

Audit of Public Resources Department- Fairgrounds

Division of Inspector General **Neil Kelly, Clerk of the Circuit and County Courts** **Audit Report**

Bob Melton, CPA, CIA, CFE, CIG
Inspector General

Audit Conducted by:
Alice Garner, CPA, CIGA
Senior Inspector General Auditor

Report No. BCC-136
September 14, 2015



Division of Inspector General
Phone (352) 253-1644
Fax (352) 253-1645

Clerk of the Circuit Court

Post Office Box 7800
Tavares, Florida 32778-7800

September 14, 2015

Board of County Commissioners

We have conducted our audit of the Fairgrounds Program of the Board of County Commissioners' Public Resources Department, as scheduled per the Clerk's Annual Inspector General Audit Plan.

We appreciate the cooperation and assistance provided by the Public Resources Department during the course of our audit.

Respectfully submitted,

Bob Melton

Bob Melton
Inspector General

cc: Honorable Neil Kelly, Clerk of Circuit & County Courts
David Heath, County Manager
Wendy Breeden, Public Resources Department Director
Cole Scharlau, Expo Center/Fairgrounds Division Manager

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TABLE OF CONTENTS

INTRODUCTION	1
Scope and Methodology	1
Overall Conclusion.....	1
Background.....	2
OPPORTUNITIES FOR IMPROVEMENT	4
1. The Cash Receipts Process Needs Improvement.	4
2. Market and Events Operations Should Be Improved.	11
3. Strategic and Marketing Plans Should Be Developed and Implemented.	16
4. Procedures Should Be Written and Followed.	18

INTRODUCTION

Scope and Methodology

We conducted an audit of the Public Resources Department, Fairgrounds. Our audit objectives were:

1. To determine the adequacy of controls over cash receipts and whether monies are accounted for properly.
2. To determine the reasonableness of the fee schedules and contractual rates.
3. To determine whether there are any opportunities for improvement.

To determine whether controls over cash receipts are adequate and monies are accounted for properly, we interviewed staff, observed transactions and processes, reviewed transaction ledgers, tested receipts, examined deposits, inspected customer statements and performed an unannounced cash count.

To determine whether the fee schedules and contractual rates are reasonable, we inquired with staff, reviewed fee schedules, compared rules and regulations to other entities, and reviewed city and county ordinances.

To determine whether there are any other opportunities for improvement, we interviewed staff, examined customer contracts and billings, reviewed rules and regulations, analyzed revenues and expenses, and identified procedures.

Our audit included such tests of records and other auditing procedures, as we considered necessary in the circumstances. The audit period was October 1, 2013 through January 31, 2015. However, transactions, processes, and situations reviewed were not limited by the audit period.

Overall Conclusion

We conclude that the Fairgrounds does not have adequate controls over cash receipts and, consequently, we could not determine whether all monies are accounted for properly. We also conclude that the market fee schedule is reasonable. We could not determine the reasonableness of the events fee schedule because the facilities are not comparable to other local venues due to a lack of air-conditioning and other amenities. Opportunities for Improvement are included in this report.

Background



According to the Adopted Budget Book Fiscal Year (FY) 2014-2015, the mission of the Public Resources Department is, “To provide and promote life enriching experiences that exceed expectations for Lake County residents and visitors.” It states that one way the department will fulfill this mission is by providing “event and farmer’s market opportunities through management of the Lake County Fairgrounds.” The Fairgrounds operation is aligned within the Administration Division of the department. It is operated by Lake County, except during the Lake County Fair, when it is operated by the Lake County Fair Association. The program is managed by two employees, a program manager and an office associate. A weekly flea and farmer’s market is held at the Fairgrounds and the facilities are rented out for special events.

The Lake County Farmer’s Market is open at 8:00am every Thursday, except holidays and during the Lake County Fair in April. The market is free for customers to park and shop. During the winter, there are about 200 vendors selling a variety of goods including vegetables, greeting cards, crafts, tools, and sporting gear. Vendors may rent a booth space on a daily or monthly basis; the rate for a specific space is the same, however, monthly vendors have the privilege of reserving the same space for the entire month. Rental fees must be paid in full prior to the market opening for a given week or month. Vendors can choose between several locations within the facilities including the Expo Hall, the LaRoe Pavilion (for produce), the Clements, Mayo and Ashford buildings, and in rows outdoors.

The facilities are also rented for special events. The types of events that are held at the Fairgrounds each year include gun shows, a vintage motorcycle swap meet, dog obedience trials, and private parties, to name a few. Persons interested in reserving the facilities for an event are provided an information package and are given 30 days to respond, and set-up an event contract. Half of the estimated charges are due upfront; the other half is due 30 days before the event. Customers must also provide proof of liability insurance, arrange for police security through the City of Eustis, and agree to the terms of the Event Regulations and Rental Rates booklet. After the event, the customer is

sent a financial statement that shows the difference between the estimated and the actual charges. If the customer overpaid, County Finance will issue a check to the customer; if the customer has a balance due to the County, payment will be requested when the financial statement is sent.

