

**Report 18-1
January 2018**

State Fair Park

STATE OF WISCONSIN



Legislative Audit Bureau ■

State Fair Park

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From State Fair Park's Chief Executive Officer



STATE OF WISCONSIN | Legislative Audit Bureau

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Joe Chrisman
State Auditor

January 5, 2018

Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

We have completed our evaluation of State Fair Park, as requested by the Joint Legislative Audit Committee. State Fair Park, the State's 190-acre fairgrounds located in the cities of West Allis and Milwaukee, has operated as a separate state agency since 1990. Its primary responsibility is to administer the annual 11-day State Fair each August. Annual attendance at the State Fair has exceeded one million since 2013.

State Fair Park's operating expenditures increased from \$17.4 million in fiscal year (FY) 2012-13 to \$20.8 million in FY 2016-17, or by 20.1 percent. Over this period, expenditures for capital projects increased from \$0.6 million to \$2.0 million. We found that State Fair Park does not have a comprehensive, long-term plan for assessing the condition of its primary grounds and facilities or a formal plan for the future use of the Milwaukee Mile racetrack, which has generated substantially less revenue in recent years because it has not hosted a major racing event since July 2015.

State Fair Park indicated that it has independently managed midway operations since 2012, primarily because its former vendor for midway management services was unwilling to enter into another contract that would provide State Fair Park the same level of guaranteed revenues, which totaled \$1.0 million for the 2011 State Fair. However, we found that State Fair Park has not maintained adequate information needed to assess the financial effects of continuing to independently manage its midway.

Although State Fair Park procures its own goods and services valued at more than \$50,000, we found that it was not officially delegated this authority by the Department of Administration. In addition, we found that State Fair Park lacks complete and accurate management information needed to effectively oversee its contracting processes, and it has not consistently followed proper procurement procedures. We make several recommendations, including that State Fair Park improve the amount and type of management information it maintains, improve its procurement practices, undertake a comprehensive review of its primary grounds and facilities, improve contract oversight and cash management practices, and enter into a statutorily required memorandum of understanding with the Department of Tourism to which it is attached for administrative purposes. A response from State Fair Park's chief executive officer follows the appendices.

Respectfully submitted,

Joe Chrisman
State Auditor

JC/PS/ss

Report Highlights ■

State Fair Park's operating revenues increased from \$21.8 million in FY 2012-13 to \$25.6 million in FY 2016-17.

Projected debt service payments for State Fair Park totaled \$45.4 million through FY 2035-36.

Since 2012, State Fair Park has independently managed its SpinCity midway, rather than contract for these services.

State Fair Park does not maintain the complete and accurate management information needed to effectively oversee its contracting processes.

State Fair Park, the State's 190-acre fairgrounds located in the cities of West Allis and Milwaukee, has been home to the Wisconsin State Fair since 1892, and it has operated as a separate state agency since 1990. The primary responsibility of State Fair Park is to administer the annual 11-day State Fair each August. Other agricultural, industrial, educational, and recreational fairs, exhibits, and promotional events are also held at the fairgrounds each year.

To evaluate the management of State Fair Park operations in recent years and at the direction of the Joint Legislative Audit Committee, we analyzed:

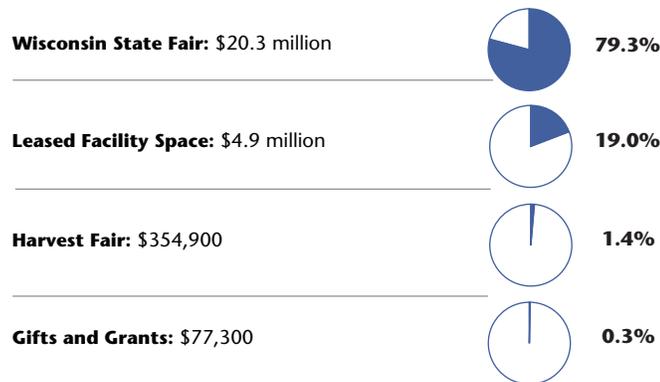
- trends in revenues and expenditures;
- management of facilities and capital projects;
- event offerings and reported attendance at the Wisconsin State Fair and other events;
- procurement practices and contractual relationships with vendors; and
- best practices associated with the operation of state fairs.

Revenues and Expenditures

State Fair Park’s operating revenues increased from \$21.8 million in FY 2012-13 to \$25.6 million in fiscal year (FY) 2016-17, or by 17.8 percent. As shown in Figure 1, the State Fair accounted for \$20.3 million (79.3 percent) of State Fair Park’s total operating revenues in FY 2016-17.

Figure 1

State Fair Park Operating Revenues FY 2016-17



State Fair Park’s operating expenditures increased from \$17.4 million in FY 2012-13 to \$20.8 million in FY 2016-17, or by 20.1 percent. Throughout this period, approximately 60 percent of State Fair Park’s expenditures were for supplies and services and 40 percent were for staff.

The number of authorized full-time equivalent (FTE) positions for State Fair Park increased 20.3 percent from 39.9 FTE positions in FY 2012-13 to 48.0 FTE positions in FY 2016-17. State Fair Park also employs many limited-term employees (LTEs). The number of LTEs employed increases greatly in July and August because of the amount of work associated with operating the State Fair. Of the 2,391 LTEs who reported time from November 2016 through October 2017, we found that 28 LTEs (1.2 percent) exceeded the 1,039-hour limit on LTE hours. Seven LTEs exceeded the limit by more than 400 hours, including one who exceeded the limit by 1,019 hours (98.1 percent).

Capital Projects

Capital project expenditures totaled \$6.2 million from FY 2012-13 to FY 2016-17. Program revenue funded 45.0 percent of the capital expenditures, and general purpose revenue (GPR)-supported borrowing funded 42.5 percent. Over this period, State Fair Park's debt service expenditures totaled \$34.7 million. It is a best practice for state fairs to routinely evaluate the condition of their facilities and develop comprehensive, detailed maintenance plans. We found that State Fair Park has developed a process to annually identify small facility maintenance projects, but it has only recently begun to comprehensively evaluate the condition of its buildings. Comprehensive reviews are important in prioritizing capital projects, effectively allocating available funds for maintenance and repair, and helping to ensure that facility work is aligned with policy objectives.

We also found that State Fair Park has not developed a formal plan for the future use of the Milwaukee Mile, a one-mile oval racetrack with adjoining bleachers that sits upon approximately 54 acres. The amount of revenue generated by non-State Fair events hosted at the Milwaukee Mile decreased from \$401,900 in FY 2014-15 to \$286,400 in FY 2016-17. This is largely because State Fair Park has hosted no major racing events since July 2015, and none are currently planned for future years.

Event Management

The State Fair is the largest event held each year and has drawn more than one million attendees annually since 2013. Since 2012, State Fair Park has independently managed midway operations for the State Fair, but it has not maintained adequate information needed to assess the financial effects of this decision.

State Fair Park leased space for approximately 180 revenue-generating events each year from FY 2012-13 through FY 2016-17, with over two-thirds of the lease revenue coming from consumer and trade shows. We found that State Fair Park has not entered into a statutorily required memorandum of understanding with the Department of Tourism specifying the responsibilities of the Department for promoting fairs and other events at State Fair Park.

Procurement Practices

Although State Fair Park procures its own goods and services valued at more than \$50,000, it was not officially delegated this

authority by the Department of Administration (DOA). We found that State Fair Park does not maintain the complete and accurate management information needed to effectively oversee its contracting processes, and it has not consistently followed proper procurement procedures. For example, over the course of more than five months, State Fair Park was unable to provide us with a complete list of its contracts, including those exceeding \$50,000.

We also found examples of improper or poorly managed procurement activity associated with State Fair Park's purchases, including:

- four instances in which State Fair Park solicited bids for goods or services exceeding \$50,000 but could not determine whether it had entered into contracts as a result of these solicitations;
- one instance in which State Fair Park was unable to provide two one-year extensions to a 2015 contract for advertising services with an annual value of more than \$600,000; and
- one instance in which State Fair Park exceeded by \$27,400 the maximum amount permitted to be spent for an advertising contract.

We also identified nine contracts totaling \$1.3 million for which State Fair Park sought approval from its Board after the contracts had already been executed.

In addition, we identified concerns with State Fair Park's revenue-generating contracts. For example, State Fair Park entered into a five-year contract in April 2013 for management of its parking services, but it did not post a request for proposals for this contract with an estimated annual value of \$1.3 million, as it is required to do. In addition, it did not seek approval from its Board when initially entering into the contract in April 2013 or when amending the contract in April 2015, as required by the Board's bylaws.

Finally, we question the appropriateness of a contract that State Fair Park executed with a vendor to provide State Fair merchandise since 2013. Unlike its other revenue-generating contracts, this contract stipulates that a portion of the revenue generated is to be paid to the State Fair Park Foundation, rather than to State Fair Park. From 2013 through 2016, we estimate that approximately \$240,600 was paid to the Foundation through this contract.

