



AUDITOR'S OFFICE



FAIRGROUNDS SITE MANAGEMENT GROUP (FSMG) **REVENUE & EXPENSE TESTING AUDIT**

REPORT NO. 18-02

September 2018

Compliance with Audit Standards

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

Executive Summary

The Fairgrounds Site Management Group (FSMG) is a not-for-profit organization which manages, on behalf of Clark County, the Event Center and the activities held there, including the Clark County Fair. The Site Management Contract between FSMG and the County requires that revenues and expenditures be examined annually. FSMG requested that the County Auditor's Office make this examination to satisfy this requirement. The audit examined compliance and performance for certain financial activities as required by the contract. In addition, this audit suggests a template for future audits.

Clark County developed the Event Center to create a positive economic impact and stimulate economic growth for the region. FSMG is an organization with 12 full time positions dedicated solely to the management of the Event Center. In 2016 the Event Center fund produced more than \$4.3 million in revenue for the County, roughly half of which came from the Clark County Fair. All revenues collected are the sole property of the County.

Conclusions

- FSMG revenues and expenditures generally adhere to Clark County financial policies, standards and internal control expectations, with some exceptions. The County needs to adjust its accounting process for the Event Center fund.
- FSMG is performing specific activities in the contract, with one qualification
- Existing contract language for reporting and audit requirements needs to be amended.

Summary

We recommend FSMG enhance controls around its internal payroll process with a documented review by the CEO and a staff record of beginning and ending pay rates. FSMG should review positions for proper segregation of duties in order to avoid real or apparent conflicts of interest, and to decrease the risk of fraud and errors. A monthly report issued by FSMG should use post-accounting close data.

Clark County needs to exercise authority over its journal voucher process for the Event Center, which is currently managed by FSMG. The County also needs to account for the Event Center as an Enterprise fund to better support FSMG.

The current requirement of a revenue and expense audit in the FSMG contract does not provide either party with substantial benefit. Future audits should focus on FSMG as a going concern and those processes not otherwise subject to audit and which are beyond the County's purview.

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Introduction

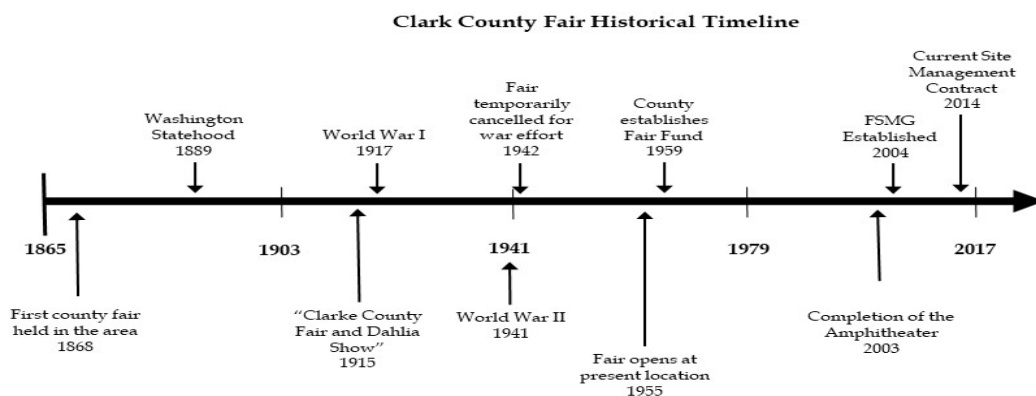
The Fairgrounds Site Management Group (“FSMG”) is a not-for-profit organization that is responsible for the management and operations of the Clark County Event Center (“the Event Center”). FSMG was created to manage Clark County’s (“the County”) investment in the Event Center and its activities, including the annual Clark County Fair (“the Fair”). FSMG is solely dedicated to management of the Event Center. The 2014 Site Management contract between the County and FSMG includes a requirement for annual revenue and expense testing.

FSMG requested the Clark County Auditor’s Office to assist in meeting the testing requirement in 2016. Audit work was performed between January 2017 and March 2018. Audit work was suspended from May to October 2017 to accommodate FSMG’s busy season, at FSMG’s request. More information about the objectives, scope and methodology is available in Appendix A.

We conducted this audit in accordance with generally accepted government auditing standards. Those 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Clark County built the Event Center to create a positive economic impact and stimulate economic growth for the region. FSMG was established as a separate not-for-profit entity to manage the Event Center and the annual Clark County Fair, in 2004. FSMG is governed by a five-person board of directors, three of whom are appointed by Clark County.



