

**LOWRY PARK ZOO
AUDIT 09-01**

March 20, 2009

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INTRODUCTION

The City first learned of the Zoo's CEO's for-profit venture through media accounts. This obvious conflict of interest, reports of animal transactions between the Zoo CEO and his for-profit venture, as well as expenditures by the Zoo on Safari Wild property led to inquiries by the City. When the Zoo President maintained there was no conflict of interest and failed to acknowledge that the City owned the Zoo animals, the City embarked on this audit.

Tampa's Lowry Park Zoological Gardens n/k/a Lowry Park Zoo (Zoo), situated on land owned by the City of Tampa, is operated by the Lowry Park Zoological Society (Society), under a lease and operation agreement with the City of Tampa. The Society operates as a 501(c)(3) nonprofit charitable organization and provides programs in education and conservation to benefit the general public.

The lease and operation agreement with the City states that the real property shall remain the property of the City and all future real or personal property donations shall become the sole property of the City. The agreement continues that the animals, as of the date of the agreement, will be leased to the Society and "the progeny of these animals and any animals acquired . . . shall become and remain assets of the City." In the agreement, the City requires the animal collection to be maintained in accordance with accepted standards of the American Association of Zoological Parks and Aquariums n/k/a Association of Zoos and Aquariums (AZA). Established in 1924, the AZA describes itself as "America's leading accrediting organization for zoos and aquariums and accredits only those institutions that have achieved rigorous standards for animal care, education, wildlife conservation and science."

SAFARI WILD

The Lowry Park Zoo President and a St. Petersburg veterinarian bought 258 acres of land in Polk County in March 2007. Safari Wild, LLC was incorporated the same month. The purpose was to create a for-profit animal park that would include exotic and endangered species. It is envisioned that visitors would pay approximately \$50 for admission to the park. Tours would be provided through the park, which would hold about 1,000 species. It is not known when the facility plans to open to the public.

BA RANCH

BA Ranch is a 50-acre residence located in East Pasco County, Florida owned by the Zoo President, Lex Salisbury.

ZOO STATISTICS

2007 Revenues: \$18,816,046 (source: audited financial statements)

2007 Expenses: \$15,059,212 (source: audited financial statements)

Number of Employees: 308

Acreage: 56 acres

Animal Activity (average for last 5 years)

Animal Births: 128

Animal Deaths: 198

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY09 Audit Agenda. The objectives of this audit were to determine if:

1. Animal inventories were accurate and animal transactions and changes in status were properly documented and recorded.
2. Transactions with Safari Wild and BA Ranch, related parties (a business deal or arrangement between two parties who are joined by a special relationship prior to the deal), were appropriate, properly documented, and recorded.
3. Related party transactions (a business deal or arrangement between two parties who are joined by a special relationship prior to the deal) were properly identified and disclosed, and ethics and conflicts of interest policies were adequate.
4. Animals received reasonable care and medical histories were properly recorded and maintained.
5. Adequate controls existed over various financial processes and taxable transactions.
6. The Zoo's association with and activities performed for the Zoological Association of America were appropriate given the City's requirement for adherence to the accepted standards of the Association of Zoos and Aquariums.
7. In-kind donations were recorded and properly controlled.
8. Controls over purchases (including credit card and domestic and overseas travel-related purchases) were adequate.
9. Employment processes were appropriate and adequately documented.
10. The City's insurance requirements were met and that adequate controls existed over contracting and leasing processes.

STATEMENT OF SCOPE

Based on the work performed during the preliminary survey and the assessments of risk, the audit period varied depending on the audit objective. The scope of Zoo functions to be reviewed and transactions to be examined during the audit have been documented and aligned with the audit objectives. Source documentation was obtained from the Lowry Park Zoo located at 1101 West Sligh Avenue in Tampa, Florida. Original records as well as copies were used as evidence and verified through physical examination.

STATEMENT OF METHODOLOGY

Depending on the audit objective, the purpose of the test, and the attributes tested, statistical, judgmental, and stratified sampling methods were used. For statistical sampling, the sample size and selection were generated using a desired confidence level of 90 percent and a desired precision of 5 percent. Statistical sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. The other sampling methodologies were used to improve the overall efficiency of the audit.

To achieve the audit's objectives, reliance was placed on computer-processed data contained in the Zoo's financial systems. The Zoo's financial system was determined to be reliable by their external auditors and no additional work was considered necessary. The database systems used to maintain animal inventories, clinical records, and in-kind donations were found to be incomplete due to inadequate controls for capturing and recording data. Based on these assessments and tests, we concluded the data contained in these systems, other than the financial system, was not sufficiently reliable to be used in meeting the audit's objectives.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT CONCLUSIONS

Based upon the test work performed and the audit findings noted below, we conclude that:

1. Animal inventories were inaccurate and animal transactions and changes in status were improperly documented or recorded. Animal transactions and changes in status often lacked documentation required by Zoo policy and AZA Standards (e.g., records missing the date of death or when animals left the collection, the source of the animals, and signatures supporting management's authorization).

2. Transactions with Safari Wild and BA Ranch, related parties, were not appropriate, properly documented, or recorded. Documentation supporting animal transactions with these related parties was often missing required authorizations. At times, authorizations were obtained after the animal had left the property. Many of the related party transactions were said to have been verbally approved by the Chairman. However, the full Board was rarely given the opportunity to review and approve these transactions.
3. Related party transactions were not properly identified or disclosed, and ethics and conflicts of interest policies did not exist. In most cases, these transactions did not follow a formal bid process to ensure transactions were conducted at “arms-length.” Relationships, such as, spouses, significant others, employees, vendors, and board members were not identified or disclosed.
4. Animals appeared to receive reasonable care, but medical histories were not properly recorded and maintained. Non-Zoo animals were cared for by Zoo staff on Zoo property and off-site. Expenses related to this care were not tracked or charged to the owners of the animals.
5. Adequate controls did not exist over various financial processes or taxable transactions. Sales of animals and feed to Safari Wild were not charged sales tax. Documentation supporting Safari Wild’s taxable status was not maintained.
6. The Zoo’s association with and activities performed for the Zoological Association of America were not appropriate given the City’s requirement for adherence to the accepted standards of the Association of Zoos and Aquariums. Some of these activities were cited in the AZA’s suspension of the Zoo President and the Director of Collections.
7. In-kind donations were not properly recorded or controlled. In-kind donations from corporations and individuals were often not captured or sufficiently documented. Some of these donations were diverted from the Zoo and used at Safari Wild and BA Ranch.
8. Controls over purchases (including credit card and domestic and overseas travel-related purchases) were not adequate. The business purposes of credit card transactions made by the Zoo President were not adequately documented. Credit card payment authorizations were rarely obtained from the Board Chairman.
9. Employment processes were not appropriate or adequately documented. Bonuses and pay increases to senior staff were not adequately documented. The President’s salary and benefits were not formally documented or approved by the Board.
10. The City’s insurance requirements were met and adequate controls existed over contracting and leasing processes. No exceptions were noted in this area.

While the findings discussed below may not, individually, significantly impair the operations of the Lowry Park Zoo, they do present risks that can be more effectively controlled.

FINDINGS – TABLE OF CONTENTS

<u>FINDING TITLE</u>	<u>PAGE</u>
TAB 1	
BIRD CONSORTIUM TRANSACTION	6
ANIMAL TRANSACTIONS WITH THE ZOO PRESIDENT	9
MISSING ASSETS AND DIVERSION OF ZOO ASSETS	12
TRANSACTIONS BETWEEN THE ZOO AND SAFARI WILD/BA RANCH	15
ANIMAL INVENTORY	21
“PRIVATE” TRANSACTIONS	24
ANIMAL CARE	26
IN-KIND DONATIONS	28
POSSIBLE TAX ISSUES	30
MEMORANDUM OF UNDERSTANDING	31
ANIMAL COLLECTION PLAN	33
TAB 2	
ZOOLOGICAL ASSOCIATION OF AMERICA	35
TAB 3	
ZOO PRESIDENT AND CEO	42
EMPLOYEE AND PAYROLL PRACTICES	43
TAB 4	
TRAVEL – ZOO PRESIDENT	47
CREDIT CARD USE AND REIMBURSEMENTS – ZOO PRESIDENT	50
TRAVEL – STAFF	52
TRAVEL – NON-ZOO EMPLOYEES	55
OTHER PURCHASING ISSUES	56
CONTROLS AND ACCOUNTING OF CASH RECEIPTS	58
INCOME TAX ON FRINGE BENEFITS	60
TAB 5	
CONCLUSION	61

BIRD CONSORTIUM TRANSACTION

Generally, there are a variety of transaction arrangements in acquisitions and dispositions of animals. At times, multiple zoos will work together to import a group of animals in order to save on cost of imports.

- In early 2007, Safari Wild was part of a group bird importation, which included the following zoos: Lowry Park Zoo, Montgomery, Dallas, Safari West, San Diego WAP, Natural Encounters, and Houston.
- Two institutions cancelled their invoices. Houston cancelled their invoice, prior to the birds being crated to be shipped. Safari Wild cancelled their order after some of the birds had been crated to be shipped to the quarantine facility in Miami. Safari Wild (Zoo President) notified the Zoo's Director of Collections that he was unable to pay the cost of their order.
- At this point, some of the birds could not be returned and had to be accepted.
- The Director of Collections for Lowry Park Zoo said that he would accept the birds in lieu of Safari Wild and the Zoo paid for the birds.
- The order was processed in several shipments due to issues of the broker involved.
- Forty-two of the 60 birds ordered by Safari Wild were not shipped because of problems with the broker.
- Although Safari Wild cancelled its order, soon after arriving at the Zoo, 11 of the remaining 18 birds delivered were loaned to Safari Wild anyway.
- As a result, Safari Wild received a majority of their order at no cost to them.
- Later in 2008, six of the 11 birds were returned to the Zoo; five died at Safari Wild.

It is important to note that the Zoo took on the additional birds for the portion of Safari Wild's order that were delivered, absorbing all of the related costs. The majority of these birds were then sent to Safari Wild on a loan agreement. This act demonstrates a clear conflict of interest. If the Zoo really wanted or needed the birds and had the capacity to care and house for them, they should have been able to order them instead of Safari Wild. When asked why the Zoo did not order more birds, Director of Collections stated they did not have room for the birds. Subsequent to our discussions, on December 10, 2008, he changed his answer to state that he wanted to take the birds based on their gene pool. In the end, for either response, Safari Wild was given preference to its needs or financial situation over the Zoo's best interest.

The Safari Wild portion of the consortium import occurred in the following order:

11/30/07 – 9 birds delivered to Zoo

12/03/07 – 2 birds delivered to Zoo

12/05/07 – 2 birds transferred on loan to Safari Wild

01/01/08 – 2 birds transferred on loan to BA Ranch

01/04/08 – 4 birds transferred on loan to Safari Wild

01/08/08 – 3 birds transferred on loan to Safari Wild

01/19/08 – 1 bird died

06/21/08 – 1 bird died

06/23/08 – 3 birds died

02/20/08 – 1 bird returned to the Zoo

07/21/08 – 3 birds returned to the Zoo

09/19/08 – 2 birds returned to the Zoo

Deposits for the animals, shipping costs, permits, and quarantine fees are typically paid in advance of shipment. If a hauler is used, a partial payment is made upon pick up and final payment upon delivery.