Recommendations

We include recommendations for State Fair Park to:

- ☑ maintain detailed revenue and expenditure information on the operation of its midway (*p. 39*);
- ☑ occasionally solicit information from prospective vendors of midway management services and use this information to assess the financial effects of continuing to independently manage its midway (*p. 39*);
- ☑ remove from future bid solicitations and contracts a duplicative requirement related to submitting incident reports (*p. 43*);
- ☑ make improvements in the process it uses to conduct surveys of State Fair attendees (*pp. 46-47*);
- ☑ maintain a complete electronic record of the revenues generated through leasing space (*p. 49*);
- ☑ determine why its gate and parking services are its lowest-rated services (*p. 49*);
- ☑ enter into a statutorily required memorandum of understanding with the Department of Tourism (*p. 49*); and
- ☑ execute contracts in compliance with the bylaws of the State Fair Park Board (*p. 58*).

We also include recommendations for State Fair Park to report to the Joint Legislative Audit Committee by June 1, 2018, on its efforts to:

- ☑ regularly monitor the number of hours worked by its limited-term employees and ensure that no employee exceeds the 1,039-hour limit (*p. 23*);
- ☑ undertake a comprehensive review of its primary grounds and facilities (*p. 28*);

- ☑ initiate a formal planning process for analyzing the future use of the Milwaukee Mile (*p. 31*);
- ☑ address areas of noncompliance with its storm water permit (*p. 33*);
- ☑ work with DOA to determine the scope of State Fair Park's procurement authority (*p. 53*);
- ☑ improve contract oversight and cash management procedures (*p. 56* and *p. 61*);
- ☑ revise and improve its vendor evaluation policies and procedures (*p. 64*); and
- ☑ consider whether it is appropriate for it to enter into agreements under which it foregoes revenue and instead directs revenue be paid to a private entity (*p. 69*).

■ ■ ■ ■

Introduction ■

State Fair Park is governed by a 13-member board, seven of whom are appointed by the Governor. These members provide general oversight and direction to State Fair Park staff, who are responsible for daily operations, including the annual 11-day State Fair. We compared the Wisconsin State Fair with four other state fairs in the midwest and found that fairs in two states reported larger attendance in 2016 and fairs in the other two states reported smaller attendance. In addition, while the Wisconsin State Fair had the smallest fairground size, it had the second-largest number of food and beverage vendors in 2016.

Responsibilities and Governance

The primary responsibility of State Fair Park is to administer the annual 11-day State Fair each August.

The primary responsibility of State Fair Park is to administer the annual 11-day State Fair each August. In August 2016, State Fair Park was authorized 48 FTE positions; it hired over 1,900 LTEs; and it contracted with over 800 food, beverage, amusement ride, and other vendors as part of its operation of the 2016 State Fair.

State Fair Park is also responsible for managing four large facilities located on the fairgrounds:

- the Wisconsin Exposition Center, which is an approximately 200,000 square foot exhibit facility in which vendors lease space throughout the year for events, such as conferences and consumer and trade shows;

- the Milwaukee Mile racetrack, which is a one-mile oval racetrack with grandstand and bleacher seating for 36,600 people that covers over one-quarter of the 190 acres of State Fair Park;
- the Tommy G. Thompson Youth Center, which is an 11,500 square-foot structure with a dormitory for housing youth agricultural participants during the State Fair that is also used for events such as banquets, sales meetings, receptions, and small trade shows; and
- the Wisconsin State Fair Recreational Vehicle Park, which is a year-round facility with 70 full-service hook-ups providing sewer, water, and electrical services to recreational vehicles and is also used for recreational vehicle storage.

A map of State Fair Park showing the location of these and other facilities is included as Appendix 1.

Section 42.01, Wis. Stats., requires the State Fair Park Board to oversee the management of fairs, exhibits, and promotional events for agricultural, industrial, educational, and recreational purposes and to ensure reasonable prices for attending these events.

The Board meets at least four times each year to perform oversight duties, such as approving certain contracts with values of \$25,000 or more, approving biennial budget requests for State Fair Park in even-numbered years, ensuring that State Fair Park generates sufficient revenues to make debt service payments on its facilities, and approving all agency policies and procedures.

The State Fair Park Board consists of 13 members.

Section 15.445 (4) (a), Wis. Stats., establishes the State Fair Park Board as consisting of 13 members:

- the Secretary of the Department of Tourism, or a designee;
- the Secretary of the Department of Agriculture, Trade and Consumer Protection, or a designee;
- four legislators, including two from the Assembly and two from the Senate;
- five representatives of business, including three with general business experience, one with agricultural experience, and one with technology experience;

- one resident of the City of West Allis; and
- one Wisconsin resident from anywhere in the state.

The seven members who are not legislators or department secretaries are appointed by the Governor and confirmed by the Senate for staggered five-year terms. Appendix 2 lists the members of the State Fair Park Board as of November 2017.

Managing State Fair Park's Operations

The daily operations of State Fair Park are overseen by a chief executive officer (CEO) and the leaders of four divisions into which State Fair Park is currently organized:

- the Administrative Services Division, which is responsible for managing finances, human resources, and information technology;
- the Business Development Division, which is responsible for managing marketing, communications, guest relations, agricultural operations, and entertainment;
- the Sales and Services Division, which is responsible for managing event services, sales, facilities, vendors, and exhibits; and
- the Public Safety Division, which is responsible for managing security and event support.

There has been some change in State Fair Park's leadership positions from FY 2014-15 through FY 2016-17.

There has been some change in these leadership positions from FY 2014-15 through FY 2016-17. The former CEO was dismissed by the State Fair Park Board in May 2016, and the current CEO was appointed in October 2016. In addition, the current head of the Administrative Services Division was hired in March 2015. During our review period, State Fair Park also hired the senior director of event services and the director of human resources to fill key positions in its organization because of staff turnover. Other positions filled by State Fair Park during this period as a result of position realignments include the director of food and beverage services, the director of commercial vendors, the director of group and guest relations, the director of creative services, and the director of information technology. In addition, State Fair Park established a controller position in April 2017.

Comparison of State Fairs

In 2016, state fairs in two midwestern states reported larger attendance and state fairs in two others reported smaller attendance than the Wisconsin State Fair.

We collected information on state fairs in several other midwestern states and compared them with the Wisconsin State Fair. We did not compare Wisconsin with Illinois or Michigan, because both Illinois and Michigan have two state fairs each year. In 2016, state fairs in two states reported larger attendance and state fairs in two states reported smaller attendance than the Wisconsin State Fair, as shown in Table 1. Because the number of residents varies among states, we analyzed attendance in the context of each state's population and found largely similar results. We found the duration of the fairs and the price of admission among most of the states we reviewed were similar.

Table 1
Attendance, Duration, and Admission Price for Selected State Fairs
2016 State Fairs

State	Total Reported Attendance	Reported Attendance per 1,000 Residents	Duration of Fair (in days)	Admission Price
Minnesota	1,940,000	352	12	\$13
Iowa	1,030,000	329	11	12
Wisconsin	1,020,000	176	11	12
Ohio	920,000	79	12	10
Indiana	730,000	110	17	12

Although State Fair Park has the smallest fairground area, it had the second-largest number of food and beverage vendors in 2016.

We also compared state fairs based on the amount of public funding they received, the size of their fairgrounds, the number of food and beverage vendors, and the number of midway amusement rides. As shown in Table 2, only Indiana and Ohio provided public funding in FY 2016-17 to support the operating costs of their state fairs. Although Wisconsin does not provide funding to support State Fair Park's operating costs, \$3.4 million in GPR was provided in FY 2016-17 to support debt service costs for State Fair Park's capital projects. Although State Fair Park has the smallest fairground area of the fairs we reviewed, in 2016 it had the second-largest number of food and beverage vendors and the third-largest number of midway amusement rides.

Table 2

Other Areas of Comparison among Selected State Fairs
2016 State Fairs

State	Public Funding to Support Operating Costs ¹ (in millions)	Size of Fairgrounds (in acres)	Number of Food and Beverage Vendors	Number of Midway Amusement Rides
Indiana	\$2.4	250	125	54
Iowa	–	445	195	39
Minnesota	–	320	280	60
Ohio	0.4	360	189	71
Wisconsin	–	190	249	55

¹ Funding provided in FY 2016-17.

In analyzing best practices for state fairs, we reviewed industry reports on best practices specifically for state fairs, audit reports on the operation of state fairs in other states, and best practices for cash management and facility planning among governmental organizations. We also interviewed organizations representing state fairs and representatives of midwestern state fairs to obtain their perspectives. The extent to which State Fair Park is engaging in certain best practices is discussed in each of the subsequent chapters.

