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Office of the City Auditor

Audit Report

AUDIT OF DALLAS ZOO TRANSITION
(Report No. A10-016)

June 25, 2010

City Auditor

Craig D. Kinton

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Executive Summary

The transition of the management of the Dallas Zoo (Zoo) from the City of Dallas (City) to Dallas Zoo Management, Inc. (DZM) is close to completion; however, the following issues were identified that the City will need to address to finalize the transition:

- DZM owes the City \$10,509 for Zoo expenses the City paid on DZM's behalf after DZM assumed responsibility for Zoo operations on October 1, 2009.
- The City has provided DZM technology services for seven of the nine months allowed in the Management Agreement (Agreement) without collecting the \$137,088 in estimated monthly service fees. The City has not requested payment from DZM because the City's Department of Communication and Information Services (CIS) has not finalized a Technology Services Agreement with DZM.
- The City Controller's Office (CCO) has entered, but not yet approved the accounting entries to record the transfer on October 1, 2009 of \$3,691,443 in fixed assets to DZM and the associated accumulated depreciation of \$3,403,737. As a result, the City's accounting records do not currently reflect the proper ownership of the fixed assets.

In addition, the following issues were identified that existed prior to the transition of Zoo's management to DZM on October 1, 2009, the commencement date. These issues will now need to be addressed by DZM to properly manage the Zoo:

- The Zoo's Animal Collection (Zoo and Aquarium) inventory records overstated the number of animals actually transitioned by the City to DZM. A sample of 95 of 512 judgmentally selected inventory records showed that 13.68 percent were not accurate. For each of the inaccurate inventory records noted, the auditors observed/counted fewer animals physically present at the Zoo or the Aquarium than what was shown on the inventory record.

Zoo Management Agreement

On August 12, 2009, the Dallas City Council authorized a twenty-five year agreement with the Dallas Zoological Society (DZS) and Dallas Zoo Management, Inc. (DZM) to manage the Dallas Zoo (City Council Resolution No. 09-1968).

The resulting Management Agreement (Agreement) is between the City of Dallas (City), a Texas municipal corporation (the owner) and DZM (a Texas non-profit corporation, the primary operating entity), and DZS (a Texas non-profit corporation, the financially responsible party).

The Agreement was executed on September 30, 2009 with a commencement date of October 1, 2009. Before October 1, 2009, the Park Board and the Department of Park and Recreation managed the Zoo.

Source: Council Agenda – Addendum Item #9 – August 12, 2009

- Internal controls over the Zoo's fixed assets were either not in place or not functioning properly. The Zoo did not have written policies and procedures for fixed assets. In addition, items physically present at the Zoo were not recorded on the fixed asset inventories and physical access to fixed assets was not properly restricted.
- The Zoo did not obtain the Scientific Research and Wildlife Rehabilitation permits from the Department of Texas Parks and Wildlife. Although the Zoo holds the proper Federal permits, the Zoo is required to obtain the corresponding State permits.

We commend DZM, the City Attorney's Office, the Department of Equipment and Building Services (EBS), the Department of Human Resources (HR), and the Department of Park and Recreation (PKR) for working together to create a timely and smooth transition of the management of the Dallas Zoo to DZM. To complement the transition work of DZM and these departments, the Office of the City Auditor promptly communicated any audit issues noted so that both DZM and the City could take the necessary actions to address the issues. As a result, certain items noted during the audit have already been corrected. For example, DZM: (1) Moved a gun cabinet to a more secure area; (2) Obtained the proper permit for the carousel; and, (3) Updated one of the Drug Enforcement Administration (DEA) Controlled Substance Registrations. In addition, the City adjusted \$18,238 in final day, Petty Cash, and Change Fund operating revenue that was incorrectly recorded to Fiscal Year (FY) 2010 instead of FY 2009.

The objective of the audit was to review selected components of the Management Agreement for the Dallas Zoo between the City and DZS and DZM.

