.</p> <ul style="list-style-type: none"> • Revenue. <ul style="list-style-type: none"> ➤ Lack of documented policies and procedures to guide the Zoo in the collection and reconciliation of revenue activity. ➤ Cash drawers were not consistently verified or reconciled in the presence of two individuals. • Payroll. <ul style="list-style-type: none"> ➤ Prior period adjustments were not adequately documented, which impacted the accuracy and integrity of payroll activity. ➤ There were timecard reports that were not signed by the employee or the supervisor. • Procurement. <ul style="list-style-type: none"> ➤ Activity for suppliers, which received more than \$10,000 during the fiscal year, was processed without any type of contractual agreement. ➤ Supplier payments were not processed within 30 working days as required by statutory law. • Custodial Assets. <ul style="list-style-type: none"> ➤ Formally documented policies and procedures were not maintained and an accurate listing of custodial assets was not tracked or maintained. • Vehicle Management. <ul style="list-style-type: none"> ➤ A comprehensive list of employees who have been assigned keys to access the gasoline and diesel fuel pumps on the Zoo grounds is not maintained. <p>There were several instances noted where it appeared fuel was dispersed without an attendant’s or driver’s signature.</p>	



OFFICE OF INTERNAL AUDIT
LOUISVILLE, KENTUCKY

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Transmittal Letter

September 26, 2011

The Honorable Greg Fischer
Mayor of Louisville Metro
Louisville Metro Hall
Louisville, KY 40202

Subject: Audit of the Louisville Zoo's Financial Operations

Introduction

An audit of the Louisville Zoo's (Zoo) financial operations was performed. The primary focus of the review was the operational and fiscal administration of activity in the following areas: revenue, payroll, procurement, custodial assets and vehicle management. This included how activity is processed, recorded, and monitored. The objective was to obtain assurance that risks are adequately mitigated through the internal control structure. This audit was conducted at the request of the Director of the Zoo.

The audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

As a part of the review, the internal control structure was evaluated. The objective of internal control is to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories:

- Achievement of business objectives and goals
- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Safeguarding of assets

There are inherent limitations in any system of internal control. Errors may result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personnel factors. Some controls may be circumvented by collusion. Similarly, management may circumvent control procedures by administrative oversight.

Scope

The procedures for the administration of the Zoo's revenue, payroll, procurement, custodial assets and vehicle management activity were reviewed through interviews with key personnel. The focus of the review was the operational and fiscal administration of the activity. Tests of sample data were performed on activity from fiscal year 2010 (July 2009 through June 2010). This includes how activity was processed, recorded, monitored and reported. The details of the scope and methodology of the review areas are addressed in the Observations and Recommendations section of this report. The audit would not identify all issues because it was based on a selective review of data.

Opinion

It is our opinion that the overall internal control structure for the Zoo's financial operations needs improvement. The internal control rating for each area reviewed is on page 6 of this report. These ratings quantify our opinion on internal controls, and identify areas requiring corrective action. Opportunities to strengthen the internal control structure were noted.

- **Revenue.** Examples of the issues impairing the effectiveness of the internal control structure for the administration of the Zoo's revenue activity include the following.
 - Lack of documented policies and procedures to guide the Zoo in the collection and reconciliation of revenue activity.
 - Cash drawers were not consistently verified or reconciled in the presence of two individuals.
- **Payroll.** Examples of the issues impairing the effectiveness of the internal control structure for the administration of the Zoo's payroll activity include the following.
 - Prior period adjustments were not adequately documented, which impacted the accuracy and integrity of payroll activity.
 - There were timecard reports that were not signed by the employee or the supervisor.
- **Procurement.** Examples of the issues impairing the effectiveness of the internal control structure for the administration of the Zoo's procurement activity include the following.
 - Activity for suppliers, which received more than \$10,000 during the fiscal year, was processed without any type of contractual agreement.
 - Supplier payments were not processed within 30 working days as required by statutory law.
- **Custodial Assets.** Examples of the issues impairing the effectiveness of the internal control structure for the administration of the Zoo's custodial assets include the following.
 - Formally documented policies and procedures for custodial asset management were not maintained.
 - An accurate listing of custodial assets was not consistently tracked or maintained by the Zoo.

- **Vehicle Management.** Examples of the issues impairing the effectiveness of the internal control structure for the administration of the Zoo's vehicle management activity include the following.
 - A comprehensive list of employees who have been assigned keys to access the gasoline and diesel fuel pumps on the Zoo grounds is not maintained.
 - There were several instances noted where it appeared fuel was dispersed without an attendant's or driver's signature.

The Zoo Director should be commended for proactively requesting this review. Implementation of the recommendations in this report will help improve the internal control structure and effectiveness of the Zoo's fiscal activity.

Corrective Action Plan

Representatives from the Zoo have reviewed the results and are committed to addressing the issues noted. The Zoo's corrective action plans are included in this report. We will continue to work with the Zoo to ensure the actions taken are effective to address the issues noted.