■ ■ ■ ■

Operating Revenues and Expenditures ■

From FY 2012-13 through FY 2016-17, more than 75 percent of State Fair Park's operating revenues was generated by the State Fair. State Fair Park's operating expenditures are paid entirely with program revenue, such as revenue from State Fair attendance fees, amusement rides, games, food, beverages, and charges for leasing State Fair Park's facilities. State Fair Park's operating expenditures increased from \$17.4 million in FY 2012-13 to \$20.8 million in FY 2016-17, or by 20.1 percent. Approximately 60 percent of its expenditures were for supplies and services and 40 percent were for the salaries and fringe benefits of its staff, including over 1,600 LTEs hired each year to help with the State Fair. We recommend State Fair Park take steps to ensure compliance with state laws limiting the number of hours worked by LTEs.

Operating Revenues

State Fair Park's operating revenues increased from \$21.8 million in FY 2012-13 to \$25.6 million in FY 2016-17.

As shown in Table 3, State Fair Park's operating revenues increased from \$21.8 million in FY 2012-13 to \$25.6 million in FY 2016-17, or by 17.8 percent. Over this period, the State Fair accounted for 76.9 percent of State Fair Park's total operating revenues, and it is the only revenue source that has consistently increased each year. Overall, revenue from leased space apart from the State Fair decreased from \$5.3 million in FY 2013-14 to \$4.9 million in FY 2016-17, or by 7.3 percent. The largest decline was in revenue generated by the Milwaukee Mile racetrack, which decreased from \$487,100 in FY 2012-13 to \$286,400 in FY 2016-17, or by 41.2 percent.

Table 3

State Fair Park Operating Revenues, by Event and Source

	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Revenue from Events Hosted by State Fair Park¹					
State Fair	\$16,380,500 ²	\$18,167,300 ²	\$18,740,200	\$19,865,300	\$20,334,300
Harvest Fair	211,400	233,500	357,300	322,000	354,900
Subtotal	16,591,900	18,400,800	19,097,500	20,187,300	20,689,200
Revenue from Leased Facility Space and Associated Services³					
Wisconsin Exposition Center	3,055,200	3,290,200	2,978,900	3,017,800	3,115,400
Multiple or Other Facilities ⁴	704,500	652,900	603,000	985,900	906,300
Recreational Vehicle Parking	409,600	560,200	369,500	401,700	573,800
Milwaukee Mile Racetrack	487,100	386,700	401,900	346,800	286,400
Tommy G. Thompson Youth Center	453,200	376,600	296,300	271,800	n/a ⁵
Subtotal	5,109,600	5,266,600	4,649,600	5,024,000	4,881,900
Other					
Gifts and Grants	80,200	223,200	81,400	178,000	77,300
Land Sale ⁶	–	981,800	–	–	–
Total	\$21,781,700	\$24,872,400	\$23,828,500	\$25,389,300	\$25,648,400

¹ State Fair Park also leases its facilities to other organizations to hold events, such as consumer and trade shows.

² State Fair Park reported net revenues from amusement ride and game operators for FY 2012-13 and FY 2013-14 and gross revenues from these operators in subsequent years. Therefore, we adjusted the FY 2012-13 and FY 2013-14 revenue amounts to make them consistent with State Fair Park's current accounting practices.

³ Includes revenue for lease of facility space, as well as for associated services, such as electricity, security services, janitorial services, parking, ticket sales, and equipment rental. Excludes space leased during the State Fair, which is included in the "State Fair" category.

⁴ Includes revenue for events that leased more than one facility at State Fair Park or leased other facilities not listed in the table, such as the Cream Puff Pavilion, the Wisconsin Products Pavilion, and livestock barns.

⁵ In FY 2016-17, State Fair Park ceased separately tracking all revenues associated with the Tommy G. Thompson Youth Center. The Center's FY 2016-17 revenues are included in the category "Multiple or Other Facilities."

⁶ Includes revenue from the sale of 3.1 acres of State Fair Park's property to the Department of Transportation for the Zoo Interchange Project on Interstate 94.

From FY 2012-13 through FY 2016-17, admissions, rides, and games accounted for 39.0 percent of State Fair Park's total revenue.

In addition to recording revenues by event and type, State Fair Park also records revenues in other categories. As shown in Table 4, the only category that has consistently increased in revenues each year is "Admissions, Rides, and Games," and includes admission to the State Fair, admission to concerts, and ticket sales for amusement rides and games. Revenues in this category increased from \$7.9 million in FY 2012-13 to \$10.5 million in FY 2016-17, or by 33.9 percent, and they accounted for 39.0 percent of total revenues over this period.

Table 4

State Fair Park Operating Revenues, by Category

Category	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Admissions, Rides, and Games ¹	\$ 7,878,500 ²	\$ 9,133,600 ²	\$ 9,578,600	\$10,198,400	\$10,547,200
Food and Beverage Commissions ³	4,330,200	4,862,300	4,520,400	5,183,000	5,262,500
Leased Space	4,141,200	4,377,200	4,467,300	4,162,100	4,171,200
Business Partnerships ⁴	2,158,300	1,988,500	2,090,600	2,302,600	2,403,000
Purchased Services ⁵	1,586,500	1,628,700	1,439,600	1,722,500	1,535,200
Parking	1,256,100	1,239,400	1,230,800	1,364,300	1,275,200
Land Sale ⁶	-	981,800	-	-	-
Other ⁷	350,700	437,700	419,800	278,400	376,800
Gifts and Grants	80,200	223,200	81,400	178,000	77,300
Total	\$21,781,700	\$24,872,400	\$23,828,500	\$25,389,300	\$25,648,400

¹ Includes revenue generated from ticket sales for admission to the State Fair, ticket sales associated with amusement rides and games during the State Fair, and concert admissions.

² State Fair Park reported net revenues from amusement ride and game operators for FY 2012-13 and FY 2013-14 and gross revenues from these operators in subsequent years. Therefore, we adjusted the FY 2012-13 and FY 2013-14 revenue amounts to make them consistent with its current accounting practices.

³ Primarily includes commissions paid to State Fair Park by food and beverage vendors, as well as catering and vending machine commissions.

⁴ Includes revenue from sponsorships, naming rights, and advertising fees.

⁵ Includes revenue for a variety of services, such as electricity, water, public safety, and equipment rental.

⁶ Includes revenue from the sale of 3.1 acres of State Fair Park property to the Department of Transportation for the Zoo Interchange Project on Interstate 94.

⁷ Includes revenue from miscellaneous sources, such as insurance proceeds.

To maximize revenues, we found that it is a best practice for state fairs to:

- routinely review whether adjustments are needed to the price of admission;
- routinely review commission rates for vendors providing rides, games, and food;
- limit the issuance of complimentary tickets and parking passes and maintain a complete record of those issued; and
- measure the effects of their promotional efforts.

State Fair Park routinely assesses whether adjustments are needed to the price of admissions and its commission rates for vendors.

Information provided by State Fair Park indicates that it routinely assesses whether adjustments are needed to the price of admissions and to commission rates for vendors providing rides, games, and food. In addition, State Fair Park attempts to limit its use of complimentary tickets and parking passes to those needed for efficient management of the State Fair. For example, it indicated that approximately half of the complementary tickets and passes are provided as part of sponsorships in which entities pay State Fair Park to be identified as sponsors in its advertisements for the State Fair and are provided with complimentary admission tickets and parking passes as part of these sponsorship agreements. Other tickets and parking passes are provided through in-kind trade agreements. For example, State Fair Park provides tickets and parking passes to some organizations in exchange for print and broadcast advertisements about the State Fair. State Fair Park provided documentation demonstrating that it has measured the effects of its promotional efforts.

Operating Expenditures

State Fair Park's operating expenditures increased from \$17.4 million in FY 2012-13 to \$20.8 million in FY 2016-17, or by 20.1 percent.

As shown in Table 5, State Fair Park's operating expenditures have increased from \$17.4 million in FY 2012-13 to \$20.8 million in FY 2016-17, or by 20.1 percent. Throughout this period, approximately 60 percent of State Fair Park's expenditures were for supplies and services and 40 percent were for the salaries and fringe benefits of its staff. Its largest type of expenditure was for professional services, which includes items such as payments to amusement ride operators, game operators, musicians and other entertainers, and judges for State Fair contests. State Fair Park sells tickets and collects the revenue for amusement rides and games during the State Fair. It subsequently makes payments to ride and game operators based on the number of tickets the operators collect from patrons of their respective rides and games.