Per the Director of Collections, cancellations can be made before the animal is crated without incurring any costs. Up to this point, the broker remains liable for any expenses. This does not apply if there is a written contract with the broker, which is very rare. Once the animals are crated, the order cannot be cancelled and the buyer is liable for all incurred costs. If any changes are made subsequent to the permit being issued (e.g., cancellation, change of individual animals with a change in identification numbers), then it is good practice to notify the permit office.

Safari Wild's adjusted portion of the bird import included:

Cost of birds received	\$16,720
Shipping costs	18,694
Quarantine costs	9,561
Boarding fees	0 (to be determined)
Total	\$44,975

Lowry Park Zoo paid all of these costs.

RECOMMENDATION

The Zoo should seek full reimbursement from Safari Wild for all costs of the birds that were paid for by the Zoo. If the payment is made, those birds can be returned to Safari Wild.

AUDITEE RESPONSE

The Lowry Park Zoological Society has retained legal counsel to evaluate and pursue the legal merit of financial claims arising out of the City of Tampa audit and to make appropriate demand for payment on behalf of the Society.

ANIMAL TRANSACTIONS WITH THE ZOO PRESIDENT

An extract of all entries in ARKS (Animal Records Keeping System) where the vendor name was recorded as “SALISB” disclosed 287 entries. These records were sorted by “localid” (specific animal identifier), which identified 180 different animals that were donated, loaned, traded, or sold to the Zoo President.

During our review, it was determined that the transaction descriptions used in ARKS resulted in the following actions:

- Donation to / from – animal placed into or removed from the inventory collection without the Zoo paying or receiving any money.
- Loan in / out– an animal placed into or removed from the inventory collection but will be returned to the Zoo or the original owner.
- Trade or barter to / from – animal placed into or removed from the inventory collection in exchange for some other animal. The value of the animal is recorded and used to offset any future transactions with the same individual with which the trade or barter occurs. No money exchanges hands, but a running total is maintained and at some future date the accounts are settled.
- Sale to – animal taken out of the inventory collection after funds have been received for an animal.

The Zoo uses an *Animal Transaction Confirmation Agreement* form to document any transactions that involve the sale to, purchase from, loan to/from, trade to/from, donation to/from, or transfer to/from Lowry Park Zoo and another party. The agreement typically required the approving signature of the General Curator, President, and the Receiving/Sending Institution Representative. The approving signature of the Chairman of the Board of Directors was required (and a line subsequently added to the form) when the Zoo began transactions with the Zoo President. The form was further modified to require the signature of the Director of Collections after that position was created and filled. The Director of Operations was required to sign instead of the General Curator whenever ride animals were involved.

A review of all transactions between the Zoo and its President disclosed the following discrepancies:

- Three missing agreements (2 Bongos and a Warthog).

For the agreements reviewed, the following documentation exceptions were noted:

- Missing approvals: (out of 287 various types of signatures)
 - Curator (8 agreements)
 - Receiving or Sending Institution (15 agreements)
 - Director of Collections (18 out of 196 applicable agreements)
 - Director of Operations (11 out of 20 applicable agreements)

- The Chairman of the Board of Directors was required to sign all documentation if it involved the Zoo and either the BA Ranch, Lex Salisbury, or Safari Wild. For the transactions reviewed, it was noted that for 54 agreements (representing 171 animal transactions) it was not always apparent that the signature of the Chairman, was on behalf of the Board of Directors. A discussion with Management indicated that in the absence of a “full signature,” the initials of the Chairman documented his approval. However, some of the initials we noted on agreements were for periods when the Chairman initialing was not the Chairman at the time of the transaction.
- There were substantial discrepancies noted between the signatures and transactions dates. Due to the voluminous missing signatures, the majority of the agreements could not be adequately evaluated for timeliness. However, for the ones that documented the appropriate signatures, it was still noted that 22 were approved more than 45 business days after the date of the agreement.
- Twenty-four (24) of the 278 transactions involved the Zoo President receiving animals without paying. These in essence were barter transactions. The *Animal Transaction Confirmation Agreements* did not document what animal the Zoo received in the bartered transaction.
- In the 24 barter transactions, identified as sales, noted above, the bartered price of the animal was determined by the Zoo President. The Zoo did not provide any documentation to indicate they could support that the value determined by the Zoo President was accurate or reasonable.

When bartering (trading) with the Zoo, the prices assigned by the Zoo President varied significantly with the prices of animals purchased by him. No independent appraised values were obtained at the time of the transaction to support the values he assigned to the animals.

Below are examples of transactions where the Zoo President wrote checks for animals he purchased on the open, “arms-length” market:

<u>Animal</u>	<u>Purchase Date</u>	<u>Purchase Amount</u>
Bongo	04/19/05	\$2,000
Zebra (pair)	04/19/05	\$2,000

Below are examples of where the President bartered with the Zoo, in “non-arms-length” transactions and the values he assigned for these animals:

<u>Animal</u>	<u>Barter Date</u>	<u>Barter Amount</u>
Bongo	08/24/05	\$8,500
Zebra (pair)	04/09/04	\$10,000

Below is an example of where the Zoo sold a male zebra to a private collector:

<u>Animal</u>	<u>Purchase Date</u>	<u>Purchase Amount</u>
Zebra	02/02/07	\$1,500

As identified above, the Registrar has not been able to keep up-to-date with data entry. One evidence of this was the information noted in the transaction log as SALISB was actually between the Zoo and either BA Ranch (10 transactions) or Safari Wild (173 transactions).

RECOMMENDATION

The Zoo President and other employees should not be allowed to engage in selling or bartering animals owned by the Zoo for their own personal benefit or where it constitutes a conflict of interest.

AUDITEE RESPONSE

Tampa's Lowry Park Zoo management and the Board of the Lowry Park Zoological Society agree with the auditors' recommendation and will allow neither selling nor bartering of animals owned by the Zoo to Zoo employees.

MISSING ASSETS AND DIVERSION OF ZOO ASSETS

During the test work of in-kind donations, it was alleged that some portable generators were removed from Zoo premises. The disposition of only two of the ten donated generators is known. Several other allegations of abuse and misappropriation were received during employee interviews, including interviews with the Zoo's senior management, and through the City's Customer Service Center:

- On August 27, 2007, a donation of 10 wrought iron benches was made. This donation was captured in Blackbaud (specialized software to track in-kind donations). Five of the benches were found at the Zoo in a minor exhibit just inside the main entrance. It was alleged by several sources that the other five benches were taken from the property. The Zoo President admitted to using the benches at BA Ranch and Safari Wild. The sources indicated that after the media coverage began, the benches were returned to the Zoo. These five benches were found in a warehouse located outside of the exhibit areas.
- A large donation of live bamboo plants in pots on 4 or 5 tractor trailer flatbed loads (approximately 500 plants) was made to the Zoo (not captured in Blackbaud). The plants ranged from 3 feet to 30 feet in height. Those that were not immediately planted, as many as 80 to 100 plants, were set aside on the road to the aerial ride and rigged for watering to keep the plants alive. Again, it was alleged by more than one source that one day the plants went missing. The Zoo President admitted having some of the bamboo plants taken to BA Ranch. Attempts to confirm the delivery of the plants were unsuccessful.
- Tampa Electric Company donated 150 utility poles to the Zoo. These poles were described as "discarded" and had a zero value to TECO. It should also be noted that TECO routinely gives these used poles away to anyone who will take them. TECO delivered some of the 150 poles; others were picked up by Zoo staff or its contractors. The poles used at the Zoo were 45 feet in length and cut into approximately 15 foot sections. The poles were then sunk into the ground approximately 4 to 5 feet and the tops cut off to the desired height. A physical count of posts was made on November 10, 2008. Sixty-five posts were found at the Forest Buffalo Exhibit and another 107 posts were found at the Indian Rhino Exhibit. Therefore, the physical count found a total of 172 posts or approximately 58 utility poles ($172 \text{ posts} / 3 = 57.3 \text{ poles}$). Assuming a third of the poles were unusable, approximately 40 poles remained unaccounted for. It was later confirmed that a Zoo contractor loaded the Zoo's flatbed trailer with utility poles and that a Zoo employee delivered them to one or both of the President's properties.
- Several allegations were made of animals being taken from the Zoo and returning to the Zoo, especially after the media coverage began (before the start of audit fieldwork). We were unable to obtain sufficient evidence to confirm any of these animal allegations.

Security personnel are stationed in a guardhouse at the Zoo's rear entrance, but they have no authority to interview or stop any vehicles that enter or leave the Zoo's premises. Security is

not provided with any advance information regarding the contractors working on the property, deliveries of materials and supplies, or the receipt and shipment of animals.

Many of the interviews with Zoo staff, supervisors, and senior management disclosed issues of abuse and potential illegal acts, but none were officially reported or investigated. Many of the personnel interviewed disclosed their fears of retaliation for reporting instances of fraud and abuse to senior management because of the culture maintained by the Zoo's President.

RECOMMENDATION

Physical security and security procedures should be enhanced to ensure all traffic through the rear entrance are for legitimate Zoo business. Security personnel should receive advance notice of any contractors working on the premises, deliveries of materials and supplies, and all incoming and outgoing animal transports. A notice should be posted that all vehicles entering and leaving the premises are subject to search. All traffic should be logged, along with any goods, materials, or animals delivered to or from the Zoo.

AUDITEE RESPONSE

Tampa's Lowry Park Zoo management and the Board of the Lowry Park Zoological Society agree that security procedures need to be continually improved. A new property pass system and Zoo asset inventory system will monitor and control all goods entering and leaving Zoo property. Zoo management will also develop a Zoo-wide policy to support these systems and determine what additional resources will be required to maintain them consistently.

RECOMMENDATION

Zoo assets should not be commingled with Safari Wild, BA Ranch, or any other parties.

AUDITEE RESPONSE

Tampa's Lowry Park Zoo management and the Board of the Lowry Park Zoological Society agree that Zoo assets should not be commingled with any other entities. Implementation of a property pass system and a Zoo asset inventory system will help to control removal of assets from Zoo property.

RECOMMENDATION

The culture of the Zoo needs to change. Employees should be encouraged and obligated, without fear of retaliation, to come forward when they have knowledge of any abuse, issues of non-compliance with rules and regulations, fraud, misappropriation of assets, or illegal activities. To that effect, policies and procedures should be developed, documented, and

disseminated to all Zoo employees. The activities disclosed in this report should be turned over to law enforcement for further investigation.

AUDITEE RESPONSE

Tampa's Lowry Park Zoo management and the Board of the Lowry Park Zoological Society agree that the culture of the Zoo must shift to foster greater openness. Steps that have already been taken to eliminate barriers to communication include the following:

1. In an effort to promote an atmosphere of open communication, regular staff meetings have been held with all Zoo department representatives since July 2008. Zoo management will ensure that regular communications with staff continue.
2. Zoo management, the Executive Committee, and other committees of the Lowry Park Zoological Society are currently working together to develop more effective procedures for employees to report grievances, concerns, and general suggestions for improvement. Staff will be assembled and informed about new procedures as they are adopted.
3. Zoo management, in cooperation with the Executive Committee of the Lowry Park Zoological Society, has developed a Whistleblower Policy, Conflict of Interest Policy, and a Code of Ethics. Staff will be assembled and informed about new procedures as they are adopted.

TRANSACTIONS BETWEEN THE ZOO AND SAFARI WILD AND BA RANCH

Capital Improvements Built at Safari Wild

The Zoo generated a list of transactions from its financial system detailing payments to contractors for fixed assets, capital improvements, and supplies that were built on or installed at Safari Wild. The total of the expenditures was \$158,859.46. All items were vouched to supporting documentation.

