

## EXECUTIVE DIGEST

# MICHIGAN STATE FAIR AND EXPOSITION CENTER

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### INTRODUCTION

This report contains the results of our performance\* and financial\* audit of the Michigan State Fair and Exposition Center (MSFEC), Department of Agriculture. The financial portion of our audit covered the period October 1, 1998 through September 30, 1999.

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### AUDIT PURPOSE

This performance and financial audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness\* and efficiency\*. Financial audits are conducted at various intervals to permit the Auditor General to express an opinion on the State's financial statements.

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### BACKGROUND

Act 361, P.A. 1978 (Sections 285.161 - 285.176 of the *Michigan Compiled Laws*), created MSFEC within the Department of Natural Resources. Executive Order No. 1993-25 transferred MSFEC to the Department of Commerce, effective February 1994. Executive Order No. 1997-13 transferred MSFEC from the Department of Consumer and Industry Services (formed by the merger in May 1996 of the Departments of Commerce and Labor) to the Department of Agriculture, effective October 1997.

The Department of Agriculture has the responsibility of conducting an annual Michigan State Fair and other exhibits or events for the purpose of promoting all phases of the economy of the State. The fairgrounds consist of approximately 200 acres located in Detroit. MSFEC has leased the fairgrounds and buildings for various events throughout the year. MSFEC operations are accounted for in the General Fund.

The 1999 Michigan State Fair was held August 24, 1999 through September 6, 1999. The Fair's reported paid attendance was 381,612. During the Fair, MSFEC had 24 full-time and 88 temporary employees.

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AUDIT OBJECTIVES  
AND CONCLUSIONS

**Audit Objective:** To assess the effectiveness of MSFEC's efforts to ensure that non-Michigan State Fair events were self-supporting.

**Conclusion:** We concluded that MSFEC's efforts to ensure that non-Michigan State Fair events were self-supporting were reasonably effective.

**Audit Objective:** To assess and report on MSFEC's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial schedules, and on its internal control\* over financial reporting, based on our audit of the financial schedules.

**Conclusion:** Our assessment of compliance did not disclose any instances of noncompliance that could have a direct and material effect on the financial schedules. Also, our assessment of internal control over financial reporting did not disclose any material

**weaknesses\***. However, we identified reportable conditions\* related to preprinted tickets, competitive bids, contract monitoring, and entertainment cost (Findings 1 through 4).

**Audit Objective:** To audit MSFEC's financial schedules for the fiscal year ended September 30, 1999.

**Conclusion: We expressed an unqualified opinion on MSFEC's financial schedules.**

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AUDIT SCOPE AND  
METHODOLOGY

Our audit scope was to examine the financial and other records of the Michigan State Fair and Exposition Center for the period October 1, 1998 through September 30, 1999. Our audit was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our audit methodology included examination of MSFEC's financial schedules and other records covering the period October 1998 through September 1999.

We performed a preliminary review of MSFEC's operations. This included discussions with various MSFEC staff and contractual service providers regarding their functions and responsibilities, tests of financial records, and a review of the Michigan State Fair regulations. Also, we obtained and reviewed contracts for compliance with the State's policies and procedures. We analyzed the contracts, the revenue earned, and the costs associated with non-Michigan State Fair events.

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**AGENCY RESPONSES**

Our audit report contains 4 findings and 4 corresponding recommendations. The Department's preliminary response indicated that it agreed with all the findings and will comply with the recommendations related to Findings 1 and 2.