Table 5

State Fair Park Operating Expenditures

	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Staff					
Limited-Term Employee Salaries	\$ 3,314,600	\$ 3,429,100	\$ 3,456,300	\$ 3,696,400	\$ 4,008,300
Permanent Employee Salaries	2,394,500	2,683,800	2,956,500	2,915,800	2,873,700
Fringe Benefits	1,580,300	1,663,100	1,721,300	1,726,700	1,744,400
Subtotal	7,289,400	7,776,000	8,134,100	8,338,900	8,626,400
Supplies and Services					
Professional Services ¹	3,999,300 ²	4,562,900 ²	4,909,600	4,824,700	5,103,400
Building and Grounds Maintenance	1,676,800	2,059,500	1,881,200	1,776,800	1,644,700
Administrative and Office Supplies	1,242,600	1,385,700	1,391,000	1,594,600	1,626,500
Other ³	1,191,500	1,260,600	1,199,100	1,547,500	1,512,000
Utilities	1,182,900	1,376,600	1,335,000	1,255,200	1,400,500
Advertising	769,100	811,600	637,700	863,200	923,300
Subtotal	10,062,200	11,456,900	11,353,600	11,862,000	12,210,400
Total	\$17,351,600	\$19,232,900	\$19,487,700	\$20,200,900	\$20,836,800

¹ Includes costs such as payments to amusement ride operators, game operators, musicians and other entertainers, and judges of State Fair contests.

² State Fair Park excluded payments to amusement ride and game operators in FY 2012-13 and FY 2013-14, because it recorded net revenues rather than gross revenues for amusement ride and game operators in these two years. Therefore, we adjusted the FY 2012-13 and FY 2013-14 expenditure amounts to make them consistent with its current accounting practices.

³ Includes expenditures for numerous goods and services, such as equipment rental and fuel for vehicles.

Staffing

From 2012 through 2014, State Fair Park was authorized an additional 8.1 FTE positions.

The number of authorized FTE positions for State Fair Park increased 20.3 percent from 39.9 FTE positions in FY 2012-13 to 48.0 FTE positions in FY 2016-17, as shown in Table 6. From 2012 through 2014, State Fair Park was authorized an additional 8.1 FTE positions. Of these, 0.1 FTE position was used to increase the Executive Assistant position from a part-time to a full-time position. The other eight FTE positions were used to establish three administrative service positions, three facility services positions, and two event services positions.

Table 6

**Authorized FTE Positions
In August of Each Year**

Fiscal Year	Filled	Unfilled	Total
2012-13	38.9	1.0	39.9
2013-14	42.9	1.0	43.9
2014-15	47.0	1.0	48.0
2015-16	45.0	3.0	48.0
2016-17	45.0	3.0	48.0

Of the 48.0 FTE authorized positions for State Fair Park in 2016:

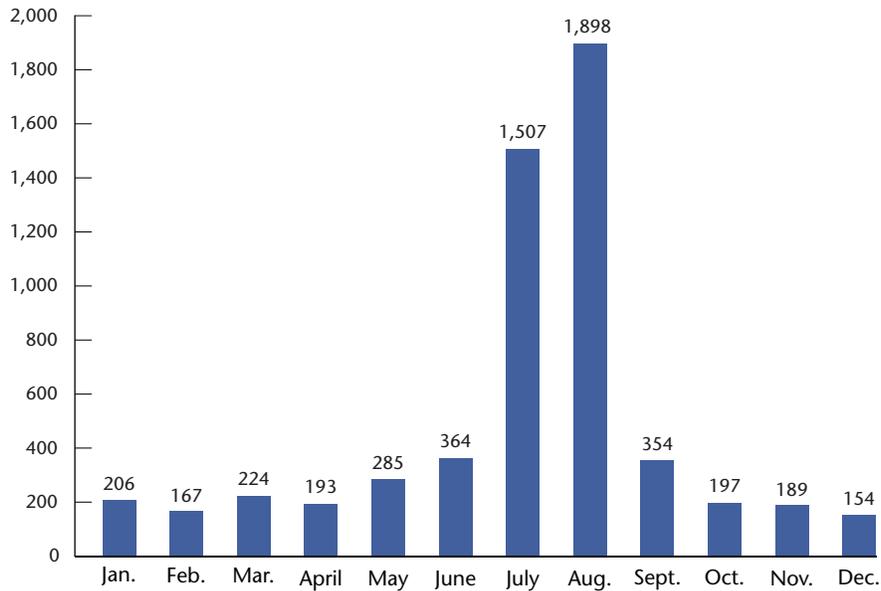
- 18.0 FTE positions were associated with facility services, including building and grounds maintenance;
- 12.0 FTE positions were associated with administrative services, including executive managers, as well as admissions, finance, human resources, and information technology personnel;
- 10.0 FTE positions were associated with event services, including contracting with vendors to provide food, beverages, and amusement rides for the State Fair; and
- 8.0 FTE positions were associated with business development, including marketing, agriculture, communications, guest relations, and soliciting entertainment acts for the State Fair.

Because of the work associated with the State Fair, the number of LTEs employed in 2016 ranged from 154 in December to 1,898 in August.

State Fair Park employs many LTEs each month. However, because of the amount of work associated with operating the State Fair, the number of LTEs employed increases greatly in July and August. As shown in Figure 2, the number of LTEs employed by State Fair Park in 2016 ranged from 154 in December to 1,898 in August. In 2016, the average number of LTEs employed in July and August was over seven times greater than the average number employed during the other ten months of the year. Of the LTEs that were employed for the 2016 State Fair, 24.5 percent were 18 years old or younger.

Figure 2

**Number of LTEs Employed by State Fair Park, by Month
2016**



As shown in Table 7, the total hours worked by LTEs increased from 133,200 hours in 2012 to 171,200 hours in 2016. State Fair Park indicated the increase in LTE hours is largely the result of additional safety measures, such as staffing metal detectors at park entrances, and additional staff needed due to increased attendance at the State Fair over this period.

Table 7

**LTE Hours
In August of Each Year**

Year	Total Hours	Percentage Change in Total Hours
2012	133,200	–
2013	134,100	0.7%
2014	142,800	6.5
2015	160,200	12.2
2016	171,200	6.9

LTEs are used to assist with a wide variety of tasks associated with the State Fair.

LTEs are used to assist with a wide variety of tasks associated with the State Fair. Based on information provided by State Fair Park for the 1,704 LTEs it hired for the 2017 State Fair, approximately:

- 30 percent worked in public safety, including some who were police officers;
- 25 percent worked in admissions, such as by collecting tickets at entrance gates and selling tickets for amusement rides and games;
- 20 percent worked in facility services, such as by performing janitorial duties;
- 15 percent worked in agricultural services, such as by assisting with livestock competitions; and
- 10 percent worked in other areas, such as transportation, vendor services, and guest relations.

Section 230.26, Wis. Stats., provides for the creation of limited term appointments for less than 1,040 hours per year. Section ER 10.01, Wis. Adm. Code, further provides that “the total time worked in any one position by an individual limited term employee shall not exceed 1039 hours of employment during a block of time which consists of 26 consecutive biweekly payroll periods and which ends on the anniversary date of the appointment.” The State’s enterprise resource planning system, which is known as STAR, allows state agencies to generate reports to facilitate their compliance with this restriction. These reports provide a means of determining the number of hours LTEs have worked annually based on the anniversary dates of their respective appointments.

Historical information on the number of hours worked by LTEs was not readily available. Therefore, we reviewed information from the most recent 12-month period that was available at the time of our fieldwork, which was from November 2016 through October 2017, to determine whether LTEs had exceeded the 1,039-hour limit since the anniversary dates of their respective appointments. Of the 2,391 LTEs who reported time during our review period, we found that 28 LTEs (1.2 percent) exceeded the 1,039-hour limit. As shown in Figure 3, seven LTEs exceeded the 1,039-hour limit by more than 400 hours. This includes one LTE who exceeded the limit by 1,019 hours (98.1 percent). Of the 28 LTEs who exceeded the limit on the number of hours worked, 17 (60.7 percent) worked in facility services, primarily building and grounds maintenance.

Figure 3

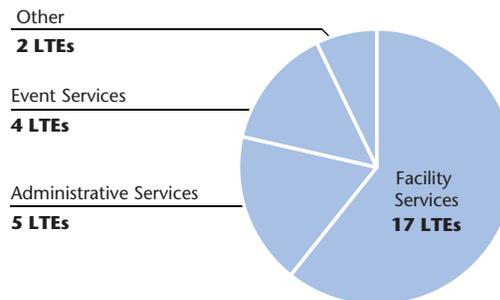
LTEs Who Exceeded the 1,039-Hour Limit¹

Exceeded Work Limit By:



Total LTEs: 28

Work Areas for LTEs:



¹ Includes information on LTEs from November 2016 through October 2017 who exceeded the 1,039-hour limit since the anniversary dates of their respective appointments.

Recommendation

We recommend State Fair Park:

- *use the reports available through the State’s enterprise resource planning system to regularly monitor the number of hours worked by its limited-term employees and take steps to ensure that the total number of hours each employee works does not exceed the 1,039-hour limit; and*
- *report to the Joint Legislative Audit Committee by June 1, 2018, on the status of its efforts.*



Capital Projects ■

From FY 2012-13 through FY 2016-17, expenditures for capital projects at State Fair Park, which are primarily funded by program revenue generated from the operation of State Fair Park and bonds issued by the State of Wisconsin, increased from \$0.6 million to \$2.0 million. We found that State Fair Park does not have a comprehensive, long-term plan for assessing the condition of its buildings or a formal plan for the future use of the Milwaukee Mile racetrack, which has generated substantially less revenue in recent years because it has not hosted a major racing event since July 2015.