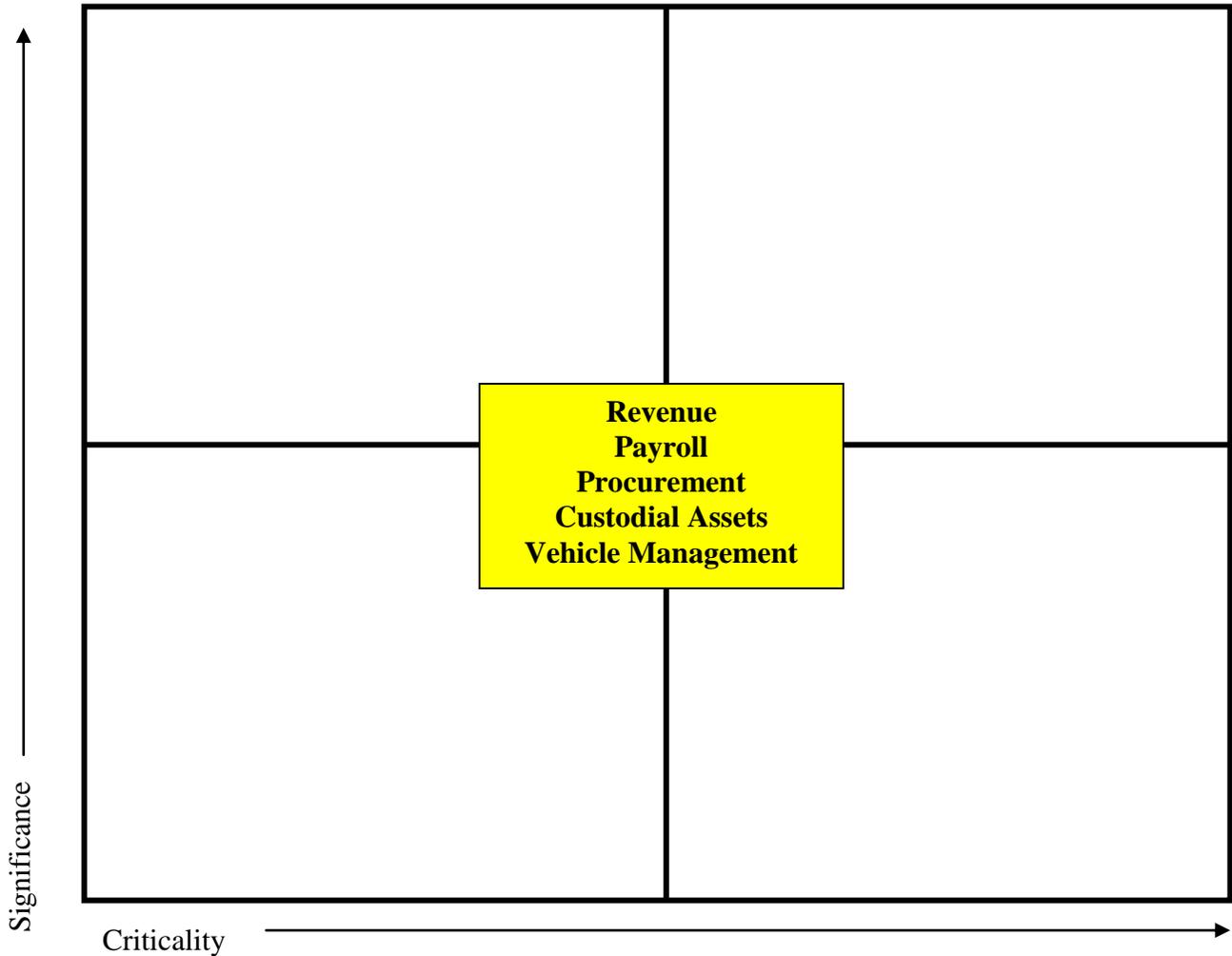
Sincerely,



Ingram Quick, CIA, CFE
Interim Director and Chief Audit Executive

cc: Director of the Zoo
Louisville Metro Council Government Accountability and Ethics Committee
Louisville Metro External Auditors

Internal Control Rating



<u>Legend</u>			
<u>Criteria Issues</u>	<u>Satisfactory</u> Not likely to impact operations.	<u>Needs Improvement</u> Impact on operations likely contained.	<u>Inadequate</u> Impact on operations likely widespread or compounding.
<i>Controls</i>	Effective.	Opportunity exists to improve effectiveness.	Do not exist or are not reliable.
<i>Policy Compliance</i>	Non-compliance issues are minor.	Non-compliance issues may be systemic.	Non-compliance issues are pervasive, significant, or have severe consequences.
<i>Image</i>	No, or low, level of risk.	Potential for damage.	Severe risk of damage.
<i>Corrective Action</i>	May be necessary.	Prompt.	Immediate.

Background

The Louisville Zoological Garden (Zoo), an agency of Louisville Metro Government, is a non-profit organization and the state zoo of Kentucky. The mission of the Zoo is to better the bond between the people and our planet and to be the region's essential zoological and botanical resource for conservation, education, scientific study and the top choice for quality, family fun. The Zoo is accredited by the American Association of Museums (AAM) and by the Association of Zoos and Aquariums (AZA).

The Zoo is home to over 1,700 animals representing 376 species and serves approximately 835,000 visitors annually. The Zoo employs a staff of approximately 132 full time and 154 part time/seasonal employees. The Zoo had a fiscal year 2010 operating budget of \$13.1 million, approximately 82% of which is self-generated revenue. This audit was scheduled at the request of the Zoo Director.

Summary of Audit Results

I. Current Audit Results

See Observations and Recommendations section of this report.

II. Prior Audit Issues

The last review of the Zoo's financial operations was issued in December 2001. It should be noted a management review of the Zoo was performed in April 2005.

III. Statement of Auditing Standards

The audit was performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

IV. Statement of Internal Control

An understanding of the internal control structure was obtained in order to support the final opinion.

V. Statement of Irregularities, Illegal Acts, and Other Noncompliance

The review did not disclose any instances of irregularities, any indications of illegal acts, and nothing was detected during the review that would indicate evidence of such. Any significant instances of noncompliance with laws and regulations are reported in the Observations and Recommendations section of this report.

VI. Views of Responsible Officials / Action Plan

A draft report was issued to the Zoo on July 20, 2011. An exit conference was held at the Zoo's administrative offices on August 23, 2011. Attending were John Walzack, Carol Miller, and Mark Zoeller representing the Zoo; Scott Shelton and Ingram Quick representing Internal Audit. Final audit results were discussed.

The views of Zoo officials were received on September 20, 2011 and are included as corrective action plans in the Observations and Recommendations section of the report. The plans indicate a commitment to addressing the issues noted.

LMCO §30.36(B) requires Louisville Metro Agencies to respond to draft audit reports in a timely manner. It specifically states that

*“The response must be forwarded to the Office of Internal Audit within 15 days of the exit conference, or **no longer than** 30 days of receipt of the draft report.”*

The Zoo's response was not provided within this required timeframe. After discussion between the Chief Audit Executive and Zoo Director the deadline to receive the Zoo's corrective action response was extended to September 20, 2011.

Observations and Recommendations

1) Revenue

Scope

The procedures for administering the Zoo's revenue activity were reviewed. The focus of the review was the operational and fiscal administration of the activity. This included how activity was processed, recorded and monitored. Applicable personnel from the Zoo were interviewed in order to gain a thorough understanding of the process and to ensure that the risks are adequately mitigated through the internal controls.

A sample of revenue activity from July 2009 through June 2010 (FY10) was judgmentally selected for review. The Zoo receives revenue from various sources which include education programs, memberships, admissions, group sales, gift shop sales and revenue shares with vendors. Documentation reviewed included processing reports, various sales and revenue reports, revenue collection documentation, contractor invoices and bank activity.

The information was reviewed to ensure revenue activity was processed accurately, completely, appropriately and monitored effectively. The review would not reveal all issues because it was based on a selective review of data.

Observations

Issues were noted with the Zoo's administration of revenue. As a result, the effectiveness of the internal control structure is impaired and needs improvement. Opportunities to strengthen the controls include the following.

- 1a) Fiscal Administration
- 1b) General Administration
- 1c) Revenue Shares

Details of these begin on the following page.

1a) Fiscal Administration

Issues were noted with the fiscal administration of the Zoo Admission's revenue activity. Examples include the following.

- **Funds Accountability.** There were several cases noted where the accountability over funds is diminished due to the current processes being followed by Zoo personnel.
 - Funds collected at various revenue areas were not consistently reconciled in the presence of two individuals. The current procedure is for the Cashier Coordinator to count the cash drawer and complete a cash reconciliation sheet. However, this is not always done in the presence of both personnel.
 - Cash reconciliation sheets were not signed documenting who completed the reconciliation.
 - Cash reconciliation sheets were only signed by the cashier. Therefore, it appears the cashier is balancing their own cash drawers. This is a control weakness which could lead to the manipulation of funds in order to balance to the register.
 - Starting cash banks were not consistently verified in the presence of two individuals. The current procedure is for personnel within the Cashier's Office to prepare the bank. Upon pick up, the cashier will count their bank and complete a bank verification sheet. However, this is not always completed in the presence of both the cashier and someone from the Cashier's Office. This makes it difficult to hold a Cashier responsible for any discrepancies in reported sales and actual receipts.
 - Bank verification sheets were signed by someone other than the employee assigned to the cash drawer or signed by two different employees. These practices lessen the ability to hold staff accountable for discrepancies.
 - The prices listed within the Group Sales operating system, which are used to create customer invoices, are not accurate. The Group Sales department staff must adjust the prices within the operating system when invoices are created.
 - Zoo cashiers training at the Admissions windows use existing employee IDs and passwords to login to the Zoo's computer system until they are assigned their own ID. Accountability over sales could be hard to determine when computer IDs and passwords are shared among Zoo employees.
- **Safeguarding Funds.** Cash and checks were not consistently safeguarded as they were collected, processed and the associated activity balanced. This weakens the accountability of the funds.
 - Checks received in different areas within the Zoo were not restrictively endorsed until they are turned in to the Business Office at the end of the day. The risk of misappropriation of funds is increased when checks are not endorsed upon receipt.
 - Cash drawers at the Admissions windows were left open while unattended by the cashier. The cash drawers manually open and do not require a sale to gain entry.
 - The Group Sales department receives payments for sales transactions. At the end of each day the payments received are submitted to the Business Office. The

Group Sales department does not receive a receipt to document the exchange of cash or checks.

