



MICHIGAN

OFFICE OF THE AUDITOR GENERAL



THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

– Article IV, Section 53 of the Michigan Constitution

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Michigan
Office of the Auditor General
REPORT SUMMARY

Management Letter

*Michigan Exposition and Fairgrounds Authority
(A Discretely Presented Component Unit of the State of Michigan)
October 1, 2008 through September 30, 2009*

Report Number:
071-0305-10M

Released:
February 2010

This management letter is used to report significant deficiencies in internal control over financial reporting and other matters that come to the auditor's attention during the completion of the financial audit conducted in accordance with generally accepted government auditing standards. This management letter is being issued in conjunction with our financial audit of the Michigan Exposition and Fairgrounds Authority, a discretely presented component unit of the State of Michigan.

Financial Statements:

Auditor's Report Issued

We have audited the financial statements of the Michigan Exposition and Fairgrounds Authority as of and for the fiscal year ended September 30, 2009 and have issued a separate report thereon dated December 16, 2009. We issued an unqualified opinion on the financial statements of the Authority.

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Internal Control Over Financial Reporting

We identified a significant deficiency in internal control over financial reporting (Finding 1). We do not consider this significant deficiency to be a material weakness.

The Authority did not establish appropriate accountability for inventory of vendor, exhibitor, camping, or concert tickets (Finding 1).

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**Noncompliance and Other Matters
Material to the Financial Statements**

We did not identify any instances of noncompliance or other matters applicable to the financial statements that are required to be reported under *Government Auditing Standards*.

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Agency Response:

Our management letter includes 1 finding and 1 corresponding recommendation. The Department of Management and Budget's (DMB's) preliminary response indicates that it agrees with the recommendation.

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**Abolishment of the Michigan
Exposition and Fairgrounds Authority**

On February 12, 2009, Governor Granholm issued Executive Order No. 2009-4 transferring the functions of the Authority and the position of general manager of the Authority to DMB and abolishing the Authority and the position of general manager of the Authority. The Executive Order was effective October 1, 2009.

A copy of the full report can be
obtained by calling 517.334.8050
or by visiting our Web site at:
<http://audgen.michigan.gov>



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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

February 19, 2010

Ms. Phyllis Mellon, Acting Director
Department of Management and Budget
Lewis Cass Building
Lansing, Michigan

Dear Ms. Mellon:

We have audited the financial statements of the Michigan Exposition and Fairgrounds Authority, a discretely presented component unit of the State of Michigan, as of and for the fiscal year ended September 30, 2009 and have issued a separate report thereon dated December 16, 2009. In planning and performing our audit of the financial statements of the Authority, we considered the Authority's internal control over financial reporting and compliance and other matters. This is our management letter on the internal control over financial reporting and on compliance and other matters of the Michigan Exposition and Fairgrounds Authority for the period October 1, 2008 through September 30, 2009.

This management letter contains our report summary; our independent auditor's report on internal control over financial reporting and on compliance and other matters; our finding, recommendation, and agency preliminary response; and a glossary of acronyms and terms.

The agency preliminary response was taken from the agency's response subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL

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INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL AND COMPLIANCE



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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Ms. Phyllis Mellon, Acting Director
Department of Management and Budget
Lewis Cass Building
Lansing, Michigan

Dear Ms. Mellon:

We have audited the financial statements of the Michigan Exposition and Fairgrounds Authority, a discretely presented component unit of the State of Michigan, as of and for the fiscal year ended September 30, 2009 and have issued our report thereon dated December 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the next paragraph, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than

a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in Finding 1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described in the third paragraph of this section is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The agency preliminary response to the finding identified in our audit is included in the body of our management letter. We did not audit the agency preliminary response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Governor, the Legislature, the Department of Management and Budget, and the Michigan Exposition and Fairgrounds Authority and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR GENERAL

December 16, 2009

FINDING, RECOMMENDATION, AND
AGENCY PRELIMINARY RESPONSE

FINDING

1. Ticket Accountability

The Michigan Exposition and Fairgrounds Authority did not establish appropriate accountability for inventory of vendor, exhibitor, camping, or concert tickets. As a result, the Authority could not ensure that it received all revenue from these ticket sales.

The State of Michigan Financial Management Guide (Part II, Chapter 12, Section 100) states that each agency that maintains inventory is responsible for implementing and maintaining an inventory accounting system that provides adequate internal control and also provides the financial information necessary for preparing the *State of Michigan Comprehensive Annual Financial Report*.

The Department of Management and Budget (DMB) informed us that, during May 2009, it prepared a complete inventory of all gate and parking tickets located in the Administration Building. However, at the conclusion of the State Fair, DMB discovered a supply of vendor, exhibitor, camping, and concert tickets from which sales were made that Authority staff failed to disclose when the tickets were inventoried in May 2009.

The inventory and issuance of vendor, exhibitor, camping, and concert tickets were the responsibility of the Authority. However, the Authority did not prepare beginning inventory or document sales for vendor, exhibitor, camping, or concert tickets. As a result, it is undeterminable how many vendor, exhibitor, camping, or concert tickets were actually sold or how much revenue should have been received from the ticket sales.

RECOMMENDATION

We recommend that the Authority establish appropriate accountability for inventory of vendor, exhibitor, camping, and concert tickets. (The Authority was abolished by Executive Order No. 2009-4, effective October 1, 2009.)

AGENCY PRELIMINARY RESPONSE

DMB agrees. However, as previously noted, the Authority was abolished by Executive Order No. 2009-4, effective October 1, 2009. As a result, no further action is necessary.

GLOSSARY

Glossary of Acronyms and Terms

control deficiency in internal control over financial reporting	The design or operation of a control that does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.
DMB	Department of Management and Budget.
financial audit	An audit that is designed to provide reasonable assurance about whether the financial schedules and/or financial statements of an audited entity are presented fairly in all material respects in conformity with the disclosed basis of accounting.
internal control	A process, effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
material misstatement	A misstatement in the financial schedules and/or financial statements that causes the schedules and/or statements to not present fairly the financial position or the changes in financial position or cash flows in conformity with the disclosed basis of accounting.
material weakness in internal control over financial reporting	A significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial schedules and/or financial statements will not be prevented or detected.

significant deficiency
in internal control over
financial reporting

A control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial schedules and/or financial statements that is more than inconsequential will not be prevented or detected.

unqualified opinion

An auditor's opinion in which the auditor states that:

- a. The financial schedules and/or financial statements presenting the basic financial information of the audited agency are fairly presented in conformity with the disclosed basis of accounting; or
- b. The financial schedules and/or financial statements presenting supplemental financial information are fairly stated in relation to the basic financial schedules and/or financial statements. In issuing an "in relation to" opinion, the auditor has applied auditing procedures to the supplemental financial schedules and/or financial statements to the extent necessary to form an opinion on the basic financial schedules and/or financial statements, but did not apply auditing procedures to the extent that would be necessary to express an opinion on the supplemental financial schedules and/or financial statements taken by themselves.

