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CLARK COUNTY
WASHINGTON

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Clark County Event Center at the Fairgrounds Controls over Revenue Contracts

**Clark County Auditor's Office
Audit Services
Report #06-01**



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Audit Services

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EXECUTIVE SUMMARY

We have completed an audit of controls over revenue contracts at the Clark County Fairgrounds (now being marketed as the "Clark County Event Center at the Fairgrounds"). Our audit, performed in accordance with generally accepted government audit standards, is intended only to conclude on the stated objectives of this audit. Our review differs from an examination for the purpose of expressing an opinion on financial statements and records, and accordingly we do not express such an opinion.

Objectives, Scope, and Methodology

The objectives of this audit were to identify forms of lease/concession contracts and areas of risk, determine if adequate internal controls are in place, and whether efficiencies can be obtained. This includes all functions from the time of renting or scheduling, through recording and reconciling.

In performing this work, we followed the methodologies detailed in Appendix A (page 8).

The Event Center management reviewed and commented on a draft of this report, and changes have been included as appropriate. The full text of management's comments on the final report is in Appendix C (page 10).

Summary of Recommendations

We found that the Event Center staff are continuing to grow into new roles required by the opening of the Exhibition Hall in 2005 and significant staff transitions. During our review, managers identified several areas to improve controls, including:

1. Software for events management
2. Physical security
3. Reviews by the Event Center Finance Office
4. Cash verifications

As a result of our review, we have recommended further control changes, including:

1. Language modifications in some contracts
2. Written procedures
3. Complete documentation
4. Timely deposits
5. Management reports

The detailed analysis of controls starts on page 5.

Commendation

We would like to thank management and staff associated with the Clark County Event Center who cooperated and assisted with this audit. All managers were responsive during the course of the audit and endeavored to resolve any issues as they were raised.

BACKGROUND

Organization

Prior to 2005, the fairgrounds were managed by the non-profit Clark County Fair Association. In 2004, the county constructed the exhibition hall at the fairgrounds. Also in 2004, the county directed the establishment of a new non-profit entity, the Fairgrounds Site Management Group (FSMG), and a contract was executed between the county and FSMG. The five-member FSMG board consists of three members appointed by Clark County, and two members appointed by the Clark County Fair Association. The Fair Association still exists, and remains a vital volunteer organization which produces the annual Clark County Fair.

The site management by FSMG includes fair, non-fair activities, and the new exhibition hall, but excludes the amphitheater (under separate contract with Quincunx Corporation). The site is being marketed as the Clark County Event Center at the Fairgrounds.

Revenue Collection Points

Annual revenue for 2005 from the Event Center approached \$3 million from a variety of sources including:

- Admission to the Fair
- Fair food vendors and commercial exhibits
- Exhibition hall, grounds rental, and storage
- Fair carnival
- Parking

This review did not include Fair admission ticket sales because we observe and report on that process each summer during the Fair.

A table of the types and amounts of revenues is shown in Appendix B, page 9.

ANALYSIS OF CONTROLS

Strengths

In the following sections, we provide our analysis of control strengths, changes made during the audit, and planned or recommended improvements.

During our review, we found certain strengths and audit trails in the revenue processes, including:

- A written policy for events scheduling.
- Contracts and forms for all types of revenue.
- Receipts for transactions.

Changes to be Made Identified by Management During Review

Risk Assessment
Encourages New Ideas

In January 2006, we conducted a risk assessment with the general manager, assistant general manager, and finance manager. During this meeting, we facilitated a structured review to identify:

- all possible risks with revenue,
- existing preventive controls for each risk, and
- existing detective controls for each risk.

Using this approach allows managers to identify areas of uncontrolled risk. Once identified, the managers develop an action plan to address the risks.

During our review, management and staff identified the following improvements to be made around revenue controls, and we commend their actions:

1. Software for events management: Integrated software is needed to replace manual scheduling, managing, and billing of events. As the Event Center moves forward with this change, we will be available to give advice on setting up strong controls in the new system.
2. Physical security improvements: We discussed better security options, such as carrying the bank deposit in a generic bag, and reducing the number of people with access to the safe.
3. Reviews by the Event Center Finance Office:
 - a. Finance should compare void receipts against storage ledger cards to ensure the amount was not credited on the account.
 - b. Finance needs to audit the support behind the food concessionaire's monthly reports.
4. Cash verifications:
 - a. The front desk staff will double count cash to ensure accuracy.
 - b. Ultraviolet lights may help detect counterfeit cash.

**Further
Recommendations from
Audit Services**

As a result of our review, we have recommended further control changes, including:

1. Language in contracts:

- a. The fair carnival rides are provided through a contract which runs through the year 2013. **We recommend** several clarifications be made:
 - i) Acknowledging the change in the contracting entity, from the Clark County Fair Association to the Fairgrounds Site Management Group.
 - ii) Confirming the minimum guarantee.
 - iii) Confirming the percentage commission on advance sales.
 - iv) Agreeing before each fair as to which two rides are designated “super spectacular” for a different commission rate.
- b. The fair food vendors are usually the same entities every year (out of 45 booths in 2005, only four were new vendors). The lease agreement runs for the length of the ten-day fair, but most vendors store their equipment year round at the fairgrounds. We were told that many years ago, under previous management, contracts were written with most of the vendors with no ending date (note: we did not review the archived contracts). **We recommend** that updated letters of understanding be documented with each vendor, with guidance from the Prosecuting Attorney’s Office as needed.
- c. The food vendor contract for the Exhibition Hall requires them to submit a statement of sales to the FSMG the day after events, but this has not been produced nor requested. **We recommend** that the contract be modified to eliminate this requirement if it is not useful.