The Fairgrounds operation is intended to be self-sufficient but short-falls are funded through the General Fund. According to the County financial records, the program had the following revenues and expenses for the past several fiscal years. Note that the majority of revenues are attributable to the Farmer's Market.

	FY 2014	FY 2013	FY 2012	FY 2011
Revenues:				
Special Events	\$32,506.30	\$25,737.58	\$13,892.36	\$18,505.08
Non-Taxable	\$2,809.13	\$2,850.31	\$9,168.56	\$9,818.17
Farmer's Market	\$170,834.58	\$166,393.09	\$167,611.79	\$156,541.04
Total Revenues	\$206,150.01	\$194,980.98	\$190,672.71	\$184,864.29
Expenses:				
Personal Services	\$129,327.15	\$125,332.43	\$125,414.29	\$127,353.10
Operating Expenses	\$58,965.71	\$66,949.63	\$63,035.91	\$72,234.08
Total Expenses	\$188,292.86	\$192,282.06	\$188,450.20	\$199,587.18
Profit (Loss)	\$17,857.15	\$2,698.92	\$2,222.51	(\$14,722.89)

OPPORTUNITIES FOR IMPROVEMENT

Our audit disclosed certain policies, procedures and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

1. The Cash Receipts Process Needs Improvement.

During our assessment of the cash receipts process, we found that cash receipts are not properly safeguarded, the segregation of duties is inadequate, and cash receipts are not deposited timely or intact. The following describes our specific concerns:

- A. Monies collected are not adequately safeguarded. Throughout the audit, we observed program staff leaving monies unattended; we also observed part-time staff counting and wrapping monies directly in front of customers during the weekly reconciliation process. In another instance, an employee was reconciling one of the cash drawers directly on the counter that serves customers and left the other uncounted cash drawer sitting on top of a trash can, pictured below; we also saw the employee leave a pile of counted and wrapped cash bills unattended on the program manager's desk so that he may later confirm the count; however, the manager was not at his desk or in the office. On several other occasions, we witnessed the same employee processing vendor checks; he did not put the check in the drawer. Instead, he placed it on a desk behind the customer counter. Monies should never be left unattended or reconciled in front of customers. These practices show a disregard for the safety of cash and the lack of controls over cash provide opportunities for theft.



- B. Segregation of duties in cash receipts processes is inadequate. There are three basic parts to the process: receiving the monies, reconciling the monies and the receipts, and preparing the deposit. Except on market days, one cash drawer is used and either of two staff may access it and process payments using it. It is not reconciled daily, nor are the monies collected deposited daily. On market days, two cash drawers are used by separate staff; however, the staff are not responsible for their own drawer and the drawers are not separately reconciled. One of the cashiers is also responsible for preparing the deposit, although any of the three staff may prepare it. The other

cashier is also responsible for reconciling the receipts and reporting deposit information to County Finance. All three staff have access to the safe as well. Proper segregation of duties is important to ensure that adequate safeguards are in place to protect the County's cash assets. Cashiers should be responsible for reconciling their own drawer and should not be the same person who prepares the deposit. To prevent fraud, any one person should not be responsible for more than one part of processing the cash receipts. Under the current process, misappropriation of funds could occur without detection.

- C. Staff does not use sequentially numbered receipts and some receipt numbers are duplicated. Although the receipts within each book used are sequentially numbered, consecutive books are not used sequentially. To determine whether any receipts were missing, we reviewed each receipt book provided for the audit period, noted the receipt numbers and the dates the books were used, and then sorted them by date.

Book Number	Dates	Receipt Numbers
1	10/01/13 – 10/17/13	35417 – 35600
2	10/24/13 – 11/07/13	35601 – 35800
3	11/07/13 – 11/21/13	35801 – 36000
4	11/07/13 – 12/19/13	36001 – 36200
5	11/21/13 – 12/12/13	36201 – 36400
6	12/19/13 – 02/06/14	36401 – 36600
7	12/19/13 – 01/09/14	36601 – 36800
8	01/19/14 – 01/30/14	36801 - 36996
9	02/06/14 – 02/06/14	241468 – 241500
10	02/06/14 – 02/19/14	833601 – 833700
11	02/06/14 – 02/27/14	833701 – 833800
12	02/27/14 – 03/05/14	833401 – 833500
13	03/05/14 – 03/13/14	833501 – 833600
14	03/06/14 – 03/27/14	27001 – 27100
15	03/13/14 – 03/24/14	26901 – 27000
16	03/27/14 – 04/17/14	29301 – 29400
17	03/27/14 – 07/10/14	29201 – 29300
18	04/17/14 – 04/24/14	464801 – 464900
19	04/24/14 – 05/01/14	29101 – 29200
20	05/01/14 – 05/29/14	29001 – 29100
21	05/29/14 – 06/12/14	28901 – 29000
22	06/05/14 – 06/26/14	28301 – 28400
23	07/10/14 – 07/31/14	28201 – 28300
24	07/31/14 – 08/14/14	905601 – 905700
25	08/14/14 – 09/03/14	4701 – 4800
26	09/03/14 – 09/18/14	4801 – 4900