- **Gift Shop.** There were several issues identified with the fiscal administration of the Zoo's Gift Shop.
 - The Gift Shop maintains a sizeable amount of inventory for resale. The Gift Shop supplies satellite locations throughout the Zoo with items to sell. Items provided to the satellite locations were not properly accounted for. Items are simply replaced as needed.
 - Inventory items are stored in the basement of the Gift Shop in which Zoo employees have unrestricted accessibility.
 - The Gift Shop maintains cash banks in their safe instead of turning the cash in along with their deposits. This includes cash banks that are not used until peak season or when a new exhibit opens.
- **Accounts Receivable.** Issues were noted with the efficiency and effectiveness of the Zoo's billing process.
 - The process used to bill customers for educational programs is manual and inefficient. Invoices do not consistently include a due date or payment terms, and there are no documented guidelines for the collection and monitoring of accounts receivable.
 - Accounts receivable were not accurately reflected within the records maintained by the Group Sales department. Fees and costs associated with sales transactions were paid in full in the sales system, however; the records maintained by the Group Sales department indicated there was an amount outstanding.
- **Credit Cards.** Issues were noted with the efficiency and security of some credit procedures. These issues impact the recording of revenue collected, reconciliation process, amount of revenue collected and security of sensitive information.
 - There were outstanding credit card sales listed on the charge reimbursement report which could not be reconciled to the bank statement.
 - Once credit card sales were completed for Group Sales, the credit card data including the entire credit card number were maintained on file.
 - The Education department uses a credit card to purchase items for facilitating programs. The credit card is kept in an unlocked cabinet in an office easily accessible to Education personnel.
- **Deposit Timeliness.** Collections for one day totaling \$62, 305 were not deposited into the bank until three days after receipt of funds. The Office of Management and Budget's Cash Management Policy states, "Cash and check receipts over \$1,000 should not remain on a department site for more than one business day."
- **Explorer System.** The Zoo has contracted with the vendor Explorer Systems Inc. to provide license software for point of sale, gift shop, membership, ticketing and ongoing support. The Explorer system provides a platform and software modules to standardize or customize functionality across Zoo departments.

- Cash shortages / overages are not recorded in the Explorer sales system. The variance is identified on the cash reconciliation sheet and manually notated on the corresponding sales report for the purpose of reconciling the daily cash deposit. However, the variance is not recorded in the sales system where it can be monitored by department and employee.

Recommendations

Appropriate Zoo personnel should take corrective actions to address the issues noted. Specifics include the following.

- ✓ Cash Reconciliation Sheets should be completed by someone other than the cashier and conducted in the presence of the cashier. The cashier should not be able to access their Cashier Summary Report prior to the reconciliation. Additionally, the Cash Reconciliation Sheet should maintain both signatures (person completing reconciliation and the cashier) indicating agreement from both parties involved in the exchange of funds.
- ✓ Bank Verification Sheets should be completed by the cashier in the presence of a Cashier's Office employee. The Bank Verification Sheet should maintain both signatures indicating agreement from both parties involved in the exchange of funds.
- ✓ Cash banks should only be used by the person completing the Bank Verification Sheet.
- ✓ The Group Sales operating system should be updated to reflect an accurate price list. This would reduce the manual adjustments made by Group Sales personnel when invoicing customers.
- ✓ Cashiers should not share login IDs and passwords. Cashiers should enter sales under their own login IDs in order to maintain accountability over transactions.
- ✓ Check payments should be mailed to one central location within the Zoo. Upon receipt the check should be properly endorsed and deposited according to the Office of Management and Budget's Cash Management Policy. A copy of the check could be distributed to the appropriate area of the Zoo (e.g., Group Sales, Education), if necessary.
- ✓ Cash drawers should be locked and secured when left unattended. This would decrease the likelihood of theft of funds.
- ✓ The chain of custody should be properly documented whenever funds are received in the Zoo's Business Office.
- ✓ Inventory should be kept in a secure location. Accessibility should be limited to the necessary Zoo personnel. Inventory provided to satellite gift shop locations should be accounted for daily and considered during the close out process.
- ✓ Gift Shop cash banks held in the safe until the peak season or when a new exhibit opens should be submitted to the Zoo's Business Office when not in use.
- ✓ The Zoo should explore the possibility of using the Office of Management and Budget's accounts receivable system for billing customers. The use of the system will help ensure that all revenue is billed and collected in a consistent and timely manner. It will also allow for more proper segregation of duties.
- ✓ Credit cards used by the Zoo should be kept in a secured location with limited access. A sign out sheet should be used to account for credit card usage.

- ✓ All funds should be deposited in accordance with the Office of Management and Budget's Cash Management policy (weekly or when funds reach \$1,000, whichever occurs first). This helps ensure the security of funds and optimize investment income.
- ✓ Overages/shortages should be recorded in the Explorer sales system to facilitate the cash reconciliation process and to allow for monitoring of these overages/shortages by department and cashier. Additionally, procedures should be developed to ensure overages/shortages are processed consistently.

Zoo Corrective Action Plan

Funds Accountability

The Zoo has implemented or will implement the following to address funds accountability:

- Cashier banks are now closed in the presence of the cashier and supervisor. Any discrepancies are corrected before the cashier leaves for the day. New sheets have been made to reflect both signatures. Bank Verification Sheets are now completed by the cashier in the presence of a Cashier's Office lead person. New sheets have been made to reflect both signatures.
- Full and/or Part time lead staff members now witness counting of beginning banks and sign off accordingly along with cashier.
- Group sales will change the prices in Gateway to ensure they are updated.
- ID's have been set up for all seasonal cashiers. When a cashier resigns, the ID is recycled and a new password is then issued.

Safeguarding Funds

The Zoo has implemented the following to address the safeguarding of funds:

- The Zoo ordered additional bank endorsement stamps to be used at exhibit locations to restrictively endorse checks upon receipt thus reducing the risk of misappropriation of funds.
- Cashiers have been instructed to close and lock drawers when stepping away from their work stations.
- The Business Office will provide Group Sales with a receipt for the client file when payments are submitted to the Business Office. Once funds are delivered directly from mail to the Business Office procedures will change. The Business Office will verify and sign off on a copy for Group Sales to file.

Gift Shop

The following has been implemented in the Gift Shop:

- The gift shop satellite location/ Splash cart will be manually counted daily at open and close to track sales on the inventory. All inventories that are taken to this location have been transferred out from the ESI inventory system. The other shops (Gorilla Forest, Glacier Run, and Conservation Shoppe) are all in the ESI system and the inventory is deducted from the counts as it is purchased.