The audit covered the period during the transition of the management of the Dallas Zoo to DZM, which was effective on October 1, 2009. We reviewed related transactions and records before and after that date to address the audit objective.

Management's response to this report is included as Appendix IV.

Audit Results

Overall Conclusions

The transition of the management of the Dallas Zoo (Zoo) from the City of Dallas (City) to Dallas Zoo Management, Inc. (DZM) is close to completion; however, the City must address certain transition related accounting issues, finalize the Technology Services Agreement with DZM, and collect approximately \$147,597 from DZM for services the City provided on DZM's behalf. In addition, DZM must address issues that existed prior to the transition of the Zoo's management to DZM on October 1, 2009, the commencement date. These issues relate to proper management of the Zoo's Animal Collection (Zoo and Aquarium) inventory, fixed assets, and that DZM must obtain the Scientific Research and Wildlife Rehabilitation permits from the Department of Texas Parks and Wildlife.

Section I: Transition Issues the City Must Address

Accounting for Zoo Expenses Was Proper, But Not Complete

The Department of Park and Recreation (PKR) properly analyzed the majority of expenses incurred by the City on behalf of DZM and sought reimbursement; however, the City paid \$10,509 in invoices for items that were received by DZM after September 30, 2009. The total of \$10,509 has not yet been presented to DZM for reimbursement.

Section 4.08, *Expenses*, of the Agreement between DZM and the City, states that DZM is responsible for paying all Operating Expenses and Capital Expenditures from the Commencement Date, October 1, 2009, through expiration or termination of the Agreement.

Recommendation I

We recommend the Director of PKR request reimbursement from DZM for the \$10,509 in expenses that were paid by the City on behalf of DZM.

Please see Appendix IV for management's response to the recommendation.

Technology Services Agreement with Dallas Zoo Management Is Not Final

Through April 30, 2010, the City will have provided technology services to DZM for seven of the nine months the Agreement allowed without collecting the \$137,088 (or \$19,584 per month) in estimated monthly service fees. The City has not requested payment from DZM because the City's Department of Communication and Information Services (CIS) has not finalized a Technology Services Agreement with DZM. Exhibit C-5 of the Agreement estimated that the annual (12-month) total for these fees would be \$235,007. As a result, the City has not collected technology services fees timely and has foregone potential interest earnings on these funds.

Section 2.05, *Zoo Technology, (e) Technology Services* of the Agreement between the City and DZM provides for the City to continue providing telephone, long distance, circuit charges, telephone network and maintenance support, and communications equipment maintenance for up to nine months after the Agreement Commencement Date.

Recommendation II

We recommend the Director of CIS:

- Finalize a technology services agreement with DZM
- Invoice DZM for the technology related services DZM has incurred since October 1, 2009 as soon as the agreement is finalized

Please see Appendix IV for management's response to the recommendation.

The City Has Not Yet Recorded the Transfer of the Fixed Assets to Dallas Zoo Management

The City Controller's Office (CCO) has entered, but not yet approved the accounting entries to record the transfer on October 1, 2009 of \$3,691,443 in fixed assets to DZM and the associated accumulated depreciation of \$3,403,737. As a result, the City's accounting records do not currently reflect the proper ownership of the fixed assets. The Management Agreement Exhibit B lists the fixed assets that the City transferred to DZM; however, as of May 14, 2010, the accounting records still showed these items as the City's fixed assets.

Fixed Assets

Fixed Asset - An asset intended for long-term use, such as, buildings, fixtures, and equipment. The Zoo benefits from fixed assets over several years

Depreciation - The Zoo recognizes in the accounting records the benefits of the fixed assets over a period of years. This is referred to as depreciation

Net Book Value – Fixed asset cost

According to the CCO:

- Fixed asset accounting entries are not approved until the Comprehensive Annual Financial Report (CAFR) audit is completed due to a system limitation.
- Had the CCO approved the accounting entries to record the fixed asset transfer to DZM, the system reports for the period ending September 30, 2009 would omit the fixed assets and the associated depreciation even though the City owned the fixed assets at that point in time.

