



Expo Facility Rental

August 17, 2020

A Report to the
Jackson County
Board of Commissioners

Commissioners

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the expo

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To: Board of Commissioners
Re: Audit of Expo's Facility Rentals Program
Date: August 17, 2020

The enclosed report presents the results of an audit over the Expo's Facility Rental program. Because rental activity at the Expo has been increasing from year to year, the Expo Director requested that we evaluate the adequacy of the control system.

In the context of the Expo's budget and staffing level, we found that controls were appropriate. The report does discuss the areas of potential risk that Expo should remain aware of. Additionally, the report discusses cost allocation and how the allocation of costs can best inform the decision-making process.

The audit resulted in two recommendations. We note that given staffing size and turnover it may not be feasible to implement these recommendations. Moreover, we do not categorize the risks these recommendations address as major risks.

Please feel free to contact me at your convenience if you have any questions or would like additional information not contained in the report.

C: Audit Committee
Moss Adams, LLP

IN A NUTSHELL

Audit Objectives

The objectives of the audit were to evaluate whether:

1. Controls adequately safeguard the revenue and provide reasonable assurance that there will be accurate recordation of the revenue.
2. Controls provide reasonable assurance that all required documentation will be submitted by individuals/organizations renting facilities from the Expo.
3. Expenditures were appropriately charged to the program.
4. The cost allocation program methodology is sound.

What We Found

1. Controls are appropriate given staffing size and budget but not ideal and we did find one required payment that a renter failed to make. Expo has since contacted the renter and the payment was made.
2. Program expenditures were appropriate and made in accordance with proper procedures.
3. The cost allocation process is methodologically sound and there were only a reasonable number of coding errors.

What We Recommend

1. When an unfilled position in Finance is refilled, Finance should resume posting deposit information to the J:drive (shared drive between Finance and Expo) so that Expo, as a control, can periodically reconcile deposits to the Expo records to verify that all receipts were deposited and correctly coded to Expo.
2. Ideally, prior to an event being held an employee other than the employee tasked with receiving payments should verify that all payments were received and required documents submitted.

Introduction and Background

Expo facilities are rented for a wide variety of events

In addition to producing its own events (The County Fair, Brew Fest, Wild Rogue Pro Rodeo, Holiday Market, Christmas Showcase, and concerts), the Expo rents the facilities to individuals and groups. The facilities are rented for a wide range of events that include: equestrian shows, concerts, receptions, auctions, consumer shows, motor vehicle extravaganzas, sports and outdoor shows, and other diverse activities.

Facilities available for rent include:

- Barker and Krouse Barns – each are 100x200 feet and are fully enclosed by 5-foot-high livestock panels. Sand footing is ideal for barrel racing, cutting, roping and other equestrian events.
- Bi-Mart Amphitheater – Outdoor concert venue with seating of over 6,000.
- Horse Stalls: 196 10x10 foot covered stalls with asphalt floors.
- Isola Memorial Arena: Covered arena with well-groomed floors and bleacher seating for more than 400.
- Mace Watchable Wildlife Memorial Center: 6,000 sq. ft with seating capacity of 225. Features built-in wildlife exhibits, artwork, and a fully equipped kitchen. Used for meetings, social gatherings, wedding receptions, art shows, auctions, etc.
- Olsrud Arena: 12,000 sq. ft fully enclosed building with bleacher sets on three sides with seating capacity of 980. Can host a wide variety of events including boxing, concerts, lectures, cooking seminars, dog shows, auctions, etc.
- Padgham Pavilion: 7,000 sq. ft with vinyl floor and full kitchen. Ideal for family and social gatherings, cooking seminars, wedding receptions, business meetings, small trade shows and bazaars.
- Parking lots: frequently rented by local dealerships for auto and RV sales etc.
- Seven Feathers Event Center: 57,000 sq. ft with dirt floor and stadium-style seating. Ideal for concerts, horse shows, rodeos, dog competitions, motor sports etc.