- The office door of the Gift Shop leading to the basement is now kept locked at all times. This will prevent seasonal staff from having access to the inventory stored in the basement. Only permanent personnel have keys to access the office and the basement area.
- Gift Shop banks are no longer held in the Gift Shop safe during the non-peak season. They are stored in the cash office safe.

Accounts Receivable

- The Education department has begun implementing due dates and payment terms on invoices sent to customers. The Zoo will schedule a time to meet with Metro Finance to discuss the possibility of utilizing OMB's accounts receivable system for the Zoo's Education department billings.
- Group Sales will amend the current Sales Log to reflect accounts receivable.

Credit Cards

- These issues have been resolved. This was an issue with the Point of Sale system in place where records of credit card transactions were being "dropped" after the sale. It has been corrected and is no longer an issue.
- The Group Sales department will begin reviewing hard copy files and redacting any credit card numbers that exist in the files.
- The Education staff must now go up to the cash office and sign out the credit card which is now kept in the cash office safe.

Deposit Timeliness

The Zoo uses armored car service for collection of daily deposits. The schedule for pick up varies. The Zoo is evaluating this plan for more frequent visits to adhere to the metro policy on cash management. Any deposits not collected by armored car are kept in a sealed deposit bag in the safe.

Explorer System

- Overages and shortages are manually recorded on the cashier sheets. The Zoo has met with ESI and a solution has been implemented and is being tested at this time.

1b) General Administration

Issues were noted with the general administration of the Zoo's revenue activity. The following issues increase the risks associated with revenue activity.

- **Documented Policies and Procedures.** There are no documented policies and procedures to guide the Zoo in the collection and reconciliation of revenue activity. This increases the risk of noncompliance with intended policies and procedures and can lead to inconsistencies and inefficiencies with activity processing.
- **Segregation of Duties.** There is not adequate segregation of duties within some of the revenue areas of the Zoo. Segregating key duties within an operation helps ensure that errors or irregularities are prevented or detected by employees in the normal course of business. When segregation of duties do not exist, the integrity and reliability of operations is compromised.
 - One employee within the Zoo's Education department is responsible for collecting payments, processing of registrations, billing of receivables and generating daily reports used to verify deposits.
 - There are no backup personnel trained to process registrations for Education programs in the absence of the employee.
 - Each employee within the Zoo Group Sales department is responsible for collecting payments, recording receipt of payments, and billing of receivables.
- **Monitoring and Reconciliation.** The Education department does not have a documented reconciliation process to ensure all revenue generating activities (program registrations) are captured, deposited and posted to the correct financial account. Registration and corresponding payments can be processed several ways, including manually, through a registration system, and through a separate point of sale system. This creates complexity and inefficiency in the ability to monitor and reconcile both daily and monthly revenue activity, and limits the usefulness of available systems for accurate reporting.
 - The method used to validate education program registration payments processed at the Admissions Office does not provide assurance that a payment was processed. No receipt or transaction number is provided to Education, nor is the processing cashier identified.
- **Refund Process.** The Zoo has a process to ensure refunds are appropriately documented by attaching the original receipt to the refund receipt. There were several instances noted where refunds were not properly documented.
 - There were several cases noted where refunds were not recorded in the Gift Shop satellite cash registers. The original sale receipts were turned in with "void" handwritten on the receipt for documentation. Therefore, cash register Z tapes were manually adjusted to account for refunds and in some cases not used in the reconciliation process at all.
 - Sales were deleted from the sales system instead of being processed as refunds. Inquiry revealed that when a sale is processed in the sales system without selecting a payment type, the sales system will default to the first payment type listed which is "business check". When this happens, another sale with the proper

payment type is then processed and the ‘business check’ sale is deleted in the sales system.

- **Supporting Documentation.** The Group Sales Department maintains documentation regarding events, facility rentals and other group sales activities according to the terms noted within the Group Sales policies and procedures. Policy requires the Group Sales department to obtain a written contract signed by the customer and the Zoo for all events hosted by the Group Sales department. The following issues were noted regarding the documentation.
 - There was no documentation on file for an event which took place at the Zoo. The required contractual agreements and related fees were waived because the event was held at the request of a Zoo employee. The occurrence of this event was not properly documented.
- **Tickets.** Pre numbered tickets are used to account for exhibits and rides within the Zoo. Rolls of ride and exhibit tickets are shared among cashiers working the admission windows. Additionally, these tickets are not inventoried or reconciled during the daily closing process.
 - Ride and exhibit tickets are kept in an unlocked file cabinet within the Admissions area.
- **Convergence System.** The Zoo has contracted with the vendor Convergence, LLC to provide web application services used by the Education department to process program registrations and payment of fees online via credit card. The Convergence system is also used by the Education Department to process registrations and track payments made through offline methods.
 - Not all Education programs are supported by registration and payment through Convergence. Current capabilities of the system are limited to one-time purchases and cannot accept partial payments, such as deposits, which are required for some Education programs. This creates complexity and inefficiency in the tracking and reconciliation of registration and payments, and limits the usefulness of the system as a reporting tool.

Recommendations

Appropriate Zoo personnel should take corrective actions to address the issues noted. Specifics include the following.

- ✓ A written internal policies and procedures manual should be developed to guide Zoo personnel in the administration of revenue activity. This manual should include sufficient detail for each job duty performed, copies of forms used, policies followed in processing activity, and processing dates and deadlines. The internal policy and procedures manual should be distributed to all applicable personnel. In addition, key personnel should be trained to help ensure consistent adherence to the requirements. The internal policies and procedures should reflect the most current information and be updated periodically.
- ✓ Ideally, segregation of duties should be incorporated into activity processing for the Education and Group Sales departments. A single individual should not be responsible for the receipt, recording, deposit, and reconciliation of activity. In cases

where complete segregation is not feasible (e.g., staff size constraints), appropriate compensating controls should be practiced (e.g., supervisory review, monitoring).

- ✓ Backup Education personnel should be trained to cover in the absence of key personnel.
- ✓ A major component of any reporting system is proper monitoring and reconciliation. It is imperative that administrative personnel review revenue activity on a regular basis to ensure completeness, and adherence to requirements. This helps ensure transactions were processed as intended and properly recorded. In order to promote proper segregation of duties, an administrator independent of the actual processing of activity should perform this function.
- ✓ Payment documentation should be provided to the Education department when education program registration payments are processed in the Admissions Office.
- ✓ Procedures should be developed to ensure consistent processing of refunds. These procedures should address maintaining the refund receipts for documentation. In addition, applicable personnel should be trained to help ensure consistent adherence to these procedures.
- ✓ Voids / refunds should be recorded in Gift Shop satellite cash registers to facilitate the reconciliation process and to allow for monitoring by cashier station.
- ✓ The Group Sales department should be sure to maintain all documentation as required per the Group Sales internal policies and procedures. Any contract requirements or related fees waived should be sufficiently documented and maintained on file.
- ✓ Ride and exhibit tickets should be assigned to individual cashiers at the Admissions windows. In addition, these tickets should be inventoried and reconciled during the daily closing process.
- ✓ Ride and exhibit tickets should be maintained in a secured location with access limited to appropriate Zoo personnel.
- ✓ The ability of the Convergence system to meet the Education Department's needs should be explored. If it is determined that the Convergence system cannot perform the tasks needed by the Education department, other alternatives should be considered, such as use of the Explorer system.