- Based on the construction plans, the three capital projects (horse barn, monkey cages, and a shade structure) are permanent fixtures. There is not a cost effective way to relocate these structures.
- The list included a \$5,900 project listed as Barn/Safari Wild; however, it was the Graphic Art Barn built on Zoo Property; therefore, this item should be removed from the listing.
- A transaction with a vendor for green house hoops was split between the Zoo and Safari Wild. A reimbursement from Safari Wild for \$2,250 (one half of the total) occurred; therefore, this item should be removed from the listing.
- Sales taxes were not paid on the transactions.

A Memorandum of Understanding (MOU) was signed by the Board Chairman, on behalf of the Zoo, Safari Wild's owner (Zoo President), and his partner on November 21, 2007. The Board Chairman at the time also served as a Board Member of the Safari Wild Conservation Foundation. The conflicts of interest are apparent. When presented to the Board on January 18, 2008, the Board Chairman indicated that the Executive Committee approved the MOU – although this was not documented in its minutes (see discussion of the lack of proper meeting minutes below) – and asked for the Board's concurrence. Five members of the Executive Committee attended this Board Meeting. The Board declined and requested that the external auditors review the agreement before its approval would be granted. At this time, construction of the horse barn was completed, but the monkey cages and shade structure had not begun. The Executive Committee decided to end the relationship with Safari Wild and void the MOU at its July 18, 2008 meeting – again, this was not documented in its minutes. Construction of the monkey cages and shade structure and other site improvements were now completed.

Based on the above, the Zoo paid \$150,709.46 for structures at Safari Wild. In a letter dated September 11, 2008, to the President, the Mayor wrote that she expects that "Any Zoo funds used to construct any facility at Safari Wild or any funds expended in any manner at Safari Wild should be reimbursed to the Zoo."

RECOMMENDATION

Because of the apparent conflicts of interest and the lack of Board approval of the MOU, the

Zoo should not have paid any of the recorded costs attributed to Safari Wild fixed assets, capital improvements, or supplies. The Zoo should request reimbursement of \$150,709.46 for the costs incurred.

AUDITEE RESPONSE

The Lowry Park Zoological Society has retained legal counsel to evaluate and pursue the legal merit of financial claims arising out of the City of Tampa audit and to make appropriate demand for payment on behalf of the Society.

TRANSACTIONS BETWEEN THE ZOO AND SAFARI WILD AND BA RANCH

Equipment or Vehicles at Safari Wild

No Zoo equipment or vehicles were observed at Safari Wild. However, as a result of employee interviews, a transaction was discovered between the Zoo and the Zoo President that was not conducted at arms length.

The President traded a Woods (model 6170) lawn mower and cash to the Zoo for a 1963 Mercedes Unimog (multi-purpose, four-wheel drive, medium truck). The mower had a depreciated value of \$3,972 (7 year life, \$6,000 new, used 2.4 years). The Unimog was purchased for \$9,433. It was purchased by the Zoo only 6 months before the trade occurred; therefore, the Unimog was not depreciated. Prior to the trade, improvements were made to the Unimog totaling \$3,745 (a public address sound system and new canvas tops for the cab and bed). Hillsborough County CIT funding was used to pay for the Unimog's improvements. The trade did not account for the mower's depreciation or the improvements made to the Unimog.

1963 Unimog Purchase Price	\$9,433
Public Address Sound System	\$1,683
Canvas Top (cab and bed)	<u>\$2,062</u>
Total Value of Unimog at Trade	\$13,178
Mower Purchase Price	\$6,000
Depreciation	<u>(2,028)</u>
Value of Mower at Trade	\$3,972
Cash Provided	<u>\$3,433</u>
Total Value of Mower Trade	\$7,405
Loss to Zoo	<u>(\$5,773)</u>

After adding the \$3,433 in cash traded to the value of the mower and subtracting the value of the Unimog, the Zoo lost \$5,773 on the trade.

RECOMMENDATION

Because the mower/Unimog trade was not an arms-length transaction, the Zoo should request reimbursement of \$5,773.

AUDITEE RESPONSE

The Lowry Park Zoological Society has retained legal counsel to evaluate and pursue the legal merit of financial claims arising out of the City of Tampa audit and to make appropriate demand for payment on behalf of the Society.

TRANSACTIONS BETWEEN THE ZOO AND SAFARI WILD AND BA RANCH

Quarantine Pens

An issue of quarantine pens originated from media coverage. Based on several interviews with current and former employees, the pens could have been used. They were not ideal, but staff had been in the process of solidifying adjustments to make them work. The next day when staff came in they were told that they were useless and the President wanted them. Others have stated that the President directly requested the pens for use at Safari Wild.

The Board Chair and Director of Collections signed the May 27, 2008 donation letter, which stated the pens, loading chute, and hardware were “no longer suitable or practical for our use.” The original cost of the pens transferred to Safari Wild was \$27,526. On May 22, 2008, new quarantine pens were purchased for \$30,000. This did not appear to be an arms length transaction.

RECOMMENDATION

The quarantine pens should be returned to the Zoo. If the pens are no longer suitable or practical for their use, they should be sold or scraped for salvage value.

AUDITEE RESPONSE

Quarantine pens have been returned to Tampa's Lowry Park Zoo.

TRANSACTIONS BETWEEN THE ZOO AND SAFARI WILD AND BA RANCH

Zoo Personnel Working at Safari Wild and or BA Ranch

The ability to identify Zoo employees working at one or both of the sites was limited to information provided by other employees. There was no method to determine who, how often, or even which facility an employee may have worked at while also “on the clock” at the Zoo, unless the information was obtained during an interview of other employees (or a supervisory level employee).

Based on information obtained, at least two employees worked at Safari Wild on a frequent basis for an extended period of time. These two employees were responsible for the care of Zoo animals.

A third employee, an Irrigation Technician, worked for at least two weeks providing water service to the various structures at Safari Wild. This was corroborated by other personnel during interviews.

In addition to the employees identified above, interviews and other sources indicated that “salaried” employees had worked at Safari Wild and or BA Ranch. Salaried employees do not get paid for overtime. The individuals noted as performing work at or for Safari Wild and or BA Ranch were the Veterinarian, Veterinarian Technicians, Curators, the Sales Manager, and a Human Resources Assistant.

Because of the lack of documentation, the value of personnel resources used for the benefit of Safari Wild and or BA Ranch could not be accurately determined.

RECOMMENDATION

Zoo employees should not be used to accomplish work for Safari Wild and BA Ranch or any organization that represents a conflict of interest. The Zoo should attempt to quantify and recover any personnel costs of its employees who worked at Safari Wild.

AUDITEE RESPONSE

The Zoo’s new Code of Ethics and Conflict of Interest Policy expressly prohibit Zoo employees from working for other Zoo employees.

The Lowry Park Zoological Society has retained legal counsel to evaluate and pursue the legal merit of financial claims arising out of the City of Tampa audit and to make appropriate demand for payment on behalf of the Society.

TRANSACTIONS BETWEEN THE ZOO AND SAFARI WILD AND BA RANCH

Estimated Losses to Lowry Park Zoo

Capital Improvements Built at Safari Wild	\$150,709
Equipment or Vehicles at Safari Wild	5,773
Spousal Travel	1,359
Quarantine Pens	Unknown
Zoo Personnel Working at Safari Wild and or BA Ranch	Unknown
Bamboo Plants	Unknown
Animal Transactions	<u>Unknown</u>
Total Estimated Losses to Lowry Park Zoo	<u>Unknown</u>

ANIMAL INVENTORY

An inventory listing entitled – *Detailed Inventory Report for Animalia* – dated September 18, 2008 (source: Animal Records Keeping System or ARKS) was used as the basis for determining the animals on Zoo property. The completion of the animal inventory took several weeks with the assistance of the Zoo’s General Curator.

Although the report was used as the basis for the initial inventory, a subsequent test was performed to independently identify what the animal inventory should contain. Therefore, a report was generated using a beginning date of January 1, 1900 (in order to capture all data) through September 18, 2008. Based on a discussion with the General Curator and Registrar, the following transaction descriptions were removed from the listing:

- Death
- Release to wild
- Loan return to owner
- Loan transfer
- Term free acquisition or disposition
- Donations
- Sale to
- Trade to
- Disappeared
- Escape to wild
- Theft
- Loan out to

After removal, the remaining entries were summarized by the taxon (scientific name for a group of animals) and compared to the actual inventory count.

Based on the tests, the system used for maintaining the Zoo’s inventory was not up-to-date. There were 38 animals that did not have the appropriate count reflected in the system. Animals were identified that had been born, died, escaped, released, or some other event had occurred that was not recorded in the system. However, those events that resulted in the difference were not input in a timely manner. The noted exceptions occurred more than one month prior to the report effective date (September 18, 2008).

Interviews with animal staff disclosed a lack of communication between the Keepers of the animals and the Registrar. Daily, the Keepers are in contact with the animals under their responsibility. There is also a daily report prepared by the Keepers that is ultimately forwarded to the Registrar for input to the system. However, due to the increased volume of transactions involving the Zoo and Safari Wild and BA Ranch (see section below), the Registrar was unable to stay up-to-date with the data entry. Currently, data from August through November 2008 has not been entered. December 2008 activity has been input and as time permits, the backlog is being addressed.

Using the inventory report, an additional test was performed to determine compliance with the requirement to perform necropsies when a death occurred. The animals in the Mammalia classification, whose species indicated a death, were selected to request a necropsy report from the Veterinarian. There were a total of 98 species; however, 30 of these were mole rats for which no necropsy was performed, but are required. After removing the 30 animals, the remaining 68 necropsy reports requested disclosed the following:

- Six necropsy reports were provided for animals that were not reflected on the inventory printout.
- Fourteen species did not have documentation to support a necropsy was performed.
- Two diagnostic reports indicated a necropsy, but no report was provided.

RECOMMENDATION

The ability to safeguard assets is dependent upon the accuracy of the records maintained. Any change in status of the Zoo's animal inventory – through additions or deletions and acquisitions or dispositions – should be recorded as soon as they occur.

AUDITEE RESPONSE

Tampa's Lowry Park Zoo management and the Board of the Lowry Park Zoological Society agree that animal records should be kept up-to-date at all times. Animal Department management has already developed new policies and procedures to ensure that all changes to animal records and databases will be updated within 48 hours of actions taken. The reason that 48 hours is the recommended time lag reflects weekend reports not being completely recorded until Monday. This change requires additional personnel or reassignment of staff or both to cover the single registrar's time away from the Zoo.

RECOMMENDATION

Based on industry standards, when required, a necropsy report should be prepared to ensure that any incidence of potential health threats to the overall animal population is identified in a timely manner. Also, if a necropsy is required, but not performed, the reason for the exception should be well documented and filed in the animals folder for reference.

AUDITEE RESPONSE

Animal Department management and Zoo Veterinary staff have begun to review and revise necropsy processes to ensure that necropsies are performed and reported in accordance with industry standards. A gap analysis will be performed to determine what other resources may be needed to support the revised requirements. Zoo management will continue to work diligently to help all Zoo departments understand the importance of thorough recordkeeping in all Zoo departments. A review system will be developed by Zoo management to ensure necessary procedures and recordkeeping are consistently completed efficiently and

accurately. Zoo management will ensure that any variance from normal procedures is explained and well documented.