Capital Project Expenditures

Large capital projects are primarily funded by program revenue generated from the operation of State Fair Park and bonds issued by the State of Wisconsin.

Large capital projects at State Fair Park are primarily funded by program revenue generated from the operation of State Fair Park and bonds issued by the State of Wisconsin. As shown in Table 8, total capital project expenditures increased from \$0.6 million in FY 2012-13 to \$2.0 million in FY 2016-17. Over this period, program revenue funded 45.0 percent of total expenditures, and GPR-supported borrowing funded 42.5 percent.

Table 8

Capital Project Expenditures

Source	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	Total
Program Revenue	\$278,900	\$179,800	\$1,066,400	\$ 530,700	\$ 712,000	\$2,767,800
GPR-Supported Borrowing	277,000	–	77,900	1,065,500	1,192,800	2,613,200
Segregated Revenue	10,500	188,000	141,600	258,900	127,300	726,300
Program Revenue-Supported Borrowing	31,600	14,600	900	–	–	47,100
Total	\$598,000	\$382,400	\$1,286,800	\$1,855,100	\$2,032,100	\$6,154,400

From FY 2012-13 through FY 2016-17, capital projects with the largest expenditures included:

- \$3.0 million to bury overhead communication wires and upgrade the electrical system throughout State Fair Park;
- \$328,700 to repair portions of the storm and sanitary sewer system throughout State Fair Park;
- \$174,700 to replace the roof and gutters on the Swine Barn;
- \$132,600 to replace a portion of the roof on the Maintenance Building; and
- \$75,000 to fund a study evaluating options for the fairgrounds should the North Parking Lot area be sold.

As part of its 2017-19 capital budget request, State Fair Park requested that three projects totaling \$8.9 million be enumerated, which means that the projects are listed separately as part of the capital budget process with their title, budget amount, and funding sources. The three projects include:

- \$6.0 million to renovate the Cream Puff Pavilion to provide additional space to better accommodate large crowds and additional bakery products;
- \$1.9 million to construct the Dairy Education Center as an addition to a livestock barn that would provide space on the lower level for milking demonstrations and other dairy

programs and space on the upper level to conduct meetings; and

- \$1.0 million for infrastructure work to replace parts of the underground water and sewer system and replace certain curbs, gutters, asphalt roads, and concrete sidewalks.

In 2018, State Fair Park plans to begin \$1.0 million in infrastructure work that did not require approval through the State budget process.

Two projects—the Cream Puff Pavilion and the Dairy Education Center—were enumerated as part of 2017 Wisconsin Act 59, the 2017-19 Biennial Budget Act. Both projects will be funded with revenue from gifts and grants. The \$1.0 million in infrastructure work did not require approval through the State budget process, and State Fair Park is planning to initiate this project in 2018.

In addition to operating and capital expenditures, State Fair Park also pays debt service associated with the repayment of principal and interest on debt issued to fund prior capital projects, such as maintenance and improvements on the Milwaukee Mile, construction of the Tommy G. Thompson Youth Center, and the purchase of the Wisconsin Exposition Center. From FY 2012-13 through FY 2016-17, debt service expenditures totaled \$34.7 million. Of this amount, \$18.4 million (53.0 percent) was paid with program revenue and \$16.3 million (47.0 percent) was paid with GPR. These expenditures are not included in the operating and capital expenditures shown in Table 5 and Table 8, respectively.

Projected debt service payments for State Fair Park totaled \$45.4 million through FY 2035-36.

As of March 2017, projected debt service payments for State Fair Park totaled \$45.4 million through FY 2035-36. Appendix 3 shows annual projected debt service payments from FY 2017-18 through FY 2035-36.

Planning for Future Capital Projects

DOA requires state agencies to develop six-year facilities plans.

Section 13.48 (4), Wis. Stats., requires state agencies to report to the Building Commission on their proposed capital projects. The process that DOA has established for this reporting involves the development of six-year facilities plans. These plans, which are submitted to DOA in even-numbered years, identify each agency's facility-related needs and the specific capital projects intended to address them over the upcoming six-year period. The last four years of State Fair Park's 2017-2023 Facilities Investment Plan includes seven capital projects totaling an estimated \$6.8 million:

- \$2.6 million for constructing a customer service center, additional shaded seating, and landscaping in the central area of the State Fair Park grounds;

- \$2.0 million for two projects to complete paving and sewer infrastructure repairs;
- \$1.0 million to replace the roof of the Wisconsin Exposition Center;
- \$750,000 to make improvements to the site of the former West Side Marketplace, which was demolished by State Fair Park in December 2016 to more effectively use the space; and
- \$400,000 for two projects to replace perimeter fencing.

However, planned improvements can change as priorities shift over time. For example, in March 2015, State Fair Park initiated a project to construct a building to house small animals, such as poultry and rabbits, during the State Fair. After contracting with an architecture and engineering firm, State Fair Park cancelled the project in early 2017. In addition, State Fair Park has delayed implementing a paving and sewer infrastructure repair project several times when other needs became a higher priority.

State Fair Park has only recently begun to comprehensively evaluate the condition of its buildings.

We found that it is a best practice for state fairs to routinely evaluate the condition of their facilities and develop comprehensive, detailed maintenance plans. We found that State Fair Park has developed a process to annually identify small facility maintenance projects. However, we found that State Fair Park has only recently begun to comprehensively evaluate the condition of its buildings. For example, State Fair Park conducted a detailed review of the condition of the Tommy G. Thompson Youth Center in October 2017. The last time it conducted a comprehensive review of its grounds and facilities was for a facilities masterplan that was issued in 2000. Such comprehensive reviews are important in prioritizing capital projects, effectively allocating available funds for maintenance and repair, and helping to ensure that any work on State Fair Park's facilities is aligned with its policy objectives.

Recommendation

We recommend State Fair Park:

- *undertake a comprehensive review of its primary grounds and facilities, similar to the review it completed for the Tommy G. Thompson Youth Center; and*
- *report to the Joint Legislative Audit Committee by June 1, 2018, on the status of its efforts.*

The Milwaukee Mile Racetrack

State Fair Park has hosted no major racing events since July 2015, and none are currently planned for future years.

State Fair Park has not developed a formal plan for the future use of the Milwaukee Mile. The Milwaukee Mile consists of a one-mile oval racetrack with adjoining bleachers that sits upon approximately 54 acres. The Milwaukee Mile hosted five major racing events from FY 2012-13 through FY 2015-16 that generated gross revenues averaging \$102,000 per event. However, State Fair Park has hosted no major racing events since July 2015, and none are currently planned for future years. In addition, State Fair Park sold a section of the racetrack's bleachers for \$37,000 in March 2016. This section of bleachers, which was constructed in 2003, had provided seating for 1,100 spectators. State Fair Park sold the bleachers based on lack of use because no major racing events were being held at the racetrack.

Table 9 shows debt service expenditures for the Milwaukee Mile from FY 2012-13 through FY 2016-17, which averaged \$2.0 million annually over this period. This debt is the result of six capital projects initiated from 1994 through 2005, including grandstand construction, installation of a steel and foam barrier system in front of the concrete walls of the racetrack, and reconfiguration of the infield course. As of March 2017, projected debt service for capital projects associated with the racetrack totaled \$11.8 million through FY 2030-31.

Table 9

Debt Service for the Milwaukee Mile Racetrack

	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
General Fund-Supported Debt Service ¹	\$ 197,300	\$ 207,500	\$ 119,600	\$ 135,000	\$ 240,800
Program Revenue-Supported Debt Service ²	2,041,300	1,603,300	1,803,600	1,886,100	1,761,900
Total	\$2,238,600	\$1,810,800	\$1,923,200	\$2,021,100	\$2,002,700

¹ To be paid by DOA.

² To be paid by State Fair Park.

State Fair Park indicated that, in order to secure major racing events in the future, it would need to make significant upgrades to its racetrack, including repairing the racetrack surface, restoring its pit stops, and installing additional safety features along the racetrack wall. However, the future of the Milwaukee Mile remains uncertain because State Fair Park has not developed a formal plan for the future use of the facility or the space it occupies.

State Fair Park has leased the racetrack to racing clubs, driving schools, charitable organizations, and other entities for a variety of smaller events.

Although no major racing events have been held at the Milwaukee Mile since July 2015, State Fair Park has leased the racetrack to racing clubs, driving schools, charitable organizations, and other entities for a variety of smaller events. As noted, the amount of revenue generated by non-State Fair events hosted at the Milwaukee Mile decreased from \$487,100 in FY 2012-13 to \$286,400 in FY 2016-17. As shown in Table 10, the proportion of revenues from each type of event has changed over time, with major racing events decreasing from 48.8 percent of revenues in FY 2014-15 to zero percent in FY 2016-17.

