

AUDIT PROPOSAL

Reviewing State Fair Board Financial Controls and Resources

SOURCE

This audit proposal was requested by the Legislative Post Audit Committee.

BACKGROUND

The Kansas State Fair Board organizes and operates the annual state fair. The Kansas State Fair is held in Hutchinson and runs annually for 10 days in September. In 2019, about 340,000 people attended the fair. The state fairgrounds also host numerous other events throughout the year. The board that organizes the fair includes 13 members, 10 of whom are appointed by the governor. In fiscal year 2019, fair operating expenditures totaled a little more than \$7.3 million. The operating costs of the state fair are financed from fees generated by the fair and approximately \$1 million in state appropriations. Since 2017, accounting and budget functions of the fair are handled by the Department of Agriculture.

In the last several years, several states have audited their state fairs and found problems. A 2019 California audit found that gross mismanagement led to the misuse of state resources and violations of state law. Investigative audits from New York found significant weaknesses in the fair's payroll practices, oversight of contracts, inventory controls, and concerns about nepotism and conflicts of interest. The fair director was subsequently arrested and charged with larceny, fraud, and official misconduct. An audit from Tennessee found their Fair Commission did not use a competitive bidding process and operated without signed contracts. Audits from Colorado and Utah both questioned their respective fairs' management practices and recommended steps to improve the fair's financial position and self-sufficiency.

AUDIT OBJECTIVES AND TENTATIVE METHODOLOGY

The audit objectives listed below represent the questions that we would answer through our audit work. The proposed steps for each objective are intended to convey the type of work we would do, but are subject to change as we learn more about the audit issues and are able to refine our methodology.

Objective 1: Does the State Fair have adequate controls to ensure accurate accounting and prudent use of resources? Our tentative methodology would include the following:

- Work with fair officials, Revisor of Statutes staff, and Department of Agriculture staff to understand any state laws, regulations, or other

requirements that govern the state fair and how the board operates.

- Work with Kansas agency officials (Department of Administration Office of Procurement and Contracts, Office of Financial Management, and Office of Accounts and Reports) other states' fair boards, and other professional organizations as necessary to identify best practices related to issues such as cash handling, vendor selection, procurements cards, inventory controls, and reporting.
- Review fair and board policies and processes and compare them to any state laws, regulations, or best practices we identify. Work with fair staff to understand any areas where their policy does not conform with state law or best practices.
- For a selection of processes, review contracts and other documents, observe cash handling practices, and conduct other test work as necessary to determine if staff follow best practices and other relevant policies.

Objective 2: How does the Kansas State Fair compare to those in other states in terms of funding, expenditures, and promotion efforts?

- Work with fair officials and Department of Agriculture and staff to obtain the last 5 years of the fair's revenues (including sources), expenditures, fair length and attendance. Also work with fair officials to determine how the fair is promoted and the extent that it works with other relevant entities like the Department of Commerce or the Kansas Council on Travel and Tourism.
- Contact a sample of other states similar to Kansas and collect similar information about their state fairs.
- Compare the Kansas fair to those in other states on a per day or per capita basis in terms of sources and amounts of funding, major expenditures, as well as level and extent of promotions.
- Discuss the results of our comparisons with Kansas fair officials to collect their input and perspective.

ESTIMATED RESOURCES

We estimate this audit would require a team of **3 auditors** for a total of **4 months** (from the time the audit starts to our best estimate of when it would be ready for the committee).