Zoo Corrective Action Plan

Documented Policies and Procedures

The Zoo will follow the policies and procedures of Metro Finance regarding cash handling procedures.

Segregation of Duties

The Zoo will review staffing levels and organizational structures to develop a plan for segregation of duties.

Monitoring and Reconciliation

The Education Department now brings their daily deposit to the cash office and waits until cash management staff has verified the funds. MetaZoo deposits are reconciled with two parties, a cash management staff member and an education staff member. Any discrepancies are dealt with immediately and a signed copy of the deposit slip/report is provided by the cash management employee to the MetaZoo staff member as proof of dropping off the money.

Refund Process

Sales can no longer be deleted from the system once they have been “cashed out”. When a refund is necessary, the Zoo requires the original receipt or tickets which were given at the time of the sale. Documentation is to be recorded on the back of the refund form as to why the cashier gave the money back. If a refund is required at a satellite stand such as 4-D, Lorikeet or Carousel then the original ticket must be attached and the customers signature and phone number are recorded.

Supporting Documentation

Group Sales will document all events effective immediately.

Tickets

Each cashier in the admissions area is now assigned tickets with the beginning and ending numbers recorded. This procedure is already in place at the other sales locations throughout the zoo.

- The tickets are stored in a file cabinet which is kept locked. The tickets are now logged in and require the signature of a lead staff member when a roll/box is removed for use. This will help with accountability issues.

Convergence System

The Zoo is working with Convergence to clarify these deficiencies in the system. There is a possibility that education services will be merged with ESI. The Zoo will meet with Metro IT in November to discuss the need for these changes.

1c) Revenue Shares

The Zoo participates in revenue shares with a number of independent vendors. Revenue shares are business alliances governed by contracts, in which the Zoo receives a percentage of the revenues produced either by an independent vendor or by using products, materials or concepts developed and owned by an independent vendor. Issues were noted with the Zoo's administration of revenue share activity. Specifics include the following.

- **Monitoring of Payments from the Vendor.** The Zoo participates in a food service agreement which requires the vendor to operate and maintain facilities dedicated to providing food and catering services to patrons and staff of the Zoo. The Zoo receives payment of their share of revenues derived from the food service provided by the vendor each month. Per the agreement, the vendor is required to provide the Zoo with weekly statements of their gross receipts.
 - The vendor did not provide the Zoo with the weekly statements of their gross receipts in a consistent or timely manner. The Zoo does not monitor the monthly commission payment from the vendor to ensure it is accurate and in accordance with the commissions stated in the agreement. The failure to monitor the payment increases the risk that erroneous payments could go undetected.
 - An adjustment made by the vendor in an effort to correct a previous erroneous commission payment to Zoo went undetected due to the lack of monitoring.
- **Safeguarding Funds.** The Zoo is responsible for operating exhibits stationed on the premises. Tickets sold at the exhibits are processed by a cashier using a stand-alone cash register. Therefore, at the end of the business day the activity processed using the cash register is manually entered into the Zoo's sales system as part of the closeout process.
 - Checks are accepted by the cashier at the exhibit; however, they are not endorsed upon receipt. The checks are endorsed at the end of the business day during the closeout process. This increases the risk that the funds can be diverted at any point before the closeout process.
 - Prior to breaks, the cashier at the exhibit will alert the appropriate personnel. Another Zoo employee will replace the cashier during the break and operate out of the same cash bank. This makes it difficult to hold a cashier responsible for any discrepancies in reported sales and actual receipts.
- **Segregation of Duties.** There is not adequate segregation of duties for the cashiers working at the exhibits. One employee serves as the cashier and the ticket taker at the exhibit. This increases the risk that funds could be diverted for personal use, and go undetected.
- **Deposit Timeliness.** Payments to the Zoo for their portion of revenue are received in the Zoo Business Office.
 - One payment received from the vendor was not deposited into the bank until 26 days after the receipt of the payment. The Office of Management and Budget's Cash Management Policy states, "Cash and check receipts over \$1,000 should not remain on a department site for more than one business day."

Recommendations

Appropriate Zoo personnel should take corrective actions to address the issues noted. Specifics include the following.

- ✓ A major component of any reporting system is proper monitoring and reconciliation. It is imperative that appropriate personnel review commission payments on a monthly basis to ensure adherence to the agreement. This helps ensure payments are accurate and in accordance with the commissions stated in the agreement.
- ✓ The Zoo should require the vendor to adhere to the agreement and provide weekly statements of their gross receipts to the Zoo in a timely and consistent manner.
- ✓ Check payments received by cashiers located at exhibits should be endorsed upon receipt.
- ✓ Cash banks should not be shared among cashiers in order to maintain accountability over funds and transactions. A new cash bank should be issued to an employee working in relief of a cashier.
- ✓ Ideally, segregation of duties should be incorporated into the revenue collection process for cashiers located at exhibits within the Zoo. One employee should handle the ticketing process and another employee should handle the cashier functions. In cases where complete segregation is not feasible (e.g., staff size constraints), appropriate compensating controls should be practiced (e.g., supervisory review, monitoring).
- ✓ All funds should be deposited in accordance with the Office of Management and Budget's Cash Management policy (weekly or when funds reach \$1,000, whichever occurs first). This helps ensure the security of funds and optimize investment income.

Zoo Corrective Action Plan

Monitoring of Payments from Vendor

The Zoo's Business Manager currently reviews commission payments on a monthly basis along with any associated backup of gross sales. Each vendor with which the Zoo has a revenue share agreement has a different set of reporting requirements. Currently the monthly reporting that we receive from vendors is sufficient to complete our monthly analysis. In future agreements the Zoo will only require monthly receipts from vendors.

Safeguarding Funds

- The Zoo ordered additional bank endorsement stamps to be used at exhibit locations to restrictively endorse checks upon receipt thus reducing the risk of misappropriation of funds.
- The Zoo is developing a process to not share cashier banks.

Segregation of Duties

This only happens at our 4-D theatre and Carousel during the slower business winter months. This process was implemented since the recession to save staffing costs. The Zoo only allows permanent staff members to both sell and collect tickets.

Deposit Timeliness

The Zoo makes payments to vendors with our revenue shares in a reasonable time period. In future agreements, we will make sure the terms of the agreement are not in as tight of a timeframe considering the Metro's closing schedule and availability of information in order to process payments.

- The Zoo uses armored car service for collection of daily deposits. The schedule for pick up varies. The Zoo is evaluating this plan for more frequent visits to adhere to the metro policy on cash management. Any deposits not collected by armored car are kept in a sealed deposit bag in the safe.

2) Payroll

Scope

The Zoo's procedures for administering payroll were reviewed through interviews with key personnel. The primary focus of the review was the operational and fiscal administration of the Zoo's payroll activity. Examinations were performed to determine whether activity is complete, accurate and in compliance with Metro Payroll and Timekeeping Policies. Documentation reviewed included payroll documents, official timecard records, Louisville Metro personnel policies and PeopleSoft records.

The audit review period included fiscal year 2010 (July 2009 through June 2010). A sample of two pay periods was judgmentally selected for review and included all Zoo employees paid for the periods.