Table 10

Percentage of Revenues for the Milwaukee Mile, by Event Type¹

Event Type	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Major Racing Events	39.0%	31.0%	48.8%	24.2%	0.0%
Non-Major Racing Events ²	30.5	47.3	41.3	71.4	96.6
Tire Testing	22.8	18.3	8.9	0.0	0.0
Other ³	7.7	3.4	1.0	4.4	3.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%

¹ The percentages are estimated because State Fair Park provided incomplete information on total revenue received from its events.

² Includes non-major competitive auto, motorcycle, and bicycle races; as well as showcases and trainings that allow participants to use the track for non-competitive race use.

³ Includes run/walk events, trainings, and fireworks viewings.

State Fair Park does not currently maintain information that allows for a determination of the financial effects of the Milwaukee Mile on State Fair Park. This is because it does not track expenditures related exclusively to the Milwaukee Mile. In addition, it is difficult to determine the amount of revenue generated during the State Fair through attendance fees, parking fees, and food and beverage sales from those who attend primarily for the concerts, which are held on the racetrack.

In considering the future of the Milwaukee Mile, State Fair Park could:

- attempt to secure major racing events, which it believes would likely require significant capital upgrades;
- attempt to increase the extent to which it leases racetrack space for smaller events, which could be

done regardless of whether it secures major racing events in the future; or

- look for opportunities to reduce its ongoing repair and maintenance costs and to generate additional revenue by repurposing a portion of the racetrack property, which is owned by the State of Wisconsin.

A development plan drafted by the City of West Allis in February 2011 analyzed potential land use opportunities for the Milwaukee Mile and the land surrounding it, should the racetrack cease its current use. The land use opportunities analyzed involve mixed-use development and the creation of a public plaza, along with exposing the Honey Creek water feature, which is currently channeled underground. The City's plan estimated that the site may contain over \$1.2 billion in development value. However, development of the property under the City's proposal may not be practical because it would result in the loss of this space for concerts, parking, and other activities that are currently important aspects of the State Fair.

State Fair Park has not formally assessed its options for the future use of the Milwaukee Mile.

Although State Fair Park indicated that it plans to continue to host events at the Milwaukee Mile and to consider options for the facility's future use, State Fair Park has not formally assessed its options or initiated a planning process, as would be expected for such a significant undertaking.

Recommendation

We recommend State Fair Park:

- *initiate a formal planning process for identifying and analyzing the options available to it regarding the future use of the Milwaukee Mile;*
- *make recommendations to the State Fair Park Board concerning what it believes is the most appropriate use or uses of the Milwaukee Mile; and*
- *report to the Joint Legislative Audit Committee by June 1, 2018, on the status of these efforts.*

DNR requires State Fair Park to have a storm water permit to reduce runoff from rain and melting snow from polluting water bodies.

Complying with Storm Water Requirements

State Fair Park's capital expenditures may also be affected by the need to comply with its storm water permit. More than two hundred municipalities and other entities in Wisconsin are required by ch. NR 216, Wis. Adm. Code, to have Municipal Separate Storm Sewer System permits, which are more commonly known as storm water permits. These permits are issued by the Department of Natural Resources (DNR) to municipalities and certain other entities, such as State Fair Park and University of Wisconsin institutions, located within urbanized areas. Permits are generally issued for a period of five years. Permittees are required to reduce polluted storm water runoff by implementing storm water management programs with best management practices. Storm water runoff results from rain and melting snow that flows from roads, parking lots, building rooftops, and other developed areas into nearby water bodies. Because these developed areas limit the amount of water that soaks into the ground, contaminants contained in storm water can pollute local water bodies unless they are properly managed.

State Fair Park's most recent storm water permit was issued by DNR in June 2013. As part of its responsibilities for regulating storm water runoff, DNR inspects permittees. During an inspection in August 2016, DNR identified several areas of noncompliance with the requirements of State Fair Park's storm water permit. In September 2016, DNR issued State Fair Park a Notice of Violation that identified six areas of noncompliance:

- failure to install and maintain barriers to prevent animal waste from entering the storm water system;
- failure to conduct routine sweeping and cleaning of drainage components behind the swine building;
- failure to clearly post signage that directs animal exhibitors to wash animals and maintain pens;
- failure to dispose of trash in a manner that would prevent contaminated water from entering the storm water system;
- failure to develop a storm water management plan; and
- failure to develop a management plan to prevent animal feces and bacteria from reaching an underground creek.

DNR held an enforcement conference with State Fair Park in October 2016 to address areas of permit noncompliance.

DNR held an enforcement conference with State Fair Park in October 2016 to address the areas of permit noncompliance. As a result, prescribed remedies for the areas of noncompliance were agreed upon, including immediately implementing interim methods of storm water control, implementing a management plan for animal feces for the 2017 State Fair, and annually clearing storm sewers after the completion of the State Fair. State Fair Park believes it has addressed all areas of noncompliance. However, through November 2017, DNR had not issued its report on the extent to which State Fair Park complied with the prescribed remedies resulting from the October 2016 enforcement conference during the 2017 State Fair.

Recommendation

We recommend State Fair Park report to the Joint Legislative Audit Committee by June 1, 2018, on the status of its efforts to address areas of noncompliance with its storm water permit, including whether any additional actions are taken by the Department of Natural Resources.

■ ■ ■ ■

Event Management ■

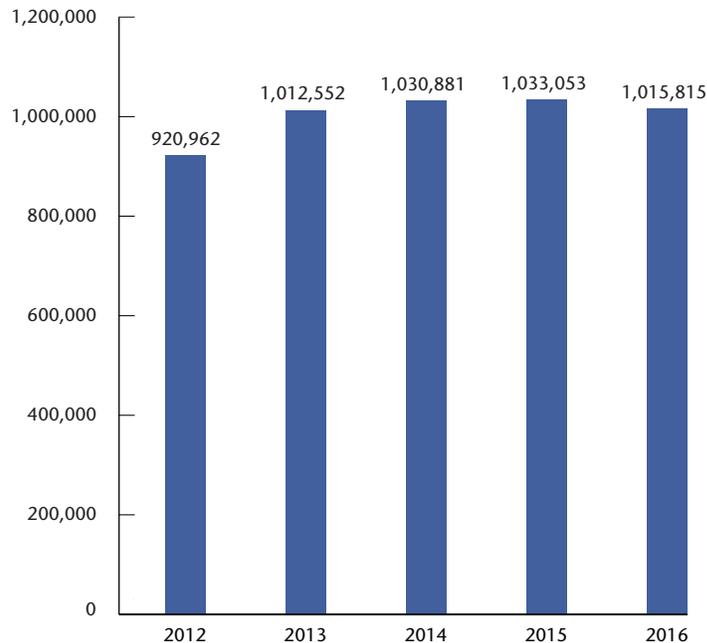
The State Fair is the largest event held each year at State Fair Park, and it has drawn more than one million attendees annually since 2013. Hosting the State Fair involves management of amusement rides and games, ensuring the safety of attendees, and evaluating attendee satisfaction. Since 2012, State Fair Park has independently managed midway operations for the State Fair, but it has not maintained adequate information needed to assess the financial effects of this decision. In addition to the State Fair, State Fair Park leased space for approximately 180 revenue-generating events each year from FY 2012-13 through FY 2016-17, with over two-thirds of the lease revenue coming from consumer and trade shows. We also found that State Fair Park has not entered into a statutorily required memorandum of understanding with the Department of Tourism. We make recommendations to improve midway management and the assessment of State Fair attendee satisfaction.

The Wisconsin State Fair

Annual attendance at the State Fair has exceeded one million since 2013.

As shown in Figure 4, annual attendance at the State Fair has exceeded one million since 2013. State Fair Park determines attendance based on the number of tickets scanned upon entrance to the State Fair. Approximately half of the attendees of the 11-day State Fair attend more than one day. The admission price for those ages 12 to 59 was \$9 in 2012, \$10 in 2013 and 2014, and \$12 in 2015 and 2016.

Figure 4

Wisconsin State Fair Attendance¹

¹ Based on the number of tickets scanned upon entrance to the State Fair.

Management of the State Fair Midway

Since 2012, State Fair Park has independently managed its SpinCity midway, rather than contract for midway management services.

Through 2011, State Fair Park contracted with a vendor for management of the amusement rides and games in its midway. This contract provided guaranteed net revenues for State Fair Park, which increased from \$850,000 for the 2004 State Fair to \$1.0 million for the 2011 State Fair. Based on documentation of interviews we conducted as part of our June 2012 audit of State Fair Park (report 12-10), two former State Fair Park managers indicated that the midway vendor was unwilling to enter into another contract after the 2011 State Fair that would provide the same level of guaranteed revenues. Therefore, State Fair Park decided to independently manage its midway, which is known as SpinCity, beginning with the 2012 State Fair. Under this arrangement, amusement ride and game operators contract directly with State Fair Park.