Proper accounting requires the City to record the transfer of the fixed assets and the associated depreciation to reflect that as of October 1, 2009 the City no longer owned these fixed assets.

Recommendation III

We recommend the City Controller:

- Determine if the system limitation can be corrected to allow the CCO to make timely fixed asset accounting entries
- Approve the accounting entries to record the transfer of the Zoo's fixed assets and the associated accumulated depreciation to DZM

Please see Appendix IV for management's response to the recommendation.

Section II: Zoo Issues Which Existed Prior to the Commencement Date That Dallas Zoo Management Must Now Address

Animal Collection Inventory Records Were Not Accurate

The Zoo's Animal Collection (Zoo and Aquarium) inventory records overstated the number of animals actually transitioned by the City to DZM. A sample of 95 of 524 judgmentally selected inventory records showed that 13.68 percent were not accurate. For each of the inaccurate inventory records noted, the auditors observed/counted fewer animals physically present at the Zoo or the Aquarium than what was shown on the inventory record.

Each of the 524 judgmentally selected inventory records was based upon the following criteria: The inventory record included less than ten animals. This criterion was used by the auditors to provide a reasonable method to verify the number of animals per inventory record through physical observation of the animals at the Zoo and Aquarium. In other words, no attempt was made to select inventory records containing a large number of animals, such as 7,000 honey bees.

The inventory overstatement occurred because the Zoo did not develop and implement written policies and procedures for recording, maintaining, and monitoring the Animal Collection inventory. Written policies and procedures would provide Zoo employees with a better understanding of the tasks involved in properly maintaining the Animal Collection inventory and would help the Zoo comply with the accreditation standards of the Association of Zoos and Aquariums (AZA). These standards, if followed, would provide the Zoo with more accountability over the Zoo's Animal Collection inventory.

In addition, the Zoo did not:

Animal Records

The Zoo uses Animal Records Keeping System (ARKS) to maintain the inventory records for the Animal Collection. The software is industry specific for zoological institutions.

Source: Department of Park and Recreation

Ensure animal locations, transfers, and dispositions were properly recorded

The Aquarium was under renovation and many of the species were transferred to other aquariums; however, all transfers were not reflected in the Animal Records Keeping System (ARKS). In addition, animal locations within the Zoo were not consistently recorded in ARKS.

Confirm periodically the status of animals “In on Loan” and “Out on Loan”

Some of the ARKS reports show “unknown location” for animals “In on Loan” and animals “Out on Loan”. Two of the three zoos contacted indicated that animals shown in ARKS as “In on Loan” and “Out on Loan” were actually donated. Presumably, further inventory record inaccuracies would be found if all of the zoos participating in the loan program were contacted.

Perform annual physical inventories of the Animal Collection

The AZA accreditation standards for Zoos require:

- An animal inventory must be compiled at least once a year and include data regarding acquisitions and dispositions in the Animal Collection
- All species owned by the institution must be listed on the inventory, including those animals on loan to and from the institution. In both cases, notations should be made on the inventory.
 - Animal records must be kept current and data must be logged daily
 - Detailed disposition records of all living or dead specimens must be maintained
- It is the obligation of every loaning institution to monitor, at least annually, the conditions of any loaned specimens and the ability of the recipient to provide proper care

Recommendation IV

We recommend DZM develop and implement written policies and procedures for recording, maintaining, and monitoring the Animal Collection inventory. We also recommend DZM comply with AZA accreditation standards related to inventory. At least annually, DZM should:

- Confirm all animals “In on Loan” from and “Out on Loan” to other zoos
- Conduct physical inventories and reconcile those inventories to ARKS
- Monitor, at least annually, the conditions of any loaned specimens and the ability of the recipient to provide proper care

Please see Appendix IV for management’s response to the recommendation.

