

# LEGISLATIVE AUDIT COMMISSION



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

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**REVIEW: 4263**  
**DEPARTMENT OF AGRICULTURE**  
**ILLINOIS STATE FAIR**  
**TWO YEARS ENDED SEPTEMBER 30, 2005**

**FINDINGS/RECOMMENDATIONS - 9**

**IMPLEMENTED - 5**

**ACCEPTED - 4**

**REPEATED RECOMMENDATIONS - 3**

**PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 10**

This review summarizes an audit of the Department of Agriculture, Illinois 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.

The State Fair is an operating entity of the Department of Agriculture and is located in Springfield. The Department is responsible for fulfilling the statutory obligation to hold the annual Illinois State Fair. The Fair is held to promote agriculture and the agriculture industry, and to provide for exhibits and activities in the field of industry, education, arts and crafts, labor, entertainment, and other areas of interest. The Director of the Department of Agriculture is Mr. Chuck Hartke. Director Hartke was appointed in April 2003. The Manager of the State Fair currently, and during the audit period, is Amy Bleifnick.

The number of full-time employees was:

| <b>Full-Time Employees</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|----------------------------|-------------|-------------|-------------|
| Administration             | 5           | 6           | 5           |
| Competitive Events         | 1           | 1           | 1           |
| Fair Activities            | 3           | 4           | 3           |
| <b>Total</b>               | <b>9</b>    | <b>11</b>   | <b>9</b>    |

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The number of temporary employees was:

| <b>Temporary Employees</b>            | <b>September<br/>thru<br/>May</b> | <b>June</b> | <b>July<br/>thru<br/>August</b> |
|---------------------------------------|-----------------------------------|-------------|---------------------------------|
| <b>State Fair:</b>                    |                                   |             |                                 |
| 2005                                  | 10                                | 51          | 124                             |
| 2004                                  | 10                                | 53          | 126                             |
| 2003                                  | 13                                | 36          | 116                             |
| <b>Bureau of Bldgs &amp; Grounds:</b> |                                   |             |                                 |
| 2005                                  | 6                                 | 92          | 259                             |
| 2004                                  | 10                                | 80          | 245                             |
| 2003                                  | 31                                | 51          | 314                             |

Shown below is a summary of attendance, tickets sold, and number of contracts issued (unaudited) at the Illinois State Fair.

|                            | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|----------------------------|-------------|-------------|-------------|
| Estimated attendance       | 672,615     | 671,334     | 725,000     |
| Gate admission – tickets   | 249,251     | 246,074     | 252,201     |
| Grandstand shows – tickets | 45,316      | 29,519      | 40,850      |
| Number of contracts        | 679         | 678         | 565         |

According to the audit report, Fair officials calculated the estimated attendance for 2005 and previous years on actual numbers for grandstand attendance, concessionaires, exhibitors and governmental employees. Further estimates were based on vehicles parked on the fair grounds and perimeter; Illinois State Police and State Fire Marshal crowd estimations based on their respective observations and experience; past fairs' experiences for a particular day; and revenue generated.

### Financial Information

The Illinois State Fair uses a September 30 fiscal year in order to better match transactions to the activities of a given State Fair. Revenues and expenditures are based on a Fair year, October 1 to September 30, and contain activity from more than one State fiscal year. For example, revenues and expenditures for 2002 are for the Fair held in August 2002, but consist of activity from the State fiscal years 2002 and 2003.

Appendix A contains a summary of the revenues and expenditures for FY05 through FY03. Appendix A compares current Fair revenues to current Fair expenditures. As shown in the table, the Fair experienced a deficiency in all years, \$3.3 million in FY05, \$3.8 million in FY04, and \$3.2 million in FY03. Expenditures for FY05 were \$7.4 million, which is 1.4%, or \$104,463 over FY04. However, as in previous years, the Fair showed a deficit of more than \$3 million.

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Appendix B provides a summary of revenues for the same fiscal years. Total revenues were \$3,557,915 in FY04 compared to \$4,140,914 in FY05, an increase of \$582,999, or 16.4%, above FY04 revenues.

### **Pari-Mutuel Wagering**

The State contracted with Maywood Park Trotting Association and Balmoral Race Club to conduct the pari-mutuel wagering operations at the State Fair in 2005, 2004 and 2003. Maywood collected receipts and paid expenditures associated with pari-mutuel wagering. The State Fair paid Maywood \$92,805, \$78,445, and \$77,871 for losses on the 2005, 2004 and 2003 contracts, respectively. These costs were paid from the GRF appropriation "Promotion of County Fairs and Horseracing" and are not included in the Comparative State of Revenues and Expenditures.

