



July 16, 2009

Honorable Wendy Greuel
Controller, City of Los Angeles
200 S. Spring Street St., Room 300
Los Angeles, CA 90012

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BY:

Attention: Farid Saffar, CPA

AUDIT OF REVENUES AND EXPENDITURES AT THE LOS ANGELES ZOO

*"Nurturing
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experience"*

Los Angeles Zoo
5333 Zoo Drive
Los Angeles
California 90027
323/644-4200
Fax 323/662-9786
<http://www.lazoo.org>

Antonio R. Villaraigosa
Mayor

Tom LaBonge
Council Member
4th District

Zoo Commissioners

Shelby Kaplan Sloan
President

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Vice President

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Richard Lichtenstein
ex officio member

John R. Lewis
Zoo Director

In response to the final audit report issued by your Office on June 16, 2009, the Zoo Department hereby submits its review and response on planned actions relative to the audit recommendations.

The purpose of an audit is to review operations and function to ensure conformance to established policies, standards and procedures, as well as provide an opportunity for improvements and efficiencies. According to the audit results, "...the Zoo properly accounts for revenues and expenditures, and there are adequate management controls for its operations, including oversight over GLAZA's operations." However, there were key findings and recommendations that identified areas in need of improved controls, as well as opportunities for new and/or increased revenue. In general, the Zoo agreed with most of the findings and has already begun revising operating procedures and developing improved monitoring and tracking reports.

The Zoo Department appreciates the effort you and your staff made in this audit. The findings and recommendations of the audit report will be used to make further improvements and enhancements to the Department's operations.

The status report that follows includes all of the audits findings/recommendations, Zoo comments and the status of implementing required operational changes.

Sincerely,


John R. Lewis, General Manager
Zoo Department

- cc: Robin Kramer, Chief of Staff, Office of the Mayor
- Jimmy Blackman, Deputy Chief of Staff, Office of the Mayor
- Ben Ceja, Director, Finance & Performance Management, Office of the Mayor
- Shelby Kaplan Sloan, President, Board of Zoo Commissioners
- Raymond P. Ciranna, Interim City Administrative Officer
- June A. Lagmay, City Clerk
- Gerry F. Miller, Chief Legislative Analyst
- Independent City Auditors



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LOS ANGELES ZOO AUDIT STATUS REPORT

Recommendation 1

Revise the current advertising contract to incorporate specific performance expectations and deliverables.

***Status** – On May 22, 2009, the Zoo issued a Request for Proposals (RFP) for advertising and marketing services. The RFP included specific performance expectations and deliverables that will be incorporated into the new agreement currently being reviewed in accordance with Mayor's Executive Directive No. 3.*

IMPLEMENTED

Recommendation 2

Consider issuing proposals such as task orders for each event to formalize agreed upon goals, deliverables, timelines, key staff involved and total costs for each event.

***Status** - On May 22, 2009, the Zoo issued a Request for Proposals (RFP) for advertising and marketing services. As part of the oversight and administration of the proposed new agreement, the Zoo will develop and issue task orders for each event, including goals, deliverables and timelines. The Zoo will also require the contractor to provide creative briefs and monthly tracking reports.*

IN PROGRESS

Recommendation 3

Evaluate the cost effectiveness of each event in accordance with the task order requirements.

Status** – Based on the Zoo's experience, and discussions with other comparable AZA zoos and aquariums, overall attendance continues to be the guiding benchmark on measuring advertising effectiveness. While the Zoo and other comparable facilities utilize special events and exhibit openings to advertise and market to drive attendance, this strategy is aimed at awareness that transcends the event and exhibit opening timeframe. As a result, annual attendance goals provide the measure of effectiveness for success, notwithstanding uncontrollable factors that impact attendance such as weather, natural disaster, etc. **COMPLETED

Recommendation 4

Require the advertising contractor to comply with contract requirements related to the supporting documents to be included with the invoices.

***Status** – Invoices submitted since May 2009 have complied with all contract requirements related to supporting documents and the appropriate language*

has been included in the proposed new agreement currently under review.

IMPLEMENTED

Recommendation 5

Prepare and obtain approval for a Marketing and Business Plan from the City Council at least every five years.

Status – Given the dynamic and frequently changing nature of the City's budget and its impacts on the Zoo's operations, the Zoo Department considered its annual budget submitted to the Mayor and Council for review and approval as a one-year Marketing and Business Plan for the Zoo. The annual budget represents the Zoo's various funding sources (including contributions from membership and concessions revenues), level of operating resources, attendance and revenue projections, and funding for the advertising contract which establishes the annual marketing program. COMPLETED

Recommendation 6

Develop a Memoranda of Understanding (MOU) based on an approved Marketing and Business Plan to cover annual goals and details of fundraising terms, conditions of membership in GLAZA, distribution of membership funds between the Zoo and GLAZA, and other activities to be performed by GLAZA.