FSMG has 12 full time positions responsible for management of all activities that take place throughout the year at all Event Center facilities. FSMG also employs a temporary staff during the year, particularly during the Clark County Fair. The largest of these activities is the Clark County Fair held after the first full weekend in August, but events continue throughout the year. In 2016, the Event Center generated \$4.3 million in revenue for the County, more than half of which came during the crucial summer months and includes the Fair.

All operating revenues collected by FSMG from operation of the Event Center are the sole property of the County. The County devotes a special revenue fund to account for Event Center operations.

The Clark County Auditor's Office previously reviewed Event Center operations in its 2006 Controls over Revenue Contracts audit and again in 2014 in its Audit of Fairgrounds Site Management Group Revenue Handling Procedures. The 2006 audit recommended strengthening of internal controls over cash handling, better documentation procedures and more timely deposits. The 2014 audit recommended improved management oversight of financial activities, improvements of internal controls, policy development, reporting consistency and improved oversight of contracted activities. In addition, the Clark County Auditor's Office performs regular internal control reviews of cash handling and receipting functions at the Event Center, the most recent of which took place in October of 2017.

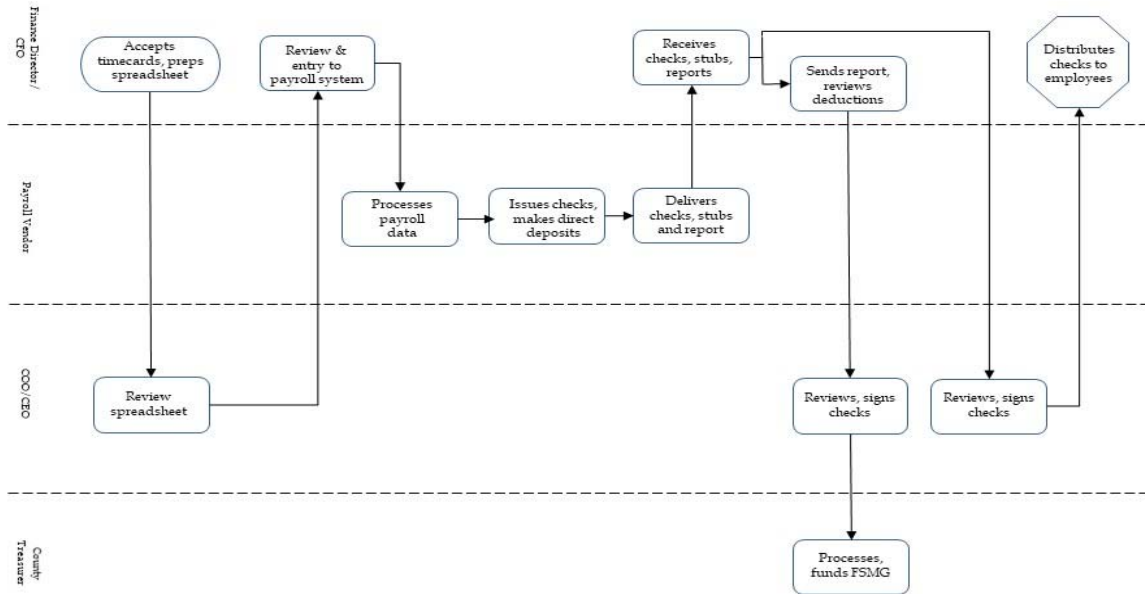
Audit Results

FSMG revenues and expenditures processes generally adhere to Clark County policies and expectations

FSMG has documented flows of its accounts payable, accounts receivable, payroll and cash handling processes, along with associated written policies. Payables and receivables are initiated and reviewed by FSMG and then processed through the County’s Enterprise Resource Planning (ERP) system. FSMG payroll is processed independently of County oversight and systems. We tested payables, receivables and payroll for existence, accuracy, cut-off, reasonableness and authorization, focusing on parts of the processes which were not otherwise subject to audit by the County. Generally, FSMG finances adhere to Clark County policies, standards and internal control expectations, with some exceptions.

FSMG requests a transfer from the County Treasurer’s office for payroll. The Treasurer transfers funds to a non-County bank account and charges the Event Center special revenue fund. FSMG manages payroll using a third party vendor from this point forward.

FSMG Payroll Process



Some FSMG policies, practices and internal controls are not fully developed

The CEO currently reviews payroll as a regular part of FSMG's payroll process, before payroll is distributed. He has full knowledge of the staff rates of pay and pay increase/raise activity.

FSMG depends on the CEO's knowledge and memory of pay rates for accurate and authorized payroll. There was no evidence of CEO's review on any documentation from the payroll vendor. Staff pay rates are stated on reports generated by the payroll vendor. There is no independent physical documentation of staff pay rates at the beginning of the year, or any consolidated record of changes to those rates.