27	09/18/14 – 09/29/14	5101 – 5200
28	09/25/14 – 10/23/14	5001 – 5100
29	09/30/14 – 10/14/14	4901 – 5000
30	10/23/14 – 10/30/14	402601 – 402700
31	10/30/14 – 11/06/14	401901 – 402000
32	10/30/14 – 12/04/14	402501 – 402600
33	11/06/14 – 11/18/14	401701 – 401800
34	11/06/14 – 01/08/15	401801 – 401900
35	11/18/14 – 12/01/14	402601 – 402700
36	12/01/14 – 12/04/14	402501 – 402600
37	12/04/14 – 12/14/14	206401 – 206500
38	12/17/14 – 12/29/14	206501 – 206600
38	12/30/14 – 01/08/15	206401 – 206500
40	01/08/15 – 01/15/15	206201 – 206300
41	01/08/15 – 01/29/15	206301 – 206400
42	01/15/15 – 01/28/15	620701 – 620800
43	01/28/15 – 01/30/15	620601 – 620683
44	01/29/15 – 01/29/15	618401 – 618411

This chart also shows that staff do not ensure that all receipts are unique. For example,

- 402601-402700 – This range of numbers was used twice, during 10/23/14-10/30/14 and 11/18/14-12/01/14.
- 402501-402600 – This range of numbers was used twice, during 10/30/14-12/04/14 and 12/01/14-12/04/14.
- 206401-206500 – This range of numbers was used twice, during 12/04/14-12/14/14 and 12/30/14-01/08/15.

Note that two receipt books are generally used at the same time; one is used throughout the week with the primary cash drawer and the other is used only on market days. However, the table still clearly shows that care is not taken to purchase or use the numbered books sequentially. In addition, some receipt numbers are duplicated.

The State of Florida General Records Schedule GS1-SL item number 365 requires that all receipt books and cash receipts records be retained for a minimum of five years. However, there is no way to be certain if all of the receipts are accounted for because they are not used sequentially; therefore, management cannot be sure that all records are maintained as required by the State of Florida General Records Schedule GS1-SL item number 365. This situation increases the risk that funds could be misappropriated without detection.

- D. Staff do not deposit all monies collected. The Fairgrounds is assigned one drawer with a balance of \$75; therefore, staff should not withhold monies greater than \$75 when making a deposit.

However, on the January 29, 2015 market day, we observed that staff did not deposit several hundred dollars. They explained that the monies would “get them going during the week.”

Deposits should be prepared by staff leaving only the approved starting till amounts in the drawers. We inquired with County Finance and learned that there is no record of a second cash drawer with a balance; we also learned that there are no procedures requiring that undeposited monies be reported. This practice increases the possibility that funds could be misappropriated without detection.

- E. Deposits are not made intact; the amount of cash on hand does not equal the amount of cash receipts on hand. We selected a sample of 30 receipts affecting 24 deposits. For each batch of receipts in each deposit, we added all of the receipts that were paid in cash and compared the total amount to the amount of cash noted on the deposit slip. During our testing, we found that the amounts did not agree for 26 out of 30 of the receipts tested, affecting 20 deposits. For a couple of the deposits, we traced what the difference was caused by and found that staff is including physical checks that are collected at the end of a deposit day into the current deposit, excluding them from the computation of the same week’s receipts, and retaining an amount equal to the cash in the drawer for the upcoming week. We verbally confirmed this was the practice with the staff responsible for preparing the deposit.

The following table shows the differences found during our review. The differences are the amount of checks that were deposited while leaving an equal amount of cash in the drawer; there are overlaps for consecutive weeks (included in one and excluded from the next).

Deposit Date	Receipts	Cash Receipts	Cash Deposit	Difference
10/03/13	35445, 33970	\$8,338.51	\$7,172.21	\$1,166.30
10/17/13	35596	\$1,216.59	\$1,188.77	\$27.82
10/31/13	35660, 35712	\$6,094.72	\$5,587.54	\$507.18
11/14/13	35864	\$1,144.33	\$1,411.33	\$0.00
12/05/13	36330	\$10,036.50	\$9,761.51	\$274.99
12/12/13	36383	\$3,169.34	\$2,707.10	\$462.24
12/19/13	36154	\$2,840.85	\$2,621.50	\$219.35
12/26/13	36607, 36608, 36613	\$6,333.33	\$6,178.18	\$155.15
01/02/14	36470	\$8,681.98	\$8,374.64	\$307.34
01/23/14	36873	\$1,631.75	\$1,383.51	\$248.24
02/13/14	28910	\$1,000.00	\$1,000.00	\$0.00
02/27/14	833788	\$5,177.73	\$5,173.50	\$4.23
03/13/14	833569	\$1,687.39	\$1,687.39	\$0.00
03/20/14	26926	\$1,723.77	\$1,723.77	\$0.00
05/01/14	29199	\$6,063.69	\$5,903.19	\$160.50
05/08/14	29010	\$1,211.24	\$1,371.74	(\$160.50)
09/25/14	5156, 5168	\$4,516.72	\$4,709.35	(\$192.35)