Rental rates are established for each of the Expo’s locations and updated annually. Expenses, market conditions, existing rates, and the interest in having the Expo serve as a vehicle for attracting regional events and economic activity are taken into consideration during the rate setting process. Expo management submits proposed rates to the Fair Board, which has the authority to set rates.

The table below shows revenue and expense for the Expo Facility Rental Business Unit for FY 2018-19.

Facility Rental FY 2018-19

Amphitheater Rental	\$15,165
Banner, Reader Board, Accessory Rental	\$12,074
4H Extension Service Fee	\$50,000
Commercial Rental	\$415,644
Open Riding Fee	\$10,500
Gate Admissions – Country Crossings	\$18,015
Interim Concession Revenue	\$85,544
Stall Rentals	\$17,247
Miscellaneous Allocated Revenue	\$209,712
Other Revenue (under \$10,000)	26,383
Total Revenue	860,284
Personnel Services	-46,588
Labor Charged to Project	-327,091
Total Personnel Services	-373,679
Temporary Help Services	-42,702
Equipment Rental & Lease	-10,013
Outside Maintenance Services	-10,381
Other Expense (under \$10,000)	-11,987
Department Overhead and Materials & Services	-649,611
Total Materials & Services	-724,694
Total Expense	-1,098,373
Difference	-238,089

Audit Authority

We conducted our audit in accordance with Codified Ordinance 218 pertaining to the County Auditor. This audit was requested by the Expo Director in response to Internal Audit’s solicitation for audit requests.

Compliance with Government Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Additionally, the standards address the importance that

auditors be independent of management. The Internal Audit program operates in compliance with the generally accepted government auditing independence standard for internal audit shops.

Confidential or Sensitive Information

We did not withhold information that would be considered sensitive or confidential.

Audit Objectives, Scope & Methodology

Our audit objectives focused on whether:

1. Controls adequately safeguard the revenue and provide reasonable assurance that there will be accurate recordation of the revenue.
2. Controls provide reasonable assurance that all required documentation will be submitted by individuals/organizations renting facilities from the Expo.
3. Expenditures were appropriately charged to the program.
4. The cost allocation program methodology is sound.

Our audit procedures included:

1. Interviewing Expo staff to gain an understanding of existing processes.
2. Reviewing budget documents of the Facilities Rental Program.
3. Reviewing the FY 2019-20 rental rates and discussing the rate setting process with Expo management.
4. Reviewing Expo rental forms.
5. Selecting a sample of hard-copy facility rental files to review and:
 - a. Determining if all required documents were obtained prior to the event being held.
 - b. Determining if all required payments were received and deposited prior to the event being held.
6. Selecting a sample of expenditure items and testing for appropriateness and proper authorization.
7. Reviewing Fair Board meeting agendas and financial information provided to the Fair Board.

Revenue Controls

The audit identified one rental payment that was not received

Our review of a sample of events identified one payment due the Expo that had not been received. While appropriate controls have been designed, it can be difficult to maintain those controls because of the limited number of Expo administration staff and turnover among part time/extra help administrative staff.

A Use Agreement is prepared for each rental of Expo facilities. The agreement specifies the total rental cost and payment schedule. Payments are usually divided into 3 payments with the total amount due before the event occurs. The Expo Office Assistant places a reminder on her Outlook calendar to indicate when each payment is due, so that if it is not received she can send out reminders.

An Event Checklist is used to track receipt of payments

An Event Checklist is prepared for each event, which tracks receipt of payments and required documents. The Event Checklist is kept in the event's hard copy file.

The Expo has also developed and implemented an Excel spreadsheet referred to as the "Event Tracking Tool" to track receipt of payments and required documents. The spreadsheet was created as a tool to easily see what had been received for each event without having to pull the hard copy file. However, with only one full time Office Assistant, keeping the spreadsheet up to date has been a challenge and it is not considered reliable. Instead, staff review the hard copy files to determine if all payments and required documents have been received.

Rental payments can be made via cash, check, or credit card. Expo staff use a three-part receipt book to record facility rental payments. The payments are also recorded on the Event Checklist and possibly on the Event Tracking Tool spreadsheet if staffing is available to do so. Approximately once a week the Expo Office Assistant photo copies the receipts from the receipt book and forwards the copy along with the cash and check payments to the Finance Department, where an Accounting Clerk prepares the deposit. Finance automatically receives notice of payments via credit card. Accounting saves a copy of the deposit on the Expo's J: drive.

As time permits, the Expo Office Assistant compares the deposit from the J: drive with the receipt book to ensure all receipts were deposited. However, there has been turnover in the Finance Department and the deposits have not been saved to the J: drive since July of 2019 and therefore this review has not been occurring since that time.

A temporary staff member also double checks to ensure all payments have been received

The Event Checklist serves as a control to help ensure that all payments and required documents are received. In addition, since one Expo Office Assistant is primarily responsible for receiving payments and documents, a temporary office staff person double-checks that payment has been received in full before the event.

We selected a sample of 21 event files and reviewed Use Agreements, Event Checklists, and deposit documentation to verify that all payments had been received and deposited. The events reviewed were held between September 2018 and March 2020. We identified one event for which the last payment of \$4,800 was not received. The event organizer was contacted and promptly paid the amount due. Expo staff explained that this event was held during a time when there was turnover in the Temporary staff at the Expo, so the independent review may not have occurred.

We had intended to expand our sample to determine if other payments had been missed but due to the COVID-19 pandemic we did not revisit the Expo.

We recommend that the Finance Department resume saving the deposits to the Expo's J:drive, and that the Expo staff resume periodically reconciling a sample of deposits to the receipt book to verify that all receipts have been appropriately coded to the Expo.

We also recommend that a staff member separate from those who are primarily responsible for receiving payments verify that all payments were received prior to the event being held and document that review by initialing the Event Checklist. If staffing levels do not permit this, we recommend that the primary administrative employee verify that all payments have been received and required documents submitted and then document that the verification occurred by initialing the Event Checklist, before giving out keys.

Note: The Expo is in the process of upgrading to a new cash receipt system which will eliminate the need to use the three-part cash receipt book. Finance will still be preparing the deposit, but will be preparing it from a report from the cash receipt system.

Controls Over Required Documentation

The audit identified a few forms that were not received prior to the event

Various forms must be submitted by an event organizer. Some forms are only required in certain situations. As a result, tracking whether all forms have been submitted is more involved than if all forms were required for every event. As discussed below, we found a few instances in which forms were not submitted but we could not always be certain whether the details of the event required submittal of the form.

The following is a list of documents that may be required before an event can be held at the Expo:

- Signed Use Agreement – Required for all events
- Insurance documentation – Required for all events
- Fire Safety
 - Application & Permit – Must be signed by the Fire Marshall if the event will be indoors and attended by 100 or more people.
 - Fire Safety Regulations Sign-Off Sheet – The event organizer must sign the form to acknowledge having read the Fire District No. 3 Fire Safety Regulations (applies only to indoor events that will be attended by 100 or more people). Not strictly enforced for returning events.
- Alcohol Plan – Required if alcohol will be served unless the Expo alcohol concessionaire will be providing and serving the alcohol.
- Food Concession, Alcohol, & Security Form – Indicates whether or not food or alcohol will be served or sold.
- Marketing Plan – Collects information needed if the event planner wants the Expo to advertise the event.
- Event Outline – Documents set-up and tear-down dates etc., but is not critical that it be received.
- Reader Board – Collects information needed to advertise on the reader board.

We reviewed event files for 26 events held between September 2018 and March 2020. We noted the following:

- 4 indoor event files did not contain the signed application and permit documents which are to be provided by the Fire Marshall. According to Expo staff, the document was not required for three of the events due to the number of expected attendees.

- Fire Safety Regulations Sign-Off Sheets were not received for 7 indoor events. According to Expo staff 3 of the events had under 100 attendees, and one was a returning event with an organizer well versed in Oregon fire regulations.
- 2 files were missing the Event Outline, which provides event set-up and tear-down dates etc., but which is not considered a critical document.
- 5 files were missing the Food Concession Form.
- 3 files were missing Agreements with concessionaires, and one other had an Agreement, but it was not signed. While the agreement with the concessionaire is not included on the Event Checklist, it should be required as it specifies % of sales due the Expo and other requirements and expectations.

In a perfect world, we would recommend that an independent staff member not responsible for receiving the required documents review the file prior to the event to make sure all forms have been received and are signed. However, we realize the Expo staffing size does not allow for this.

Expenditure Review

All expenditure reviewed were appropriate and properly authorized

We reviewed a sample of expenditures and found all were appropriate and were properly authorized. The sample consisted of 31 judgmentally selected expenditures from the Expo Administration and Facility Rental business units. We chose one item from each account, and tested a total of \$47,611 or 3% of the transactions in the two business units for fiscal year 2018-19.

Expenditure controls include an authorized signature on the Accounts Payable Coversheet and supporting documentation such as an original invoice or receipt.

Cost Allocation

The cost allocation system was appropriately designed

The Expo's cost allocation system was appropriately designed and reasonably implemented in a manner that aids decision making. We did note that because of the ratio of direct to indirect costs, the allocation produces interesting results regarding the contribution of each business activity to the Expo's overall financial picture.

Cost allocation of indirect costs is necessary so that the true cost of an activity is known and resulting business decisions can be made appropriately. For the Expo, these decisions include setting facility rental rates, setting ticket prices for Expo-produced events, and determining whether to continue or discontinue events. The process of allocating these costs is often referred to as 'burdening' the events.

42% of costs were categorized as indirect for FY 2018-19

Cost allocation involves identifying and apportioning indirect costs among an organization's activities or business units. For 2018-19, about 42% of all Expo costs were categorized as indirect costs. This includes utilities, maintenance, annual salaries, and county central service allocated chargebacks that are not attributable to a specific event.

The word 'allocation' indicates that there is no precise method for determining the exact percentage of a cost that should be apportioned to any particular business unit and therefore a system must be used to produce an estimate. For example, the expenses of payroll processing, IT support, auditing, HR, and other central services must be allocated among the County's departments, including Expo. The Expo then allocates these costs among the Expo business units: Fair, Rodeo, Holiday

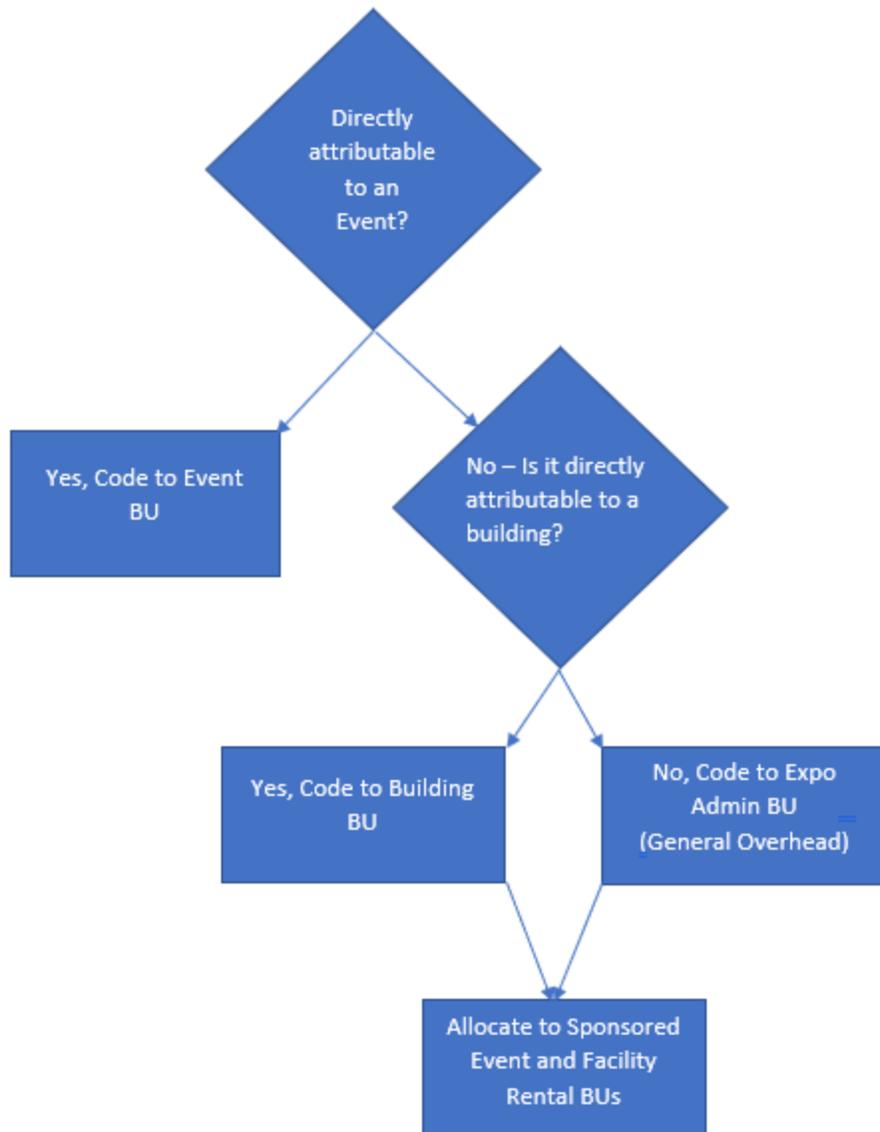
Market, Christmas Show, Brewfest, Expo produced concerts, and Facility Rental program.

When reviewing the general overhead Materials & Services expense for 2019-20 we did identify that roughly 5% of total dollars may have been more appropriately recorded to a building business unit rather than general overhead but this would have only minimally impacted the final allocation among the major business units. The Finance Director commented that errors do occur throughout the year, but that the overhead business unit is reviewed and cleaned up at year end.

The Expo has both 'events' and 'buildings' which complicate the cost allocation process. The costs of maintaining each building must be allocated among the Expo events and the facility rental program. For example, the Seven Feathers Event Center is used for multiple Expo events (e.g., Fair, Rodeo, etc.) but is also rented throughout the year. Similarly, the Isola Memorial arena and Mace Center are used in conjunction with the Fair but are also rented throughout the year for various other events.

Indirect costs are coded either to the building, or general overhead

Indirect costs are either attributed to a particular building or are termed general overhead costs. Building costs are allocated among the Expo business units based on each business unit's percentage of use of the building. Materials and Supplies (M&S) general overhead costs are similarly allocated based on a percentage of use system. Personnel costs are allocated based on estimates of how much staff time is spent on activities relating to each business unit. The flowchart below depicts the system.



Interestingly, and not a fault of anyone, the system can produce data that must be interpreted within the appropriate context. This occurs because many costs would still exist (or would be nominally lower) whether or not a particular Expo event occurs. As mentioned earlier, about 42% of all Expo costs are indirect. The Rodeo exemplifies this condition.

The Rodeo is often referred to as a money losing event. Fiscal year 2018-19 financial records indicate the Rodeo business unit incurred a \$10,432-dollar loss.

May 2019 Rodeo (FY18-19)

Revenue	\$194,900
Expense	\$205,332
Profit/(Loss)	(\$10,432)

It would seem that the Expo would have been financially better off if it had not held the Rodeo. However, the Rodeo business unit absorbed \$20,708 of allocated expenses that would likely still have been incurred by the Expo and would have been absorbed by other Expo business units if the Rodeo had not been held. For example, most likely the Expo would have not paid the Expo Director or other full-time staff any less if the Expo didn't hold the Rodeo. Similarly, Expo would have likely paid the same amount to the County IT dept and HR dept. in county chargebacks regardless of whether the Rodeo was held. Additionally, other central service chargebacks that are allocated based on each department's budget as a percent of the County operating budget, would have only been minimally impacted if the Rodeo not been factored into the Expo budget.

The following provides a more detailed picture of the May 2019 Rodeo:

May 2019 Rodeo (FY18-19)

	Indirect (allocated)	Direct	Total
Revenue	\$4,446	\$190,454	\$194,900
Expenses	\$20,708	\$184,624	\$205,332
	(\$16,261)	\$5,830	(\$10,432)

Expo E-1 Financial Data rounded

If the Rodeo didn't incur the (\$16,261) indirect costs, these costs would have been allocated to other Expo business units. Simultaneously, the Expo wouldn't have benefitted from the \$5,830 in direct net revenue. The following depicts the overall Expo FY18-19 financial results with the Rodeo and also what it would have been without the rodeo:

May 2019 Rodeo (FY 18-19)

	With Rodeo	Without Rodeo
Revenue	\$2,888,365	\$2,697,910
Expense	\$3,023,249	\$2,838,624
	(\$134,884)	(\$140,714)

Again, our discussion of this is not meant to suggest that anything should have been done differently. Rather, we point this out as a reminder that

both indirect (burdened) costs and revenues and marginal costs and revenues should be considered when making business decisions.

Summary of Recommendations

1. When an unfilled position in Finance is refilled, Finance should resume posting deposit information to the J:drive (shared drive between Finance and Expo) so that Expo, as a control, can periodically reconcile deposits to the Expo records to verify that all receipts were deposited and correctly coded to Expo.
2. Ideally, prior to an event being held an employee other than the employee tasked with receiving payments should verify that all payments were received and required documents submitted. If staffing levels do not permit this, we recommend that the primary administrative employee verify that all payments have been received and required documents submitted and then document that the verification occurred by initialing the Event Checklist, before giving out keys.

Management Response



To: Internal Audit
From: Helen Funk
Subject: Expo Response to 2020 Facility Rental Audit
Date: August 10, 2020

We have reviewed the draft of the 2020 Expo Facility Rental Internal Audit Report. Thank you for your time and in-depth research on potential efficiency modifications for our team. Below are our comments as appropriate.

First of all, we agree on both recommendations. However, at this time, during the COVID-19 environment we are not likely to be adding staff but rather downsizing to a minimum staffing plan. Once times have turned and we are able to function as a mass gathering location once again, we will focus our efforts to rehire staff and hopefully the front office will be occupied with FT Jackson County employees once again.

Optimistically speaking we will take heed to both of these recommendations for our future SOPs.

1. When an unfilled position in Finance is refilled, Finance should resume posting deposit information to the J:drive (shared drive between Finance and Expo) so that Expo, as a control, can periodically reconcile deposits to the Expo records to verify that all receipts were deposited and correctly coded to Expo.
2. Ideally, prior to an event being held an employee other than the employee tasked with receiving payments should verify that all payments were received and required documents submitted. If staffing levels do not permit this, we recommend that the primary administrative employee verify that all payments have been received and required documents submitted and then document that the verification occurred by initialing the Event Checklist, before giving out keys.

Once again, thank you for the time and energy your team has put on this report and audit.

Looking forward to the next opportunity to work with you and your team,

A handwritten signature in black ink that reads 'Helen Funk'.

Helen Funk, Expo Director

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