A payroll process should have verifiable checks and balances to minimize the risks of fraud and errors as a matter of best practices. Without evidence that payroll has been reviewed or a list of employees with job titles, pay rates and raise information, there is an increased risk of fraud or error in the FSMG payroll process. We did a judgmental sampling of payroll periods in 2016 and found no transactional errors or evidence of fraud in the data.

Recommendation

1. **We recommend** the CEO sign or initial payroll reports generated to document his review. We further recommend FSMG create and maintain a staff rate schedule to document job titles, pay rates and changes to the rates over the course of a year.

FSMG Should Improve Internal Controls by Re-evaluating Segregation of Duties

The AICPA defines segregation of duties as a basic building block of sustainable risk management and internal controls. Clark County is conscious of segregation of duties and strives to maintain segregated duties as internal controls in its normal course of business.

FSMG is a not-for-profit organization with 12 regular employees. Business conditions, such as the weeks surrounding the crucial Clark County Fair, place significant demands on FSMG resources. Backfill needs for duties are likely due to the size of the organization and the busy fair season.

The Chief Operating Officer ("COO") was promoted from Chief Financial Officer in April of 2017. A finance manager was hired to fill her previous role, and the COO has provided training and guidance. The COO's knowledge of systems, policies and process is important to FSMG's continuing success. The COO fills the role of the CEO when the CEO is out of the office or unavailable and maintains access to key systems, accounts and processes within FSMG from her prior role as CFO. The COO has the ability to initiate transactions, approve transactions and reconcile. There is a family relationship within the chain of command.

Improperly segregated duties can lead to apparent or real conflicts of interest, increased risk of fraud and/or increased rates of errors. Even apparent conflicts of interest can lead to misperceptions and misunderstandings with key FSMG stakeholders such as the County or the general public. It is important to note that we found no evidence of fraud or abuse related to these conditions.

Recommendation

2. **We recommend** FSMG review the COO's financial roles and access. Authorization, recording, custody and reconciliation of transactions are ideally separated functions. Where segregation of functions is not practical or otherwise the cost exceeds the benefits of such segregation, increased monitoring and review must compensate. Staff training and empowerment can also be useful tools.

FSMG Should Have a Written Policy for Comp Tickets, Awards and Prizes

Clark County has several policies concerning its ethical expectations of its employees. These policies prioritize the interests of Clark County and strive to avoid the actual or appearance of unethical or compromising practices. The County expects FSMG, as a county representative, to conduct itself in a similarly ethical manner according to its ethics policy.

Awarding prizes and accepting and distributing comp tickets, complimentary tickets distributed for free or nearly free used for promotional purposes, are an industry standard and a necessary and expected part of FSMG operations. FSMG performs customer service by offering comp fair tickets in situations where customer service or marketing demands it. FSMG also generates comp tickets for concerts where successful marketing and contract requirements demand it. FSMG does not have policies for distributing comp tickets, requesting comp tickets from vendors or written guidelines for issuing prizes and awards, but has operated on this standard of business need and marketing expectations without any identified issues of fraud or abuse.

FSMG needs a comp tickets and prize policy to strengthen internal controls and be in compliance with Clark County standards, policies and practices. The absence of a policy increases the likelihood of both actual and apparent conflicts of interest. The County desires to maximize the revenues of the Event Center. Even an appearance of a conflict of interest with prizes or comp tickets could cause a misunderstanding and endanger the relationship between FSMG and the County.

Recommendation

3. **We recommend** FSMG draft a policy regarding the request, acceptance and issuance of comp tickets and the distribution of awards. The policy should be flexible enough to enable successful operations and marketing initiatives but detailed enough to avoid actual or apparent conflicts of interest. The policy should contemplate existing ethics policies within Clark County and be submitted to the FSMG board for approval.

At minimum, the policy or policies should define when prizes and comp tickets are issued and accepted, dollar values and limits, and who may request and issue comp tickets or awards. The policy should also define eligibility, transfer, re-sale and outline correct accounting and disclosure.

Clark County Should Review Its Design and Management of the Event Center Fund

FSMG is held accountable and is primarily evaluated based on financial performance. Performance is ultimately judged by the fund balance in the County's Event Center Fund. Effective, transparent and accurate accounting of the Event Center Fund is therefore very important for FSMG. Two areas which directly impact the accounting for the Event Center need to be reviewed by the County.

The County manages dozens of funds. Responsible departments within the county make accounting adjustments to funds as a normal course of business. Clark County created a fair fund by resolution in the late 1950's. The fair fund evolved by staff report into the Event Center fund in 2012. Clark County General Services is responsible for the Event Center fund and manages the relationship with FSMG on behalf of the County.

