

MINNESOTA ZOOLOGICAL GARDEN
FINANCIAL AUDIT
FOR THE FOUR YEARS ENDED JUNE 30, 1990

DECEMBER 1990

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

90-77

MINNESOTA ZOOLOGICAL GARDEN

FINANCIAL AUDIT FOR THE FOUR YEARS ENDED JUNE 30, 1990

Public Release Date: December 28, 1990

No. 90-77

OBJECTIVES:

- EVALUATE INTERNAL CONTROL STRUCTURE: Cash receipts, payroll, professional/technical services, supplies, repairs and maintenance, capital outlay, and consumable inventories.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

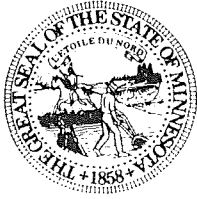
CONCLUSIONS:

We found two areas where the internal control structure needed improvement:

- Controls over warehouse consumable inventories need strengthening.
- Controls over disbursement authorization need to be improved.

We found that the Minnesota Zoological Garden had complied with finance-related legal provisions.

Contact the Financial Audit Division for additional information.
(612) 296-1730



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator John E. Brandl, Chairman
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Kathryn Roberts, General Director
Minnesota Zoological Garden

Mr. Edward N. Dayton, Chairperson
State Zoological Board

Audit Scope

We have conducted a financial related audit of the Minnesota Zoological Garden as of and for the four years ended June 30, 1990. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the Minnesota Zoological Garden, as discussed in the Introduction. We have also made a study and evaluation of the internal control structure of the Minnesota Zoological Garden in effect during June 1990.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial activities attributable to the transactions of the Minnesota Zoological Garden are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of the Minnesota Zoological Garden's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

Management Responsibilities

The management of the Minnesota Zoological Garden is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws, regulations, contracts, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition;

- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and
- transactions are recorded properly on the statewide accounting system in accordance with Department of Finance policies and procedures.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Internal Control Structure

For purposes of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- cash receipts,
- payroll,
- professional/technical services,
- supplies,
- repairs and maintenance,
- capital outlay, and
- consumable inventories.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Reliance on the Work of Other Auditors

In accordance with Minn. Stat. Section 85A.02, Subd. 5c, the Minnesota Zoological Garden contracted with a certified public accounting firm to conduct financial and compliance audits of the Minnesota Zoological Garden's financial activity for the three years ended June 30, 1989. The firm issued unqualified opinions on the Minnesota Zoological Garden's financial statements for the periods. We reviewed the auditor's workpapers and relied on their work, where appropriate, in determining the extent of our testing.

Conclusions

Our study and evaluation disclosed the conditions discussed in findings 1 to 2 involving the internal control structure of the Minnesota Zoological Garden. We consider these conditions to be reportable conditions under standards established by the American Institute of Certified Public

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Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data.

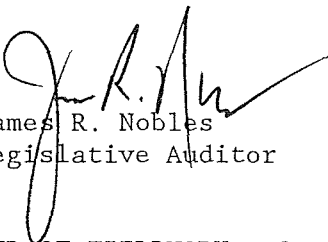
A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial activities being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We believe none of the reportable conditions described above is a material weakness.

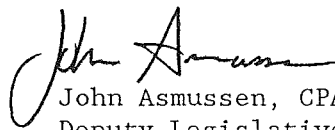
We noted certain matters involving the internal control structure and its operation that we reported to the management of the Minnesota Zoological Garden at the exit conference held on December 14, 1990.

The results of our tests indicate that, with respect to the items tested, the Minnesota Zoological Garden complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the Minnesota Zoological Garden had not complied, in all material respects, with those provisions.

This report is intended for the information of the Legislative Audit Commission and management of the Minnesota Zoological Garden. This restriction is not intended to limit the distribution of this report, which was released as a public document on December 28, 1990.

We would like to thank the Minnesota Zoological Garden staff for their cooperation during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

END OF FIELDWORK: October 31, 1990

REPORT SIGNED ON: December 21, 1990

MINNESOTA ZOOLOGICAL GARDEN

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AUDIT PARTICIPATION

The following members of the Office of the Legislative Auditor prepared this report:

John Asmussen, CPA	Deputy Legislative Auditor
Claudia Gudvangen, CPA	Audit Manager
Charlie Gill	Auditor-in-Charge
Pat Ryan	Staff Auditor
Kathy Hengel	Intern
Kristin Twesme	Intern

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following staff of the Minnesota Zoological Garden at an exit conference held on December 14, 1990:

Edward N. Dayton	Chairperson, State Zoological Board
Kathryn Roberts	General Director
Richard C. Buske	Operations Director
Jeff Higgins	Finance Manager

MINNESOTA ZOOLOGICAL GARDEN

I. INTRODUCTION

The Minnesota Zoological Garden (Zoo) is a state agency supervised and controlled by the State Zoological Board. The Board consists of 30 public and private sector members. Fourteen members are appointed by the Zoological Board, 15 by the Governor, and one by the Dakota County Board. The Board has established three major purposes for their operations: conservation, education, and recreation. The Board appoints a director who serves as the chief administrative officer of the Zoo. Kathryn Roberts was appointed General Director on November 10, 1986.