2. Written procedures: **We recommend** that written procedures be created to keep up with the increased complexity of the Event Center operations. Detailed desk procedures should cover steps such as renting storage space, communication between departments on billings, and how to verify that transactions are recorded properly.

3. Complete documentation: Although contracts and forms are available for all types of revenue, we found some instances where they were not completed:
 - a. In at least two cases, storage space provided in trade for services was not documented.
 - b. In another case, the use of the arena by 4-H as a “pre-Fair” event has not been documented.
 - c. In some cases with fair food vendors, changes after the initial lease agreement have not been confirmed in writing.
 - d. A map of all fair food booths was either not created or not retained; this detail would have helped show that the vendor list was complete. **We recommend** appropriate documentation be kept for all of these events.

4. Timely deposits: Washington law requires public funds to be deposited by the next business day after being received (although the county Treasurer may grant an exception where small amounts that may be held until the end of the week). We observed that parking receipts after one major event did not meet the requirement for timely deposit; we were told that staff plan for timely deposits, but scheduled days off and a family emergency left no coverage. **We recommend** that deposits be made the next business day except on very rare occasions.

5. Management Reports: The Finance Manager generates a monthly revenue and expense statement. **We recommend** that, in addition, the Finance Manager generate a monthly report on accounts receivable and aging so other managers (Marketing, Events) may monitor the accounts.

RECAP OF PLANS AND RECOMMENDATIONS

Management’s plans and our recommendations cover a range of control improvements. We are encouraged by management’s efforts and anticipate they will be successful in implementing a strong control system.

The full text of management comments and plans are in Appendix C (page 10).

APPENDIX A

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this audit on Clark County Event Center contracts were to determine:

1. What forms of lease and concession contracts are in place,
2. Areas of risk,
3. Whether internal controls are in place and effective: policies/procedures, authorization, separation of duties, documentation, reconciliation/monitoring; and
4. Whether efficiencies can be obtained (processing/ scheduling/ billing).

To meet these objectives, we:

- Reviewed and summarized reports from other external reviews for general background.
- Interviewed managers and staff.
- Evaluated the adequacy of revenue contracts.
- Conducted a risk assessment session with management. This session was designed to identify varieties of possible risks, list the current controls, and evaluate where controls may need to be added or modified.
- Compared contracts and schedules with the accounting records to determine whether all revenue seemed to be billed and collected. These contracts included the food vendors for the annual fair, the fair carnival rides, various events, and storage records.
- Observed and counted the number of stored items (boats, trailers, etc.) and compared to the total number of contracts to determine whether all rentals appeared to be recorded. We also spot-tested some stored items based on license numbers to verify against the storage ledger cards.
- Tested that deposits in 2005 for events in 2006 were recorded as deferred revenue, not as revenue in 2005.

APPENDIX B**Clark County Event Center at the Fairgrounds
REVENUE STATISTICS**

Source of revenue	2005 revenue (unaudited, rounded down)	Comments
Admission to the Fair ¹	\$910,000	Tickets average between \$4 and \$8
Fair concessions and commercial exhibits	\$700,000	25% of food sales, and flat-fee rates on commercial exhibits
Exhibition Hall and Grounds Rental (including storage)	\$380,000	Rentals range from \$40 a month for storing a small trailer outside, to \$5,850 for renting the Exhibition Hall for a day
Fair Carnival	\$360,000	Commission on rides ranges from 19% to 40%
Parking	\$210,000	\$5 per car
Misc.: sponsorships, fair concerts, commercial signs, camping	\$190,000	Various rates and contracts; only the cash portion of sponsorships is included (in-trade values are recorded in contracts, but are not reflected in the accounting records)

¹ Not included in this audit; reviewed every year by Audit Services

MANAGEMENT COMMENTS

The staff of the Clark County Event Center at the Fairgrounds appreciates this audit to evaluate controls over revenue contracts. Since the County changed fairgrounds management from a private organization, Clark County Fair Association, to a quasi government organization, Fairgrounds Site Management Group, the transition has been a learning experience in public accountability. Some old systems do not meet current expectations. Our goal is to be fully responsive and responsible in all procedures.

In response to the recommendations from audit services as described on pages 6 and 7, we offer the following comments:

1. a. Recommendations were made to clarify four issues within the contract with Butler Amusements. Written confirmation of the issues will be completed prior to the 2006 fair.

b. The auditor noted an issue regarding year round concessionaire storage in their booths which are contracted during fair. We will work with the Prosecuting Attorney's office to clarify our contractual needs with concessionaires and then work to document our understandings with the concessionaires.

c. The contract with Ovations Food Services requires a report immediately following each event. The required report will be accepted after each show. However, this contract expires at the end of 2006. This issue will be reconsidered for the new contract.
2. The auditor recommends that written procedures be created regarding operations of the Event Center. We have created new procedures in 2005 to match the new agreement between FSMG and County. As these procedures are refined, documentation and review will be completed.
3. The auditor found some cases of incomplete documentation in four different and separate instances. Proper and full documentation is a priority. Every effort will be made to be complete.
4. The auditor noted a deposit that was not made on time. It was also noted that the circumstance were an abnormality. Three people have been designated to do deposits in a manner to be outlined in written procedures.
5. Monthly accounts receivable and aging accounts need to be and will be reviewed by the management team.