

LEGISLATIVE AUDIT COMMISSION



Review of
Department of Agriculture
DuQuoin State Fair
Two Years Ended September 30, 2005

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**REVIEW: 4264
DEPARTMENT OF AGRICULTURE
DUQUOIN STATE FAIR
TWO YEARS ENDED SEPTEMBER 30, 2005**

FINDINGS/RECOMMENDATIONS - 8

**ACCEPTED - 4
IMPLEMENTED - 4**

REPEATED RECOMMENDATIONS - 2

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 4

This review summarizes an audit of the Department of Agriculture, DuQuoin State Fair, for the two years ended September 30, 2005, filed with the Legislative Audit Commission June 20, 2006. The auditors performed a compliance examination in accordance with *Government Auditing Standards* and State law.

In March 1986, the State took possession of the DuQuoin State Fairgrounds and additional property surrounding the Fairgrounds. The Fair became an operating entity of the Division of Fairs and Horseracing of the Department of Agriculture. The Fair is held to promote agriculture and the agriculture industry, and to provide for exhibits and activities in the fields of industry, education, arts and crafts, labor, entertainment and other areas of interest to the people of Southern Illinois. The DuQuoin State Fair Manager is Mr. John Rednour.

The number of employees was:

Full-Time Employees	2005	2004	2003
Administration	2	3	3

The number of temporary employees was:

Temporary Employees	2005	2004	2003
State Fair:			
September-May	5	13	4
June	2	3	9
July-August	41	165	157
Bureau of Buildings & Grounds:			
September-May	20	21	16
June	15	54	18
July-August	111	102	106

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Shown below is a summary of attendance and tickets sold (unaudited) at the DuQuoin State Fair:

	2005	2004	2003
<i>Estimated attendance</i>	298,286	315,731	270,346
<i>Parking fees - tickets</i>	31,573	36,515	32,056
<i>Grandstand shows - tickets</i>	26,900	27,808	19,331

Financial Information

The DuQuoin State Fair uses a September 30 fiscal year in order to better match transactions to the activities of a given State Fair. However, the statement does not include all Department of Agriculture expenses related to Fair activity (i.e., Department officials' payroll expenses for work pertaining to the Fair, administrative overhead expenses, and capital improvements) due to management's difficulty of ascertaining, estimating and allocating these expenses. Revenues and expenditures relating to pari-mutuel wagering are presented separately and are not included in the statements.

Appendix A contains a summary of the revenues and expenditures for 2005-2003. As shown in the table, the Fair experienced a deficiency in all three years. However, the deficit was \$173,153 or 46% less in FY05 than FY04 due to a small increase in revenues (6%) and a dramatic decrease in expenditures of \$548,455, or 22.7%. Appendix B provides a schedule of revenues for the same fiscal years.

The auditors performed a revenue and expense analysis of the grandstand, competitive events, and pari-mutuel wagering events held during the Fair. The auditors noted the Fair incurred deficits for grandstand events totaling \$36,693, \$107,864 and \$58,355 in 2005, 2004, 2003, respectively. Similarly, competitive event expenditures were greater than revenues by \$128,664 in 2005, \$137,438 in 2004, and \$173,155 in 2003.

Pari-Mutuel Wagering

The State contracted jointly with Maywood Park Trotting Association in 2005, 2004, and 2003 to conduct the pari-mutuel wagering operations at the DuQuoin State Fair. Maywood collected receipts and paid expenditures associated with pari-mutuel wagering. The DuQuoin State Fair paid Maywood \$83,026, \$78,838 and \$99,850 for losses on its 2005, 2004, and 2003 contracts, respectively.

Accountant's Findings and Recommendations

Condensed below are the eight findings and recommendations presented in the audit report. Of these, two are repeated from the prior audit. The following recommendations

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are classified on the basis of updated information provided by Laura Lanterman, Chief Fiscal Officer, Department of Agriculture, via electronic mail received February 23, 2007.

Accepted or Implemented

1. Enforce the display of parking passes in vehicles by towing vehicles and consistently apply parking rules and enhance supervision over Fairgrounds parking. (Repeated-2003)

Finding: DuQuoin State Fair parking supervisors did not adequately supervise parking on the fairgrounds. In 2004 and 2005, revenue generated from parking admissions totaled \$204,003 and \$212,178, respectively. During testing of 2004 Fair parking revenue, the auditors noted 42 of 279 vehicles (15%) were either missing parking passes (37), had expired passes (1) or had the wrong pass for the lot (4). During testing of 2005 parking revenue, the auditors noted that 33 of 444 vehicles (7%) had no visible parking passes.