The payroll activity was compared to supporting documentation, such as timecard reports and leave requests, to verify the activity was processed completely and accurately. Compliance with Louisville Metro policies was reviewed. This included verification of employee and supervisor signatures on the timecard reports, the use of direct deposit, and approval for overtime / compensatory time earned. In addition, employee addresses were compared to Zoo supplier addresses, and any matches were reviewed. The review would not reveal all issues because it was based on selective review of data.

Observations

Issues were noted with the administration of the Zoo's payroll activity. As a result, the effectiveness of the internal control structure is impaired and needs improvement. Opportunities noted to strengthen the controls are as follows.

- **Prior Period Adjustments.** PeopleSoft self-service functionality allows some Zoo supervisory personnel to make changes to time for payroll periods other than the current one, for themselves and on behalf of their employees. These are considered prior period adjustments. Authorization is required before these adjustments are processed. These adjustments can impact the accuracy of the timecard reports if new reports are not run after adjustments are made (or if documentation for the adjustments is not maintained).
 - There were eight cases in which the employee's pay data (e.g., number and type of hours) did not agree to the timecard reports. These were all due to prior period adjustments. Documentation of the prior period adjustments were not included with the timecard report. This made it appear the timecard report, which is the official payroll record, was incorrect.
- **Timecard Report Signatures.** Louisville Metro policy requires that the timecard report be signed by both the employee and their supervisor. The employee's signature indicates the time is reported accurately, and the supervisor's signature indicates authorization to process the employee's payroll. The timecard report is the official record of the payroll activity. Issues were noted with the timecard signatures.
 - There were 20 individual timecard reports that were not signed by the employee.
 - There were 95 timecard reports that were not signed by the supervisor.

- There were seven instances in which a person other than the employee's supervisor signed the employee's timecard report. There was no documentation provided indicating that the individual had been granted signature authority.
- **Prior Approval for Time Earned / Leave Time Used.** Louisville Metro policies require prior approval for the earning of overtime / compensatory time and the usage of leave time. While the policies do not require standardized documentation for approvals, it is needed in order to demonstrate prior approval was obtained in compliance with policies.
 - There were 158 cases in which an employee earned compensatory time or overtime but documented prior approval was not available. The reason for earning the time was not noted on the timecard report.
 - There were 67 cases in which an employee used compensatory time or other form of leave time (e.g., vacation, sick) but documented prior approval was not available.
- **Timecard Alterations.** There were nine instances where the hours listed on the timecard report were manually altered. The total printed on the report was crossed out and a new total of hours worked was handwritten in its place. It could not be determined which total was accurate due to a lack of documentation to substantiate the altered time.
- **Safeguarding of Checks.** Payroll checks are picked up by a Zoo employee from the Office of Management & Budget's Payroll department the Thursday before payroll is issued. The checks are brought back to the Zoo and are available for employee pick-up on Friday. During the week following payroll issuance, the checks are maintained in an unlocked drawer. The drawer is in an unsecure area in the Administration building.

Recommendations

Appropriate Zoo personnel should take corrective actions to address the issues noted. Specifics include the following.

- ✓ The Payroll Specialist should monitor prior period payroll adjustments made by employees. This should include verifying the adjustment is appropriate, and the proper earn codes and hours are adjusted. Approval should not be given without this level of review.
- ✓ Prior period payroll adjustments should be properly documented. The documentation is needed so that any discrepancy between the timecard report and the actual pay is explained and justified. The Office of Management and Budget issued a directive in August 2010 requiring the generation of a new timecard report for any employee with a prior period adjustment. The timecard report with adjustments should be distributed for proper signature and maintained with the timecard reports for the effective period.
- ✓ Timecard reports should be signed by both the employee and the supervisor. Once approved, the timecard report should be returned to the Payroll Specialist in a timely manner (e.g., within one week). Supervisors should be accountable for reviewing and signing the timecard reports, and ensuring they are returned to the Payroll Specialist in a timely manner.

- ✓ Prior approval should be obtained from the supervisor for overtime / compensatory time earned. The reason for overtime / compensatory time should be documented for each occurrence on the timecard report. This provides documentation for the reason and necessity of earning the time. The purpose of the compensatory / overtime should be reviewed and approved by the supervisor during the review of the individual timecard reports.
- ✓ Request for use of leave time should be approved in advance and documented. This should apply for, at a minimum, any use of one full day or more. This helps to ensure that proper coverage is available for the absent employee.
- ✓ Timecard reports should have supporting documentation attached when adjustments or corrections are made by or on behalf of the employee. The supporting documentation should explain why the adjustment was needed, what dates are the corrections in regards to, and how the hours/earn codes are being changed.
- ✓ Checks that are to be held for pick-up by an employee should be kept in a locked and secure cabinet or safe. Checks that have not been picked up within a reasonable, predetermined time should be mailed to the employee unless specific instructions otherwise have been received.

Zoo Response / Corrective Action Plan

Prior Period Adjustments

- The Zoo's HR department changed this process with the timekeepers in May, 2011. All timekeepers only have authorization to make adjustments for the current pay period in PeopleSoft. They do not have access to prior pay periods. If changes need to be made, they send an e-mail stating the ID number of the employee, day & date and why the change needs to be made. The Zoo's HR department prints the e-mail out for the payroll file as back up as to why the changes were made. Once the change has been made, the Zoo's HR office reprints the time sheet for the correction. The employee and timekeeper sign off and submit the reprint of the timesheet to the Zoo's HR department for filing in the current payroll file for audit purposes.

Timecard Report Signatures

- Supervisors have now been instructed to sign the bottom of both sides of the timesheets even if their signature is next to their name on the same time sheet.
- Supervisors have been notified of their responsibility to have every member of their department sign the time sheet within a week's time frame unless the employee is no longer working for the Louisville Zoo in which case the termination date will be noted on timesheet.
- If immediate supervisor is off from work, the employee next in command will sign off for approval of payroll on timesheet. (Implemented 9/18/11.)

Prior Approval for Time Earned/Leave Time Used

- Authorization of any overtime must be approved in advance whenever possible by the Assistant Director and copied to the Zoo's HR office for the current payroll. Comp time will be managed by managers and sent to HR for each payroll. HR will print e-mails and file with the payroll. (Implemented 9/18/11.)

- The Zoo's HR office has reverted back to paper "Leave Request Forms" for use of vacation, comp time, sick incentive time (PER), union personal day and floating holidays. These forms must be approved by the employee's supervisor or next in command. If the immediate supervisor is out of the office, the assistant director may approve. The form must be submitted to the Zoo's HR office attached to the time sheet that the leave request is for. (Implemented 9/18/11.)

TimeCard Alterations

When changes must be made to an employee timesheet the Zoo will print another time sheet and send to the department supervisor/timekeeper for the employee and supervisor to sign for the payroll file.

Safeguarding of Checks

Once payroll checks are picked up from Treasury the HR department will put them in alpha order along with a check sign-in sheet. The checks will be taken back to the Cash Management office until 8:30 a.m. on Friday morning when either HR or Cash Management brings them to the front desk for distribution. Once Friday has closed the checks are taken back by the Receptionist to Cash Management until Saturday morning where any employee can come to the front windows of Admissions to pick up their pay check. Once the weekend is complete the HR office will pick up the checks from Cash Management and mail out the checks that have been authorized and distributed to supervisors and managers at the Zoo. If a seasonal employee has left the Zoo, he/she will need to bring their Metro property back to the Admissions window and in turn will receive their check. If checks remain a week later HR will phone the seasonal employee and request they return the Metro property or their check will be returned to Treasury. (Implemented 9/18/11.)