Internal Controls Over Fixed Assets Needs Improvement

Internal controls over the Zoo's fixed assets were either not in place or not functioning properly. The Zoo did not have written policies and procedures for fixed assets. Policies and procedures provide guidance to Zoo employees on how to control and account for fixed assets and properly restrict physical access to certain areas of the Zoo.

The Zoo also did not have complete fixed asset inventories. For example, prior to starting the transition process to DZM, the Zoo's fixed asset inventories did not include the fixed assets in the Commissary, Guest Relations, and the Veterinary Hospital. A sample test found items that were not recorded on the inventories. (See Table I below).

Table I

Fixed Assets Not Recorded on Inventory

Fixed Asset Description	Fixed Asset Location
Wishing Well	Inside Bird and Reptile Building
Two Horned Lizard Benches	Outside Bird and Reptile Building
Bronze Turtle Sculpture	Outside Bird and Reptile Building

Source: Fixed assets inventory test

Without periodic inventories, the Zoo cannot determine that fixed assets purchased by the Zoo are in the correct location and are accounted for properly. As a result, the Zoo might purchase items it already owns or fixed asset losses may go undetected.

In addition, the Zoo's current practices do not adequately protect fixed assets. The following are two examples:

- Physical access to certain areas of the Zoo, such as buildings and animal enclosures, may not be properly restricted because the Zoo did not document the keys issued to employees. As a result, the Zoo cannot determine if an employee's physical access is limited to what is needed to fulfill that employee's job responsibilities. In addition, when an employee transfers job responsibilities within the Zoo or resigns, the Zoo cannot be certain that all keys were properly reassigned or returned.
- Trade Shop external roll-up doors were occasionally left open while the Trade Shop rooms were unattended. Leaving these doors open could allow unauthorized access into secure areas and result in the loss of materials and equipment.

Recommendation V

We recommend DZM develop and implement written policies and procedures that address physical access controls and include the proper methods to control, secure, and account for fixed assets, such as conducting periodic inventories.

Please see Appendix IV for management's response to the recommendation.

Department of Texas Parks and Wildlife Permits Were Not Obtained

The Zoo did not obtain the Scientific Research and Wildlife Rehabilitation permits from the Department of Texas Parks and Wildlife. Although the Zoo holds the proper Federal permits, the Zoo is required to obtain the corresponding State permits as shown in Table II below. Without the proper permits, the Zoo may be subject to civil suits and/or penalties.

Table II

Corresponding Federal and State Permits Required

United States Fish and Wildlife Service Permit (Federal)	Department of Texas Parks and Wildlife Permit (State)
Migratory Bird Scientific Collecting Permit	Scientific Research Permit
Migratory Bird Rehabilitation Permit	Wildlife Rehabilitation Permit

Source: United States Fish and Wildlife Service and Department of Texas Parks and Wildlife

The Zoo operates in a heavily regulated and licensed environment. The Zoo is accredited by the AZA and is licensed to exhibit animals to the public under the Animal Welfare Act by the United States Department of Agriculture (USDA). The United States Fish and Wildlife Service and the Department of Texas Parks and Wildlife also require numerous permits. In many cases, the Federal and State permits are complementary in nature and both Federal and State permits are required. The significant number of and the complexity of the permits and licensing makes it challenging for the Zoo to ensure that it has obtained all required permits and licenses.

Recommendation VI

We recommend DZM obtain the Scientific Research and Wildlife Rehabilitation permits from the Department of Texas Parks and Wildlife.

Please see Appendix IV for management’s response to the recommendation

Background, Objective, Scope and Methodology

Background

Zoo History

The Zoo is one of the oldest zoos in Texas. It was started in 1888 at Old City Park and was located briefly at Fair Park before moving to its present location in 1912. Today, the Zoo sits on 95 developed acres in North Oak Cliff. The Zoo is an accredited member of the Association of Zoos and Aquariums (AZA). As a member of the AZA, the Zoo participates in the Species Survival Plans for endangered or threatened species, including gorillas, tigers, chimpanzees, lemurs, and okapis.