Prior to the 2004 Fair, Gate 3 was designated for campers only. In addition, horse event personnel were instructed to use Gate 3 where they would be allowed to enter the Fair free of charge. However when the Fair began, a decision was made by Fair management to have the horse handlers pay for a parking pass and allow any other fairgoer to come through Gate 3. During the 2004 Fair, attendants were selling parking passes to any individual who came through Gate 3. When auditors asked the Gate 3 parking attendant who could purchase parking at Gate 3, the attendant was unsure.

Updated Response: Implemented. The Department improved its supervision and monitoring of Fair parking in 2006. The auditors noted no exceptions in their 2006 audit testing.

2. Obtain proof of insurance from vendors when required prior to entering into the contract with the vendor. (Repeated-2003)

Finding: In 2004 the Department did not obtain proof of insurance from 2 of 25 vendors (8%) until 23 and 85 days after the Fair ended. In 2005, the Department did not obtain proof of insurance from 17 of 30 vendors (57%) as required by the terms of their contract.

Updated Response: Accepted. The Department more strictly enforced its policy of obtaining proof of insurance from vendors in 2006, significantly reducing the exception rate. However, the exception rate was not reduced to an acceptable level. A large part of the problem lies with obtaining proof of insurance from the Grandstand performers. The

Accepted or Implemented - continued

finding results from an insurance rider that is part of the agency's contract. Industry standard does have performing artists having liability insurance but does not dictate providing proof of insurance to concert venues. Although the Department has not been able to obtain proof of insurance from the artists, the Department does not want to remove the rider from the contract because having the rider does create a liability on the artist's part. The Department is currently contacting other state fairs and Illinois universities that host concerts to determine how others handle the issue.

3. Improve control procedures over camping revenue and receipts and enhance controls over the completion and monitoring of camping permits.

Finding: The Department rents campsites at the fairgrounds during the Fair. Camping revenues for the Fair in 2004 and 2005 were \$47,266 and \$55,030, respectively. During sample testing of 20 camping permits in 2004, the auditors noted 3 instances (15%) that the camper underpaid one night totaling \$36.

During the sample of 30 camping permits in 2005, the auditors noted the following:

- 7 instances that campers underpaid one night totaling \$105;
- 4 discrepancies in arrival date written on permit and receipt totaling \$60;
- 1 camper occupied two spots each but only paid for one space resulting in underpayment of \$120;
- 7 campers displayed a pink permit, which according to Fair officials were not distributed, resulting in underpayment of \$105;
- 5 camping permits were blank (value of exception could not be determined);
- 4 camping permits were not properly displayed by the camper (value of exception could not be determined); and
- 1 camper displayed a 2004 permit for the 2005 Fair resulting in underpayment of \$15.

Fair officials indicated that upon issuance of the camping permit by Fair staff, campers are notified that the camping permits need to be displayed at all times and where the permit should be displayed. In addition, during the Campground Superintendent's rounds of the camping area, any noncompliance is required to be corrected. Improper completion of any camping permits was an oversight by staff. Differences between revenue received and calculated may have been the difference between calculating the base on the number of days stayed rather than the number of nights.

Updated Response: Accepted. The Department reviewed policies and procedures with temporary staff hired for the 2006 Fair in an effort to improve compliance. Camping spots were also better marked in 2006, reducing underpayments. The Department, however, focused more of its efforts on improving controls over parking admissions during the 2006 fair and was successful in eliminating that finding. The agency plans to direct those efforts to camping at the 2007 Fair.

4. Process only entry forms received by the stated deadline and document the receipt date to support the timely filing of the entrant.

Finding: During the 2005 Fair \$26,114 in revenue was generated from competitive events. The auditors tested 30 entry forms for competitive events and noted the following exceptions:

- 5 forms (17%) did not include entrant number; and
- 6 forms (20%) did not have the date of receipt, thus, timely submission could not be determined.

Fair Competitive Events Department's procedures require that exhibitors must complete the entry form and exhibitor's card and enclose the applicable entry fees. Entry forms and fees must be returned to the Competitive Events Department before the stated entry closing dates.

Updated Response: Accepted. The Department trained temporary staff in the importance of processing in accordance with existing procedures, focusing on those areas that contained exceptions in 2004 and 2005. None of the exceptions noted in 2005 were repeated in 2006; however, a different exception was noted. In 2007, management will review the entry forms with summer staff to ensure that the entire form is properly completed.

5. Ensure proper completion of the non-paid credentials request and complimentary Grandstand ticket forms prior to processing the request.

Finding: During the sample testing of 30 requests forms for non-paid credentials, the auditors noted the following:

- 7 forms (23%) did not indicate the person or department requesting the form, thus the auditors were not able to determine reasonableness of the request;
- 29 forms (97%) were not properly completed, with missing information such as Department/Event Exhibit, Location of Exhibit/Event, Phone Number of Person Requesting Credentials, and Explanation for the Request; and
- 11 forms (37%) did not document acknowledgment of receipt of the non-paid credentials.