3) Procurement

Scope

The Zoo's procedures for administering procurement activity were reviewed through interviews with key personnel. The primary focus of the review was the operational and fiscal administration of the activity. This included assessing whether activity was processed, recorded, monitored and reported accurately and appropriately. The objective was to obtain assurance that the risks are adequately mitigated through the internal control structure.

Tests of sample data were performed on transactions from fiscal year 2010 (July 2009 through June 2010). Procurement data was obtained from Louisville Metro's financial system. The sample consisted of twenty five transactions judgmentally selected for review.

In addition, all suppliers receiving more than \$10,000 from the Zoo during fiscal year 2010 were identified. A sample of ten suppliers was chosen, comprised of five each of the highest and lowest aggregate payments received, to ensure compliance with contractual requirements in the Louisville Metro procurement policies. The examination would not reveal all issues because it was based on selective review of data.

Observations

Issues were noted with the administration of the Zoo's procurement activity. As a result, the effectiveness of the internal control structure is impaired and needs improvement. Opportunities noted to strengthen the controls are as follows.

- **Contractual Agreements.** Louisville Metro's procurement policies, which are based on State statutes, require the use of contractual agreements whenever a supplier receives the aggregate amount of \$10,000 or more during the fiscal year.
 - The activity for five suppliers, which received more than \$10,000 from the Zoo, was processed without any type of contractual agreement. This involved 74 invoices.
- **Small Purchase Policy.** Louisville Metro's procurement policies require the use of the Intent to Purchase Services (ITPS) form if the licensed or non-licensed service is \$10,000 or less and not a skilled trade service (i.e., plumber, electrician or mechanic).
 - For one transaction, catering services in the amount of \$5,125 were purchased directly from the supplier, without the required ITPS form.
- **Payment Timeliness.** Kentucky Revised Statutes require that Louisville Metro government pay suppliers within 30 days of receipt of the invoice. Of the 25 invoices reviewed, three were not paid within the 30 day limit. The payments for the three invoices ranged from 38 to 68 days.
 - Invoices are not consistently time / date stamped upon receipt at the Zoo. The absence of a date stamp makes it impossible to determine the actual date the invoice was received, so the timeliness of payment cannot be determined with

certainty. For invoices without date stamps, the invoice date has to be used to calculate timeliness. This may distort the payment time calculation.

- **Supplier's Revenue Commission Verification.** Louisville Metro suppliers are required to register with the Louisville Metro Revenue Commission. This helps ensure that suppliers doing business with Louisville Metro Government are paying applicable taxes and fees.
 - Of the 25 Zoo suppliers reviewed, two were not registered with the Revenue Commission at the time of the audit.
- **Policies and Procedures.** The Zoo follows the procedures established by Louisville Metro Government's Purchasing policy. The Zoo also has internal policies and procedures for procurement activity that have not been updated to reflect current practices and forms. This increases the risk of non-compliance with intended policies and procedures. This can also lead to inconsistencies and inefficiencies with activity processing.
 - **Missing Forms.** It is an internal procedure of the Zoo to submit to the Business Clerk a signed Request for Purchase Order (RFPO) for expenditures under \$2,500 or a Requisition Request form for those over \$2,500 but less than \$10,000. The forms are signed by the Department Supervisor to serve as evidence of purchase approval.
 - Five expenditures did not have the RFPO or Requisition Request form authorizing approval of the purchase.
- **Account Usage.** Account codes are used to classify expenditure activity in the financial system. These codes are used for budgetary and management purposes, such as providing information on the costs of operating the Zoo.
 - There were two cases in which expenditure activity was charged to an account that did not appear to be descriptive of the activity. In these instances, an account was available that was more descriptive of the goods or services purchased.
 - Training expense and equipment repairs charged to an account identified as Signs, Decorations and Flags.
 - Camp T-shirts charged to an account identified as Office Supplies.

Recommendations

Appropriate Zoo personnel should take corrective actions to address the issues noted. Specifics include the following.

- ✓ The Zoo should comply with contractual threshold limits as stated in Louisville Metro's procurement policies. The Zoo's procedures may need to be revised to ensure cumulative payment amounts are considered prior to procurement of goods / services. This may require department supervisors to consult with the Business Office prior to initiating procurement of goods / services from suppliers. This proactive approach would help ensure the activity is in compliance with contractual requirements. Additional training of supervisors with the authority to approve purchases should also help ensure compliance with policy requirements.

- ✓ The Zoo should ensure all personnel with purchasing authority are aware of and adhere to Louisville Metro's Procurement Policy.
- ✓ Care should be taken to ensure invoices are processed in a timely manner in compliance with State law. Any situations in which an invoice will not be paid within 30 days, such as disputes with the supplier, should be properly documented. Additional training of key personnel may be necessary in order to ensure compliance with statutory requirements.
- ✓ The Zoo should consider requiring date stamping of all invoices when received, in addition to those processed through the Business Office mail. This would allow determination of timeliness and identify areas where delays may be occurring. The requirement for all invoices to be date stamped should also be documented in the Zoo's policies and procedures manual.
- ✓ The Zoo's Business Office should request access to the Revenue Commission's internet-based site that allows verification of potential suppliers. The registration status and standing of suppliers should be verified prior to the procurement of goods / services. The verification should be documented.
- ✓ Internal policies and procedures should reflect the most current information and be updated periodically. The internal policies and procedures manual should be reviewed for necessary updates to the sections covering procurement activity, including the appropriate use of internal forms and required approvals, with revisions distributed to all applicable personnel. In addition, training of key personnel will help ensure consistent adherence to the requirements.
- ✓ Ultimately, the Zoo is responsible for administering its fiscal activity in compliance with applicable guidelines. The Zoo should review its policies and procedures related to the administration of expenditures. The goal should be ensuring the risks are properly mitigated through the use of internal controls.
- ✓ Care should be taken to ensure that invoices are charged to the financial accounts most descriptive of the goods/services received. Part of the formal reconciliation process should be ensuring the transaction posted to the proper account in the financial system.

Zoo Response / Corrective Action Plan

Contractual Agreements

- The Zoo has provided training to all personnel who are authorized to make purchases. They work closely with the Zoo Business staff in arranging the appropriate procurement method and are aware of the need to use a contractual agreement when making purchases over \$10,000 and will be held accountable to this process.

Small Purchase Policy

- Zoo personnel with purchasing authority have been trained on Louisville Metro's latest Procurement Policy. Representatives from Purchasing and OMB came to the Zoo to review the policies and answer any questions. Zoo personnel are aware of the need to have ITPSs for services less than \$10,000 and will be held accountable to this process.

Payment Timeliness

- The Zoo is now on the Metro's IPM system and invoices are scanned within one day of receipt after coding by Zoo staff. Zoo personnel have been trained to code invoices and return to the Business Office for processing in a timely fashion.

Supplier's Revenue Commission Verification

- Through the Business Office consolidation we will now rely on OMB to verify potential suppliers' Revenue Commission status.

Policies and Procedures

The Zoo will follow Metro's policies and procedures regarding procurement.

Account Usage

- The OMB personnel assigned to the Zoo will double check all coding to verify that the appropriate account is being used. In addition, supervisors review their Leap accounts on a monthly basis, and miscoding are typically discovered and corrected through this process.