For most of its history, the Zoo relied on the direct support of a variety of organizations that raised donations and recruited volunteer help for the Zoo. Those groups were formally organized into the non-profit Dallas Zoological Society (DZS) in 1955. All of these groups cooperated to purchase new animals and build new facilities for the Zoo. Since 1992, DZS successfully managed all fund raising, membership, marketing/public relations, special events, food services, retail operations, and volunteer programs for the Zoo under a contract with the City. DZS will continue to provide financial support to the Zoo through fund raising, sponsorships, and memberships.

Dallas Zoological Society Major Fund Raising Projects	
Jake L. Hamon Gorilla Center	\$ 4,000,000
A.H. Meadows Animal Hospital	4,000,000
Kimberly-Clark Chimpanzee Forest	1,000,000
Exxon Tiger Exhibit	1,000,000
Lacerte Family Children's Zoo	7,000,000
Betty Moroney Norsworthy Otter Outpost	2,000,000
Various Renovation Projects	2,000,000
Giants of the Savanna (project to open end of May 2010)	5,000,000
Totals	\$ 26,000,000

Source: Paul D. Dyer, Director of the Department of Park and Recreation, at August 5, 2009 City Council briefing.

Management Agreement

On August 12, 2009, the Dallas City Council authorized a twenty-five year agreement with the DZS and Dallas Zoo Management, Inc. (DZM) to manage the Zoo (City Council Resolution 09-1968). The resulting Management Agreement (Agreement) is between the City of Dallas (City), a Texas municipal corporation (the owner) and DZM, a Texas non-profit corporation, the primary operating entity, and the Dallas Zoological Society (DZS), a Texas non-profit corporation, the financially responsible party. The Agreement was executed on September 30, 2009 with a commencement date of October 1, 2009. Before October 1, 2009, the Department of Park and Recreation (PKR) and the Park Board managed the Zoo. Since October 1, 2009, the Zoo has been under the management of DZM.

Objective, Scope and Methodology

We conducted this audit under the authority of the City Charter, Chapter IX, Section 3, and in accordance with the Fiscal Year 2009 Audit Plan approved by the City Council. This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The objective of the audit was to review selected components of the Management Agreement for the Dallas Zoo between the City and DZS and DZM.

The audit covered the period during the transition of the management of the Dallas Zoo to DZM, which was effective on October 1, 2009. We reviewed related transactions and records before and after that date to address the audit objective.

To achieve the audit objective, we performed the following:

1. Researched historical zoo operations and DZS's involvement
2. Reviewed and provided input for Management Agreement drafts
3. Interviewed and obtained records from Zoo and PKR personnel
4. Observed operations and internal controls at the Zoo
5. Tested, on a sample basis, the inventories at the Zoo and the Aquarium

6. Tested, on a detail basis, the weapons inventory
7. Researched AZA Accreditation Standards
8. Researched Animal Record Keeping System (ARKS) and zoological inventory best practices
9. Researched the various possible licenses and permits for zoological operations and operations at the Zoo
10. Tested, on a detail basis, the revenue for July 2009 through September 2009
11. Confirmed the closure of the various cash accounts at the Zoo, including petty cash, change fund, and operating cash as of September 30, 2009
12. Tested, on a sample basis, the Zoo's related disbursements for June 2009 through September 30, 2009
13. Tested, on a detail basis, the Zoo's related disbursements after September 30, 2009
14. Analyzed the insurance coverage purchased by DZM against the City's requirements and coordinated those efforts with the Department of Human Resources Risk Management Division
15. Confirmed the IRS Tax-Exempt Non-Profit status of both DZM and DZS
16. Analyzed the multi-year trust funds, 0337 for Capital Projects and 0358 for Education, for proper yearly allocations and payment of the remaining funds after establishing a reserve for future operations at the Aquarium