The Zoo attracts over 830,000 visitors annually. It is situated in an area covering 485 acres in which the animals are displayed in settings similar to their natural environments. The animals are presented in natural social groups on theme trails that recreate geographic regions of the world. There are approximately 1,493 animal specimens representing 324 species.

Beginning in fiscal year 1990, all receipts from parking and admission to the Zoo are deposited in the state treasury and credited to the state General Fund; all receipts from the operation of Zoo concessions, memberships and donations are deposited in the Special Revenue Fund and are appropriated to the Board. The Zoo receives a General Fund appropriation to support the costs of operation. In prior years, financial activities were accounted for in the Minnesota Zoological Garden fund.

The following summary shows expenditures, including encumbrances, for the Zoo during fiscal year 1990:

Personal Services	\$ 6,092,425
Supplies and Materials	1,833,699
Professional/Technical Services	875,332
Repairs and Maintenance	227,623
Capital Equipment	181,644
Building Construction	1,764,568
Other	<u>1,757,065</u>
Total Expenditures	<u>\$12,732,356</u>

Source: *Managers Financial Report* as of September 1, 1990.

MINNESOTA ZOOLOGICAL GARDEN

II. CURRENT FINDINGS AND RECOMMENDATIONS

1. Controls over warehouse consumable inventories need strengthening.

The consumable inventory at the main storeroom is entirely controlled by one individual. The individual maintains all inventory records and does the purchasing, receiving, stocking and distributing of the inventory. The concentration of duties with one employee makes it improbable that errors and irregularities will be caught and corrected. The warehouse inventory consists of animal food, maintenance items, and other supplies. Withdrawals at cost, as recorded on inventory records, averaged \$215,000 for each of the last two years.

The Zoo has had to make significant adjustments to computerized inventory records because of errors. During June 1989, an inventory count was taken and the \$149,273 balance was adjusted upward by \$37,714 to \$186,987. In our tests of consumable inventories in June 1990, we found unexplained differences between the quantity shown in the inventory records and the quantity actually on hand for 5 of 11 items tested. For example, inventory records for certain paper supplies showed 141 more items than actually on hand. Three additional items had differences because withdrawal requisitions had not been posted to the inventory records in a timely manner.

RECOMMENDATIONS:

- The Zoo should separate duties so that one individual does not have complete responsibility for all functions relating to inventory control.
- Zoo staff should perform periodic spotchecks of consumable inventory records to ensure accuracy.

2. Controls over disbursements need to be improved.

The clerk who inputs payments into the statewide accounting system is the same individual who approves the invoice coding block and the batch cover sheet. The duty of authorizing payments should be separated from the input of payments. Allowing the same individual to approve and input payments places too much control with one individual. Errors and irregularities would not be detected.

RECOMMENDATION:

- An employee independent of the payment process should review and approve the payment batches.

MINNESOTA ZOO

Strengthening The Bond Between People and The Living Earth.

Minnesota Zoo • Apple Valley, Minnesota • 55124 • 612/431-9200

December 19, 1990

Mr. James R. Nobles
Legislative Auditor
100 Veterans Service Building
St. Paul, MN 55155

Dear Mr. Nobles:

I appreciate the opportunity to respond to the report on your audit of the Minnesota Zoological Garden for the fiscal years 1986-1990. In reviewing the report I am pleased to read that the Minnesota Zoological Garden's programs were properly administered and that there were no material misstatements of the financial transactions.

Following are our responses to your audit report recommendations:

Recommendation: The Zoo should separate duties so that one individual does not have complete responsibility for all functions relating to inventory control.

Response: The Purchasing Manager position was vacant for a period of time during the past and current fiscal years. The position has been filled and the purchasing duties related to the consumable inventory have been completely reassigned to this position.

Recommendation: Zoo staff should perform periodic spotchecks of consumable inventory records to ensure accuracy.

Response: A policy and procedure will be developed to provide assurance of accurate consumable inventory records. Included in the procedures will be a periodic spotcheck of the inventory records by staff independent of the purchasing and inventory functions.

Recommendation: An employee independent of the payment process should review and approve the payment batches.

Response: The Finance Manager has been designated as the employee responsible for reviewing and approving the payment batches.

I appreciated the professionalism demonstrated by your staff in their audit of the financial records of the Minnesota Zoological Garden.

Sincerely,


Kathryn R. Roberts
General Director