10/02/14	4955	\$7,221.43	\$6,953.73	\$267.70
10/09/14	4991	\$888.10	\$1,181.54	(\$293.44)
11/06/14	401981	\$5,505.15	\$5,556.51	(\$51.36)
12/18/14	206502, 401870	\$2,222.39	\$2,270.54	(\$48.15)
12/23/14	206553	\$1,304.33	\$1,240.13	\$64.20
12/30/14	206405	\$3,092.30	\$3,528.86	(\$436.56)
01/08/15	206201	\$7,909.10	\$7,844.90	\$64.20

As a result, cash receipts cannot be traced to the associated deposit. This practice provides staff an opportunity to conceal a theft of cash. All monies should be deposited intact, meaning the cash and check totals from the receipts exactly match the cash and check totals deposited.

- F. Deposits are not made timely. The current practice is to deposit cash receipts from market operations only once a week, regardless of the amount of cash receipts on hand. To demonstrate how many deposits should have been made, we calculated each day's receipts for 12 non-consecutive deposits between the sample deposit date and the subsequent deposit date. For each day a deposit was not made, we determined whether the amount of cash receipts on hand was greater than \$100; for those that were greater than \$100, we concluded that a deposit was needed. The following are the results for sample deposit date October 31, 2013:

Subsequent Deposit Date 11/07/13	Amount	Additional Deposit...
10/31/13 Receipts	\$1,155.60	done (these receipts were collected after the deposit was prepared)
11/01/13 Receipts	\$269.64	needed
11/04/13 Receipts	\$77.04	not required
11/05/13 Receipts	\$247.17	needed
11/06/13 Receipts	\$828.18	needed
11/07/13 Receipts	\$3,550.04	done
Total Deposit	\$6,127.67	

Overall, we compared the cash receipts collected to the criteria of \$100 for each day after the sample deposit date through the subsequent deposit date, for a total of 12 deposits and 57 day's receipts. We found that an additional 41 deposits should have been made, each on a different day, as shown in the following table:

Sample Deposit Date	Subsequent Deposit Date	Number of Days Receipts	Number of Additional Deposits Needed
10/03/13	10/10/13	5	4
10/31/13	11/07/13	5	3
12/05/13	12/12/13	5	4
12/19/13	12/26/13	4	3
01/02/14	01/09/14	5	4
02/27/14	03/06/14	5	4
03/13/14	03/20/14	5	4
05/01/14	05/08/14	5	3
09/25/14	10/02/14	5	4
10/09/14	10/16/14	5	2
12/18/14	12/23/14	3	2
12/30/14	01/08/15	5	4
Total		57	41

All monies should be deposited on a timely basis. The amount of cash receipts on hand should be limited to reduce the amount of cash that would be taken in the event of theft. The accumulation of cash on hand increases the amount of loss if a theft occurs.

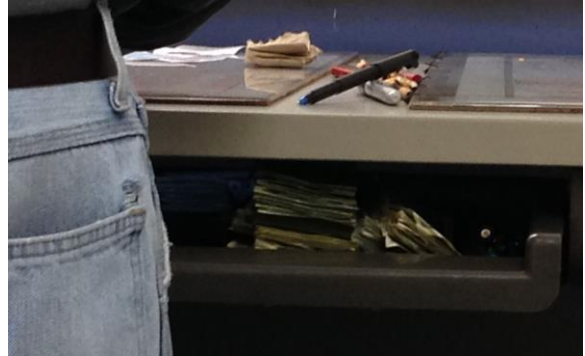
- G. Staff does not immediately restrictively endorse checks received. While a Fairgrounds employee was training a temporary staffing agency employee how to process a vendor monthly payment transaction, the customer asked if they had a payee stamp; the Fairgrounds employee replied that she did. She took the check from the customer and instructed the temporary employee to stamp the check later and “just put it in the drawer for now.” Under these conditions, a third party could endorse the check and cash it. We spoke with the Fairgrounds manager, expressing our concern. We suggested he have his staff stamp the payee name and check endorsement immediately upon receipt of the check and in front of the customer. The manager immediately verbally directed his staff to follow our suggestion. When checks are not restrictively endorsed upon receipt, they could potentially be misappropriated without detection.
- H. The cash receipts process is inefficient and lacks proper controls to prevent errors and theft. Management’s process for conducting and recording cash receipts needs improvement; it is completely manual and labor intensive. During the entrance conference, management expressed an interest in installing a point-of-sale system but has not due to the high cost of such a system. However, in our opinion the purchase of a traditional electronic cash register could be a more

affordable alternative investment than a point-of-sale system. Even if management starts out with a low-cost model, it can always upgrade to more superior equipment later, if desired.