RECOMMENDATION

Management should develop a process that would require a periodic comparison of the daily reports prepared by the Keepers with the information entered by the Registrar. Any discrepancies should be researched and the result documented and maintained. Additionally, the Director of Collections or designee should periodically reconcile the number of animals reflected on that particular weekly report with a full report generated by the system at the same point in time (for example the weekly report prepared by the Keepers ending January 31st should be compared with a system generated report prepared by ARKS as of January 31st). Any discrepancies should be followed up and documented.

AUDITEE RESPONSE

Animal Department management agrees that the Zoo's animal inventory process needs to be strengthened. Animal Department management has implemented a daily animal count to be spearheaded by animal department staff, and the Zoo's animal registrar will provide each animal area a detailed inventory report generated from ARKS to perform a monthly animal inventory reconciliation. Discrepancies will be researched and results will be well documented. Animal Department management will determine what additional resources will be required to fulfill this new animal inventory system.

“PRIVATE” TRANSACTIONS

ARKS was queried for all animal transactions where the vendor field was recorded as “PRIVATE.” Of the 644 records extracted, 103 were not supported by any documentation. Due to the remaining volume, additional tests were conducted where the other party to the transaction had 5 or more records. A discussion with the Registrar disclosed that in order to identify a vendor by name with a “mnemonic” in ARKS, the vendor must have registered with the ARKS software vendor. If the vendor is not registered, the zoo can only note the vendor as “PRIVATE”, which the system accepts in order to record the transaction. As a result, vendors that are not used often are typically recorded as PRIVATE to bypass the registration requirement and enter the transaction in ARKS.

Of the 287 animal entries reviewed for proper documentation, 84 did not have a confirmation agreement in the file and 51 were not recorded in a timely manner (more than five business days between the transaction and system data entry). The majority of the transactions could have provided the donor or the person receiving the animal.

The AZA Accreditation Standards included specific documentation requirements for acquisition or disposition of animals with AZA or non-AZA members. The only documentation requirement consistently met was the wording on the Animal Transaction Confirmation Agreements stating “Animal specimens and offspring will not be utilized, sold or traded for the purpose of sport or subsistence hunting; . . . is contrary to the AZA Code of Professional Ethics.” None of the other documentation requirements were consistently met, by either the party involved in the transaction or the Zoo. The Zoo did not have a written policy or procedure for animal transactions with related parties.

RECOMMENDATION

Policies should be developed and implemented that identify the number of recurring transactions that would require the Zoo to request that the trading institution or individual (counterparty) obtain an ARKS mnemonic identifier. This should help reduce the number of transactions in ARKS labeled “PRIVATE” and increase trading history available through the ARKS system.

The policy should also include criteria for transactions involving related parties. These policies should comply with the AZA accreditation standards and should be consistently applied.

AUDITEE RESPONSE

To ensure that the Zoo’s Animal Acquisition and Disposition Policy meets or exceeds AZA’s accreditation standards, Zoo Animal Department management has thoroughly rewritten it to reflect best practices. Zoo management will ensure that the revised policy is consistently applied and followed, and that all related animal transaction forms are periodically reviewed and updated.

It is important to note that only registered users of the Animal Record Keeping System (ARKS software program of which Tampa's Lowry Park Zoo is a registered user) have a mnemonic identifier. Many individuals or owners of private animal collections do not have a mnemonic identifier in ARKS, in which case the software can only identify them as "PRIVATE." When Tampa's Lowry Park Zoo has a transaction with an individual or organization that does not have a mnemonic identifier in ARKS, Zoo staff currently adds detailed information about the transaction to the specimen report. If there are repeated transactions, Zoo staff encourages the individual or organization to request from ARKS its own mnemonic identifier.

ANIMAL CARE

Animal staff is required to maintain a medical record for every animal that is on Zoo property. The medical clinic uses a system called Medical Animal Record Keeping System (MEDARKS), which is a medical database developed for zoos. MEDARKS then feeds into an international database called International Species Information System (ISIS). Animals are assigned a unique identification number, which is used to track the animals in these systems. Medical records for animals are very similar to that of a human. Clinical staff document items in a daily report for all animals cared for in the clinic. That daily report is forwarded to the Registrar, who enters the information into the Animal Record Keeping System (ARKS) to be recorded in the specimen report, the history of the animal. Any care given to the animals is entered into MEDARKS. A copy is printed and placed in the animal's medical file.

Zoo requirements stipulate that the veterinary hospital must be staffed or on call 24 hours a day, 7 days a week, 365 days of the year. Besides the full-time veterinarian, there are only two certified veterinary technicians that can provide required medical service. The Zoo has a General Curator, Assistant Curators, and Zoo Keepers; however, they are not qualified to provide medical services. In addition to this requirement, all staff is required to participate in Zoo fund raising events held outside normal Zoo hours, requiring additional hours to be worked.

Animals were cared for that were not owned by the Zoo. These animals included domestic pets and those owned by related parties, such as BA Ranch and Safari Wild and others. The medical clinic has a feral cat program whereby strays from the surrounding community and those that are brought in, receive an examination, are spayed or neutered, and then released. Some of these cats are released in the Zoo as they provide an alternative source for pest control. Domestic pets of the Zoo President and the Veterinarian were boarded at the Zoo. Staff cared for the pets and the Zoo was not reimbursed for the boarding.

Zoo medical staff also provided care to Safari Wild and BA Ranch animals, both on Zoo property and at each of the facilities. The number of hours worked, drugs and supplies used, and mileage traveled were not captured, so costs could not be determined.

RECOMMENDATION

Lowry Park Zoo should compare their size and Veterinary staff to other institutions of similar size, animal collection, and budget. A written policy should be developed and implemented for tracking animals cared for that the Zoo does not own. This policy should include programs such as the feral cat program as noted above and how it will be handled. These tracking mechanisms should include time spent on animals not owned by the Zoo, drugs used for animals not owned by the Zoo, and procedures performed such as surgery that a normal vet would have charged a standard fee for. If the item is for an individual or institution for their benefit, i.e. domestic animals or private institution animals, the responsible parties for the animals should be invoiced and they should reimburse the Zoo for those costs.

AUDITEE RESPONSE

Zoo management and Veterinary staff at Tampa's Lowry Park Zoo have completed a study of the veterinary department structures of comparable organizations, and will be conducting a time study in 2009. The data gathered will be used to determine whether additional support may be needed. Animal Department management has developed a tracking and reimbursement system to ensure appropriate compensation is received by Tampa's Lowry Park Zoo when the Zoo's Veterinary staff treats or cares for animals not owned by the Zoo.

IN-KIND DONATIONS

An “in-kind” donation is a contribution of time, service, or goods, rather than money or cash, made by a donor to help support the operations or services provided by an organization. The Zoo tracks in-kind donation activity in a specialized software called Blackbaud. The Senior Development Officer manages the in-kind activity. A donation letter is supposed to be mailed to the donor for income tax reporting. The Zoo makes no estimate of the value of the donation, which is left to the discretion of the donor.

A printout of donation history was generated for FY07 to FY08. The list contained 14 donations. Because the list appeared incomplete (there were no entries from major contributors), a search of donation files was conducted. The search discovered an additional 7 donations, five and two-month gaps in activity, and no donations from major contributors. The 14 donations recorded in Blackbaud were not supported by donation letters. Based on these results, the data contained in Blackbaud was deemed unreliable for the purposes of this audit.

Based on interviews and various correspondences, a confirmation request was sent to TECO and Busch Gardens. The response from Busch Gardens detailed seven donations, five of which should have been included in the Blackbaud listing of donations for the FY07-FY08 period. The TECO response detailed one donation (150 discarded utility poles) in January 2007, which again was not captured in the Blackbaud program. The September 22, 2006 Board Minutes detailed donations from the Omnia Group for the AZA Conference and a Sysco donation for ZOO Day. There were no other documents supporting these donations. These donations did not pass through the Zoo’s Development Office, but were handled by other departments. There were no procedures or controls in place to capture in-kind donation activity that did not flow through the Zoo’s Development Office.

During employee interviews, a donation of 10 portable generators was mentioned. On April 20, 2001, a donation of 10 generators was documented in a tax receipt letter to Cummins Southeastern Power. The value of the donation was \$18,500. The generators were recorded as fixed assets and are now fully depreciated. It was alleged that some of the generators were removed from the Zoo premises (see discussion on MISSING ASSETS AND DIVERSION OF ZOO ASSETS). The location and disposition of eight of the ten generators could not be determined. There was not a procedure or process to record disposal of fixed assets.

RECOMMENDATION

Zoo management should develop, document, and implement policies and procedures to capture and control all in-kind donations made to the Zoo. A fixed asset policy should also be developed, documented, and implemented to ensure the safeguarding of Zoo assets.

AUDITEE RESPONSE

Zoo management has taken immediate steps to ensure that the Zoo's in-kind gift policies and procedures are tightened to record and control all in-kind donations made to the Zoo, and that Zoo employees and volunteers understand the importance of keeping the Development and Accounting departments informed of all gifts received. New policies developed to safeguard Zoo assets will be implemented as discussed in the section titled, MISSING ASSETS AND DIVERSION OF ZOO ASSETS.

POSSIBLE TAX ISSUES

Florida Sales Tax Documentation

Zoo personnel, including the President, buy animal food from the Zoo commissary at cost. The commissary manager notes “TNOF” (tax number on file) for all of the President’s or Safari Wild’s purchases, indicating that he holds an exemption certificate, and no sales tax is charged or remitted to the State. Other Zoo personnel and commercial enterprises are charged sales tax. Non-profits, such as the Florida Aquarium are not charged tax, which is appropriate since it is a 501(c)(3), like the Zoo.

Neither the commissary nor the accounting office has a tax certificate for the President or for Safari Wild on file.

RECOMMENDATION

Anyone noted as “TNOF” should have a sales tax certificate or documented statutory exemption in the Zoo’s files. In addition, the Registrar should charge sales tax on invoices for animals on all institutions that do not have exempt documentation in file. Sales of animal food and other Zoo property may likewise be subject to sales tax. Exempt documentation should be reviewed periodically as some have expiration dates. If exempt documentation is not available or if it is improperly being used, tax should be collected on any future sales. Advice from competent tax counsel should be sought with regard to sales tax collection policy as well as taxes uncollected in the past.

AUDITEE RESPONSE

The Zoo’s Finance department will develop an audit process to ensure that current sales tax certificates are on file for any individual or company noted as “TNOF,” and that sales tax is charged for all taxable items. Tax counsel will be sought to guarantee compliance with regulatory agencies.

MEMORANDUM OF UNDERSTANDING

The capital improvements built on Safari Wild property occurred before and after the Board indicated it wanted a clearer understanding of the MOU between Lowry Park Zoo and Safari Wild before ratifying the agreement. While the Executive Committee approved the MOU (not documented) and the Board Chairman, who also served as a Board Member of the Safari Wild Education Foundation, signed the document, the Board of Directors never ratified it.

MOU and Capital Improvements - Sequence of Events

July 2007 – Earliest animal transaction with Safari Wild.

November 16, 2007 – Executive Committee Meeting – Agreed to develop a formal Memorandum of Understanding between the Zoo and Safari Wild.

November 21, 2007 – The MOU was signed by the Board Chairman on behalf of the Zoo, and Lex Salisbury and his partner on behalf of Safari Wild.

December 13, 2007 – Construction of a horse barn at Safari Wild began (21-day project).