4) Custodial Assets

Scope

A review of the Zoo's administration of custodial assets was performed. The primary focus of the review was to ensure that custodial assets were tracked in accordance with the Office of Management and Budget's Custodial Asset Policy. Custodial assets are defined as items purchased at \$1,500 or more but less than \$5,000 (i.e., computers, printers, office equipment).

Testing was performed on activity from fiscal year 2010 (July 1, 2009 to June 30, 2010). A sample of seventeen custodial assets comprised of ten information technology related items and seven weapons, were judgmentally selected for physical verification, and to determine the adequacy of the asset listing and adherence to procedures. The review would not reveal all issues because it was based on selective review of data.

Observations

Issues were noted with the Zoo's activity regarding custodial assets. As a result, the effectiveness of the internal control structure is impaired and needs improvement.

- **Policies and Procedures.** The Zoo does not maintain formally documented policies and procedures with regards to custodial asset management (i.e. additions, deletions, location moves, tracking and monitoring). This can lead to inconsistencies and inefficiencies with asset management.
- **Tracking Custodial Assets.** The Zoo does not track or maintain an accurate listing of its custodial assets. The Office of Management and Budget's (OMB) policy recommends that "each department maintain an adequate system of control and monitoring of its custodial assets."
 - The Zoo does not track or maintain a listing of its scientific equipment. This current practice increases the risk that misappropriation of custodial assets could occur and remain undetected. Further, there is an increased risk that the Zoo's custodial assets are not accurately included in estimated facility replacement costs used to insure the Zoo's facilities and equipment.

Recommendations

Appropriate Zoo personnel should take corrective actions to address the issues noted. Specifics include the following.

- ✓ The Zoo should develop policies and procedures for administering custodial assets. These should supplement the Office of Management and Budget's custodial asset policy, and be distributed to all applicable Zoo personnel. The procedures should address custodial asset additions, deletions, and transfers.
- ✓ The Zoo should ensure the annual report furnished to Risk Management is inclusive of all required information, specifically all information regarding the custodial assets of the Zoo.

- ✓ The Zoo should maintain a listing of custodial assets in accordance with the Office of Management and Budget's policy. The listing should be updated appropriately and monitored in order to ensure proper safeguarding of assets.

Zoo Response / Corrective Action Plan

Policies and Procedures

The Zoo will contact OMB for training on Metro policies regarding custodial asset management. The Zoo will then identify the position responsible for maintaining our various assets (computers, weapons, vehicles, scientific equipment) as well as the process for tracking.

Tracking Custodial Assets

- The Zoo will update and maintain a list of its various custodial assets and follow Metro's policy on custodial assets.

5) Vehicle Management

Scope

A review of the Zoo's vehicle management activity was performed. The primary focus of the review was to ensure that vehicle assets were tracked and safeguarded, including on site fuel inventory. Key personnel were interviewed and applicable support documents were examined in order to gain a thorough understanding of the operational and fiscal administration of the vehicle management activity. Examinations were performed to determine whether activity was complete and accurate. Documentation reviewed included Louisville Metro Vehicle Use policies, Zoo Policies and Procedures Manual, inventory records and fuel reports.

Testing was performed on vehicle management activity for the months of May, June and July 2010. A sample of eighteen items consisting of vehicles and equipment was judgmentally selected for physical verification and to determine the accuracy of the Zoo's vehicle inventory list. In addition, a cursory review of the Zoo's Gasoline Reports and Fuel Inspection Sheets was performed to compare reported fuel consumption with reorder amounts. The review would not reveal all issues because it was based on selective review of data.

Observations

Some issues were noted with the administration of the Zoo's vehicle management activity. As a result, the effectiveness of the internal control structure is impaired and needs improvement. Examples include the following:

- The Zoo does not maintain a comprehensive list of employees who have been assigned keys to access the gasoline and diesel fuel pumps on the Zoo grounds. As the fuel pumps are largely unattended, key control is critical to ensure fuel is only dispersed by employees who are authorized. As the number of employees with fuel pump keys is not readily known, the risk of unauthorized access to and misappropriation of fuel assets is increased.
- There were several instances noted during the review of Gasoline and Diesel Reports in which it appeared fuel was dispersed without an attendant or driver's signature. There was no indication on the Gasoline or Diesel Reports that these dispersals had been questioned, or that monitoring was performed for unauthorized employee access to fuel or unusual fuel dispersals. Failure to monitor fuel access and dispersal logs increases the risk of unauthorized access to and misappropriation of fuel assets without detection.
- A cursory review of Fuel Inspection Sheets revealed that fuel inspections were not completed consistently following the instructions listed on the inspection sheet. This included instances of inspections not performed, performed on days other than those instructed, missing time of inspection and missing signature of the fuel assessor.
- Two vehicles that appeared to be assigned to the Zoo's Horticulture department were not assigned equipment identification numbers. Zoo personnel explained that equipment identification numbers were not assigned as the vehicles were donated.

Recommendations

Appropriate Zoo personnel should take corrective actions to address the issues noted. Specifics include the following.

- ✓ A list of all persons authorized and assigned keys to access and dispense fuel should be created and maintained, as part of the overall key control process used at the Zoo. As current access to the fuel pumps could not be determined with confidence, the Zoo should consider rekeying the locks on the fuel pumps and reissuing keys to authorized personnel.
- ✓ Gasoline and Diesel Reports should be reviewed to ensure that only authorized employees are accessing the fuel pumps and that a reasonable amount of fuel is disbursed.
- ✓ Employee understanding of and adherence to the signature requirements on the Gasoline and Diesel Reports may be improved through training on the use of the form, such as providing greater clarity to the description of the signature columns (i.e. “Fuel Accessed By” rather than “Attendant”, and “Fuel Dispersed To” rather than “Driver”).
- ✓ Fuel Inspections Sheets should be completed according to established procedures, which may indicate a need to modify the current form to achieve consistency. All pertinent information should be completed on the form and signed by the inspection assessor and supervisor. When accurately and consistently completed, the Fuel Inspection Sheet can be used to identify potential unrecorded fuel dispersal amounts by comparing fuel inventory to Gasoline and Diesel Reports and fuel receipts.
- ✓ The Zoo should ensure all Louisville Metro policies and procedures are adhered to when accepting any type of donation. Appropriate Zoo personnel should review their use to verify the vehicles are properly classified to ensure appropriate insurance coverage is provided.

Zoo Response / Corrective Action Plan

- The Zoo has implemented the new Best Locks program for key control, and employees with access to the fuel pumps are now easily identifiable. Also, there are only pumps in the maintenance area at this time. The one behind Giraffe has been pumped down and is no longer in use. The Zoo will ensure that all employees with access to the pumps must always have two signatures verifying the fueling.
- The Zoo has a maintenance mechanic who is in charge of checking the fuel twice a week. We are maintaining consistency at the pumps and the fuel in the emergency generators. The Maintenance Supervisor will gather the fuel sheets and check the records against what was ordered on a monthly basis to ensure there are not huge discrepancies.
- The Zoo will update the Fuel Inspection Sheets and begin using those forms by the beginning of September. The Zoo will ensure that all employees with access to the pumps must always have two signatures verifying the fueling.
- The Fuel sheets have been updated to include a description and departmental assignment of each vehicle or piece of equipment being fueled.

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