



STATE OF NORTH CAROLINA

FISCAL CONTROL AUDIT REPORT ON NORTH CAROLINA STATE FAIR

DIVISION OF NORTH CAROLINA DEPARTMENT OF
AGRICULTURE AND CONSUMER SERVICES

RALEIGH, NORTH CAROLINA

FOR THE PERIOD JULY 1, 2003 THROUGH FEBRUARY 29, 2004

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

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THE HONORABLE W. BRITT COBB JR., COMMISSIONER
WESLEY V. WYATT, STATE FAIR MANAGER



Ralph Campbell, Jr.
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Michael F. Easley, Governor
The General Assembly of North Carolina
North Carolina Department of Agriculture and Consumer Services
The Honorable W. Britt Cobb Jr., Commissioner

This report presents the results of our fiscal control audit of the North Carolina State Fair, a division of the Department of Agriculture and Consumer Services for the period July 1, 2003 through February 29, 2004. Our work was performed by authority of Article 5A of Chapter 147 of the *North Carolina 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 a fiscal control audit is to gather and evaluate evidence about internal control over selected fiscal matters, such as financial accounting and reporting and/or compliance with finance-related laws, regulations, and provisions of contracts or grant agreements.

The results of our audit disclosed no internal control deficiencies or instances of noncompliance or abuse that are considered reportable under *Government Auditing Standards*.

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." in a cursive script.

Ralph Campbell, Jr.
State Auditor

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BACKGROUND INFORMATION

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 W. Britt Cobb Jr., operates the fair.

The attendance for the ten-day 2003 State Fair was approximately 834,000, which is the second highest attendance on record. Based on recorded amounts for the period July 1, 2003 through February 29, 2004, the State Fair recognized operating revenues of approximately \$2 million from rental of real property, approximately \$3.5 million from gate admission sales, and approximately \$4.6 million from midway receipts.

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OBJECTIVES, SCOPE, METHODOLOGY, AND RESULTS

OBJECTIVES

As authorized by Article 5A of Chapter 147 of the *North Carolina 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 a fiscal control audit is to gather and evaluate evidence about internal control over selected fiscal matters, such as financial accounting and reporting and/or compliance with finance-related laws, regulations, and provisions of contracts or grant agreements. Also, should any information arise during the audit indicating that significant abuse may have occurred, the audit objective may be extended to include internal control designed to prevent abuse and to determine whether the abuse did in fact occur and its impact. Abuse involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice.

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.

SCOPE

Our audit scope covered the period July 1, 2003 through February 29, 2004. During our audit we considered internal controls related to the following accounts and control objectives:

Rental of Real Property – These are receipts derived from the leases of lot space on the State Fairgrounds based on contractual agreements. The Division reported approximately \$2 million of Rental and Lease Earnings during our audit period. We examined internal controls designed to ensure that lessees paid rent at the rate as agreed upon in the contractual agreement and that collections were properly accounted for by the Division.

Gate/Admissions Fees – These are the fees charged by the Division to persons for entrance into the North Carolina State Fair. The Division reported gate/admission fees collected during our audit period of approximately \$3.5 million. We examined internal controls designed to ensure that the fees charged were at the established rates and properly accounted for by the Division.

Midway Receipts – These are receipts derived from the per capita fee the Midway Operator paid the North Carolina State Fair for each person attending the State Fair as determined by the contractual agreement. At February 29, 2004, the Division reported approximately \$4.6 million of midway receipts. We examined internal controls designed to ensure that the

OBJECTIVES, SCOPE, METHODOLOGY, AND RESULTS (CONCLUDED)

contractor paid the per capita fee per the terms of the contract and that the Division properly accounted for the collections.

Non-Capital Gifts & Donations – These are revenues collected from companies for sponsorships of events held during the North Carolina State Fair. The Division reported non-capital gifts and donations collected during our audit period of approximately \$138,000. We examined internal controls designed to ensure that the Division properly accounted for sponsorships.

METHODOLOGY

To accomplish our audit objectives, 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.

RESULTS

The results of our audit disclosed no internal control deficiencies or instances of noncompliance or abuse that are considered reportable under *Government Auditing Standards*.

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Mr. David T. McCoy	State Budget Officer
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The Honorable W. Britt Cobb, Jr.	Commissioner, Department of Agriculture and Consumer Services

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June 28, 2004

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