Currently, the CEO and COO of FSMG are the only authorized signers for journal entries with the Clark County Auditor's Office. No county employees outside of the Auditor's Office are authorized to move funds or otherwise adjust accounting in the special revenue fund for the Event Center. According to the 2014 contract, all revenues earned at the Event Center are the property of the County.

FSMG currently maintains sole access to journal entries, as a financial control. No other special revenue fund or enterprise fund is controlled or managed by individuals outside the County. FSMG needs access and visibility to the Event Center fund in order to understand operations performance and County perceptions.

Recommendation

4. We recommend FSMG work with Clark County General Services and the Clark County Auditor's Office to transfer the authority to sign and approve journal entries for the Event Center to General Services. General Services may delegate journal voucher preparation activities to FSMG staff for the ongoing accounting functions of the Event Center. FSMG should continue to monitor all fund activity, perform reconciliations, understand all adjusting entries and accounting transactions in the Event Center Fund, as a control on the Event Center Fund activities.

The Washington State Auditor's Office ("SAO") provides guidance and criteria for various fund types. The guidance for special revenue funds states that a special revenue fund should be used to account for and report special revenue sources that are restricted or committed to expenditures for specific purposes. The SAO states governments should discontinue reporting a special revenue fund if the government no longer expects a substantial portion of special revenue fund inflows will derive from restricted or committed revenue sources.

Currently, the County accounts for the Event Center fund as a special revenue fund. For many years, the Fair has received a state grant which comprised a significant portion of the fund's revenue and justified the designation of a special revenue fund. The County still receives this grant and the amount has remained roughly consistent, however revenues from the Fair have increased to the point where the grant is no longer a significant portion of the fund's total revenue.

In 2016, more than 80% of the Event Center's revenue came from private, external sources. Based on the staff report associated with the 2014 contract between FSMG and the County, the County's expectation is that the Event Center will recover its costs. FSMG management perceives its operations as an enterprise-type function. Because the County accounts for activity as a special revenue fund, it does not currently produce a cash flow statement for the cash intensive Event Center.

SAO states enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Enterprise funds are required for an entity with a policy decision to recover cost.

Recommendation

5. **We recommend** FSMG work with the Clark County Auditor to designate Event Center as an enterprise fund and report it accordingly.

FSMG Follows the Financial Activities Specified in the Contract, However One Element Does Not Meet Best Practices

The Site Management Contract requires FSMG produce a number of financial reports. The reports, their focus and usage are clearly described in the contract. FSMG is producing all of the reports required by the contract.

Section V. part G. paragraph 1. of the contract between FSMG and the County calls for a monthly financial analysis of site operations to be produced for the FSMG Board. FSMG presents a report titled P&L Trend Analysis to its board, which illustrates the performance of business units in compliance with this stipulation.

It is accepted best practice for financial reports to be complete and accurate as of a specified report date. As a matter of standard practice, Clark County monthly reports foot to the County General Ledger. Clark County closes the prior month's accounts on or about the 10th of the following month.

FSMG endeavors to produce timely financial reports. The P&L Trend Analysis is produced by FSMG before the County finance close. Certain non-operating activity is not reported in the FSMG report as a matter of practice. The P&L Trend Analysis focuses on operations, rather than all financial activity such as interest earnings within the Event Center fund.

Because the P&L Trend Analysis report is completed pre-close, the report does not capture transactions which occur between its completion and the official County month end close. Transactions which do not make the report's cut-off are reflected in the following month's totals. This makes reconciliation to the County's general ledger difficult and time consuming.

Reporting pre-close accounting information may not reflect important financial activity. Limiting reporting to only operations and ignoring revenue from non-operating activities, such as interest earnings, risks presenting an incomplete financial picture. A report without complete financial information could negatively impact perceptions, guidance for decision makers and other stakeholders using the report. Reports which reconcile to the County general ledger will give FSMG an accurate tool with which to monitor Event Center fund activity.

Recommendation

6. **We recommend** FSMG present post-accounting close reports which easily reconcile to the County general ledger for the Event Center fund. This will provide decision makers with the most accurate and timely information available and serve as a check on journal activities in the Event Center fund.

Future Audits Need to be Re-focused

The 2014 contract calls for “revenue and expense testing [to be] performed by an independent agent/agency” on an annual basis. It further states “revenue testing shall consist of a sampling of fifteen days of operations.” The contract places no similar limits on expense testing.

Currently, FSMG’s Accounts Receivable and Accounts Payable transactions are paid through the Clark County G/L using processes and controls of the County Treasurer and the County Auditor, respectively. After being turned over to the County, these transactions are subject to the same review as any other County A/P or A/R transaction. This audit was performed at the request of FSMG and satisfies the contractual audit requirement, however no annual revenue and expenditure testing has otherwise taken place since the contract was signed in October of 2014 and is subject to a five-year review at the end of 2018.