Many cash registers include functions to record sales, calculate change, provide price look-ups and print customer receipts. Electronic cash registers also include software in the basic cost that allows you to charge the correct sales tax, run reports and identify sales by employee. This could

be useful in reconciling the daily sales by employee. The cash drawer on an electronic cash register should be lockable, allowing only authorized users to log in with a password.

Currently, staff use an open cash drawer, pictured right; it does not lock and does not even have a top; anyone can access the drawer if the opportunity presents itself; and staff are not held accountable for their drawers. Cash receipts



processes should be efficient, cashiers should be held accountable for their drawers and cash should be secured at all times. The current processes increase the possibility of theft or misappropriation without detection.

- I. Financial management software should be used. Staff manually track all of the cash receipts in a spreadsheet file; the information in the spreadsheet is prone to error and not suitable for any sorting or reporting. During our audit, we noted that the spreadsheet was not useful. We had to spend considerable time creating a spreadsheet that was sortable; without it, missing receipts could not be easily identified, reports could not be generated, information by line could not be sorted and information could only be viewed one week at a time. The installation of financial management software would allow management to produce a useful cash receipts ledger, identify any missing receipts, track sales and deposits, and produce reports. It could also be used to track budgeted items and actual expenses. Financial reporting should be useful and reliable.

We Recommend management:

- A.1. Instruct staff to never leave cash receipts unattended for any reason.
- A.2. Ensure that cash counting, drawer reconciliations, and preparation of deposits be done in a room out of the view of customers.
- A.3. Ensure that cash receipts are always be kept in the drawer or in the safe until reconciliation and deposit.
- B. Ensure that cashiers are responsible for and reconcile their own drawer. Staff, other than the cashiers, should prepare the deposit.
- C. Purchase only sequentially numbered receipt books and instruct its staff to use the books in receipt number order.

- D.1 Work with County Finance to establish a second cash drawer for the Fairgrounds, setting a starting till amount.
- D.2. Ensure that staff prepare deposits leaving only the approved starting till amounts in the drawers.
- D.3. Create a procedure requiring deposits to be made on a daily basis, when cash receipts collected reach a pre-designated amount.
- E. Ensure that deposits are made intact.
- F. Ensure that deposits are made on a daily basis or whenever the amount of cash receipts on hand reaches \$100.
- G. Ensure that all checks include the payee name and are restrictively endorsed upon receipt.
- H. Purchase and install two portable electronic cash registers for use at the Fairgrounds. Staff should each be assigned a drawer and be held accountable for its contents.
- I. Purchase and install a financial management software to maintain a proper cash receipts ledger and allow reporting functionality.

Management Response:

- A-G. Management concurs.
- H. Management partially concurs. Locking cash drawers and sequential receipt books for each cash drawer have been purchased and management will consider the installation of electronic cash registers as operations allow.
- I. Management concurs.

2. Market and Events Operations Should Be Improved.

During our review of the market and events operations, we noted the following concerns:

- A. Staff allow market vendors to carry a balance due and/or credits forward. These receivables and payables are not brought to the attention of County Finance. During our review of cash receipts, we noticed that many of the line items had notes within them, such as a date different than the payment date or an amount with the letters “bal”, “cr” or “owes” next to it. Fairgrounds staff explained that the notes indicate a payment in arrears or a credit due. We found the information for 27 receipts indicating an unpaid balance and for 13 receipts noting a credit due to the vendor.

During a conversation with the program manager, he stated that balances due occur for several reasons. He said one reason could be that the vendor paid for one booth space but used two, or that it was later discovered that program staff made an error in calculating rent to the vendor. He also stated that two of the vendors on the current month's reservation map were given a credit



Residents shopping at the
Lake County Farmer's Market

due to rain on a Tuesday market day last year; he said the vendors had no sales and the purpose of the credit was a "good faith gesture due to longtime loyalty." This practice is a violation of the market rules that are given to the vendors. The market rules state that, "No refunds or rainchecks will be given." The rules also state that, "Vendors are required to present a paid receipt or parking pass to the County to be admitted to the grounds on Market Day." Vendors should not be permitted entry to the market if they have a balance due and if a vendor has a credit balance due to staff error it should be refunded immediately, not carried forward and applied to future periods.

The volume of entries found indicates a disregard for a proper accounting for vendor accounts. This process increases the risk for errors and indicates that some preferential treatment of vendors is occurring. Staff should consistently apply the market rules to all vendors. Also, if procedures are modified to allow for credit, an accounts receivable ledger should be maintained to track any balances due to the Fairgrounds; it should be accessible while cashiers are processing payments and reservations; and it should be provided to County Finance at least at year-end, including a listing of those balances due that are likely uncollectible.

- B. Staff does not require that participating market vendors have a valid business tax receipt. During our audit work, we surveyed market vendors during market hours and found that 9 out of 28 that were selling goods and/or services had their business tax receipt on hand; only three of them had the receipt displayed.

According to the Lake County Ordinance 2007-1, Sec. 13-73:

"No person shall engage in or manage any business, profession or occupation anywhere within the limits of the county unless the appropriate business tax has been paid and a county receipt has been procured from the tax collector as provided by this article or unless such business, profession or occupation is exempt pursuant to this article or other state, county or federal law. The receipt shall be issued to each person upon payment of the appropriate business tax, and satisfaction of any other applicable conditions prescribed pursuant to law."

