



# STATE OF NORTH CAROLINA

## NORTH CAROLINA STATE FAIR DIVISION OF NORTH CAROLINA DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

RALEIGH, NORTH CAROLINA

REPORT ON

FISCAL CONTROL AUDIT

FOR THE PERIOD AUGUST 1, 2002 THROUGH OCTOBER 31, 2002

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

**NORTH CAROLINA STATE FAIR**  
**DIVISION OF NORTH CAROLINA DEPARTMENT OF**  
**AGRICULTURE AND CONSUMER SERVICES**

**RALEIGH, NORTH CAROLINA**

**REPORT ON**

**FISCAL CONTROL AUDIT**

**FOR THE PERIOD AUGUST 1, 2002 THROUGH OCTOBER 31, 2002**

**MEG SCOTT PHIPPS, COMMISSIONER**

**WESLEY V. WYATT, STATE FAIR MANAGER**



Ralph Campbell, Jr.  
State Auditor

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**AUDITOR'S TRANSMITTAL**

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The Honorable Michael F. Easley, Governor  
The General Assembly of North Carolina  
Ms. Meg Scott Phipps, Commissioner

This report presents the results of our fiscal control audit of the North Carolina State Fair, a division of the North Carolina Department of Agriculture and Consumer Services, for the period August 1, 2002 through October 31, 2002. Our work was performed by authority of Article 5A of Chapter 147 of the General Statutes and was conducted in accordance with the standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The objective of the audit was to gather and evaluate evidence about selected internal control policies and procedures designed to ensure reliable financial accounting and reporting and compliance with finance-related laws, regulations, and contract provisions.

The results of our audit disclosed significant weaknesses in internal control and significant instances of noncompliance as described in the Audit Findings and Recommendations section of this report.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

A handwritten signature in black ink that reads 'Ralph Campbell, Jr.'.

Ralph Campbell, Jr.  
State Auditor

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## **BACKGROUND INFORMATION**

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The North Carolina State Agricultural Society founded the fair in 1853. This society wanted to use the fair to promote “scientific agriculture.” The society continued to operate the fair until the 1920’s, at which time the fair was taken over by the State of North Carolina. Today, the North Carolina Department of Agriculture and Consumer Services, under Commissioner Meg Scott Phipps, operates the fair.

Chapter 106 of the North Carolina General Statute created and established the Department of Agriculture and Consumer Services under the control of the Commissioner of Agriculture. North Carolina Administrative Code 6B.0307, “Leases at State Fairground,” authorizes the Department of Agriculture and Consumer Services, without prior approval of the Council of State, to enter into leases of buildings, lease of space, and contract for the furnishing of rides, shows and other services, provided that the duration of such leases, rental agreements and contracts shall not exceed 15 days.

## **OBJECTIVES, SCOPE, METHODOLOGY, AND RESULTS**

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As authorized by Article 5A of Chapter 147 of the General Statutes and in accordance with the standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States, we have conducted a fiscal control audit at the North Carolina State Fair, a division of the North Carolina Department of Agriculture and Consumer Services. The objective of the audit was to gather and evaluate evidence about selected internal control policies and procedures designed to ensure reliable financial accounting and reporting and compliance with finance-related laws, regulations, and contract provisions for the period August 1, 2002 through October 31, 2002.

Management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that relevant objectives are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

To accomplish our audit objective, we gained an understanding of internal control, performed tests of control effectiveness, and performed corroborating direct tests of the accounting records, reports, and/or compliance as we considered necessary in the circumstances. Specifically, we performed procedures such as interviewing personnel, observing operations, reviewing policies, analyzing accounting records, and examining documentation supporting recorded transactions and balances. Our procedures were more limited than would be necessary to give an opinion on internal control, and accordingly, we do not express such an opinion.

Our audit scope included selected internal controls in the following functional areas:

<u>Financial Accounting and Reporting</u>	<u>Finance-Related Compliance</u>
Control Environment Revenue / Receipts Cycle	Daily Deposit Act Contract Compliance

The results of our audit disclosed significant weaknesses in internal control and significant instances of noncompliance as described in the Audit Findings and Recommendations section of this report.

## **OBJECTIVES, SCOPE, METHODOLOGY, AND RESULTS (CONCLUDED)**

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The purpose of this report is to provide management and oversight organizations recommendations needed to improve internal control over financial accounting and reporting and compliance with finance-related laws, regulations, and contract provisions. Consequently, reporting on accomplishments in areas that appear to be functioning properly is beyond the scope of this audit.

A handwritten signature in black ink that reads "Ralph Campbell, Jr." in a cursive script.

Ralph Campbell, Jr.  
State Auditor

October 31, 2002

## AUDIT FINDINGS AND RECOMMENDATIONS

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*Current Year Findings and Recommendations* - The following findings and recommendations were identified during the current audit and represent significant deficiencies in internal control over financial accounting and reporting or compliance with finance-related laws, regulations, and contract provisions.

1. PERSONAL SERVICE CONTRACTS NOT ADEQUATELY DOCUMENTED

Contracts do not always adequately describe the duties, dates of performance, and total compensation, including travel costs, for contract personnel. Some contract personnel are performing duties not described in their contracts, some are being paid a verbally agreed upon amount, and some are being reimbursed for travel or other related costs not specified in the contract. This condition increases the risk of contract disputes and services not being provided as planned.

Personal service contracts should comply with Article 3 and 3C of Chapter 143 of the General Statutes; N. C. Administrative Code, Title 1 Chapters 5 and 6; and the Department of Administration, Division of Purchase and Contract *Agency Purchasing Manual*.

Recommendation: The State Fair should execute personal service contracts that adequately describe the duties to be performed, dates of performance, and total compensation to be paid.

Response: All personal service contracts executed by the State Fair will have detailed information concerning duties to be performed, dates of performance and total compensation to be paid.

2. CONCERT TICKETS NOT PRE-NUMBERED

Concert tickets for Dorton Arena shows were not pre-numbered. Admission to ten of the eleven shows required a purchased ticket. To ensure cash collected from ticket sales was complete at the end of each day, unsold tickets were hand-counted and subtracted from total tickets available for sale at the beginning of the day. The difference was compared to each seller's tabulated sales report. This procedure is highly subject to compilation error and increases the risk of cash errors and irregularities.

Recommendation: We recommend the State Fair use pre-numbered tickets for each concert at the Dorton Arena.

Response: All Dorton Arena entertainment tickets will have consecutively pre-numbered tickets in addition to the section, row and seat labels.



## **DISTRIBUTION OF AUDIT REPORT**

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In accordance with General Statutes 147-64.5 and 147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

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Mr. David T. McCoy  
Mr. Robert L. Powell

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Director, Fiscal Research Division

February 20, 2003

## ORDERING INFORMATION

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Copies of this report may be obtained by contacting the:

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