The relationship between the County and FSMG is complex because of the large revenues, high public profile and the highly dependent relationship. The current contract language concerning audit and reporting does not reflect or acknowledge FSMG’s process of routing payables and receivables through the County system. FSMG is sensitive about sharing data which might be proprietary, and the public disclosure that may be associated with being a vendor to the County.

FSMG has a limited number of staff that is stretched during the month of the Clark County Fair and the months immediately preceding and following it. Meeting the annual revenue and expense audit expectation in the contract would be financial costly to FSMG and could conceivably have a material, adverse effect on operations during the very important fair months. Because payables and receivables are routed through the County, the risk of errors is reduced and the value of an annual revenue and expense audit to the County is significantly minimized.

The County has an operational interest in FSMG as a going concern, as well as a strong financial interest in the success of the Event Center operations. The County’s name and reputation is firmly linked with the Fair and the Event Center, and therefore, the success of FSMG.

Recommendation

7. **We recommend** Section V. Part G. Paragraph 3. of the 2014 Site Management Contract be amended to reflect the need for a biennial audit of FSMG which focuses on FSMG as a going concern, policies and those revenue and expense processes partially or completely beyond the County’s purview, including payroll.



CLARK COUNTY
EVENT CENTER
at the Fairgrounds

August 20, 2018

Michael Stout
Internal Performance Auditor
Clark County Auditor's Office
Clark County, Washington

Dear Michael,

Thank you for the report on your Revenue and Expense Testing Audit at the Clark County Event Center. I have reviewed your findings and recommendations and have prepared this letter to identify the actions which have been taken on the recommendations and the actions we have planned.

Below are the recommendations as contained in the audit report, each followed by the actions taken/planned.

Recommendations:

(1) We recommend the CEO sign or initial payroll reports generated to document his review. We further recommend FSMG create and maintain a staff rate schedule to document job titles, pay rates and changes to the rates over the course of a year.

Action Taken: Concur. The Executive Director reviews and signs all the checks and the documentation from the payroll vendor. A separate staff rate schedule documenting job titles, pay rates and changes has been developed for use during the recurring payroll reviews.

(2) We recommend FSMG review the COO's financial roles and access. Authorization, recording, custody and reconciliation of transactions are ideally separated functions. Where segregation of functions is not practical or otherwise the cost exceeds the benefits of such segregation, increased monitoring and review must compensate. Staff training and empowerment can also be useful tools.

Action Taken: Concur. We recognize the value of segregation of duties as a risk management and internal control tool. The recent retirement of the CEO, the COO and the Finance Assistant has afforded the opportunity to review and evaluate the

optimal organizational structure, taking into consideration the elements of this recommendation. The role of COO has been eliminated and replaced with a Director of Events. The Director of Events will also function as the Assistant Executive Director and be trained in the approval of transactions in the absence of the CEO. However that individual will not initiate transactions in the finance system. As a result of the retirements and reorganization, the Director of Finance now will report directly to the CEO. The Finance Assistant also retired. Although the former family relationship was not in the day to day chain of command, (the Finance Assistant reported directly to the CEO) the retirements and new hires have eliminated all family relationships. The newly hired Finance Assistant now works directly for the Director of Finance.

(3) We recommend FSMG draft a policy regarding the request, acceptance and issuance of comp tickets and the distribution of awards. The policy should be flexible enough to enable successful operations and marketing initiatives but detailed enough to avoid actual or apparent conflicts of interest. The policy should contemplate existing ethics policies within Clark County and be submitted to the FSMG board for approval.

At minimum, the policy or policies should define when prizes and comp tickets are issued and accepted, dollar values and limits, and who may request and issue comp tickets or awards. The policy should also define eligibility, transfer, resale and outline correct accounting and disclosure.

Action Taken: Concur. A comprehensive policy has been developed for complimentary tickets. It will be presented to the FSMG Board for review and approval.

(4) We recommend FSMG work with Clark County General Services and the Clark County Auditor's Office to transfer the authority to sign and approve journal entries for the Event Center to General Services. General Services may delegate journal voucher preparation activities to FSMG staff for the ongoing accounting functions of the Event Center. FSMG should continue to monitor all fund activity, perform reconciliations, understand all adjusting entries and accounting transactions in the Event Center Fund, as a control on the Event Center Fund activities.

Action Taken: Concur. We will address this at the next FSMG Board meeting and begin the process of working with Clark County General Services to accomplish this recommendation.

(5) We recommend FSMG work with the Clark County Auditor to designate Event Center as an enterprise fund and report it accordingly.

Action Taken: Concur. We will address this at the next FSMG Board meeting and begin the process of working with the Clark County Auditor to accomplish this recommendation.