Additionally, Sec. 13-78 (e) of the ordinance requires that:

“The person obtaining the receipt shall keep the receipt displayed in a conspicuous and prominent location at the place of business and in such a manner as to be open to the view of the public and subject to the inspection of all duly authorized officers of the county. Upon failure to display the receipt as required, the person shall be subject to payment of another business tax for engaging in the business for which the receipt was obtained.”

Because the Fairgrounds is located within the City of Eustis, the Fairgrounds and market vendors are also required to comply with its ordinances, specifically numbers 14-28 and 14-33. We inquired with the City of Eustis and confirmed that the City Ordinances require that all such event vendors must have their own receipt, the County Fairgrounds receipt does not cover any vendors, and all vendors must have previously obtained a Lake County business tax receipt.

Since the market is managed by County employees, it is management’s responsibility to require that any person selling goods or services on County property complies with the law by obtaining the appropriate licenses to conduct business in Lake County. This could be accomplished by simply stating the requirement in writing in the market rules, ensure that every market vendor has access to a copy of the rules, and periodically walk the grounds verifying that persons have the business tax receipt displayed. Allowing persons to sell goods or services without a proper license, reflects poorly on the reputation of the County and increases its risk of liability.

- C. Vendor contracts are not consistently signed by the program manager. To determine whether each contract was adequate, we reviewed the contract and noted any fields that were incomplete. In one out of five of the contracts, the contract was not signed by the program manager. To determine if one out of five was a reasonable conclusion, we selected the next five items in the log and reviewed the corresponding contracts. Again, we found the same result that one out five contracts were not signed by the manager. So, in total, two out of ten contracts (or 20%) were not signed. All vendor contracts should be signed by both the vendor and the Fairgrounds program manager. If both parties do not sign the agreement, it is not a contract and, therefore, not enforceable by either party; management may not be able to collect monies due for an event because the contract is not enforceable.
- D. Hours worked by events staff are not supported by time clocks. Part-time staff hours are recorded on a log-in sheet hanging on the wall; staff simply write an entry listing their start and stop times. The entries are then used to calculate the time billed to customers for staffing the event and clean-up after the event. Starting in January 2015, management installed a time clock and staff is now required to log-in with a pin or fingerprint. However, according to the program manager, staff is not consistently or timely using the clock; also, staff is unsupervised



The Expo Hall on a Market Day

at events, therefore, hours have not been recorded electronically or observed. The hours worked by staff should be reliable to ensure that customer billings for events are accurate and that employees are only paid for hours worked. Employees could be falsifying their time without being detected and billings to event customers could be inaccurate.

- E. All event customers are not charged in accordance with established rates. During our review of charges billed to event customers, we found that 22 out of 28 events were not correctly billed an electric surcharge. We also noted that each of the customers for the 22 events were repeat customers; the other six were not. In one instance, a customer rented the Expo Hall for two days; according to the rate schedule (pictured right), the customer should have been charged \$150.00 per day, for a total surcharge and fees lost for one event in the amount of \$300.00.

Also, during the audit, we previously sampled five different events to test for attributes including whether reimbursable costs were recovered from the customer and found that two out of five customers were not billed an electric surcharge for their event. Both events were for the Expo Hall; one was for 3 days and the other for 1 day; an additional \$600 in surcharges was not collected. Rental rates should be consistently charged in accordance with the Board approved rate schedule. Not charging rates consistently provides the appearance of potential preferential treatment.

2. **Daily** rental charges shall be as follows:

Expo Hall, 100' x 150'	\$350.00
*Electric Surcharge <i>Per Day</i>	\$150.00
Ashford Building, 50' x 140'	\$125.00
Clements Building, 60' x 125'	\$140.00
*Electric Surcharge <i>Per Day</i>	\$75.00
LaRoe Pavilion, 70' x 175'	\$140.00
Farmers' Market Grounds	\$450.00
*Electric Surcharge <i>Per Day</i>	\$100.00
Arena	
(1) Practice and Non-Spectator Use	\$140.00
*Floodlights, Electric Surcharge <i>Per Day</i>	\$100.00
(2) Show and Spectator Use	\$550.00
*Floodlights, Electric Surcharge <i>Per Day</i>	\$100.00
Total Facilities	\$900.00
<i>No building space, includes LaRoe Pavilion</i>	
Front Parking Lot	\$600.00
½ of Front Parking Lot	\$340.00
Side Parking Lot	\$220.00
60' x 80' Area By Marquee	\$65.00
RV Electric Plugin	\$35.00

Excerpt: Expo Center & Fairgrounds 2014 Event Regulations and Rental Rates Booklet