Management Agreement Terms Related to the Audit Objective

Major terms in the Management Agreement (Agreement) that are related to our audit objective include:

1. Dallas Zoological Management, Inc. (DZM) shall be responsible for full operation, management, repair, and maintenance of the Zoo at its costs, and will operate to a standard that is similar to or exceeds the level historically implemented by the City and securing all reasonable permits and accreditations associated with Zoo operations, including, but not limited to, those by the United States Department of Agriculture and American Zoological Association.
2. City shall transfer to DZM and/or the Dallas Zoological Society (DZS) its zoological collections, related permits, registrations, and licenses, and vehicles, equipment, furniture, tools, supplies, merchandise, etc. relating to Zoo operations to the extent practical.
3. Existing City contracts relating to Zoo operations will be assigned, terminated, or otherwise resolved as mutually determined by the parties. Upon termination of the Agreement, the then-existing contracts will be assigned or terminated as directed by City.
4. The parties shall develop a Technology Plan providing for an orderly transition and conversion of information systems from City to DZM. To the extent practical, equipment will be transferred to DZM as personal property. The DZM will be responsible for acquiring any licenses that cannot be conveniently assigned. The parties may arrange for City to provide certain services, including, without limitation, radio service, on reasonable terms and for consideration, paid by DZM to the City. The DZM and DZS shall bear the cost of all new systems, equipment, services, etc. Upon termination of the Agreement, all such items will be conveyed as directed by the City.
5. The DZM shall be responsible for securing and maintaining any and all permits, licenses, certifications, AZA accreditations, etc. for operation of the Zoo. The DZM shall comply with all Federal, State and Local laws and regulations applicable to the Zoo and/or its operation.
6. Current multi-year Zoo Fund balances (less the "Aquarium Reserve") will be made available to DZM to pay for reasonable capital expenditures

- identified, as necessary, appropriate, and/or convenient for operational turn-over under the Agreement.
7. The DZM and DZS will be responsible for all utility costs.
 8. The DZM and DZS shall be responsible for providing insurance, in such amounts and on such terms, as the City may reasonably require from time to time.
 9. The DZM will operate and manage the Aquarium at Fair Park pursuant to the Agreement provided; however, the City will pay to DZM as an additional management fee an amount equal to any operating costs for the Aquarium in excess of the Aquarium revenues. The City may establish from the Zoo Education Funds a reserve account up to \$600,000 to cover any such potential shortfalls. Excess revenue, if any, may be applied by the City as it deems appropriate. Upon 90-days notice, the City may remove the Aquarium from the Agreement for any reason and DZM may remove the Aquarium from the Agreement if the City fails to appropriate funds necessary to cover any operational shortfall.
 10. The DZM and DZS shall provide periodic financial statements, reports, budgets, and projects as the City deems appropriate. The City shall have audit rights. The DZM and DZS must maintain their non-profit, 501(c) (3) status. The Agreement shall provide reasonable safeguards to insure DZS and DZM and their resources are primarily committed to the support and promotion of the Dallas Zoo and its programs.

Major Contributors to This Report

Carol Smith, CPA, CIA, CFE, Assistant City Auditor
Renee Hayden, CPA, CFE, Project Manager
Lee Chiang, Auditor
Theresa Hampden, CPA, Quality Control Manager

Management's Response

Memorandum

RECEIVED

JUN 17 2010

City Auditor's Office



DATE: June 17, 2010

TO: Craig D. Kinton, City Auditor

SUBJECT: Response to Audit Report: Audit of Dallas Zoo Transition

Our responses to the audit report recommendations are as follows:

Recommendation I:

We recommend the Director of PKR request reimbursement from DZM for the \$10,509 in expenses that were paid by the City on behalf of DZM.