January 18, 2008 – Executive Committee Meeting – The Zoo’s Director of Collections made a presentation on Long-Term Sustainability, which included comments about how Safari Wild could play an interim role before a permanent location is found.

January 18, 2008 – Board of Directors’ Meeting – The Board Chairman made a motion for the board to support the MOU agreement between the Zoo and Safari Wild. The Chairman indicated that the MOU was approved by the Executive Committee, but this was not documented in its minutes. Five of the six members of the Executive Committee were present at this meeting. The Board of Directors decided to have its external auditors review the agreement before ratification.

April 3, 2008 – Construction of monkey cages began (60-day project).

Note: Although the Board of Directors postponed ratification, new construction, using Zoo funding, continued.

April 18, 2008 – Executive Committee Meeting – The Chairman reported to the Executive Committee that the Zoo’s external auditor reviewed the relationship between the Zoo and Safari Wild and indicated that it is important for all dealings between the organizations to be conducted at “arm’s length” and that so long as proper procedures are put into place, the Memorandum of Understanding is adequate.

April 18, 2008 – Board of Director’s Meeting – According to the minutes, the Zoo’s President reported that “In a year or so, reservation can be made to visit Safari Wild. It will not be open to the general public. This land is serving as a stop gap measure as we try to identify 2,000 acres of land to support the Zoo’s conservation efforts. We

are using San Diego Zoo and San Diego Wild Animal Park as a model. Our goal is to develop sustainable animal populations. You will be able to see it first hand as we will be holding the Strategic Planning session at Safari Wild on April 25th.”

May 1, 2008 – Construction of a shade structure at Safari Wild began (2-day project).

June 20, 2008 – Executive Committee Meeting – The need for a Conflict of Interest Policy was discussed.

July 18, 2008 – Board of Directors’ Meeting – a Board Member discussed issues regarding the relationship between the Zoo and Safari Wild. He indicated that the Executive Committee reviewed the relationship between the two organizations and determined that the Zoo was the net beneficiary and that animal transactions were made at the request of curatorial staff of the Zoo and approved by the Zoo Chairman. He informed the Board that to avoid any suggestion of a conflict of interest, it was decided to end the relationship between the Zoo and Safari Wild during an Executive Session of the Executive Committee Meeting held on July 18, 2008 (staff noted that this was discussed during an Executive session during which minutes were not taken).

November 25, 2008 – As of this date, all but two animals have been returned to the Zoo (two baby domestic cows are being held with their mothers at Safari Wild). A baby Pygmy Hippo belonging to Safari Wild is being held at the Zoo for the same reason. As soon as the babies can be separated from the mothers they will be returned to the rightful owners.

RECOMMENDATION

Any agreements or contracts involving related parties should be disclosed to and ratified by the full Board prior to the execution of the agreement. As items are brought forward to the Board of Directors and the Executive Committee that need additional research or discussion, they should be placed on a list for follow up. All motions and results should be documented in the minutes.

AUDITEE RESPONSE

Tampa's Lowry Park Zoo management and the Board of the Lowry Park Zoological Society agree that, effective immediately, any agreements or contracts involving related parties should be disclosed to, and ratified by, the Board of the Lowry Park Zoological Society prior to execution of the agreement. The Administration and Development departments will ensure that minutes of Board and Executive Committee meetings more clearly outline items in need of follow up from previous meetings. In addition, items deemed of particular importance by the Executive Committee or Zoo Board that are discussed during executive sessions of these meetings will also be reflected in meeting minutes.

ANIMAL COLLECTION PLAN

In our testing of the animal inventory, we reviewed transactions related to the Zoo President, BA Ranch, and Safari Wild, as well as the import consortiums. We noted instances where animals were obtained prior to exhibits being ready and the Zoo did not always have the space to accommodate them in the most ideal/suitable conditions. A few examples are:

- Penguins were in a temporary exhibit 13 months until the permanent one was constructed.
- Pygmy hippopotamuses were purchased from Singapore Zoo then sent to Safari Wild, initially on a temporary basis, until their exhibit was completed. These hippopotamuses became part of a loan agreement and subsequently traded in a transaction with the Zoo President.
- Currently, there are birds related to the import consortium that are not on exhibit as there is not adequate space/environment for them. They are being held in the off exhibit areas with limited space.
- Patas monkeys were part of an assistance program, although they were purchased, and are currently limited to the clinic area spacing as there is no exhibit for them.

Many of these animals were cited in the “Animal Collection Plan,” which was started by the current Director of Collections, while a consultant and still employed at the San Diego Zoo. He subsequently completed the plan with the assistance of the Zoo’s General Curator. The “Animal Collection Plan” has no specific timelines or detail for required exhibits that need to be funded and built prior to the animals’ arrival.

RECOMMENDATION

The “Animal Collection Plan” needs to be updated to include, at a minimum, timelines for the acquisitions of the animals. It needs to include the potential funding sources, costs associated with those acquisitions and the required exhibit space that needs to be in place prior to animal acquisition. It is understood that the “Animal Collection Plan” is just that, a plan; however, it should be written as a Strategic Plan with all the pieces clearly communicated for a realistic approach to achieving the goals and transparency of what it will take to achieve them.

AUDITEE RESPONSE

Zoo management and the Board of the Lowry Park Zoological Society agree that additional documented strategic planning for the Zoo’s animal collection is vital to the organization’s continued progress. The Zoo’s Animal Collection Plan is a two-year document meant to guide curatorial staff in developing the collection in keeping with the organization’s goals and objectives. Although, because the Collection Plan is long-range and including acquisition cost is not feasible, this document will parallel the Zoo’s overall strategic plan and be reflected in the annual budgeting process to ensure that together the documents

present a more comprehensive picture of animal collection plans and the resources required to achieve them.

ZOOLOGICAL ASSOCIATION OF AMERICA

Lease & Operation Agreement

Section 18.2 of the Lease and Operation Agreement of Lowry Park Zoological Gardens, executed between the City of Tampa and the Lowry Park Zoological Society of Tampa Inc. states,

Society shall maintain this animal collection in a professional manner and in accordance with accepted standards of the American Association of Zoological Parks and Aquariums (AAZPA) and all applicable federal, state and local laws, rules, or regulations.

In the opinion of the City Attorney, the cited section “requires that the animals be managed according to the standards of the American Association of Zoological Parks and Aquariums (the legal name of the AZA). While accreditation is not specifically required, maintaining AZA accreditation is appropriate, and ZAA accreditation is not an appropriate substitute for compliance with the AZA standards.” See discussion on ZAA below.

Again, while not specifically required by the lease, the Zoo is (was) an Institutional Member of the AZA. In order to become an Institutional Member, the AZA requires zoos and aquariums to be accredited. According to the AZA’s website,

Institutional Members are zoological parks or aquariums that maintain both a professional staff and a more-than-token collection of wildlife, providing the collection with appropriate care, exhibiting them in an aesthetic manner on a regularly scheduled, predictable basis. Institutional Members have as their primary business the exhibition, conservation, and preservation of the earth's fauna in an educational and scientific manner.

The Zoo received its last accreditation by the AZA in 2005 and was not due for renewal until 2010. On December 3, 2008, the AZA temporarily revoked the Zoo’s membership and suspended the memberships of its President and Director of Collections. The Zoo’s suspension resulted from the following issues of non-compliance:

- Lowry Park Zoo’s intentional refusal to abide by AZA’s animal acquisition and disposition policy.
- The Zoo’s animal acquisition and disposition policy is not consistent with modern zoological practices.
- The Zoo’s intentional refusal to participate fully in the AZA’s Species Survival Programs.
- The failure of the Zoo’s governing authority to enforce AZA standards.

The membership suspensions resulted from their decision “to intentionally refuse to abide by AZA’s acquisition and disposition policy and to not participate in the AZA’s Species Survival Plan (SSP) Programs.” All suspensions are pending a final hearing on March 27, 2009. By these actions, the Zoo is in violation of the Lease and Operation Agreement.

Background – Association of Zoos and Aquariums

The Association of Zoos and Aquariums (AZA) was founded in 1924 as a nonprofit organization dedicated to the advancement of accredited zoos and aquariums in the areas of animal care, wildlife conservation, education and science. The AZA describes itself as “America’s leading accrediting organization for zoos and aquariums and accredits only those institutions that have achieved rigorous standards for animal care, education, wildlife conservation and science.”

Members of the AZA are required to abide by its Code of Professional Ethics. This code contains Obligations of Professional Ethics, which are basic principles to promote high standards of conduct, and Mandatory Standards. The AZA also publishes General Advisories, which are considered to expand the interpretation of the AZA Code of Professional Ethics. Unethical conduct is defined as any “deviation by a member from the AZA Code of Professional Ethics or from any of the rules officially adopted by the Board of Directors supplemental thereto, or any action by a member that is detrimental to the best interest of the zoo and aquarium profession and the AZA.”

Background – Zoological Association of America

In February 2005, the United Zoological Association and the International Society of Zooculturists merged to form the Zoological Association of America (ZAA). The purpose of the merge was to advocate for and bring a collective voice to private sector owners and institutions and promote “conservation, preservation, and propagation of animals in both private and public domains.”

The ZAA Board meets in person once a year and manages the balance of business matters via conference calls. All ZAA Board Minutes were reviewed. In November 2006, the Zoo’s President was elected as the ZAA’s Secretary and the Zoo’s future Director of Collections was elected as its Chairman.

Fundamental Differences between the AZA and ZAA

The AZA is recognized by all 50 states and places its emphasis on institutions. It “accredits only those institutions that have achieved rigorous standards for animal care, education, wildlife conservation, and science.” Its members must be willing to adhere to its Bylaws, Code of Professional Ethics, and all other rules and regulations promulgated by its Board. The AZA does not support individuals owning animals. It prohibits the sale of animals at auctions attended by the general public. The AZA in its Full Participation policy places mandatory restrictions on the acquisition and disposition of SSP animals. This is reiterated in its General Advisory on Procurement of SSP Animals.

The ZAA is recognized by Kansas, Michigan, and California and supports private citizens owning animals. While the ZAA offers accreditation to institutions, it is not a requirement of membership. The ZAA offers membership to individuals (Associates) with no special requirements other than approval by the membership committee. Individuals may also join

as Professionals or Zooculturists. This category includes those who have demonstrated their expertise in their field and are approved by the Board of Directors. The ZAA offers public, private, and educational memberships to institutions. The ZAA requires its members to comply with its Mission and Objective Statements. The ZAA published guidelines suggested as minimum standards for animal care, but does not have a Code of Ethics. The guidelines are used for accreditation purposes. The ZAA does not place any restrictions on the procurement or disposition of animals (source: <http://www.zaoa.org>).

The animal conservation programs of the two organizations appear to be the biggest philosophical difference between the two entities. Each desires to preserve a healthy and self-sustaining population. In order to accomplish this, the AZA desires to control animal breeding “in order to maintain a healthy and self-sustaining population that is both genetically diverse and demographically stable.” However, being focused on public institutions, it excludes the gene pool of animals in private collections. The ZAA believes that conservation of species can only occur through cooperative breeding programs in both private and public domains. The ZAA promotes “conservation through commerce” to ensure long-term viability of wildlife populations.

ZAA Operations

ZAA revenues are derived from membership fees, donations, and an auction held at its annual conference. Its annual conference is held at a member institution (Lowry Park Zoo in 2007).

