

REPORT DIGEST

**DEPARTMENT OF AGRICULTURE
ILLINOIS STATE FAIR
REPORT ON SPECIAL PROCEDURES PERFORMED TO
REVIEW INTERNAL ACCOUNTING CONTROL AND
ADMINISTRATIVE CONTROL PROCEDURES
FOR 1992 FAIR OPERATIONS**

INTRODUCTION

This report covers special procedures performed to review internal accounting control and administrative control procedures during the 1992 Illinois State Fair. Our regular financial and compliance audit for the 1992 and 1993 fiscal years will be performed later.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTRACT CIRCUMVENTS APPROPRIATIONS AND STATUTES

The Department of Agriculture entered into a contract with a promoter to lease the grandstand for two evenings during the Fair to provide concerts. This contract circumvented the State Officers and Employees Money Disposition Act as well as the Department's own appropriations. As a result of the contract, approximately \$180,909 in Fair revenues were deposited directly into the lessee's special bank account as payment for services. In the absence of this contract, Fair revenues would have been deposited into the State Treasury, and services would have been paid solely from appropriated funds. The Department entered into this type of contract in order to offset certain decreases made in its budget by the legislature. By doing so, the Department was able to "expend" approximately \$180,909 more for entertainment at the Illinois State Fair than it could have spent if it had remained within the amounts appropriated for that purpose by the legislature. The Attorney General's Office, in opinion No. 92-021 dated October 27, 1992, ruled this contract to be void. (Finding 1)

We recommended the Department deposit all ticket sales for future grandstand entertainment events intact into the State Treasury. We also recommended that all entertainers be paid entirely from funds appropriated to the Department for this purpose. In its response to this finding, the Department stated it will no longer handle any non state funds or sell tickets to events conducted by outside entities. The Department is seeking legislation to clarify its authority to lease the facilities during the Fair.

GRANDSTAND LEASE CONTRACTS EXCEED CONTRACTING AUTHORITY

The Department's contracts to lease the grandstand at the Illinois State Fairgrounds exceeded the Department's contracting authority.

We noted two contracts to lease the grandstand for entertainment and horseracing at the 1992 Illinois State Fair. The Attorney General's Office, in opinion No. 92-021 dated October 27, 1992, ruled that the leasing agreement for the entertainment at the Illinois State Fair was void, and on page 11 of the opinion noted that Department rules "... do not, however, appear to establish any criteria or otherwise provide for leasing the grandstand during the running of the State Fair." (Finding 2)

We recommended the Department discontinue the practice of leasing the grandstand during the State Fair or amend their administrative rules to expressly provide for such leasing arrangements. In its response, the Department stated that it is seeking legislation to clarify its authority to lease the facilities during the Fair.

GROSS TICKET REVENUES NOT REMITTED AS REQUIRED

The Department's agent responsible for grandstand ticket sales was not remitting the gross ticket sales to the Department. The agent was withholding selling charges from the gross receipts instead of billing the Department for these charges.

The State Officers and Employees Money Disposition Act states, "Every ... department ... shall pay into the State treasury the gross amount of money so received ... without any deduction on account of salaries, fees, costs, charges, expenses, or claims of any description whatever ...". The State Fair negotiated the contract allowing the Agent to deduct charges from the gross ticket revenues remitted to the Department. This allowed the Fair to pay these charges, totalling over \$15,000 for the 1992 Fair, without using appropriated funds. These charges had been billed to the Department in previous years and paid from appropriated funds. (Finding 3)

We recommended future contracts with agents collecting ticket sales on behalf of the Department require the remittance of gross sales without deduction for selling charges. Such charges should be billed separately to the Department.

According to the Department, this finding was a result of an error on the part of the vendor. The Department says it is taking steps to implement our recommendation.

NO STATUTORY AUTHORIZATION FOR COMPLIMENTARY TICKETS

The Illinois State Fair issued more than 3,000 complimentary tickets for grandstand shows. It also internally printed tickets for seats not available for sale to the general public. The complimentary tickets resulted in lost revenue to the State and were used for bartering arrangements for radio and other promotions not authorized by statute.

The Fair also reserved approximately 650 seats on the grandstand reviewing stand. These were folding chairs and were not issued tickets as part of the regular ticket system. Instead, the Department's print shop printed these tickets without a dollar value. These tickets were issued without charge to various government officials and sponsors.

Complimentary tickets resulted in lost revenue to the State of approximately \$32,520. There was an additional unknown amount lost for tickets printed internally by the Fair. The trading of tickets for sponsorships or promotion resulted in bartering, which was not specifically authorized by the State Fair Act. Unless there is specific statutory authorization to do otherwise, all tickets should be sold and proceeds deposited in accordance with Section 10 of the State Fair Act, which states, "All revenues from the operation and use of any facilities of each State Fair and the State Fairgrounds shall be deposited in the Agricultural Premium Fund." (Finding 4)

We recommended the Fair seek specific statutory authorization for issuing complimentary tickets and for bartering complimentary tickets in return for sponsorships and promotion. We also recommended the Fair discontinue internally printing tickets, and allow such tickets to be sold to the general public. The Department indicated it will attempt to implement this recommendation as soon as possible.

AUDITORS' OPINION

As this was a special review of control procedures, our audit work did not include an audit of financial statements. Our regular financial and compliance audit for 1992 and 1993 will be performed later.

WILLIAM G. HOLLAND, Auditor General

WGH:TJL:pp

SPECIAL ASSISTANT AUDITORS

Sikich, Gardner & Co. were our special assistant auditors for this special review.