The auditors also noted that 13 of 127 Grandstand complimentary ticket requests (10%) were not properly completed. In 2005, \$296,566 in revenues was generated from Grandstand shows.

Fair Credentials Department's procedures require that the non-paid credentials and complimentary ticket request forms be reviewed and approved by the appropriate individual to ensure credentials and tickets are only issued to appropriate individuals. In

Accepted or Implemented - concluded

addition, when non-paid credentials are picked up, the customer's signature should be obtained.

Fair officials indicated that the exceptions noted might be due to Fair Credentials Department's procedures not being made clear to summer employees who help process the requests.

Updated Response: Accepted. The Department communicated its procedures to summer staff on the processing of non-paid credentials, but there was no improvement in the exception rate in 2006. Central Cash, with whom the responsibility for non-paid credentials lies, has determined that control over the credentials needs to be with fewer people. In 2007, the Central Cash office will have a locked door policy; only certain employees will be allowed into the office. Transactions will be handled at the service windows. The Credentials Manager will also review the procedures to see if additional checks and balances are necessary to ensure compliance.

6. Obtain and review the pari-mutuel wagering reports to determine propriety of income received and expenses charged to the program.

Finding: DuQuoin State Fair did not review pari-mutuel wagering reports, which includes income and expenses related to the racing programs held during the 2005 Fair.

The Fair has entered into a contract with a vendor for \$80,000 to operate the harness and quarter horse racing programs including pari-mutuel wagering at the Fair. This agreement leases the Grandstand, track, and paddock areas to the contractor to conduct the races. The testing of the controls over pari-mutuel wagering or the pari-mutuel payouts is the responsibility of the Illinois Racing Board whereas the Fair is only responsible for compliance with its contract. However, this contract requires the vendor to submit income and expense reports to the Fair for review. In 2005, \$104,954 in revenues (net of commissions) involving pari-mutuel waging was generated.

Fair officials stated that not reviewing the pari-mutuel wagering reports was an oversight as Fair officials thought they were reviewed elsewhere in the Department of Agriculture.

Updated Response: Implemented. In response to the finding, the agency revised its contract for Pari-Mutuel Wagering to include deadlines for documenting expenses and requirements for prior approval of expenses. As a result, the agency saved almost \$11,000 on the 2006 contract. The agency received the final report on December 18 and reviewed it at that time.

7. Segregate the duties of processing and depositing cash receipts from recording cash receipts in the Fair Management System.

Finding: During sample testing, the auditors noted that unsold parking tickets were counted. All parking tickets were colored differently for each day of the fair. Both unused and unsold parking tickets are located inside a locked office within the limited-access Central Cashier's office. There were no large or unusual discrepancies between ticket sales, receipts, and deposits. However, the person receiving the admission fees collected was also the same person in charge of recording and depositing the receipts. \$212,178 in revenues was generated from parking tickets sold at the Fair during 2005.

Fair personnel stated that small staff size makes adequate segregation of duties more difficult.

Updated Response: Implemented. The agency modified its procedures for better segregation of duties. The employee who receives the parking fees and generates the Fair Management Receipt is hired, trained, and supervised by Space Rental. An employee from Central Cash deposits the funds.

8. Set up a contract tracking system to ensure contractors return contracts to the Fair for signature before the contractor begins services.

Finding: During the sample testing of 9 contractual obligation documents (CODs) in 2004 totaling \$153,490 and 10 CODs in 2005 totaling \$131,369, the auditors noted that the Fair did not file all 19 CODs (100%) within 30 days of executing the contracts. The COD's were filed from 10 days to 179 days late.

During sample testing of 25 contracts in 2004, it was noted that one contract was not properly dated and another contract was not signed prior to services being performed. This contract was signed 3 days late. Both 2004 contracts totaled \$49,500.

Beer concessionaires pay a fixed amount per keg or case of beer used during the Fair. During the 2004 Fair, the auditors could not determine whether the ending inventory balance for the beer inventory was accurate. Auditors attempted to compare the ending balance as stated by the beer concessionaire with the Credit Invoice (statement of unsold beer from the beer distributor). However, Fair personnel could not provide a copy of the Credit Invoice. The total dollar value of any loss could not be determined.

Fair personnel stated that it was an oversight on their part not to have all required signatures on the contract timely. Fair personnel stated that the Credit Invoice for unsold beer could not be located.

Updated Response: Implemented. The Department implemented a spreadsheet and filing system for tracking contracts in 2006. The auditors noted no exceptions in this area in their 2006 testing.