

EXECUTIVE DIGEST

MICHIGAN STATE FAIR AND EXPOSITION CENTER

INTRODUCTION

This report contains the results of our financial audit* of the Michigan State Fair and Exposition Center (MSFEC), Department of Agriculture, for the period October 1, 1997 through September 30, 1998.

AUDIT PURPOSE

This financial audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Financial audits are conducted at various intervals to permit the Auditor General to express an opinion on the State's financial statements.

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 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 operations are accounted for in the General Fund. MSFEC also leases the fairgrounds and buildings for various events throughout the year.

The 1998 Michigan State Fair was held August 25 through September 7, 1998. The Fair's reported paid attendance was 315,500. During the Fair, MSFEC had 25 full-time, 7 intermittent, and 70 temporary employees.

AUDIT OBJECTIVES
AND CONCLUSIONS

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. However, our assessment of internal control over financial reporting identified one material weakness* related to cash handling:

- MSFEC's controls over its cash handling process were seriously deficient in the areas of separation of duties, cash deposits, records of cash received, reconciliations, and preprinted ticket sales (Finding 1).

MSFEC agrees with the corresponding recommendation and informed us that it has

developed procedures to improve controls over its cash handling process.

We also identified other reportable conditions* related to cash on hand and contractual agreements for services (Findings 2 and 3).

Audit Objective: To audit MSFEC's financial schedules for the fiscal year ended September 30, 1998.

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

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Michigan State Fair and Exposition Center for the period October 1, 1997 through September 30, 1998. 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.

AGENCY RESPONSES

Our audit report contains 3 findings and 3 corresponding recommendations. MSFEC indicated that it agrees with all of the recommendations and that it has taken or will take action to implement them.