ZAA expenses include payroll and benefits (one full-time position), office space, supplies, legal services, publication of a quarterly magazine, and some other non-recurring costs. The ZAA also pays an attorney to monitor and report of issues affecting its membership.

ISSUES

- In the Mandatory Standards of its Code of Professional Ethics, the AZA states that its members “shall not engage in conduct that adversely affects, or is prejudicial to, the concepts and ideals of the AZA.” The AZA’s Guide to Accreditation states, “The governing authority must be supportive of the institution’s decision to abide by the AZA Code of Ethics, Acquisition & Disposition Policy, Accreditation Standards, and Charter & Bylaws, and must recognize and support the institution’s goals and objectives.”

In the minutes of the February 2005 ZAA merger meeting, Lowry Park Zoo’s President supported the merger to demonstrate the “need to have a single effective organization that embraces what we do and can aid private individuals who want to own and maintain animals.” Given that statement, it appears that his capacity during the meeting was that of a private owner and not a representative of the Zoo. In ZAA Board minutes and during the audit’s interview process, the Zoo’s President and its Director of Collections both expressed dissatisfaction with the AZA and its SSP program. In an interview, the Zoological Society’s Chairman of the Board stated “ZAA was a great idea. The AZA has

been taken over by extremists. The AZA will put the Zoo out of business. It's up to the private breeders to maintain the species."

With respect to conservation and breeding programs, the Minnesota Zoo Conservation Director and an SSP Program Coordinator was quoted in a Tampa Tribune article as saying, "There are zoos that comply with us, and there are other zoos that don't work with us. They do what they care to do in terms of the pursuit of their own self-interests. Lowry Park is one of those zoos."

- In order to join the AZA, institutions "should be fully committed to the goals and cooperative spirit of the SSP partnership." The AZA's General Advisories are considered to expand the interpretation of the AZA Code of Professional Ethics. The General Advisory on Procurement of SSP Animals states, "All Association members should work through SSP species coordinators and appropriate propagation groups in efforts to procure or dispose of specimens of SSP species." The AZA requires "full participation" in the SSP partnership and process. Finally, the Zoo's Animal Transaction Policy states, under its General Policy Statements, "Tampa's Lowry Park Zoo will work with appropriate coordinators and propagation groups when sending/receiving individual SSP specimens."

The Zoo had numerous animal transactions, including four SSP animals, with the BA Ranch and Safari Wild. The SSP animal transactions did not follow the requirements of the AZA's Accreditation Standards, Code of Professional Ethics, or its "full participation" policy. The transactions also violated the Zoo's Animal Transaction Policy.

- In December 2006, discussions began on hiring a part-time person for the ZAA position that would work from the Lowry Park Zoo offices. The part-time position was next mentioned as being in attendance during the March 20, 2007 conference call. Reportedly, the part-time position worked from Zoo offices beginning around this time and remained until the ZAA Office Manager was hired in March 2008. The Office Manager worked from Zoo offices until October 2008. Based on the above, the Zoo allowed the ZAA to operate from its offices for the period from March 2007 to October 2008 (18 months).

Section 10 of the Lease and Operation Agreement states,

Society shall not at any time . . . sublet the Premises in part or in their entirety, or in any way charge or encumber the Premises or the rights granted herein, or any part thereof, or issue or grant any permit or license to use or occupy the Premises for any period beyond one (1) year, without the prior written consent of City . . .

While there is no agreement in place, in April 2008, the ZAA reimbursed the Zoo \$400 per month for office space for the period December 2007 to March 2008. The ZAA continued the payment each month through October 2008. In September 2008, the Board

Chair notified the Board that the ZAA office would be relocated from Zoo property and that their financial operations would be separated. Based on the above, the Zoo violated Section 10 of the Lease and Operation Agreement during this period and was not reimbursed for the ZAA's office space from March to December 2007.

- In November 2007, the ZAA Board approved the replacement of the part-time secretary position with a full-time Office Manager and to consolidate all financial operations to Zoo offices. ZAA's Office Manager, hired in March 2008, reports to the Chairman of the ZAA (Zoo's Director of Collections); however, the Zoo's Director of Administration signed the position employment agreement and approves leave requests. The Director of Administration reports directly to the Zoo's President (ZAA's Board Secretary). The ZAA reimbursed the Zoo \$12,465 of the Director of Administration's salary for the period December 2007 to March 2008 for work performed on ZAA business. Reimbursements also occurred for previous work performed, but documentation was insufficient as audit evidence (ZAA's financial records were not adequately managed prior to November 2007). During an interview, the Director of Collections, stated that 30% of his time is spent on ZAA activities. While the President and Director of Collections each work full-time for the Zoo, the work they performed for the ZAA was not reimbursed.
- ZAA payroll, insurance benefits, supplies, and other costs are initially paid by the Zoo and subsequently reimbursed by the ZAA. ZAA's employee insurance benefits are part of the Zoo's insurance plan.
- The ZAA held its annual conference at the Lowry Park Zoo in November 2007. By hosting the event, the Zoo paid the costs of the conference hotel, attendee transfers, a luncheon and reception held at the Zoo, park admission for attendees, a dinner at a local restaurant, and some other related miscellaneous costs. In return, the Zoo was to receive all registration fee revenue. In-house catering for the luncheon was recorded as in-house transfer and billed without markup, as if the events were sponsored by an internal entity.

Total costs actually paid by the Zoo came to \$19,057. However, this did not include the reception (costs were not captured), the cost of the luncheon, or attendees' admission to the Park. The number of attendees and amount of registration deposits do not reconcile. Financial records of the event (revenues and expenses) were not adequately tracked or reported. Based on the support reviewed, the conference was attended by approximately 140 people and appeared to have generated around \$24,000 in registration fees. Because of the lack of supporting documentation, it is unknown whether the Zoo recovered all of its costs.

RECOMMENDATION

Zoo management should take any and all steps necessary to ensure that the Zoo's membership with the Association of Zoos and Aquariums is reestablished at the AZA's Board of Directors meeting on March 27, 2009.

AUDITEE RESPONSE

Tampa's Lowry Park Zoo management and the Board of the Lowry Park Zoological Society agree that it is of utmost importance for Tampa's Lowry Park Zoo to regain its membership with the AZA and will take the steps necessary to ensure that it is earned.

RECOMMENDATION

As an institutional and accredited member of the AZA, Lowry Park Zoo and its management and staff should support the AZA and abide by all of its policies and governing documents and disassociate itself with the Zoological Association of America.

AUDITEE RESPONSE

Tampa's Lowry Park Zoo is no longer a member of ZAA. The ZAA office was officially moved from Tampa's Lowry Park Zoo by October 31, 2008. As of January 1, 2009, when the benefits for the ZAA Office Manager were transferred to another company, the ZAA office manager's pay ceased to be paid through Tampa's Lowry Park Zoo. Dr. Larry Killmar has resigned from the Board of Directors of ZAA.

RECOMMENDATION

All animal transactions, especially those species selected for participation in the Species Survival Plan Program, should follow the AZA's Acquisition/Disposition Policy and the Zoo's Animal Transaction Policy.

AUDITEE RESPONSE

As discussed in the section titled, "PRIVATE TRANSACTIONS," Zoo Animal Department management, working closely with AZA representatives, will maintain a revised Animal Acquisition and Disposition Policy that meets or exceeds AZA standards. Zoo Animal Department management will ensure that all animal transactions, especially those species selected for participation in the Species Survival Plan, follow the Zoo's revised Animal Acquisition and Disposition Policy.

In support of the Zoo's collection goals and objectives, Zoo management will continue to work with AZA to address outstanding concerns about the Zoo's participation with AZA's Species Survival Programs (SSPs). When concerns emerge, Zoo management will continue to use the institutional appeal process and notify in writing the Wildlife Conservation Management Committee (WCMC), the Taxon Advisory Group (TAG) Chairs, as well as the President and Chairman of AZA, as appropriate.

RECOMMENDATION

Operations of the Zoological Association of America should be relocated from Lowry Park Zoo property and the Zoo should request lease payments for the period from March 2007 to December 2007. Note: The ZAA relocated its office before the end of audit fieldwork.

AUDITEE RESPONSE

Zoo management determined that ZAA should reimburse the zoo \$200/month for the ten-month period from March 2007 to December 2007, and has received full reimbursement.

RECOMMENDATION

Lowry Park Zoo should disassociate itself from the Zoological Association of America and its personnel should not perform ZAA related activities from Zoo property or on Zoo time.

AUDITEE RESPONSE

Please refer to second Auditee Response on page 40.

RECOMMENDATION

Zoological Association of America financial activities should not flow through the Lowry Park Zoo's financial system and any shared benefits should be severed.

AUDITEE RESPONSE

Please refer to second Auditee Response on page 40.

RECOMMENDATION

All events held on Zoo premises should be conducted under contract. Oversight by the Lowry Park Zoological Society should occur when related parties sponsor events.

AUDITEE RESPONSE

Tampa's Lowry Park Zoo management and the Board of the Lowry Park Zoological Society agree that the sponsorship of events when related parties are involved should be reviewed and approved in advance. The Zoo's new Conflict of Interest Policy addresses this concern.

ZOO PRESIDENT/CEO

Employment Agreement and Compensation

The President, CEO of the Zoo, Lex Salisbury, currently earns \$339,516 in salary and bonuses. Additionally, fringe benefits include free use of a vehicle for personal use/commuting, and travel expenses for his wife for one domestic and one international trip each year.

He is not under contract – there exists only a letter from the Board Chairman to Mr. Salisbury dated January 2001 with an expiration date of January 2006.

The letter states that “You agree to devote your full time and attention to the Lowry Park Zoo and be available to conduct Zoo business at all times and on all days of the week during the term of your employment.”

From our audit results, it is doubtful that Mr. Salisbury’s full attention is devoted to the zoo when he has clearly spent considerable time and effort building up his personal ranch and stock of animals, the ZAA, and his for-profit venture, Safari Wild.

RECOMMENDATION

The Board of Directors should create and execute an employment contract with the Zoo President/CEO.

AUDITEE RESPONSE

The Board of the Lowry Park Zoological Society agree that in the future an employment contract should be developed with the Zoo President/CEO.

EMPLOYEE AND PAYROLL PRACTICES

Hiring Documentation

The Employee Handbook indicates the documentation required for new hires as well as whose signature is required on the hiring documentation. A sample of 25 current employee files was reviewed to determine if the hiring process was adequately documented. At least one approval was not dated on all of the forms reviewed. Additionally, the following information was not always provided:

- Five forms did not document approval by either the department director, CEO, and or both.
- One position was new, however, there was no job description ever provided (position was subsequently removed after first event, deemed not necessary).
- Forms did not always identify the employees “anticipated” work hours per week (excludes positions described as seasonal).

Employee Reimbursement

The Employee Handbook also states that the approval by the President is required for all payments in the amount of \$1,000 or more. A sample of 60 employee reimbursement requests was reviewed; documentation for two could not be located. For the remaining 58 requests, 20 did not have the documented approval of someone at a supervisory level or higher on the request and two reimbursements were not supported.

Pay Changes

Payroll change forms for senior staff often show only percent increase, not old and new rates of pay. An across the board increase in 2005 was not noted in individual files, but was provided when requested by the City’s Internal Audit Department. The across the board increase was justified to the board to bring staff salaries up closer to market (Zoo staff are eligible to receive only a 3% annual merit increases).