State Fair Park made the decision to independently manage its midway because it believed this approach would increase net revenues, improve the quality of the rides and games offered, and provide attendees a better experience in a safer environment. It also noted that several fairs around the country including the Minnesota

State Fair and other large fairs in California and Texas were also independently managing their own midways.

State Fair Park staff indicated that independently managing the SpinCity midway gives State Fair Park the ability to select rides and games specifically for the preferences of Wisconsin State Fair attendees and provides more control over the manner in which the midway is operated. We could not determine whether the type or mix of rides offered at the State Fair has changed since State Fair Park began independently managing its midway because documentation of the specific type of amusement rides offered before 2012 was not available. However, beginning with the 2012 State Fair, State Fair Park has required all SpinCity workers to wear standard apparel and has established specific standards for grooming and conduct, such as requiring that operators be clean and neat in their appearance, with hair, mustaches, and beards neatly groomed. It has also prohibited the use of mobile phones and other electronic devices while operating a ride or game or working in a concession booth.

State Fair Park requires that at least \$0.25 of every dollar spent on games at the State Fair be given back to customers as prizes.

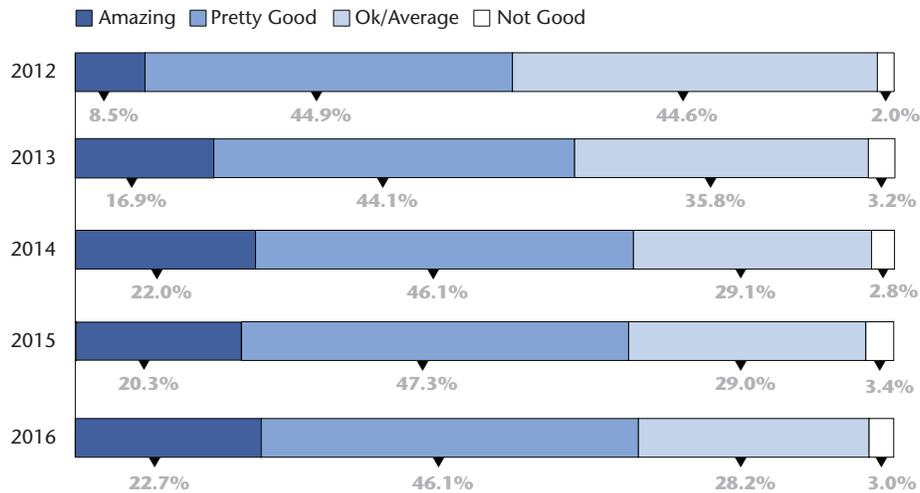
In addition, State Fair Park staff indicated that independently managing the midway gives State Fair Park more involvement and control in ensuring the safety of rides at the fair because State Fair Park is now directly responsible for conducting the inspections that the midway management vendor had previously performed. State Fair Park staff also noted that it instituted a policy for SpinCity games that requires at least \$0.25 of every dollar spent on these games be given back to customers as prizes. To determine compliance with this policy, State Fair Park primarily relies on information that is self-reported by the game operators. We analyzed information for the 23 games at the 2016 State Fair that were subject to this policy. We found that 3 (13.0 percent) were not in compliance because they did not return at least \$0.25 of every dollar spent by customers. State Fair Park indicated it did not take action against these three game operators for noncompliance because the amount they returned in the form of prizes was within three cents of meeting the \$0.25 standard.

After the 2012 State Fair, which is the first year the midway was independently managed, State Fair Park surveyed attendees to determine whether they had noticed any improvements to the midway. Of the 2,272 respondents to this question, 54.1 percent replied “Yes,” and 45.9 percent replied “No.” In addition, an annual survey question regarding attendee satisfaction with SpinCity indicates improved satisfaction since 2012. As shown in Figure 5, the percentage of respondents who rated SpinCity as “amazing” increased from 8.5 percent in 2012 to 22.7 percent in 2016, while the

percentage of respondents who rated SpinCity as “Ok/Average” decreased from 44.6 percent in 2012 to 28.2 percent in 2016.

Figure 5

Survey Responses Regarding Satisfaction with SpinCity¹



¹ Based on replies to surveys distributed by State Fair Park after each year’s State Fair.

State Fair Park had projected that net revenues from SpinCity would total \$1.0 million for the 2012 State Fair. However, in a report to the State Fair Park Board, it reported generating estimated net revenues of only \$763,800. Subsequent reports to the Board indicate that estimated net revenues for SpinCity increased to \$989,400 in 2013 and to \$1.1 million in both 2014 and 2015. No documentation was available to support estimates of the net revenues State Fair Park generated through independent operation of its midway.

State Fair Park does not maintain financial information in a manner that would provide accurate estimates of SpinCity’s net revenues.

In two of our prior audit reports of State Fair Park in 2012 and 2013 (reports 12-10 and 13-8), we noted that it is important for State Fair Park to track its revenues and expenditures in order to determine and evaluate the financial effects of its decision to independently manage its midway. However, State Fair Park does not maintain the information needed to do so. We found that State Fair Park has not estimated net revenues for SpinCity since 2015, and the validity of its prior estimates is in question because no supporting documentation for them could be provided.

We also found that State Fair Park has not solicited information from potential vendors on the guaranteed revenue that may be

available through a future contractual relationship for midway management. Consequently, it is unable to determine whether its decision to independently manage its midway is generating more revenue than it would receive by contracting with a vendor for midway management services. Although net revenue is not the only factor to be considered in assessing whether to independently manage its midway, it is important that this amount is known and taken into consideration when evaluating the future of midway management.

Recommendation

We recommend State Fair Park:

- *maintain detailed revenue and expenditure information on the operation of its midway;*
- *estimate the net revenues generated from midway operations after each State Fair and report this information to the State Fair Park Board; and*
- *occasionally solicit information from prospective vendors of midway management services and use this information to assess the financial effects of continuing to independently manage its midway.*

Inspecting Amusement Rides

The Department of Safety and Professional Services is required to inspect amusement rides at the State Fair.

To help prevent injuries, amusement rides at the State Fair are inspected both by the Department of Safety and Professional Services (DSPS) and by an independent vendor with which State Fair Park contracts to inspect rides. Section SPS 334.08 (2), Wis. Adm. Code, requires DSPS to periodically inspect every amusement ride. DSPS indicated that it meets this requirement by inspecting amusement rides at State Fair Park prior to the opening of each State Fair.

As shown in Table 11, DSPS conducted 240 inspections of amusement rides at State Fairs from 2012 through 2016. Of these, 10 (4.2 percent) resulted in orders to the operator to make repairs or corrections. DSPS staff indicated they generally require that repairs and corrections be completed before a ride is allowed to operate.

Table 11

DSPS Inspections of Amusement Rides at State Fair Park

Year	Number of Inspections	Number of Orders Issued for Repairs or Corrections
2012	56	–
2013	42	1
2014	50	8
2015	58	1
2016	34	–
Total	240	10

DSPS indicated the decline in inspections for the 2016 State Fair was due to staff turnover at DSPS. Additionally, it indicated the high percentage of orders that occurred for the 2014 State Fair was due to a new emphasis on electrical issues in which inspectors focused on identifying frayed or defective power cords, bare connections, and open junction boxes.

In addition to the inspections performed by DSPS, State Fair Park contracts with a private vendor to perform ride inspections before and throughout the course of the 11-day State Fair. The current vendor has performed inspections since 2012, when State Fair Park began independently managing its midway. Under the terms of the current contract, the vendor is responsible for services such as:

- conducting inspections prior to the opening of the State Fair;
- conducting daily safety inspections during all operating hours of the State Fair;
- conducting safety orientation and training meetings for the ride operators;
- investigating all incidents in the midway area and other areas specified by State Fair Park management; and
- providing State Fair Park with post-fair inspection reports on all rides, attractions, and support equipment in the midway area and other areas specified by State Fair Park.