- F. The buildings used for events could be enhanced to better meet the needs of the community. During our audit, we compared the features of the building primarily used for events, the Expo Hall, to other local venues to determine whether the rates charged were reasonable, but instead found that the facilities are not comparable. We noted that the majority of events were held in the Expo Center; many of the events required a capacity of more than 300 people. We also observed that the Expo Hall is a large, unfinished, warehouse type building; it is not air conditioned; the floor is cement; there is no access to a kitchen and the restrooms are located in a different part of the facilities, like those that are found on camping grounds or in parks. As a result of our research, we determined that none of the facilities are comparable primarily because the Expo Hall is not air-conditioned and the other venues do not have a capacity of at least 300 persons. Also, the program manager stated that there are occasions when a prospective customer has inquired about renting the facilities but decided not to because there is no air-conditioning; we were a witness to one such instance. Therefore, to increase the desirability and revenues of the Expo Hall, we suggest that management consider performing a cost-benefit analysis of whether it

would be cost-justified to improve the facilities accordingly. If the Expo Hall were air-conditioned, for example, it is likely that the benefits would also extend to increase the market revenues during the warmer months of the year.

- G. Staff does not maintain an electronic record of daily booth spaces rented. Each month staff update a monthly spreadsheet of cash receipts; all receipt information is recorded except for the space numbers of the daily renters. Also, during our observations on a given Market Day, the program manager stated that a formal process is not in place to regularly verify that vendors are using only the spaces for which they paid. He stated that if time permits, he walks the grounds and visually verifies some monthly space assignments against the spreadsheet.

Also during our audit, we tested a sample of 30 receipts to determine whether records were complete. For each receipt in the sample, we found its entry on the original log and compared the information to the receipt copy. In 19 out of 30 entries, the information in the log agreed with the receipt information; however, in 11 (or 36.6%) of the entries, the information did not agree. Specifically, we found that for each of the 11 entries that were for the rental of a daily market space, the log does not include any reference to the space number that was rented. We confirmed with staff that they only record the space number for those that rent a monthly booth. This information is included on the receipt and could easily be recorded in the log as well. Staff should use this information to perform a proper attendance of vendors on a given market day, ensuring that they are using only the booth spaces they rented. Management practices should ensure that complete and accurate records are maintained.

We Recommend management:

- A.1. Cease the practice of carrying accounts payable and accounts receivable for market transactions, other than a de minimus amount, such as \$50.00. Management should ensure that all booth spaces rented on a market day are paid in full and all credits due to vendors are refunded immediately.
- A.2. Require staff to maintain an accounts receivable ledger. All balances due and deemed uncollectible should be reported to County Finance at least at year-end.
- B. Require that all market vendors that are selling goods and/or services have a business tax receipt displayed. The requirement should be included in the written market rules and be distributed to all market vendors.
- C. Ensure that all contracts initiated by the Fairgrounds are signed by both parties prior to the event date.
- D. Enforce the use of the time clock by all hourly staff and use the times recorded by the clock as a basis for billing event customers. Support for hours worked should be retained in the customer file.

- E. Ensure that all vendors and customers are charged in accordance with the Board approved rate schedules.
- F. Consider performing a cost-benefit analysis of whether it would be feasible to improve the Fairgrounds facilities.
- G.1. Require staff to track the usage of all booth spaces that are rented.
- G.2. Implement a process to verify a random sample of all booth spaces rented each market day.

Management Response:

- A.1. Management concurs.
- A.2. Management concurs.
- B. Management partially concurs. Staff will ensure that each market vendor receives a copy of the market rules.
- C-G. Management concurs.