However, senior management also received the 5% increase despite the fact that annual raises for management ranged from 5% up to 7.75%. This fact does not appear to have been provided to the Board of Directors. This raise provided the Zoo President with a 13.15% increase that year (due to compounding). The practice of consistently giving senior personnel higher percentage increases merit/cost of living raises widens the gap each year between these personnel and the staff, both in dollars and percentage terms.

The President’s pay for calendar year 2008 was \$339,516 including bonuses, but not fringe benefits.

Bonuses

Zoo policy provides bonuses to managerial personnel based upon performance of the organization, not the individual. Zoo staff is not eligible for bonuses. There are 5 tiers:

Tier I – 20%

President/CEO
VP Advancement
Executive VP/COO
VP Finance
Director Education
VP Marketing & Sales
Director Administration
Director Collections
General Curator

Tier II – 16%

Director of Operations
Director Food & Beverage

Tier III – 12%

Veterinarian
Tier IV – 8%
Grants Manager
Special Events Manager

Tier V – 4%

Events Coordinator
Manager, Corporate Giving

Tier V – 4%

Sr. Development Officer
Director Public Relations
Assistant General Curator
Lead Registrar
Store Manager
Store Supervisor
Food Manager (2)
Visitor Services Manager
Catering Coordinator
Operations Manager

A bonus worksheet is given to the Payroll Coordinator who processes the bonuses through the payroll program. The worksheet is not signed and references no authority for the payment. In April 2008, the Zoo President made a handwritten change increasing his bonus from \$13,885 on the worksheet to \$20,827 for the quarter. He initialed the change and indicated that it had been verbally approved by the Board Chairman. Zoo staff represents that the Board Chairman subsequently said that he made no such verbal approval.

Tuition Reimbursement

The Zoo President announced at the July 21, 2006, Executive Committee meeting, that the Executive Assistant to the President and then Human Resource Coordinator, now Director of Administration, was accepted to the University of South Florida Executive MBA Program. She was awarded a 50 percent scholarship from the USF College of Business and that the Zoo would be matching the scholarship to support her in this achievement. The announcement was also made at subsequent Board of Directors meeting. According to the Employee Handbook, the Zoo does not have tuition reimbursement program or continuing education program.

RECOMMENDATION

The effectiveness of hiring policies and procedures is diminished when supporting documentation is consistently missing. Hiring practices should be consistently documented for all employees. This includes all documentation required by the Employee Handbook. Also, when exceptions to the policy occur, they should be clearly documented and included in the affected employee's file.

AUDITEE RESPONSE

Zoo management will work diligently to ensure that all Zoo departments understand the importance of thorough recordkeeping in all Zoo departments. Zoo department managers will be held responsible for ensuring that all paperwork in relation to employment is complete and accurate. If variances to Zoo policies are necessary, Zoo management will ensure that the reasons are clearly documented.

RECOMMENDATION

Employee requests for reimbursement forms should document approval by someone at a Supervisory level or higher, before payment is disbursed. It would also be prudent for the Chief Financial Officer to review items over a certain dollar threshold for budgetary purposes.

AUDITEE RESPONSE

Zoo management developed a new, stronger Expense Reimbursement Policy that requires an explanation of the business purpose of the expense and reflects who has signing authority, what degree of pre-approval is required, what supporting information is required, and what thresholds of reimbursement should be reviewed by the Chief Financial Officer or other senior management. Zoo management will ensure adherence to the policy.

RECOMMENDATION

Pay rate change forms should be completely filled out, including old and new pay rates, and be signed by senior management or the Board Chairman. The compensation policy should be reviewed and revised to ensure all classes of employees are treated fairly with respect to cost of living and merit raises.

AUDITEE RESPONSE

Zoo management will review its Payroll Change Forms and make any necessary adjustments. Zoo staff will be instructed on the proper way to complete forms and Zoo management will ensure that forms are completed in their entirety. In October 2008, the Zoo Board established a Compensation Committee that will be charged with ensuring that all categories of employees are treated equitably with respect to cost of living and merit raises within available resources.

RECOMMENDATION

The Board should study the entire bonus policy and its applicability for a non-profit charitable organization. If it is to be continued, consideration should be given to targeted goals by managers' areas of responsibility which are measurable. The Board or designated committee should be required to review recommended bonuses by name and dollar amount, and board action should formally approve bonuses.

AUDITEE RESPONSE

The bonus plan has been indefinitely suspended. The Board's Compensation Committee will monitor economic circumstances and oversee overall compensation goals, practices, and philosophy of the Society.

RECOMMENDATION

The Zoo President should reimburse the Zoo for the unauthorized bonus.

AUDITEE RESPONSE

The Lowry Park Zoological Society has retained legal counsel to evaluate and pursue the legal merit of financial claims arising out of the City of Tampa audit and to make appropriate demand for payment on behalf of the Society.

RECOMMENDATION

If the Zoo would like to offer tuition reimbursement, it should develop a program for all employees and present it to the Compensation Committee that will soon be established. The Committee can then submit it to the Board for approval. Once implemented, the program should be communicated to all employees as a fringe benefit. In the future, Zoo management should refrain from providing benefits to single employees, as this leads to dissention and morale problems.

AUDITEE RESPONSE

The Board's Compensation Committee is charged with reviewing potential tuition reimbursement and/or professional development reimbursement programs. Any such program will be communicated to all eligible Zoo staff.

TRAVEL – ZOO PRESIDENT

In the course of his duties, the President often traveled to destinations within the United States and occasionally traveled overseas for conferences and other Zoo business. His employment letter of understanding with the Zoo permits his significant other to accompany him on one domestic and one international trip each year at Zoo expense.

Recent international travel:

- In February 2007, the Zoo President, his significant other, the Zoo's veterinarian, and a cameraman from the City's Cable Office went to Addis Ababa, Ethiopia at a cost of \$8,842 with regard to a project to protect endangered species in Africa. This trip was noted in the Executive Committee and Board of Director's meetings of January 19, 2007. The Board minutes also stated that the trip was being funded independent of the Zoo. The Zoo paid the expenses of the trip, but there was no supporting documentation that it was reimbursed by any outside organization.
- In August 2007, the Zoo President, his significant other, and the Director of Collections traveled to Budapest, Hungary for a World Association of Zoo & Aquariums conference at a cost of \$8,875.
- In May 2008, the Zoo President, his significant other, the Director of Collections, and his wife traveled to South Africa for an international conference. The Director of Collections reimbursed the Zoo for his wife's airfare. The net expense to the Zoo for this trip was \$16,675, after crediting the reimbursements. The trip included a 3 night stay in Paris on the return trip. The three nights in Paris cost about \$3,800 for lodging, meals, and incidentals. The purpose of the 3-night stay in Paris was not documented and not noted in Board minutes.

The 2007 trips to Ethiopia and Hungary appear to exceed the allowed Zoo paid travel for the President's significant other. The lesser airfare of the two trips for one person was \$1,359.

Most of these expenses, except for the airfare to South Africa, which was paid by Zoo check, were charged to the Zoo's Visa card. As noted later, credit card charges were not normally reviewed by other management personnel or the Board. Some personal expenses were reimbursed to the Zoo by the President, but documentation of non-reimbursed expenses often consisted of just a credit card receipt. With such limited documentation, it was often difficult to determine the nature and purpose of the expense. All of the expenses noted above are net of any reimbursements.

RECOMMENDATION

Travel by the President should be approved in advance and documented by the Board. Itinerary and estimated costs should be included, as should the purpose of the trip and how it benefits the Zoo.

AUDITEE RESPONSE

Zoo management will develop a Travel Policy that clearly defines what needs to be submitted in advance of a proposed trip, who needs to approve travel, and what should be submitted after the trip takes place to ensure appropriate reimbursement.

RECOMMENDATION

The practice of reimbursing all travel expenses without justification should cease.

AUDITEE RESPONSE

As discussed in the section titled, EMPLOYEE AND PAYROLL PRACTICES, Zoo management has developed a new, stronger Expense Reimbursement Policy that requires an explanation of the business purpose of the travel and reflects who has signing authority, what degree of preapproval is required, what supporting information is required, and what thresholds of reimbursement should be reviewed by the Chief Financial Officer or other senior management. Zoo management will ensure adherence to the policy.

RECOMMENDATION

Reimbursements should be based on established per diem rates. Exceptions could be allowed, when justified, but should be approved by the Board Chairman.

AUDITEE RESPONSE

Zoo management has updated *per diem* rates and will ensure that any exceptions are well-documented. Thresholds of reimbursement will be outlined to determine when additional approval by the Zoo Board is necessary.

RECOMMENDATION

If the 2007 travel by the Zoo President's significant other exceeded the provisions of the employment letter of understanding, those expenses should be recovered.

AUDITEE RESPONSE

The Lowry Park Zoological Society has retained legal counsel to evaluate and pursue the legal merit of financial claims arising out of the City of Tampa audit and to make appropriate demand for payment on behalf of the Society.

RECOMMENDATION

Expenses should be itemized so that it is clear what was being paid for (whether paid by credit card or reimbursed to the President).

AUDITEE RESPONSE

Zoo management will ensure that the new Expense Reimbursement Policy specifically outlines what expenses should be itemized so that what is being reimbursed is clear.

RECOMMENDATION

The CFO should review all senior management's travel expenses, clear any questionable items, and forward to the Board for approval.

AUDITEE RESPONSE

Zoo management agrees that all senior management travel expenses should have an appropriate review system in place. Travel expenses of any individual who reports directly to the Zoo Board will be forwarded to the Zoo Board or its designate for approval as described in the Expense Reimbursement Policy.

CREDIT CARD USE AND REIMBURSEMENTS – ZOO PRESIDENT

The Zoo President has almost unlimited ability to be reimbursed for expenses or to use a Zoo credit card for the same purposes. The Zoo President has been permitted to either submit a form for reimbursement or to charge expenses directly to the Zoo's credit card. There are no written guidelines as to what is an acceptable expense. It appears that some of the charges may be excessive or inappropriate. Expenses that were reimbursed were usually, but not always, approved by the Board Chairman. There was no indication that any charges were denied or questioned.

Expenses charged to the credit card were not approved by anyone. The Accounts Payable Coordinator was the only one who saw the charges and she simply matched up the receipts to the statement and processed them for payment. She reports to the CFO who acknowledged that he did not question the charges and may not have even looked at them. The Zoo President generally is the only signature on checks paying the credit card and other invoices.

FY07 and FY08 Credit Card Charges that Appeared Excessive or Inappropriate

- Credit card charges at local area restaurants amounted to \$12,700 for the two-year period reviewed. There were about 75 charges in each of the two years. Credit card receipts were submitted in every case with a handwritten notation, sometimes illegible, naming persons attending the meal. The purpose or justification was rarely indicated. Persons noted included Board Members and Zoo management. A number of the bills were for large parties and amounted to as much as \$700 per dinner. During the two-year period, 15 restaurant bills exceeded \$300 each.
- Starbucks coffee – 56 charges totaling \$400
- Gasoline – 230 charges totaling \$14,000

Prior to 2008, the Zoo President's credit card had a \$10,000 limit, which often was insufficient for monthly charges. The Zoo was making payments during the month to avoid exceeding the credit limit. In April 2008, the credit limit was increased to \$20,000.

RECOMMENDATION

The Board should develop policies and provide guidance as to the types of expenses that are acceptable. The CFO should review all senior management's credit card statements and reimbursement requests, which should then be approved by the Board Chairman.