Status – Memoranda of Understanding are in the final drafting phase in the areas of fundraising, membership and concessions. MOUs are expected to be finalized and transmitted to the City Attorney for review as to form by July 31, 2009. IN PROGRESS

Recommendation 7

Perform a cost benefit analysis to determine the feasibility of directly contracting for concession services.

Status – Concession services at the Zoo have been provided directly by GLAZA and/or through a third-party contractor for at least 28 years through a contractual agreement. In 1997, the City executed a newly restated Operating Agreement which granted to GLAZA the exclusive right to contract out for concession services through February 11, 2016. Prior to contracting out for these services, revenue to the Zoo had not exceeded \$500,000 annually. Since the Zoo became its own separate department, and GLAZA subcontracted out for these services (in FY 1997-98), revenue to the Zoo has gone from \$460,000 to \$970,000 in Fiscal Year 2007-08.

The direct management and oversight of concession operations requires the necessary staff and resources of which the Zoo does not currently have. The cost of staffing that would be required would simply reduce this net revenue contribution, and further, there is no guarantee that these resources could be filled and maintained given the current economic condition of the City.

*The Zoo is very challenged to meet its current operational requirements, with the focus and priority of providing optimal care for the animals and ensuring a quality visitor experience. These operational requirements come at a time with tremendous construction throughout the Zoo, construction expected to begin in the main visitor lot in February 2010 and with reduced staffing and resources. For all of these reasons, the Zoo does not believe that a cost benefit analysis should be conducted at this time. **COMPLETED***

Recommendation 8

Formally follow up with the City Attorney to determine whether GLAZA should be required to pay the City \$1.5 million for excess concession administrative fees and \$5.8 million for excess membership revenues retained by GLAZA.

Status – *In December 2002, the City Controller conducted an audit on the Greater Los Angeles Zoo Association (GLAZA). Contained in the final audit report was a recommendation that the City Attorney determine whether GLAZA should be required to pay the City \$1.5 million for excess concession administrative fees and \$5.8 million for excess membership revenues retained by GLAZA. At its meeting held February 24, 2006, the City Council adopted such an action requesting the City Attorney to issue a legal opinion on this matter (C.F. 02-2884-S2). The Zoo Department can offer no explanation as to why such an opinion was not provided, but as part of this audit, the Controller's Office felt that this outstanding issue required follow up by the Zoo. As a result, the Zoo is following up with the City Attorney's office on this issue. **IN PROGRESS***

Recommendation 9

Establish fixed asset procedures which ensure that the records in the Centralized Asset Management System (CAMS) and the Service Desk Online System (SOS) are updated timely to properly reflect acquisitions and dispositions.

Status - *The Los Angeles Zoo and Botanical Gardens will conduct a physical inventory of its computer assets every two years, with the next occurrence planned for June 2010. Zoo Systems staff will verify the physical location of every active item listed on the Service Desk Online System (SOS) by generating a hard copy of the list and visiting every division in the Department to check asset control and serial numbers against the list. Other information will also be verified and updated as necessary. Any unlisted items discovered will be tagged with an asset control number and added to the list if determined to be Zoo property. Upon completion of the physical count, the list will be reconciled with SOS. Any missing or lost items will be noted and reported to Zoo Management accordingly. An SOS update has been completed as of June 2009. A written procedure relative to conducting the SOS physical inventory and system update will be completed by July 31, 2009. **IN PROGRESS***

A physical inventory of the Zoo's fixed assets will be conducted every two years. The Zoo completed a physical inventory as of June 30, 2009. The next inventory will be completed in June 2011. An inventory procedure manual relative to conducting the physical inventory and updating CAMS was finalized as of June 30, 2009. CAMS was updated as of June 30, 2009.
IMPLEMENTED

Recommendation 10

List all medical and audio equipment in CAMS to properly track and monitor the usage of these equipment items.

Status - All medical and audio equipment was updated in CAMS as of June 30, 2009. **IMPLEMENTED**

Recommendation 11

Conduct a physical inventory of all equipment items, as soon as possible to verify the correctness of the inventory records in CAMS.

Status - A physical inventory of all equipment items was completed as of June 30, 2009 and documentation is included in the fixed asset inventory procedure manual. All items were reconciled and updated in CAMS as of June 30, 2009.
IMPLEMENTED

Recommendation 12

Conduct biennial physical inventories of equipment in CAMS and in SOS.