### **Grandstand Shows**

Ticket sales increased dramatically from \$493,983 in FY04 to \$1,080,899 in FY05. Previous records show that 2004 was an exceptionally poor year for Grandstand ticket sales while 2005 was the best year in more than a decade. Even though sales increased, expenditures still topped revenues by \$116,504 in FY05.

### **Competitive Events**

The cost of competitive events also continued to outpace entry fees in FY05 by a ratio of more than 7:1. The deficiency of revenues compared to expenses was \$763,255 in FY05; and \$913,254 in FY04.

### **Accountants' Findings and Recommendations**

Condensed below are the nine findings and recommendations presented in the compliance examination. Two were repeated from prior audits. The following recommendations 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**

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**1. Improve control procedures over camping revenue and receipts and controls over the completion and monitoring of camping permits. (Repeated-2003)**

**Finding:** The Department rents campsites at the fairgrounds during the time of the Fair. Total camping revenue for the 2004 and 2005 Fairs was \$84,070 and \$76,810, respectively. During sample testing of 30 camping permits during the 2004 Fair, the auditors noted that the Department did not receive the proper amount of camping revenue from 6 campers (20%) resulting in overcharges to campers of \$50. During sample testing of 32 camping permits during the 2005 Fair, the Department did not receive the proper amount of camping revenue from 13 campers (41%) resulting in a loss to the Fair of \$175.

During sample testing of 30 camping permits during the 2004 Fair, the Department did not properly complete 11 camping permits (37%) resulting in an identifiable loss of \$75. During sample testing of 32 camping permits during the 2005 Fair, the Department did not properly complete 7 of the camping permits (22%). Seven permits were not properly displayed on the camper during the 2005 Fair. The amount of lost revenue from the improperly displayed permits in 2005 could not be identified.

The Department entered into a special agreement with a vendor during the 2004 Fair that allowed the vendor 10 complimentary camping spaces. The vendor had a total of 16 camping spaces. However, the Department did not charge the vendor for the 6 additional camping spaces, resulting in a loss to the Fair of \$1,800.00 in camping revenues. The credentials manager was new at the time and did not attempt to collect the additional amounts due from the contractor.

The camping superintendent maintains a manual master control sheet of the campground sites during the time of the Fair. During the 2004 Fair the Department had not updated the master control sheet since June 24, 2004, six weeks prior to the beginning of the Fair.

Department officials indicated in those instances where the proper amount of camping revenue was not received, the difference may have resulted from counting number of nights instead of days; improper completion of the forms and inadequate maintenance of the master control sheet prior to the 2004 Fair was due to an oversight. In its response to the 2003 finding the Department indicated it would implement stricter measures to monitor camping revenues. Department officials indicated that they did not change policies and procedures for managing the camping revenue because of change in personnel but did give more extensive training to camping employees during the 2005 Fair.

**Updated Response:** Accepted. The Department greatly improved controls over camping revenues and permits in 2006. The Department's new Camping Superintendent and the Credentials Manager worked closely on revised and more strictly enforced procedures, such as pre-assigning camping permits and camping vehicle permits according to the approved camping reservation forms, which streamlined the process for campers' arrival and stay on the grounds. The Department also created a better and more efficient filing system for each camper. Improved controls provided for proper counting of nights stayed and the corresponding determination of revenue; proper completion of the

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camping permits; enhanced monitoring of space used; and frequent updates of the camping control records. The only exceptions noted by the auditors in 2006 were related to posting of the permits on campers by camping guests. Staff will monitor this in the campgrounds more closely in 2007.

### **2. Implement procedures to ensure contracts are not signed by the Department until proof of insurance is obtained from the vendor. (Repeated-2003)**

**Finding:** The Department entered into contractual agreements with vendors to provide services at the Fair. During the 2005 Fair, the Department did not obtain proof of insurance from 10 of 30 contracts sampled (33%) as required by the terms of their contracts.

Department personnel stated that the information was overlooked because of the large volume of contracts that are executed for the Fair within a short period of time. A vendor frequently does not have the necessary insurance at the time the contract is executed. The contract requires the vendor to have insurance to perform contract services. The large number of vendors checking in at the beginning of the Fair makes obtaining proof of insurance at that time more difficult.

When required, proof of insurance should be obtained before service contracts are submitted to the Director for signature.