AUDITEE RESPONSE

A definition of "acceptable expenses" has been written into the Expense Reimbursement Policy. Zoo management agrees that all senior management credit card expenses should have an appropriate review system in place. Credit card expenses of any individual who

reports directly to the Zoo Board will be forwarded to the Zoo Board or its designate for approval.

RECOMMENDATION

Zoo credit cards should be used for Zoo business only. Personal expenses should not be charged to Zoo credit cards.

AUDITEE RESPONSE

Zoo management agrees that Zoo credit cards should be used for zoo business only. In addition to implementing a new Expense Reimbursement Policy, the Zoo also now has a new Purchasing Policy that addresses all credit card use at the Zoo. Zoo management has reviewed and reduced the list of employees with access to credit cards and has limited that number to essential personnel. Purchasing and expense reimbursement policies define new approved credit card and other spending limits and will be reviewed annually.

TRAVEL - STAFF

The Zoo has a written travel policy. Its provisions include requirements for:

- Advance approval for travel
- A maximum amount (per diem) for meal reimbursements
- Itemized hotel bills
- Requirements for receipts

A product show in Atlanta in January 2008 was attended by five personnel for 4 nights, incurring a total cost of \$3,754. The hotel bill was not itemized; it just showed a total for each room. Restaurant charges were generally supported by a credit card receipt, but did not indicate how many employees were present. Since meals were likely charged to rooms, it is impossible to compare costs to the established per diem rates.

A product show in Las Vegas March 15-19, 2008, was attended by the same five personnel for 4 nights, incurring a total cost of \$7,567. The hotel bills were itemized. Total meal expense, including amounts charged on credit cards and charged to rooms, totaled \$1,310. The standard per diem rate for 5 people for 4 days would have been \$600. \$125 was reimbursed for parking and tolls, but no documentation was submitted.

Advance travel approval was not documented. Meal reimbursements were based on receipts or amounts charged to the hotel room without regard to the per diem maximums.

We noted a number of expense reimbursement reports for other trips that were paid without supervisory approval. One manager frequently had expenses approved by a subordinate. Payment is processed by the Accounts Payable Coordinator, who rarely questions the requests.

One manager submits a single reimbursement for the entire year. We found it difficult to match up receipts with his credit card statements and travel expense reports. Receipts were not always clear as to what they were for, and a few were not documented. All were approved by the Zoo President and we did not find any material charges that could not be documented. It did not appear that the expenses were inappropriate by Zoo standards, just difficult to reconcile. The manager stated that he does not claim all travel, considering these expenses to be a contribution to the Zoo.

When several employees travel together, one may pick up the expenses and be reimbursed. It is not always possible to tell who incurred which expenses. Per Diem rates are not often followed; if there is a receipt, it is reimbursed. In some cases, spouse expenses (other than airfare) appear to have been reimbursed by the Zoo.

RECOMMENDATION

Zoo management should enforce the prior approval provision of the Travel Policy and expand the requirement for justifying travel as necessary. In the two trips noted above, the number of employees attending may be excessive.

AUDITEE RESPONSE

As discussed in the section titled, TRAVEL – ZOO PRESIDENT, Zoo management has developed a new, stronger Expense Reimbursement Policy that requires an explanation of the business purpose of the expense and reflects who has signing authority, what degree of preapproval is required, what supporting information is required, what should be submitted after the trip takes place to ensure appropriate reimbursement, and what thresholds of reimbursement should be reviewed by the Chief Financial Officer or other senior management. Zoo management will ensure adherence to the policy.

RECOMMENDATION

Per Diem rates are probably out of date and should be updated. Reimbursements in excess of the established per diem rates should not be claimed or paid except in unusual circumstances, which should be relatively few. Meal charges to hotel rooms should be subject to the same limits.

AUDITEE RESPONSE

As discussed in the section titled, TRAVEL – ZOO PRESIDENT, zoo management has updated its *per diem* rates and will ensure that exceptions are justified and well-documented. An appropriate review system has been put in place.

RECOMMENDATION

Zoo management should enforce other provisions with respect to documentation, for each employee, and timely submission.

AUDITEE RESPONSE

Zoo management will ensure that the importance of consistent and timely submission of expense reports is communicated to all zoo staff and will ensure adherence to the new Expense Reimbursement and Travel Reimbursement Policies.

RECOMMENDATION

Separate travel reports should be required from each employee, even when they are traveling together.

AUDITEE RESPONSE

Zoo management has addressed how to submit reimbursements in the new Travel Reimbursement Policy. Whenever possible, the Zoo requires separate submission of travel expense reimbursement requests when employees travel together.

TRAVEL – NON-ZOO EMPLOYEES

Prior to the trip to Ethiopia, the Zoo paid the round trip airfare for the Mayor of Addis Ababa, Ethiopia's capital, to travel from Europe to Tampa in December 2006. The trip was related to the Ethiopian project. The cost of the airfare was \$4,905, which included business class airfare from Europe to Washington, and return.

RECOMMENDATION

Expenses incurred on behalf of outside parties should be approved in advance by the Board if they exceed a Board determined dollar threshold. This would not include expenses provided for by approved contracts.

AUDITEE RESPONSE

Zoo management agrees that any expenses incurred on behalf of outside parties should be approved in advance by the Zoo's Board if they exceed a Board-determined dollar threshold. Once this is established by the Zoo's Board, Zoo management will ensure compliance.

OTHER PURCHASING ISSUES

Purchasing and Bids

Purchasing is decentralized with user departments generally ordering for their needs. Procedures vary from department to department. The stated policy for obtaining bids is not always followed. There may be valid reasons why bids were not solicited, but that was not addressed in the policy. Analysis of bids could be improved.

Store Credit Cards

Credit cards and the amounts of recent annual purchases:

- Home Depot (49 cards) – \$55,970
- Tractor Supply (4 cards) – \$6,612
- Lowe’s (29 cards) – \$11,973
- Publix (14 cards) – \$3,455
- Sweetbay (4 cards) – \$4,991
- Citgo (7 cards) – \$19,420

Other than what appears to be an excessive number of cards, controls appear adequate – charges are generally approved by a supervisor. The reason for charges was not always stated. Food charges at Publix and Sweetbay were not always explained.

RECOMMENDATION

Zoo management should standardize purchasing procedures between departments to the extent possible without adversely affecting operations, and bid standards should be more clearly stated.

AUDITEE RESPONSE

The Zoo’s Finance Department has developed a detailed Purchasing Policy and will ensure that all Zoo employees have a complete understanding of new expectations.

RECOMMENDATION

Zoo management should determine the appropriate number of credit cards for each vendor and who needs them. The number of cards should be kept to the minimum needed without impairing operational needs. Justification for charges should be documented (project, event, or other purpose).

AUDITEE RESPONSE

The Zoo's Finance department, in cooperation with other Zoo management, will issue guidelines on the issuance of any business credit cards. The number of credit cards is now kept to a minimum. A new Credit Card Use Policy will detail the pre-approval process and what should be submitted with the credit card statement.

RECOMMENDATION

Zoo management should determine when the solicitation of bids is required and document the policy.

AUDITEE RESPONSE

The Zoo's Finance department has developed a Purchasing Policy that clarifies the Zoo's bid process and will ensure that all Zoo employees responsible for procurement have a complete understanding of new expectations. Zoo management has verified that the process is in conformance with the bid procedures included in the City of Tampa lease.

CONTROLS AND ACCOUNTING OF CASH RECEIPTS

The Zoo has a main cash room that is used by various locations throughout the park as their source for coin and currency. There are at least 20 bags issued on a daily basis and up to 40 bags during weekend hours or other “anticipated” busy days.

Note: The Zoo accepts cash, checks, and credit cards for payment. This review did not include evaluating controls for processing of credit cards received for payment.

The location where individuals obtain their money bags is known as the cash room. Within the cash room, there is a main area and a separate room known as the safe area. Due to the sensitivity of the area reviewed, details of the concerns were discussed with Zoo management, but are not included in this report.

However, several deficiencies were noted and included:

- The combination to the secured area is known by all three employees; however, it has never been changed and if necessary, will be shared with the Director of Operations.
- Potential for view obstructions to the main door. Additionally, the inner room door was not always closed.
- Reconciliations of the bag do not provide documentation to identify where the responsibility should be assigned if there was a noted discrepancy.

RECOMMENDATION

Management should immediately change the combination to the secured area; and if possible, implement the use of the key with the combination to gain access to the secured area. Also, a policy and procedure should be developed and implemented that would identify the circumstances under which the combination should be changed.

AUDITEE RESPONSE

The combination to the secured area has been changed. Zoo management will develop a policy that will identify circumstances under which combinations should be changed.

RECOMMENDATION

Physical access to the cash room should be enhanced to ensure employees always have a better, unobstructed view to the person trying to gain access. Also, the cash room employees should be instructed to keep the door to the secured area closed and locked at all times.

AUDITEE RESPONSE

The security of the cash room will be assessed by the Zoo's Operations Department and improved where deficiencies are noted. Cash room employees have been reminded of the protocol to keep the door to the secured area closed and locked at all times.

RECOMMENDATION

The process for disbursing and reconciling the bags used by the cashiers should require dual counting procedures to document that at least two people prepared the bag and counted the receipts at the end of the day.

AUDITEE RESPONSE

Currently, cash bags issued by the Zoo's cash room are counted by a cash room staff member and then by the individual picking up the bag. A similar process takes place when the bag is returned. Zoo management agrees that the implementation of a dual counting system will improve accuracy and avoid circumstances of having to weigh the word of one individual against another when there is a discrepancy. The Zoo's Operations Department will review the current system in the cash room and determine what additional resources are required to implement a dual counting system for all incoming and outgoing cash bags.

INCOME TAX ON FRINGE BENEFITS

The President's employment letter provides that his significant other can travel to one domestic and one international trip per year at Zoo expense. Unless certain criteria are met, this may be a taxable fringe benefit under the Internal Revenue Code that should be reported on Form W-2 or 1099.

The President is provided a Zoo vehicle, which he is allowed to use for commuting and other personal use. This may be a taxable fringe benefit that should be reported on Form W-2 or 1099. One way mileage to his home is 48.9 miles. If the President only commutes 3 days per week, 40 weeks per year, that amounts to \$16,166 for calendar years 2006, 2007, and the first 10 months of 2008 (mileage rates varied).

RECOMMENDATION

Zoo management should obtain an opinion from tax counsel regarding taxability of these fringe benefits.

AUDITEE RESPONSE

The Zoo's Finance department has requested an opinion from tax counsel regarding taxability of employee fringe benefits.

CONCLUSION

Fundamentally, Mr. Salisbury appeared to treat the operation at Lowry Park Zoo, his for-profit venture Safari Wild, and his residence ranch as one. He should not have been engaged in animal transactions involving the Zoo and his commercial business and ranch, particularly since those transactions cannot be tracked to ensure that the Zoo was properly compensated. Assets of the Zoo ended up at Safari Wild and his ranch. Personnel who work at the Zoo and under the authority of Mr. Salisbury also work at his commercial business and his personal ranch. This is inappropriate since the employees may not have the freedom to decline those work opportunities for fear of losing their job at the Zoo. He seems unable to differentiate between his role as CEO of the Zoo and the role he plays with his business and his ranch and fails to acknowledge the improprieties even after the results of this audit.

Further, the audit shows improper management of the Zoo devoid of the kind of checks and balances, documentation, policies, and procedures that one would expect from a non-profit, which accepts tax money.