(6) We recommend FSMG present post accounting close reports which easily reconcile to the County general ledger for the Event Center fund. This will provide decision makers with the most accurate and timely information available and serve as a check on journal activities in the Event Center fund.

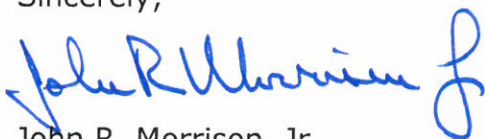
Action Taken: Concur. We will adjust the end date of the reports presented to the FSMG Board monthly to coincide with when Clark County closes the prior month's accounts on or about the 10th of the following month.

(7) We recommend Section V. Part G. Paragraph 3. of the 2014 Site Management Contract be amended to reflect the need for a biennial audit of FSMG which focuses on FSMG as a going concern, policies and those revenue and expense processes partially or completely beyond the County's purview, including payroll.

Action Taken: Concur. The five-year review of the contract is scheduled for 2019. This recommendation will be included in the review and recommended changes to the contract.

I appreciate the time you spent during this visit and the priority you assigned in getting it finished in conjunction with the personnel changes that are scheduled to occur here in the Event Center staff and I thank you for working around our County Fair requirements. I look forward to working with your office in the future on any other matters.

Sincerely,



John R. Morrison, Jr.
Executive Director, Clark County Event Center
Fairgrounds Site Management Group

Cc: Larry Stafford, Audit Services Manager
Bob Stevens, Director, General Services
Donna Dowdy, Clark County Event Center COO
Amy Deshazer, Director of Finance, Clark County Event Center
Mickey Webb, Clark County Event Center
Don Klase, Clark County Event Center

Appendix A: Objectives, Scope and Methodology

The 2014 contract specifically calls for a sampling of fifteen days of revenue operations as specified by the Clark County Auditor's Office. Expense testing is also required by the contract, however there is no similar time frame specified to expense testing in the contract. FSMG requested the Clark County Auditor's Office to assist in meeting this requirement in 2016. Within the same contract, there are also other financial objectives and stated performance expectations. In addition to meeting FSMG's request for assistance in meeting the contractual requirement, this audit had three objectives:

- (1) Determine if revenues and expenditures adhere to Clark County financial policies, standards and internal control expectations
- (2) Determine if FSMG is performing specific financial activities as specified in the FSMG contract
- (3) Establish a template for future revenue/expenditure audits

Clark County relies on FSMG to manage Event Center activities effectively and efficiently. FSMG operates independently of Clark County. Clark County policies and practices help to ensure efficient operations, legal and ethical compliance as well as deterring fraud and abuse. If controls or policies deviate from the Clark County FSMG Site Management Contract or from best practices, further testing may be necessary.

We performed this audit by doing the following:

- Interviewing key stakeholders to the site management contract
- Reviewing prior County audits and other fair audits
- Examining relevant policies within and beyond Clark County
- Process mapping
- Fraud testing (limited)
- Consideration of best practices
- Analysis of financial data from the County general ledger and data kept by FSMG.

For the contractual requirement of examining 15 days of revenue operations, we considered several factors in our judgmental samples. A great deal of the annual revenue is accepted during the Clark County Fair. If we were to select revenue days purely by the size of the revenue received, the days selected would disproportionately reflect fair time. A specific cash handling audit and internal controls review is performed annually at this time. We therefore selected revenue days cognizant of type of revenue, calendar quarter, amount of revenue received as well a recognition that fair revenue already receives more scrutiny.

There appears to be no justification or support of the 15 day stipulation in the contract. Interviewed staff at both the County and FSMG could not recall the goal of specifically restricting the revenue review to 15 days. The contract states additional testing may be necessary if there are significant departures from procedures.

Expenditure testing had no similar parameter stipulated in the contract. Judgmental samples were selected based on timing considerations, employee reimbursements, vendor characteristics, amount of payment and ledger credits. We reviewed around 40 FSMG invoices processed through the County system.

We performed judgmental sampling on payroll, selecting one quarter of the available pay periods for review and testing. As with all judgmental samples, members of the population did not have an equal chance of being selected and reviewed.

Because payroll is funded by the County, we were able to look for outliers in total transfers and compared it to number of checks issued in the selected periods.

The 2014 Fairgrounds Audit made several recommendations concerning policies and controls. Although it was not a focus of this audit, we found no evidence that FSMG was not in compliance with any of the recommendations made in the 2014 audit.