**Updated Response:** Accepted. The Department obtained proof of insurance from most of its vendors in 2006, but problems still remain with obtaining proof of insurance from the grandstand performers. This 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. Set up a contract tracking system to ensure contractors return contracts to the Department for signature before the contractor begins services. (Repeated-2003)**

**Finding:** The Department entered into contractual agreements with vendors to provide services at the Illinois State Fair (Fair). During the fiscal year ended September 30, 2004, 7 of 25 contracts tested (28%) had either not been signed (6) before the vendor performed services at the Fair or were not dated (1).

**Accepted or Implemented - continued**

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Department personnel stated that the lack of timeliness of contracts was because of the large volume of contracts that are executed for the Fair within a short period of time.

**Updated Response:** Implemented. The Department created a contract tracking spreadsheet that was utilized by all staff members who generated contracts. This worked effectively in 2006 as all contracts tested by the auditors were signed prior to vendors performing services. Some contracts were still undated; the Department will monitor this more closely in 2007.

### 4. Enhance controls over gate and parking admissions.

**Finding:** The Department sells parking space at the Fair each year. Total gate admissions revenue for the 2004 and 2005 fairs was \$943,612 and \$958,353, respectively.

During the gate observations in 2004 Fair, the following exceptions were noted:

- One gate was unmanned for over 30 minutes. The Gate and Parking contractors' policy was to allow volunteers to leave the gate when their shift was done, whether security had come to lock the gate or not.
- Unsold tickets were left unattended.
- A volunteer at one gate was observed taking cash from two different groups of pedestrians for the purchase of a ticket, however, they were not tearing off a ticket and placing it in the appropriate collection box.
- A visitor was observed entering a gate without having to purchase a ticket or offering the proper credentials. The ticket takers were busy with vehicles entering the fairgrounds and the pedestrian walked on by the ticket takers.
- Four gates were understaffed causing the volunteer to sell and take tickets.
- Campers were admitted into the park without verification from the camping office whether there were available spaces.
- During detail testing of the entire gate admissions process, the contractor did not have adequate controls over ticket sales and gate admissions. The contractor underestimated the staffing requirement needed to provide adequate supervision, adequate staff at the gates, and still perform the required cash and ticket reconciliations and reporting of those daily amounts in a timely manner.
- The contractor did not have adequate volunteer staff in place to properly sell and take tickets and control admission during peak hours. The contractor also failed to have adequate supervision in order to oversee the volunteers at the gates. Supervisors were often performing basic admission duties and parking cars instead of performing required cash and ticket reconciliations and reporting. The following issues were noted during observations: (a) pedestrians entering the fairgrounds without purchasing tickets; (b) volunteers receiving cash without issuing tickets; and (c) one gate was repeatedly left unattended. It was also noted that the contractor did not perform daily reconciliations in a timely manner.
- The contractor did not make up any shortages of gate and parking revenues as required by the contract. The contractor deposited \$3,608 less than what should have been deposited in admission revenue based on unsold tickets. The contract

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terms held the contractor as responsible for shortages after tickets were audited. Fair management stated that there was a mutual agreement between fair officials and the contractor that the contractor would not be held responsible for any shortages “within reason” on August 3, 2004. Fair management also stated that when the final financial figures were mutually agreed upon, it was decided that the \$3,608 shortage was “within reason” and would not be collected from the contractor.

- During the daily admission and gate reconciliation, the internal auditor performed an independent count of unsold admission tickets and parking passes daily. These totals were then compared to the contractor’s amounts. However, if there was a large discrepancy between the internal auditor’s count versus the contractor’s count of the unsold tickets, the contractor used the auditor’s numbers instead of recounting the unsold tickets. It was also noted that an individual from the Fair did not perform independent reconciliations and did not observe either count to determine whether the gate revenue deposited by the contractor was the correct amount.

During the gate observations in 2005 Fair, the following exceptions were noted:

- Non-paid credentials were not collected.
- One gate was undermanned causing the volunteer to sell and take tickets from pedestrians.
- Parking permits for vehicles were checked but passengers were not checked if they have valid admission tickets.
- One gate had two volunteers selling tickets to pedestrians and not verifying whether cars entering the gate had proper parking passes displayed.
- All vehicles entering the fairgrounds must have either an employee parking pass or a purchased pass. However, we noted parked vehicles with no parking passes (employee or purchased pass) displayed in their cars.

Fair officials indicated that the gate and parking admissions were contracted to a new vendor beginning the 2004 Fair. Volunteers man the gates. Orientations were held to familiarize the volunteers on gate and parking procedures. Areas for improvements were noted during the 2004 Fair and addressed in 2005 Fair.