Status – A physical inventory of equipment in CAMS was completed as of June 30, 2009. The next physical inventory will be done June 2011. A physical inventory of equipment in SOS was completed in June 2008. The next inventory will take place in June 2010. **IMPLEMENTED**

Recommendation 13

Resolve all discrepancies identified in the biennial inventories in a timely manner.

Status – All discrepancies will be noted and reported to Zoo Management upon completion of the biennial physical inventory and then reflected in CAMS and/or SOS in accordance with the inventory procedures manual. **IMPLEMENTED**

Recommendation 14

Execute a written agreement with the Western University to cover all relevant terms (such as payments and liabilities) in the internship program.

Status – A proposed agreement has been reviewed by the City Attorney and Risk Manager and comments have been incorporated into the proposed

agreement. Western University is in the process of reviewing the agreement, and once a duly authorized agent has accepted the agreement, the Zoo will send a transmittal to the Mayor's Office in accordance with Executive Directive No. 3. IN PROGRESS

Recommendation 15

Maintain a billing system and send invoices monthly to Western University based on the number of participating students.

Status - A payment invoicing and monitoring process will be established with Western University and the Zoo based upon the finalized terms of the new agreement. IN PROGRESS

Recommendation 16

Verify the checks received from the Western University against the number of participating students and deposit the checks in a timely manner.

Status - Zoo staff will establish a tracking system to monitor participating students and reconcile them with payments received. Checks will be deposited in accordance with established Controller's guidelines. IN PROGRESS

Recommendation 17

Ensure that supervisors initial returned/voided tickets to indicate their approval.

Status - Supervisors have been instructed to be more diligent about initialing returned/voided tickets to indicate their approval in addition to the already established approval procedures within the Galaxy Point of Sale system. A log sheet also has been implemented for daily voids that includes identification of seller and ticket, and approval signature of the supervisor. These procedures will be updated in the Admissions Procedure manual by July 31, 2009.

IN PROGRESS

Recommendation 18

Explore the feasibility of having the Galaxy Admission System produce management reports of voided transactions. These reports would indicate which cashier voided the transaction and which supervisor approved the void.

Status - Admissions and Systems staff consulted with Galaxy System support staff and determined that a daily report to review voided transactions is not feasible through Galaxy System at this time. In addition to ensuring due diligence in initialing voided tickets, Admissions staff will maintain the daily void log sheet showing supervisor's approval for each voided transaction. IMPLEMENTED.

Recommendation 19

Ensure that employees certify the accuracy of their time by signing their

timecard.

Status - *A standardized time sheet has been developed for use by all divisions with employees that do not directly enter their own d-time. Employees are required to verify the time with their signature prior to d-time entry. This process was implemented beginning July 5th.* **IMPLEMENTED**

Recommendation 20

Ensure that workers receiving lead pay have been approved by management and develop criteria for what constitutes acting as a lead worker.

Status - *The Department has five bargaining units that represent 28 classifications that provide provisions for lead pay. Only two classifications utilize the lead provision. The Department is developing specific criteria that will identify the responsibilities of lead workers, along with a process by which managers shall be held accountable for approving the designation of such employees. The criteria and process is estimated to be completed and implemented by August 16, 2009.* **IN PROGRESS**

Recommendation 21

Generate reports showing workers receiving lead pay and use the reports to monitor and control lead worker pay.

Status - *Accounting staff will generate regular reports each pay period showing all lead pay entries for review by executive management, human resources, and division managers to verify accuracy and appropriateness. This review will begin with Pay Period 1 in Fiscal Year 2009-10.* **IN PROGRESS**

Recommendation 22

Formalize formal written policies and procedures for waiving fees for education fee-based programs, which ensure that all fee waivers are properly approved, and that the scholarship activities are properly accounted for and charged to GLAZA in a timely manner.

Status - *A policy has been drafted regarding waiving fees for education fee-based programs and is expected to be finalized by July 31, 2009.*
IN PROGRESS

Zoo staff has also been instructed to be more diligent about properly accounting for scholarship activities to be charged to GLAZA in a timely manner. **IMPLEMENTED**

Recommendation 23

Prepare a comprehensive study to determine the feasibility of charging parking fees which takes into consideration the associated costs related to charging a fee and the potential impact on attendance.

Status – *As part of the 2009-10 Budget, the Mayor and the Council instructed the General Services Department (GSD) and the City Administrative Officer to complete a study on the feasibility of implementing a parking fee at the Los Angeles Zoo. The Zoo and GSD have had an initial meeting to discuss the challenges and opportunities associated with this issue. GSD is currently considering options for such a work program.* **IN PROGRESS**