Management Response / Corrective Action Plan

Agree Disagree

The Park and Recreation Department presented the invoices in question to Dallas Zoo Management, Inc. DZM reviewed the invoices and agrees that all relate to animal food which was ordered by the City prior to September 30, 2009 but delivered after October 1, 2009. That being the case, DZM has reimbursed the City \$10,509.31.

Implementation Date

The City has received check #3455 for \$10,509.31 from Dallas Zoo Management, Inc.

Responsible Manager

Barbara Kindig, Assistant Director, Park and Recreation Department

Sincerely,

Paul D. Dyer, Director
Dallas Park and Recreation Department

C: Forest Turner

Memorandum

RECEIVED

JUN 22 2010



City Auditor's Office

DATE: June 15, 2010

TO: Craig D. Kinton, City Auditor

SUBJECT: Response to Audit Report: Audit of Dallas Zoo Transition

Our responses to the audit report recommendations are as follows:

Recommendation II:

We recommend the Director of CIS:

- Finalize a technology services agreement with DZM
- Invoice DZM for the technology related services DZM has incurred since October 1, 2009 as soon as the agreement is finalized

Management Response / Corrective Action Plan

Agree Disagree

Section 2.05, Zoo Technology, of the Management Agreement for the Dallas Zoo was drafted with direct input from the Communication and Information Services (CIS) department of the City. CIS, rather than PKR has, therefore, been working to reach an agreement with Dallas Zoo Management (DZM) on the equipment inventory and billing rates for the technology services that are provided to DZM. CIS finalized an agreement on Wednesday, June 2nd, at which time CIS will invoice DZM for the previous month's service charges. For all future periods in which service is provided, CIS will begin monthly invoicing.

Implementation Date

June 2, 2010 – Finalized Agreement with DZM on equipment inventory and billing rates.
June 15, 2010 – CIS invoiced Mr. William Evans with DZM for October 2009 in the amount of \$10,400.71.

Responsible Manager

Robbie Porter Wooten, Assistant Director, CIS

Sincerely,

Morris Levine, Director – Department of Communication and Information Services

C:

"Dallas: The City That Works: Diverse, Vibrant, and Progressive."

Memorandum



DATE: June 17, 2010
TO: Craig D. Kinton, City Auditor
SUBJECT: Response to Audit Report: Audit of Dallas Zoo Transition

Our responses to the audit report recommendations are as follows:

Recommendation III:

We recommend the City Controller:

- Determine if the system limitation can be corrected to allow the CCO to make timely fixed asset accounting entries
- Approve the accounting entries to record the transfer of the Zoo's fixed assets and the associated accumulated depreciation to DZM

Management Response / Corrective Action Plan

Agree Disagree

The financial reports for the fiscal year ended September 30, 2009 are properly stated. In order to avoid a potential misstatement, transactions approved in the fixed asset subledger are limited until the completion of the external audit; however, transactions are entered and appear as pending items in the subledger. Staff in the Controller's Office are working with Communication and Information Services on the system limitations between the general ledger and subledger necessitating this control procedure.

As noted by the auditor, the transfer of the assets occurred in Fiscal Year 2010, and will be appropriately reported in the September 30, 2010 financial reports.

Implementation Date

Potential revisions to the fixed asset subledger will be available before November 30, 2010. The fixed asset transfers will be approved in the subledger before June 30, 2010.