**Updated Response:** Accepted. The Department worked closely with the contractor responsible for Gate and Parking Admissions to enhance controls over the gate and parking admissions at the 2006 State Fair. The exceptions reported by the auditors in 2004 and 2005 were not repeated in 2006. The auditors did recommend some enhanced controls as a result of the 2006 audit, but they were general comments not related to specific exceptions.

### Accepted or Implemented – continued

5. Only process entry forms received by the deadline, and document the receipt date to support timely filing issues.



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**Finding:** During the 2004 Fair, 24 entry forms for competitive events were tested. The following exceptions were noted:

- 2 forms (8%) were received after the deadline, one was 6 days past due while the other was 11 days past due.
- 6 forms (25%) did not have the date of receipt, thus, timely submission could not be determined.

During the 2005 Fair 30 entry forms for competitive events were tested and 7 forms (23%) did not have the date of receipt, thus, timely submission could not be determined.

Fair officials indicated that exceptions noted are due to oversight on the part of temporary employees who are hired for the summer to process the entry forms. These summer employees were not fully aware of the Department's procedures concerning the processing of entry forms and fees.

**Updated Response:** Implemented. The Department trained temporary staff in the importance of processing in accordance with existing procedures. During the 2006 Illinois State Fair, the auditors noted no exceptions in their testing.

### 6. Process only properly completed non-paid credentials request forms.

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

- 3 forms (10%) did not indicate the person requesting the form or the department for which the request was for, thus, the auditors were not able to determine reasonableness of the request.
- 21 forms (70%) 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.
- 22 forms (73%) did not document the Fair Manager's approval by signature.
- 25 forms (83%) did not properly document acknowledgment of receipt of the non-paid credentials.

Fair officials indicated that the exceptions noted are due to temporary employees who are hired for the summer not being adequately trained in the procedures for processing non-paid credentials.

**Updated Response:** Accepted. The Credentials Manager worked closely with summer staff on procedures to ensure that all credentials were filled out correctly and properly processed. Changes in procedures were made to better comply with the rules and regulations. Exception rates as noted by the auditors declined by as much as 50% in 2006, but remained much higher than acceptable. The Credentials Manager will attend to this further in 2007 to raise compliance to an acceptable level. Procedures will be modified as

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needed to segregate responsibilities to provide a system of checks and balances for proper completion of forms.

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

**Finding:** The Fair had entered into an \$80,000 contract with a vendor to operate the harness and quarter horse racing programs including pari-mutuel wagering at the 2005 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.

Fair officials indicated it had been their understanding that the vendor would be submitting these reports to the Fair automatically. The vendor did not timely submit income and expense reports to the Fair, but they were ultimately submitted and reviewed.

**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 over \$12,000 on the 2006 contract. The agency received the final report on December 18 and reviewed it at that time.

**8. Document the issuance of non-paid All-Access Passes and clearly communicate the use/limitation of such passes in writing to the recipient.**

**Finding:** During the 2005 Fair, 147 All-Access Passes were distributed to various individuals at the discretion of the Fair Manager, and the Fair did not keep supporting documentation to indicate individuals issued passes and the purpose for issuing the passes. Additionally, no documentation was presented detailing any limitations, if any, on the use of these passes and whether these limitations had been communicated to the recipients.

Department officials described the intent behind the All Access Pass was to allow employees, high level Fair officials and special dignitaries access anywhere on the fairgrounds, without hassle. However, there was never a definition or policy. It was always at the discretion of the State Fair manager.

**Accepted or Implemented – concluded**

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Fair officials indicated that distribution of All-Access Pass was based on previous year's practices. Beginning with the 2006 Fair, there will not be any All-Access Passes distributed.

**Updated Response:** Implemented. All-Access Passes were eliminated after the 2005 fair.

**9. Allocate the resources necessary to segregate duties over the fiscal operations of the Non-Fair Space Rental.**

**Finding:** During the 2005 Fair examination, one person in the Non-Fair Space Rental Division is responsible for entering revenue accounting information into Fair Management System (FMS) for Non-Fair rentals, and processing and depositing cash receipts. Non-fair space rentals totaled \$1,015,211 in fiscal year 2005.

Department officials indicated that the small number of personnel makes it difficult to establish adequate segregation of duties; however, the Department's accounting department performs a monthly reconciliation of cash receipts and FMS Non-Fair rentals.

**Updated Response:** Implemented. The department established new procedures to ensure adequate separation of duties. The department also hired a Bureau Chief of Non-Fair Events to assist in this segregation.