Appendix B: Excerpt from the FSMG Site Management Contract

G. Reporting/Audit Requirements

FSMG shall carry out the following reporting and audit activities:

1. Prepare monthly reports for the FSMG Board regarding the use and operation of the Facilities. These reports must include information on the activities associated with the operation, management, supervision and maintenance of the Site as well as financial analysis of how the Site is operating, a list of upcoming events, a discussion of operating and maintenance issues or concerns, anticipated changes in management, operations or maintenance activities and other information as appropriate or as requested by the County. The reports shall identify and explain any expenses which exceed budgeted expenses for such category by ten (10%) percent or the aggregate budgeted Operating Expenses in the Operating Budget (including any amendments thereto, if any) by five percent (5%) without the prior written approval of the County. FSMG shall immediately report in writing to the County any anticipated expenditures that may exceed the aggregate budgeted Operating Expenses in the Operating Budget. The report shall also identify and explain any shortfalls in revenue that exceed the projected revenues identified in the biannual budget by ten (10%) percent, the reports account for expenses and revenues that are attributable to the operation of the Exhibition Hall separately from the remainder of the Site. The auditor or his representatives shall have reasonable access to information supporting expenses and revenues including all books, records or other documents of FSMG.
2. Prepare a separate Fair Report each year after the annual Fair that details the operation of the Fair, its activities to include attendance, revenues, expenses and projected profit/loss estimates. This report will be presented to the Fair Board, the FSMG Board and the Board of County Commissioners at their discretion.
3. On an annual basis conduct revenue and expense testing performed by an independent agent/agency. By prior mutual agreement, this testing may be accomplished by the Clark County Auditor's Office. The revenue testing shall consist of a sampling of fifteen days of operation as specified by the Clark County Auditor's office. If the testing is accomplished by an agent/agency other than the Clark County Auditor's Office and is not done in a timely manner or to the County's reasonable satisfaction, the County may contract this service and bill FSMG. If the required testing reveals significant departures from the procedures called for in this Contract, the County may, at FSMG expense, require additional testing.
4. The County shall have the right at reasonable times to examine and inspect books and records of FSMG bearing upon or connected with the business conducted upon the Site to determine compliance with the provisions of this Contract. If FSMG conducts business operations at a location outside the Site, FSMG shall adopt an accounting system to accurately reflect the gross receipts derived from the Site. FSMG shall be provided by the County Auditor's office an annual financial statement for each calendar year prior to April 1st of each year.

Appendix C: Clark County Ethics Policy



GENERAL SERVICES POLICY STATEMENT

POLICY NO: P-080
POLICY TITLE: GIFTS AND GRATUITIES POLICY
EFFECTIVE DATE: JULY 1, 2010

PURPOSE: The purpose of the **Gifts and Gratuities Policy** is to provide guidelines for the receiving of gifts and/or gratuities.

SCOPE: The **Gifts and Gratuities Policy** applies to all County employees, officers and elected officials engaged in the purchasing function. This policy applies to all Purchasing Office personnel in the most restrictive of possible interpretations.

POLICY: It is contrary to Clark County policy for an employee, officer or elected official of the County or members of their families to accept gifts, services, discounts or favors from those vendors with whom the County does business or considers doing business. Violation of this policy may subject the employee to disciplinary action.

Gifts of inconsequential value such as pens, calendars, appointment books and other promotional items of an advertising nature may be accepted in circumstances where such minor gifts are customary.

The County also requests that donations to charity not be made in the name of County representatives by vendors with whom the County does business or considers doing business.

PROCEDURES: In an effort to support the County's **Gifts and Gratuities Policy** the following practices and procedures shall be recognized:

1. Any County representative who is offered or receives a gift of more than nominal value shall refuse it or return it to the giver in a tactful and dignified manner, advising the giver of the County's policy prohibiting its acceptance.
2. Seasonal gifts such as Christmas candy, fruit baskets, flowers, etc. may be accepted from vendors **IF** the gift is subsequently placed in a public place such as the lobby or service counter of the receiving County agency so that members of the general public and County representatives may all benefit.

Approved by
7/1/2010

Authorized by

7/1/2010

3. Associations with supplier representatives at luncheons, dinners, or business organization meetings are helpful in establishing better business understanding, and are neither questionable nor unethical, **provided** that the County representative keeps themselves free of obligations. To ensure this, Purchasing Office personnel are expected to act as hosts on occasion, and such efforts are to be a part of their operating expense.
4. Loans are not to be accepted from an individual or organization having prospective dealings with the County. However, the employee has the right to apply for loans separate from their respective county duties.
5. Personal/social relationships between vendor representatives and Purchasing Office personnel are discouraged. The purpose of this practice is to avoid even the appearance of a conflict of interest.

GUIDELINES: It is not the County's desire to appear unfriendly or unsociable; however it is the County's policy to avoid any actions which may cast doubt on the integrity or motivation of its representatives.

