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OKLAHOMA CITY ZOOLOGICAL TRUST
INFORMATION RELATING TO
ZOOFRIENDS PROGRAM
AS OF JUNE 30, 2008

MAYOR AND CITY COUNCIL

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The City of
OKLAHOMA CITY
OFFICE OF THE CITY AUDITOR

October 14, 2008

The Mayor and City Council:

At the request of the City Council, the Office of the City Auditor has obtained information relating to specific issues regarding the impact of the Oklahoma Zoological Society's (OZS) ZooFriends membership program on the Oklahoma Zoological Trust's (Zoo) revenues as of June 30, 2008.

Our work was focused on obtaining the specific information requested. We did not perform an audit; therefore, we cannot provide an opinion regarding the ZooFriends membership program or any other aspect of OZS or Zoo operations. However, in the attached report, we have included recommendations intended to provide constructive suggestions for improving accountability for ZooFriends membership program revenue.

The content and emphasis of the items in this report have been discussed in detail with appropriate City, Zoo and OZS representatives. These discussions were held to assure a complete understanding of the recommendations and observations arising from our work. City management's response is included in its entirety as an attachment to this report.


Jim Williamson
City Auditor


Rick Wickenkamp
Audit Manager

OKLAHOMA CITY ZOOLOGICAL TRUST INFORMATION RELATING TO ZOO FRIENDS PROGRAM

OBJECTIVE, SCOPE, AND METHODOLOGY

At the request of the City Council, the Office of the City Auditor has obtained information relating to specific issues regarding the impact of the Oklahoma Zoological Society's (OZS) ZooFriends membership program on the Oklahoma Zoological Trust's (Zoo) revenues as of June 30, 2008.

Our work was focused on obtaining the specific information requested. We did not perform an audit of (or follow-up audit procedures on previous audits relating to) the ZooFriends Program or any other aspect of OZS and/or Zoo operations.

BACKGROUND

The Oklahoma City Zoological Park was established in 1904. The Zoo was created in 1975 to manage and operate the park on behalf of the City of Oklahoma City (City). As specified in the trust indenture, nine Trustee positions oversee the activities of the Zoo. The Mayor and the City Manager serve as Trustees by position. The remaining seven Trustees are appointed by the Mayor and confirmed by the City Council. One of the seven Trustees appointed by the Mayor is a City Council member. The six remaining Trustees are selected by the Mayor from candidates nominated by OZS.

OZS was founded and incorporated in 1954 as a charitable, benevolent, educational and scientific organization to foster and promote improvement of the park by ensuring volunteer leadership, maintaining an active membership and providing funding to the Zoo for special needs.

In 1976, by Resolution the City Council began allowing OZS members free admission to the park. In 1992, OZS began using the title "ZooFriends" in membership marketing efforts. OZS uses funds from ZooFriends memberships to pay OZS operational costs and provide financial support to the Zoo.

RESULTS OF WORK PERFORMED

Included in the following sections of this report are recommendations intended to provide constructive suggestions for improving accountability for ZooFriends Program revenue. Each recommendation is immediately followed by *City management's response*. The entire text of *City management's response* is attached.

Issue I

On October 9, 2001, the City Auditor issued a report on an audit of *Oklahoma City Zoological Trust – Impact of ZooFriends Program on Zoo Revenues for the five years ended June 30, 2000*. Zoo management and OZS provided a status, as of July 31, 2002, for the recommendations included in the audit report, which was included in an unaudited report to the City Council on December 10, 2002.

What is the current status of the recommendations included in the City Auditor's Report on the *Oklahoma City Zoological Trust – Impact of ZooFriends Program on Zoo Revenues for the five years ended June 30, 2000*?

Status I

Information provided by Zoo management and OZS indicate that recommendations included in the audit report have been adequately addressed except for those relating to developing a Memorandum of Understanding (MOU) between the Zoo and OZS and expanding ZooFriends Program membership policies, including complimentary memberships.

- A) An MOU clarifying the relationship between the Zoo and OZS was approved by the City Council on March 9, 2004. However, the MOU states "All proceeds from the sale of ZooFriends memberships goes to the Society's operating fund to pay for the operating expenses and then the balance is used to support other Zoo programs and projects." This provision does not establish adequate accountability for ZooFriends Program revenue, which are derived from use of Zoo assets.
- B) The MOU does not provide the Zoo or the City with the right to audit receipt and use of funds covered by the MOU.
- C) The Zoo approved OZS policies governing ZooFriends Program memberships on November 20, 2002; however, the policies have not been submitted to the City Council for approval as required by the MOU.

Recommendation (1)

The MOU should establish adequate consideration for use of Zoo assets under the ZooFriends Program. After surveying zoos with similar relationships to their non-profit fundraising groups and obtaining information from various zoological and non-profit organizations, we concluded that industry and/or peer group benchmarks or methodologies do not exist for considering the impact of revenues derived from zoo assets (e.g., annual memberships, concessions, gate, etc.) in overall assessments of zoological society operations and fundraising. This is consistent with representations received from OZS regarding difficulties in comparing zoological societies.

Without these benchmarks, subjective criteria must be used to establish adequate consideration for use of Zoo assets under the ZooFriends Program. Including a target for OZS contributions as a percentage of ZooFriends Program revenue in the MOU would be a reasonable method of establishing such criteria.

OZS contributions to the Zoo exceeded 100% of ZooFriends Program revenues in three of the six fiscal years ended June 30, 2008, with the last three fiscal years being the exceptions. The total six-year OZS contributions were approximately 84% of ZooFriends Program revenue. (See the table in Status II below.)

Given OZS' contribution history, a contribution target equal to 100% of ZooFriends Program revenue does not appear unreasonable. In any case, the target should not be interpreted to restrict or limit OZS fundraising efforts, but should simply be used to demonstrate that the Zoo Trustees are fulfilling their fiduciary responsibilities in overseeing Zoo assets.

City Management Response (1)

Agree. City Staff will work with the Zoo Trust and the OZS to establish adequate consideration for the use of Zoo assets.

Recommendation (2)

The MOU should provide the Zoo and the City with the right to audit receipt and use of funds covered by the MOU.

City Management Response (2)

Agree. Staff will work with the Zoo Trust and the OZS to establish an audit provision for inclusion in the MOU.