3. Strategic and Marketing Plans Should Be Developed and Implemented.

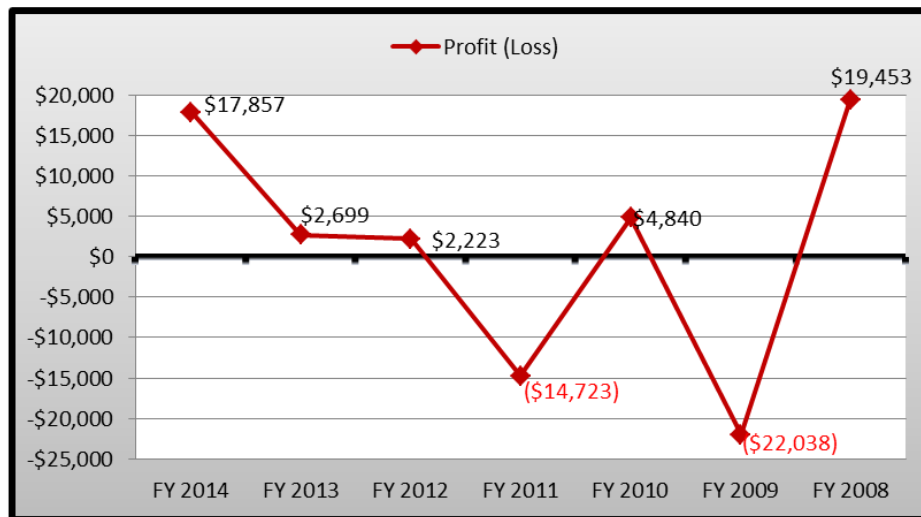
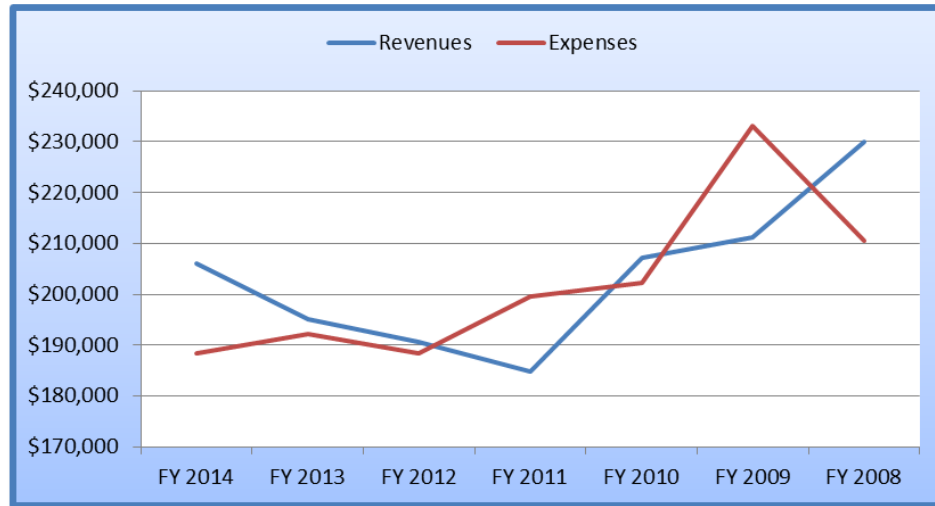
The Fairgrounds has no formal business plans in place and is not consistently self-sufficient. Specifically, we noted the following:

- A. The Fairgrounds has no strategic plan for use of the facilities. A strategic plan clarifies the outcomes that an organization wishes to achieve; presents broad strategies that will enable the organization to achieve those outcomes; and, identifies ways to measure progress. It includes developing the steps needed to achieve stated goals, a list of resources needed, and a timeline of when each will be accomplished. Without a formal plan, there is less assurance that the facilities will be used in the most effective manner or that goals will be established, monitored and achieved.

Additionally, a marketing plan is not in place and marketing goals have not been established. Occasionally, the Fairgrounds manager places an advertisement in a local newspaper or passes out business cards, but that is the extent of the advertising efforts. It is important for management to develop a marketing plan to communicate the goals of the Fairgrounds to its staff and customers. It is also necessary to implement a marketing plan to provide staff direction on how to achieve the related goals. However, since a marketing plan is not in place, little action is done to promote the facilities.

Formal business planning, including the development and implementation of strategic and marketing plans, is a critical process to ensure that resources are effectively used and goals are achieved.

- B. The Fairgrounds operations are not consistently self-sufficient. We analyzed the revenues and expenses of the Fairgrounds from FY 2008 to FY 2014 and noted that the operations are not always self-sufficient. The following charts illustrate the revenues and expenses:



While the Fairgrounds was self-sufficient in FY 2008, in FY 2009 it experienced a huge loss partly due to an increase in expenses for repairs and maintenance; in 2010, it managed to be self-sufficient but dropped again in FY 2011 due to a decline in revenues; since then, it appears that the operations have gradually become profitable again. During our audit, we also found that there is

little effort to monitor the self-sufficiency of operations; however, we noted that formal business planning, including the development of a strategic and marketing plan, would provide management tools to better manage its revenues and expenses, as recommended for A. above.

We Recommend management:

A.1. Develop and implement a strategic plan for use of the facilities.

A.2. Develop and implement a marketing plan for the program operations.

B. Monitor revenues and expenses and take action as necessary to ensure the cost effectiveness of operations.

Management Response:

A-B. Management concurs.

4. Procedures Should Be Written and Followed.

The Fairgrounds does not have any written policies or procedures in place. However, during our audit, we found that there are many procedures that if written could benefit the program. For example, there is no procedure to follow when reconciling the cash received to the receipts or for preparing a deposit. The following is a list of some procedures that need to be written to ensure consistency in the application of processes:

- Processing Customer Payments (at point-of-sale)
- Reconciling Cash Receipts
- Preparing the Bank Deposit
- Recording Customer Transactions (maintaining the Cash Receipts Ledgers)
- Updating the Market Map
- Processing Customer Refunds
- Processing Events (including completing a checklist for each event)
- Processing Bad Debts
- Content and Organization of Files

Detailed written procedures for operations of the Fairgrounds are essential. Written procedures provide management and its employees with information related to the adequacy of the internal controls. Written procedures are also beneficial for the training of current and new employees and are a valuable resource in the event an employee leaves the operation. The procedures should include sufficient information to permit an individual, who is unfamiliar with the operations, to

perform the necessary activities. The lack of complete procedures increases the risk of loss of funds, theft of assets, and disruption of the operation.

We Recommend management:

Develop and implement a system of internal written policies and procedures in alignment with current processes.

Management Response:

Management concurs.