Responsible Manager

Fixed Asset Manager, City Controller's Office

Sincerely,



Edward R. Scott
City Controller

C: Jeanne Chipperfield, Chief Financial Officer

"Dallas: The City That Works: Diverse, Vibrant, and Progressive"

Memorandum

RECEIVED

JUN 17 2010

City Auditor's Office



CITY OF DALLAS

DATE: June 17, 2010

TO: Craig D. Kinton, City Auditor

SUBJECT: Response to Audit Report: Audit of Dallas Zoo Transition

Our responses to the audit report recommendations are as follows:

Recommendation IV:

We recommend DZM develop and implement written policies and procedures for recording, maintaining, and monitoring the Animal Collection inventory. We also recommend DZM comply with AZA accreditation standards related to inventory. At least annually, DZM should:

- Confirm all animals "In on Loan" from and "Out on Loan" to other zoos
- Conduct physical inventories and reconcile those inventories to ARKS
- Monitor, at least annually, the conditions of any loaned specimens and the ability of the recipient to provide proper care

Management Response / Corrective Action Plan

Agree Disagree

As a result of extended illness, resignation and hiring freeze, the City was without a Zoo Animal Collection Registrar for approximately one year. On July 17, 2009, the City hired a new Zoo Registrar who immediately began addressing the extensive backlog of daily animal activity reports, including acquisitions, dispositions and loans, in the Animal Collection database (ARKS). Since October 1, 2010, the DZM Registrar has completed reconciliation of the animal collection to the ARKS inventory, with the exception of the fish collection at the Aquarium at Fair Park. Reconciliation of the fish collection will occur in conjunction with renewal of the collection for the re-opening in September 2010. A physical inventory and reconciliation will occur quarterly with an annual confirmation of animals on loan to other institutions.

Implementation Date

Complete

Responsible Manager

"Dallas: The City That Works: Diverse, Vibrant, and Progressive."

Gregg Hudson, DZM Zoo Director and CEO

Recommendation V:

We recommend DZM develop and implement written policies and procedures that address physical access controls and include the proper methods to control, secure, and account for fixed assets, such as conducting periodic inventories.

Management Response / Corrective Action Plan

Agree Disagree

DZM has implemented a fixed asset system (FAS) as part of its overall accounting system. The fixed assets specified in the various exhibits to the contract have been entered into the DZM FAS. As part of the DZM annual audit, inventory testing of fixed assets will be conducted.

On September 30, 2009, all City of Dallas employees employed at the Dallas Zoo were required to turn in their keys to facility doors and gate padlocks as part of the reduction in force termination process. Those employees who were subsequently employed by DZM were re-issued keys and completed key assignment documentation signed by the employee and the supervisor.

On March 29, 2010, DZM hired a Safety Director. The Safety Director is testing software to track the issuance and return of keys to all facility doors and gate padlocks.

Access codes for Zoo automatic gates were changed effective October 1, 2009. On April 1, 2010, DZM engaged a private security company to provide 24-hour security in the Zoo. Among other duties, security officers ensure that perimeter gates and gates between public and non-public areas are closed and locked.

Implementation Date

Fixed asset system implementation is complete. Security service contract has been implemented. Key management database implementation anticipated to begin by July 31, 2010.

Responsible Manager

Gregg Hudson, DZM Zoo Director and CEO

Recommendation VI:

We recommend DZM obtain the Scientific Research and Wildlife Rehabilitation permits from the Department of Texas Parks and Wildlife.

"Dallas: The City That Works: Diverse, Vibrant, and Progressive."

Management Response / Corrective Action Plan

Agree Disagree

The Texas Parks and Wildlife Scientific Research permit is not an institutional permit for animal operations. Application for this permit is made when the Zoo seeks to implement a specific scientific research project. DZM will apply for a Scientific Research permit prior to engaging in specific covered research. The Zoo is not currently engaged in wildlife rehabilitation and therefore DZM is not required to have a Texas Parks and Wildlife Rehabilitation permit. However, DZM will make application for the Texas Parks and Wildlife Rehabilitation permit.

Implementation Date

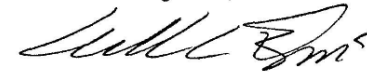
Not Applicable

Responsible Manager

Gregg Hudson, DZM Zoo Director and CEO

Sincerely,

Dallas Zoo Management, Inc.



By: William L. Evans
Executive Vice President &
Chief Administrative Officer

C: