



Expo Hosted Events

May 24, 2023

A Report to the
Jackson County
Board of Commissioners

Commissioners

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**JACKSON
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MEMO
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To: Board of Commissioners
Re: Audit of the Expo's Hosted Event Finances
Date: May 24, 2023

The enclosed report presents the results of an audit over the Expo's financial administration of hosted events.

While we found areas to be improved upon, overall, we found that controls for the most part have been adequately designed to provide reasonable assurance that revenue was received and deposited and expenses were recorded correctly for events hosted by the Expo. The areas to be improved upon included ensuring that established controls are actually occurring, such as monthly financial reviews, and having the performance settlement calculation reviewed prior to payment.

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: Helen Baker, Expo Director
Shannon Bell, Deputy County Administrator
Fair Board
Audit Committee
Jackson County Budget Committee
Moss Adams, LLP

IN A NUTSHELL

Audit Objectives

The objectives of the audit were to evaluate whether:

1. Controls adequately safeguarded revenue and authorization of expenses, and provide reasonable assurance that recordation of event revenue and costs are accurate.
2. Revenue is completely accounted for and recorded to the appropriate event.
3. Costs were recorded to the correct event.
4. Overhead and general revenue/costs were allocated to events using a reasonable methodology.

What We Found

While we found areas to be improved upon, overall, we found that controls for the most part have been adequately designed to provide reasonable assurance that revenue was received and deposited and expenses were recorded correctly for events hosted by the Expo. The areas to be improved upon included ensuring that established controls are actually occurring, such as monthly financial reviews, and having the performance settlement calculation reviewed prior to payment.

What We Recommend

1. Ensuring that the monthly financial reviews are performed.
2. Having Finance review performance settlement payments prior to payment.
3. Having Expo and Finance develop a process to ensure that services/goods provided in trade are reflected as an expense in the County's financial system.
4. Ensuring that the end of Fair vault reconciliation is completed in a timely fashion.
5. Ensuring that future concessionaire contracts reflect the appropriate revenue sharing percentages or arrangements.

Introduction and Background

Events hosted by the Expo

The Jackson County Fairgrounds and Expo Park (Expo) hosts six annual events, including the Fair held every July. The remaining five events are:

1. Bones & Barrels (previously known as Bacon & Barrels). This event is held in February.
2. Wild Rogue Pro Rodeo. This event is held in May.
3. BoomFest. This event is held on July 4th.
4. BrewFest. This event is held in September.
5. Holiday Market. This event is held in November.

These events consist of many activities involving numerous vendors and partners. Money flows into the Expo from several sources and money flows out – in a short amount of time. The main sources of revenue vary for each of the events. Fair is the largest event and revenue sources include the carnival, admission ticket sales, food concessionaires, commercial exhibitors, and sponsorships. The main expenses for the Fair include entertainment (e.g., concerts), personnel, administration costs, security, marketing and equipment rentals.

In addition to the six annual events, the Expo also hosts concerts and other performances. In calendar year 2022, Expo hosted Gabriel Iglesias, Jeff Dunham, Cole Swindell, King and Country, and in 2023 it will host the Rogue Music Festival.

Audit Authority

We conducted our audit in accordance with Codified Ordinance 218 pertaining to the County Auditor. This audit was included in our fiscal year 2022-23 Internal Audit Plan.

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 Conclusion

While we found areas to be improved upon, overall, we found that controls for the most part have been adequately designed to provide reasonable assurance that revenue was received and deposited and expenses were recorded correctly for events hosted by the Expo. The areas to be improved upon included ensuring that established controls are actually occurring, such as monthly financial reviews, and having the performance settlement calculation reviewed prior to payment.

Audit Objectives, Scope & Methodology

Our audit objectives focused on financial operations. Specifically, we performed the audit to determine whether:

- Controls adequately safeguard revenue and authorization of expenses, and provide reasonable assurance that recordation of event revenue and costs are accurate.
- Revenue is completely accounted for and recorded to the appropriate event.
- Costs were recorded to the correct event.
- Overhead and general revenue/costs were allocated to events using a reasonable methodology.

Our audit procedures included:

- Reviewing Expo financial reports and financial records
- Pulling and reviewing Saffire event sales reports
- Reviewing performance settlement information and performer contracts
- Reviewing food and alcohol concession information and contracts as applicable
- Reviewing vendor tracking documentation and payment collection information
- Reviewing a haphazard sample of 12 gate sale reconciliations
- Reviewing documentation for a random sample of 40 expense transactions

Expo Hosted Events – Financial Operations

While we found areas to be improved upon, overall, we found that controls for the most part have been adequately designed to provide reasonable assurance that revenue was received and deposited and expenses were recorded correctly for events hosted by the Expo. The areas to be improved upon included ensuring that established controls are actually occurring, such as monthly financial reviews, and having the performance settlement calculation reviewed prior to payment.

For certain revenue sources that involved use of reports from the ticketing sales system Saffire, the revenue was not being recorded at the right amount in the County's financial system.

Three things were occurring which contributed to the recording of revenue to be different than the ticketing systems sales reports. One of the three reasons, was that the monthly review of Expo's financial accounting was not consistently occurring. The monthly review was being performed by the Finance Director and there were scheduling constraints during the time periods reviews were not being performed. Going forward, this task will be performed by another employee. The second reason that attributed to the differences was a staff change at Saffire and a change in event ticket set-up through Saffire, which changed how ticket sales information was presented in the sales reports and Saffire invoices. The last reason was an employee responsible for paying fees in the County's financial system was new to the process and due to constraints was not provided complete directions.

Admissions

Out of the six events hosted by the Expo, four of these events charge for admission into the event. These four events are Bone & Barrels (previously known as Bacon & Barrels), the Wild Rogue Pro Rodeo, BrewFest, and the Fair.

"Admissions" (a.k.a., gate receipts) refers to the revenue earned from attendees paying to attend the event and includes tickets sold at the event and also pre-event tickets sold at the Expo, online or at Sherm's.

In 2022, the Bacon & Barrel event was canceled due to the COVID pandemic. The Wild Rogue Pro Rodeo, BrewFest and the Fair events were held. The recorded admissions sold for these 3 events were:

- Wild Rogue Pro Rodeo – \$151,261 (includes fees)
- BrewFest – \$67,920 (does not include fees)
- Fair – \$253,489 (does not include fees)

Controls over admission revenue are reasonable

Our review focused on reviewing the controls over the tickets sold at the gate when the Fair is in operation, and also the pre-event tickets sold for the Fair, Wild Rogue Pro Rodeo, and BrewFest.

We found that the controls over receipt and deposit of tickets sold at the gate when the Fair is in operation to be appropriate. County employees¹ are responsible for checking the gate ticket clerks in at the beginning of his/her shift and out after his/her shift ends. The process includes counting the start-up cash and recording that amount on the reconciliation sheet. The clerk signs that he/she received the start-up cash in the amount counted. At the end of the clerk’s shift, the clerk provides his/her cash collected to the County employee who then counts the monies. Once counted, the cash counting machine receipt is printed and signed by both the clerk and the County employee. The cash sales are then written on the reconciliation sheet. The cash sales less the start-up cash is calculated and this amount is compared to the cash sales reported in Saffire the ticketing system used by the Expo. The County employee checking the clerk in and out, and the County employee who verifies that the monies were deposited in the County bank account both sign the reconciliation sheet.

We reviewed 12 reconciliation sheets, with supporting documentation and agreed the cash received to what was recorded in the financial system (E1) and what was deposited in the bank. In reviewing the records of the 2022 Fair, we found that only a minimal number of human errors occurred. Some human error is expected to occur given the number of shift reports that are processed in a short amount of time.

¹ The individual checking the ticket clerks in and out is a County employee that is working as a temporary employee during the Fair.

Typically, when we perform an audit involving the Fair held at the Expo, we review to ensure that the monies withdrawn from the County's bank account for cashier till change funds and residual monies from the ATMs were redeposited back into the County's bank account. Part of this review is to evaluate and recalculate the Fair vault reconciliation. At the time of the audit, the reconciliation hadn't been fully completed therefore we were unable to complete this review.

Controls over Fair admissions pre-sale tickets at offsite location were also appropriate. Sherm's was provided with a computer to be able to sell tickets through the Expo's ticketing system, Saffire. Sherm's accepted cash and credit cards. The credit cards were processed through the Expo merchant services. The cash received from Sherm's was balanced to a Saffire report. There was a small difference between what was provided in cash and the Saffire report. The Expo is going to start using a kiosk at the location and accept credit cards only. This will make the reconciliation process easier.

Lastly, we compared the entire admission totals from the Saffire sales reports for the Wild Rogue Pro Rodeo, BrewFest and the Fair to the revenue recorded in the County's financial system (E1). At the time of the audit, we found that there were small differences between E1 and the Saffire reports. Finance was working on reviewing the differences as the audit was being finalized. We did not review the outcome of that review by Finance.

The differences between Saffire and E1 were attributable to:

- **Accounting for fees charged customers for online ticket sales.**
The fee revenue is collected by Saffire and distributed to the County. Saffire then bills the County for ticket processing charges. The fee revenue collected is used to pay the billings received by Saffire. Due to a change at Saffire, the bills were arriving late and the format of the billing had changed. Therefore, the fees charged customers were recorded as a payable with the intent that when the bill was paid the payable would be reduced. Instead, the bill was paid and the associated payable (liability) was not reduced. This was due to an employee being new to the process and due to constraints was not provided complete directions. Finance

worked on correcting while the audit was in process. We did not review the final accounting for these fees.

- **Use of Reports.** There are multiple cash receipts through-out the event period recording admission revenue. Based on review of two of these receipts, we noticed that the column used on the Saffire report to record the revenue changed from one receipt to the next. There are multiple total columns on the Saffire sales report that provide different information, such as total ticket sales, total ticket sales plus the fee collected, total complimentary tickets, and charges which does not reflect the credits (e.g., refunds). The use of these reports is directly impacted on how fees are recorded in E1 and how non-sale (e.g., complimentary) tickets are set-up in the system.
- **Monthly Financial Review.** A monthly review is to be performed. This review was being performed by the Finance Director. These reviews were not being performed due to schedule time constraints. Going forward, these reviews will be performed by another employee.

A third party primarily handles concert ticket sales

Concert tickets

Concerts tickets are processed and sold online through a third-party ticketing system called Saffire. For concerts held at the Fair, patrons can purchase tickets at the event as well as prior to the event. The ticket revenue plus any fees are remitted to the Expo. As such, limited financial transactions occur for these events.

Concerts at the Fair

Concerts at the Fair

For the concerts held during the Fair, patrons can also buy concert tickets at the gate. The gate ticket clerks have access to a computer terminal and, in essence, purchase the tickets online through the third-party site for the customer. See the controls over these sales under the ‘admission’ section above. We found these controls to be appropriate.

We compared that the revenue recorded for the concerts held during the 2022 Fair to the County’s financial system (E1). The revenue recorded in E1 did not agree to the Saffire sales report. Finance was notified of the difference and is in process of reviewing the E1 revenue account for concerts at the time of this audit.

The balances pulled during the audit were:

- Financial System (E1) – \$296,019
- Saffire –
 - Sales Report Revenue Column – \$275,395, which included \$5,910 worth of complimentary tickets
 - Sales Report Total Revenue Column – \$304,285, which included \$5,910 worth of complimentary tickets and \$28,890 in fees for online ticket purchases

Hosted Concerts and Performances (Performances not held during Fair)

We also reviewed the settlement process for two of the performances hosted by the Expo that did not occur during the Fair. For these performances, the performer is paid a fixed rate and then receives a percentage of the net proceeds from the event (ticket sales less the expenses to host the performances). The fixed rate is paid up front prior to the performance and the percentage payment is paid at the end of the event.

Paying the final settlement amount at the end of the event requires the Saffire event sales report to be pulled and expenses calculated. If the expenses haven't been paid yet, the expenses are estimated based on available information or the budgeted amounts are used. With the quick turnaround time to determine revenue and expenses, there is an inherent risk that the final settlement payment could be too high or too low when compared to using final accounting of revenue and expense transactions for the event.

We found the Expo over paid about \$6,000 for one performance and \$25,000 for the second performance when we recalculated the final settlement payments using actual revenue and expenses.

Below is a list of areas we found during our review of the settlement calculation that may have contributed to these overpayments:

- The revenue used off of the Saffire sales reports to calculate the payment was not the appropriate amount since it didn't represent actual ticket sales revenue earned.
 - For one performance, the amount used was the total ticket sales plus the ticket fees charged the patrons. The fees should not be included in the ticket sales proceeds as these fees are

used to pay the ticketing processing fees which were not included as an expense for the performance.

- For the other performance, the complimentary tickets were included in the total ticket sales. These tickets should not be included in the sales total since the tickets have no sale value.
- The final accounting of expenses for the two performances was more than the amount used to calculate the settlement payment. These differences were minimal. Also, the total expenses used to calculate the payment for both performances was lower than what was budgeted per the contracts with the performers. It is great that the estimated expenses were lower than the budget, but this difference could also indicate that an expense may be missing or estimated incorrectly. We did not verify if the expenses recorded as performances expenses were in fact expenses for these performances.
- Part of the \$6,000 overpayment was due to not using the actual amount initially paid the performer when calculating the final amount due.
- It was unclear in both the contracts for the performances whether expenses related to ticketing fees and merchant fees could be included in the expenses or not. The Expo collects fees from each ticket sold and uses this fee revenue to pay the ticketing fees. Therefore, hypothetically if the expenses were more than the offsetting revenue then those expenses should be included in the contract budget and settlement.

We recommend that Finance perform a review of the settlement calculation prior to payment. This is especially important if the Expo cannot negotiate a grace period between the end of the concert and time of payment to allow for more accurate accounting of the revenue and expenses for the performance.

One other thing we noticed during our review was for one of the performances a few of the expenses were actually trades for service and these were not reflected as an expense in the County's financial system (E1). This could be problematic if using E1 to help budget for expenses for future performances. We recommend Expo and Finance develop a process to ensure that these types of transactions are recorded in the County's financial system.

Carnival at the Fair

The carnival vendor provides the equipment and personnel. The vendor pays the Expo a percentage of the sale of ride tickets and a fixed rate for food booths and game booths the carnival vendor operates during the Fair. The vendor provides the Expo with a sales report. We reviewed the vendor's report and found that it materially agreed with the contract terms, was mathematically correct, and was appropriately recorded in the financial system (E1). We note that the system requires a high level of trust in the vendor as there is no efficient means to verify the accuracy and completeness of the reported sales totals. The contract does allow the Expo or auditor access to the vendor's records.

We compared the total recording of carnival revenue, receipts processed by the Expo through Saffire and the payment made by the carnival vendor, to the County's financial system. The County's financial system reflected about \$4,800 more in revenue than Saffire and carnival vendor payment combined. We did not inquire as to the cause of the difference; however, it does seem reasonable that the cause is tied to the same reasons the other revenue accounts had differences as discussed above.

Sponsorships

In return for their financial support, sponsors generally receive specific marketing exposure plus a ticket package. Both the marketing exposure and ticket packages vary based on the dollar amount of the sponsorship.

There are planned job rotations occurring at the Expo with the addition of an Office Specialist position, and the transition of the prior Office Specialist to an Administrative Specialist I position and the Community Program Coordinator was transitioned to the Supervisor III position.

These job rotations impact who will be doing what tasks at the Expo. Therefore, for sponsorships we decided to review the design of the controls (who is assigned to do what) and not focus on whether the old controls were working as intended.

The control design seems appropriate for sponsorships. We did notice that one of the staff members that will be responsible for obtaining sponsorships, preparing the agreements, and tracking sponsors and maintaining the appropriate paper work was also listed to receive

payments as well. While we didn't see a risk related specifically to sponsorships, since these payments are expected, these duties are typically separated and assigned to two individuals so not one person can control the entire process. We mentioned this to the Expo Director has something to consider when looking at job assignments.

We selected two sponsorships for FY2022-23 to review, we found:

- That the sponsorship listed on the Expo website agreed to the sponsor recorded in the County's financial records.
- Both sponsorship payments were checks and were received by Expo staff into their cash receipting system (Teller).
- Treasury released the payment in the County's financial system.
- Payments were appropriate and recorded in the County's financial system accurately.

Commercial Exhibitors

Commercial exhibitors are the non-food and beverage vendors who rent space in order to sell and/or promote their products or organizations. Overall, there were about 48 vendors that occupied spaces during the 2022 Fair. Space is rented for fixed amount and ranged between \$200 to \$1,650 per vendor. The price paid by each vendor depended on the overall space size and quality of the location of the space.

We used the 2022 Fair to review controls over the collection of payments from commercial exhibitors. The tracking of whether a vendor pays or not is done in an Excel spreadsheet. A vendor can pay online using a credit card through Saffire, or pay at the Expo. The receipts are recorded in the Expo's cash receipting system (Teller) and then recorded in the County's financial system (E1).

We compared the vendor tracking spreadsheet to the County's financial system (E1) and Saffire reports. We found that \$7,550 worth of transactions were recorded in the year prior to the event being held and should have been recorded as unearned revenue. Therefore, the prior year was overstated and the current fiscal year is understated by \$7,550.

Two payments of \$650 were actually refunded, and the County’s financial system showed the vendors as paid and not refunded causing revenue to be overstated by \$1,300. Another payment of \$850 was approved to be refunded and it wasn’t processed. This vendor has since been refunded their \$850. In summary, commercial exhibitor revenue for FY22-23 for the 2022 Fair was recorded at \$28,650 and it should have been \$34,050.

Food and Beverage Vendors

Unlike commercial exhibitors which pay a flat fee to the Expo, food vendors pay the Expo 26% of their gross revenue. Therefore, additional controls are needed to ensure that food vendors accurately report their revenue to the Expo. The County Auditor’s Office serves as the “food vendor auditor” and is responsible for ensuring that food vendors submit complete and accurate sales records. Because auditing standards require us to be independent and objective, we cannot provide an audit opinion as to whether controls over food vendors were adequate. We did verify that the classification of food vendor revenue reported to the Auditor’s Office was classified correctly in the financial system (E1) as food vendor revenue.

**Beverage vendor
– controls
seemed
reasonable**

Overall controls over receipting, depositing and categorization of beverage monies in E1 is reasonable. The beverage vendor has exclusive rights to sell beer, wine and liquor during the Fair. The vendor pays the Expo a sliding scale depending on how many kegs are sold. The vendor provides the Expo with a report of what was sold and total gross sales. We reviewed the vendor’s report and found that it materially agreed with the contract terms, was mathematically correct, and was appropriately recorded in the County’s financial system (E1). We note that the system requires a high level of trust in the vendor, however, the contract states that the concessionaire is to keep accurate records of all business transactions and sales made at the concession and the Expo has the right to audit those records.

The amount paid for one event did not agree to the contract terms. The contract is written that the percentage of sales is calculated using the number of kegs sold at an event. However, for one of the events, the sale of canned beverages was higher than typical and the purchase of kegged

beverages was down. In order to help accommodate for this change in purchasing, the vendor converted the purchase of canned beverages to kegs in order to calculate the rate paid to the Expo. At the time of this audit, the Expo was working on a new agreement with the vendor that hopefully will result in a change in how the revenue sharing percentage will be calculated to accommodate any future drinking preference changes. It should be noted that the Expo was paid more than what was required by the agreement with the vendor, since the cans were converted to kegs.

We noticed that the contract with the food vendor that operated the concessions during the concerts held at the 2022 Fair specified that the percentage of gross sales to be paid was 26%. The 26% was a carryover from the other food contracts, and the concert food vendor was to pay 20% because the operations for the concerts are a shorter period than operations done by the other food vendors at the Fair. The vendor did in fact pay the Expo the 20% of gross sales and not the 26% as per the contract. The explanation provided by the Expo as to what happened makes sense and we are not questioning the payment of the 20%. We only mention for future contracts to ensure that the contract is updated to reflect the agreed upon 20% instead of the 26%.

The controls over expenses are reasonable

We found that there were adequate controls in place to provide reasonable assurance that expenses were authorized, allowable, and correctly categorized in the financial system.

Based on a review of a sample of 40 expenditures from Fair, Rodeo, BrewFest, Holiday Market, and BoomFest, we found expenses were authorized, allowable, and categorized appropriately in the financial system (E1).

During our review of a performance settlement budget, we did notice one expense hadn't been paid, and it was also brought to our attention that Saffire fees might not be fully paid since the billing has been delayed. The Expo could benefit from having an end of event review between anticipated expenses and actual to ensure that all expenses have been paid. This would help ensure that cost information for the event is recorded timely and therefore can be used for future event planning.

There were changes at Saffire which contributed to billings being delayed for their ticketing services. This prompted Finance to record the ticket fee revenue received as a liability. Once the fees were paid, then the thought was that the liability would be reversed. The reversal of the liability was not occurring. Finance is aware of the reversal not occurring and was working on adjusting entries at the time of the audit. We did not review these adjustments further.

We noticed during the review of the concerts that certain services were received as a sponsorship and therefore the Expo did not have to pay for these services. The services are not recorded in the County's financial system as an expense. While it is great that these services were performed in exchange for specific marketing exposure or other sponsorship incentives, there is a risk that not having these exchanges recorded in the County's financial system could impact the planning of future events.

**Overhead
Allocation – Not
Reviewed**

We decided not to review the allocation of overhead costs to the hosted events because the overhead allocation process was impacted by the September 2020 fires and the COVID-19 pandemic. The allocation methodology had to be modified for a limited duration, and reviewing this modified methodology would not provide relevant information for decision makers regarding past performance and future event planning since these situations do not typically occur on a regular basis. Therefore, we will postpone reviewing the overhead allocation since the methodology was impacted by these events.

Summary of Recommendations and Management Response

We recommend, including management responses:

1. Ensuring that the monthly financial reviews are performed. This should be corrected going forward with the use of another staff member to perform these reviews.
 - Agree. The Accounting Analyst is preparing the reports to be reviewed by the Senior Deputy County Administrator prior to presentation to the Fair Board.
2. Having Finance review the settlement payment calculation prior to payment for performances that require a percentage of the net proceeds from the event (ticket sales less the expenses to host the performances) to be paid at the end of the event.
 - Agree and with VPN technology, this should be an easy task to implement.
3. Having Expo and Finance develop a process to ensure that services/goods provided in trade are reflected as an expense in the County's financial system (E1) to ensure that event information is accounted for to help plan for future events.
 - Agree. Finance and Expo will work out a process to get the needed information.
4. Ensuring that the end of Fair vault reconciliation is completed in a timely fashion.
 - Agree. Going forward, the vault reconciliation will be under dual control and responsibility.
5. Ensuring that future concessionaire contracts reflect the appropriate revenue sharing percentages or arrangements.
 - Agree. Greater attention will be placed on annual contracts by the office specialist and director.

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