Appendix D: Clark County Gifts Policy



GENERAL SERVICES POLICY STATEMENT

POLICY NO: P-070
POLICY TITLE: STANDARDS AND ETHICS POLICY
EFFECTIVE DATE: JULY 1, 2010

PURPOSE: The purpose of the **Standards and Ethics Policy** is to provide guidance to all representatives of Clark County engaged in any supplier-related activity concerning ethical practices.

SCOPE: The **Standards and Ethics Policy** applies to all Purchasing Office personnel and is advisory to all other County representatives. The policy applies to all commercial transactions involving the procurement of goods, materials and services required by Clark County.

POLICY: The Purchasing Office subscribes to the following standards and ethics:

1. To consider first the interests of Clark County in all its transactions and to carry out its established policies in a lawful manner, using reasonable care and only the authority granted.
2. To avoid actual, or the appearance of, unethical or compromising practices in relationships, actions and communications by refraining from any private business or professional activity that would create a conflict between personal interests and the interests of Clark County.
3. To obtain the maximum ultimate value for each dollar of expenditure; recognizing that value represents a combination of quality, service and price.
4. To ensure that all segments of society have the opportunity to participate by advertising widely and demonstrating support for small, disadvantaged and minority-owned businesses.
5. To promote positive supplier relationships through courtesy and impartiality in all phases of the purchasing process.
6. To know and obey the letter and spirit of the laws governing the purchasing function and remain alert to the legal ramifications of purchasing decisions.

Approved by

7/1/2010

Authorized by

7/1/2010

7. To be receptive to competent counsel from colleagues and to be guided by such counsel without impairing the integrity and responsibility of the purchasing process.
8. To handle information of a confidential or proprietary nature provided to Clark County and/or its vendors with due care and proper consideration for ethical and legal ramifications and governmental regulations.
9. To refrain from soliciting or accepting money, loans, credits, prejudicial discounts, gifts, entertainment favors or services from present or potential suppliers which might influence, or appear to influence purchasing decisions.
10. To recognize that good character is the greatest asset in commerce, and to give it major consideration in the way we, as purchasing professionals, conduct ourselves and the County's business.

PROCEDURES: The Purchasing Office subscribes to the following practices:

To enhance the proficiency and effectiveness of the purchasing profession by: acquiring and maintaining current technical knowledge and by exhibiting the highest standards of ethical behavior.

To cooperate with trade and industry associations, governmental and private agencies, and engage in the promotion and development of sound business methods.

To demand honesty in sales representation whether offered through the medium of a verbal or written statement, an advertisement or a sample of the product.

To discourage purchasing's involvement with any County sponsored programs involving personal purchases which are not business related.

To strive for simplification and standardization of the purchasing process within the bounds of legality, utility, efficiency and economy.

Appendix E: Clark County Conflicts of Interest Policy



GENERAL SERVICES POLICY STATEMENT

POLICY NO: P-040
POLICY TITLE: CONFLICT OF INTEREST POLICY
EFFECTIVE DATE: JULY 1, 2010

PURPOSE: The purpose of the **Conflict of Interest Policy** is to provide guidance to all employees, officers and elected officials of Clark County engaged in any aspect of the purchasing function concerning the avoidance of a conflict of interest.

SCOPE: The **Conflict of Interest Policy** applies to all employees, officers and elected officials of Clark County. The policy applies to all aspects of the purchasing process.

POLICY: Representatives of Clark County engaged in the purchasing function are expected to be free of interests or relationships which are actually or potentially detrimental to the best interests of the County, and shall not engage or participate in any commercial or personal transaction involving the County in which they have a significant undisclosed financial interest and shall comply with the applicable provision of the laws of the State of Washington relating to County employees and Chapter 13, Human Resource Policy Manual, "Employee Standards".

PROCEDURES: The following procedures promote the successful application of the **Conflict of Interest Policy** and ensure that the County's best interests are maintained.

Any representative of Clark County engaged in the purchasing process that has assumed, or is about to assume, a financial or other outside business relationship that might involve a conflict of interest, must immediately inform the supervisor of the circumstances involved. This information is to be reviewed at an appropriate level for a determination whether a conflict of interest is present and, if so, what course of action to take.

GUIDELINES: A conflict of interest exists where a representative of the County:

1. Has an outside interest that materially encroaches on time, attention, or County resources which should be devoted to the affairs of the County.
2. Has a direct or indirect interest in or relationship with a vendor that might make possible personal gain due to the representative's ability to influence dealings, render partiality toward the vendor for personal reasons, place the representative of the County in an ethically questionable position or adversely reflect on the integrity of Clark County.
3. Takes personal advantage of an opportunity that properly belongs to the County.
4. Uses County property without approval.
5. Discloses information held as proprietary by the County to unauthorized persons.
6. Uses their relationship with the County for personal gain.