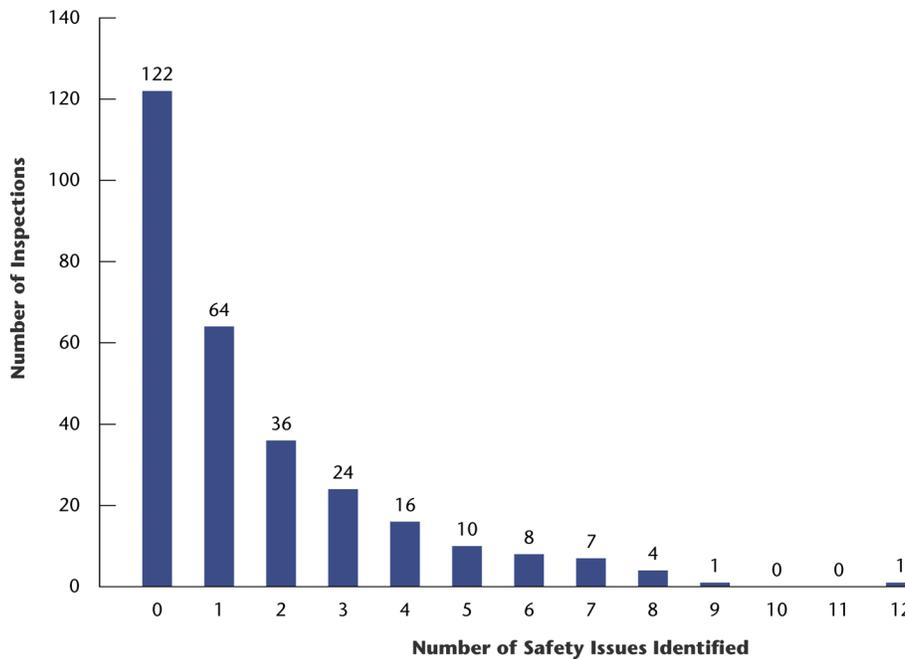
State Fair Park has developed a safety inspection program for its rides.

We found that it is a best practice for state fairs to develop a safety inspection program for their rides. We believe the contractual relationship State Fair Park has with its inspection vendor is consistent with this best practice.

We reviewed the inspection reports for each State Fair from 2012 through 2016 that were submitted to State Fair Park by the inspection vendor. The vendor conducted 293 inspections during this period and identified a total of 472 issues. As shown in Figure 6, no safety issues were identified for 122 (41.6 percent) of the inspections, while six inspections (2.0 percent) identified eight or more safety issues.

Figure 6

Number of Inspections Identifying Safety Issues¹
2012 through 2016



¹ These inspections were conducted by a vendor hired by State Fair Park.

Amusement ride inspectors found no issues in the highest severity category.

Table 12 shows the 472 issues identified through the inspections based on their level of severity. The highest level of severity involves issues requiring that the equipment not be used until the problem is corrected, and the lowest level of severity involves issues requiring attention during the off-season but does not prohibit a ride from

being operated in the interim. Inspectors found no issues in the highest severity category. Of the 472 issues that inspectors identified, 288 (61.0 percent) were problems that were promptly corrected by operators without the need to prevent the ride from operating, and 155 (32.8 percent) were minor problems that were not immediate safety concerns but should be addressed before they become safety concerns. The two issues identified in the second most severe category involved one instance of a ride seat with a damaged headrest and another with an improperly working lap belt latch. Documentation submitted by the vendor does not indicate how these two issues were addressed.

Table 12

Recommendations to Address Issues Identified by State Fair Park's Inspection Vendor

Recommendation Type	2012	2013	2014	2015	2016	Total
Equipment Cannot Be Used Until Problem Is Corrected	–	–	–	–	–	–
Specific Seats Cannot Be Used Until Corrected	–	–	–	–	2	2
Problem Should Be Addressed Before It Becomes a Safety Concern ¹	42	20	56	23	14	155
Problem Identified and Promptly Corrected	29	41	92	82	44	288
Equipment Requires Attention During the Off-Season ²	–	4	6	10	7	27
Total	71	65	154	115	67	472

¹ Issued when a minor problem is found that is not an immediate safety concern.

² Issued when a ride can be operated safely, but has a problem that should be addressed in the off-season.

Under the terms of its contract with State Fair Park, the inspection vendor is required to submit reports to State Fair Park if any incidents or injuries occur that are associated with a SpinCity ride. However, State Fair Park indicated it has directed its vendor not to submit these reports, because State Fair Park's Police Department is already required by State Fair Park's policies to produce similar reports. In addition, State Fair Park indicated that its police officers are better trained than the inspection vendor to conduct interviews and perform investigations.

From 2012 through 2016, State Fair Park's Police Department documented 60 injuries due to amusement rides or games during the State Fair.

From 2012 through 2016, State Fair Park's Police Department documented 60 injuries due to amusement rides or games during the State Fair. Most of the injuries were minor, but 10 (16.7 percent) involved individuals being transported to a hospital for further care. Because the incident reporting requirement regarding injuries was included in State Fair Park's solicitation of bids for amusement ride inspection services, State Fair Park may have incurred some unnecessary costs by including a reporting requirement that was not needed.

Recommendation

We recommend that State Fair Park:

- *remove from future bid solicitations and contracts the requirement that the vendor providing amusement ride inspection services submit reports on any incidents or injuries that are associated with an amusement ride or game; and*
- *should the current contract be extended, amend it to remove this requirement and attempt to negotiate a fee reduction with the vendor.*

Security at the State Fair

Section 42.01 (2), Wis. Stats., requires the Board to exercise police supervision over State Fair Park, which it does through the operation of the State Fair Park Police Department. During opening night of the 2011 State Fair, a violent incident occurred inside and outside the fairgrounds that resulted in at least 31 arrests. As a result, State Fair Park took steps to improve security at the State Fair, including:

- revising its admission policies to prohibit minors from being admitted after 6:00 p.m., unless accompanied by a parent or guardian age 21 or older;
- installing metal detectors at all admission gates;
- increasing the number of security cameras from approximately 50 in 2012 to 274 in 2017; and
- revising its security procedures, including assigning more security personnel to the SpinCity midway area, which has been the source of prior problems.

In 2012, State Fair Park added a police command center in response to a violent incident at the State Fair in 2011.

Another major action taken by State Fair Park in response to the 2011 incident was the addition of a police command center in 2012. The police command center facilitates communication and coordination between the State Fair Park Police Department and other law enforcement agencies when incidents occurring inside the State Fair begin to move into the surrounding neighborhoods. In addition, the State Fair Park Police Department began hosting security summits in 2012 to address security issues at the State Fair. These summits have included participation by law enforcement agencies, such as the Milwaukee Police Department, the West Allis Police Department, the Wauwatosa Police Department, the Milwaukee County Sheriff's Department, and the Wisconsin State Patrol.

Assessing Satisfaction of State Fair Attendees

State Fair Park periodically contracts with a vendor to conduct a comprehensive survey of attendees.

In addition to the annual surveys it conducts to solicit input on selected issues, State Fair Park periodically contracts with a vendor to conduct a comprehensive survey of attendees during the State Fair. State Fair Park indicated these comprehensive surveys are conducted only periodically because of the cost involved. State Fair Park paid a vendor \$16,200 for the 2015 survey.

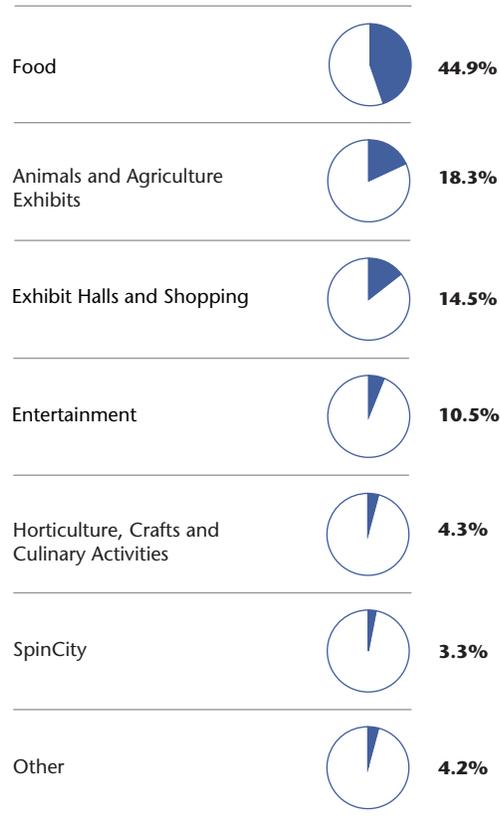
Approximately 4,000 individuals participated in the 2015 survey using electronic kiosks located throughout the fairgrounds. Based on its analysis of the 2015 survey results, the vendor reported that:

- 57 percent of respondents were females and 43 percent were males;
- the average age of respondents was 40 years old; and
- 64 percent of respondents resided in the greater Milwaukee area, 24 percent resided in other areas of Wisconsin, 8 percent resided in Illinois, and 4 percent resided outside of Wisconsin and Illinois.

Respondents were asked to rate their overall enjoyment in attending the State Fair on a scale of 1 ("poor") to 5 ("excellent"). The average overall enjoyment rating was 4.5 among respondents to this question. When asked to compare the quality of the Wisconsin State Fair to other fairs or festivals they have attended, 70.9 percent of respondents rated the Wisconsin State Fair as "better" or "much better." The survey also asked attendees what they liked most about the State Fair. As shown in Figure 7, food was by far the most popular aspect of the State Fair.

Figure 7

**What Attendees Liked Most about the State Fair¹
2015**



¹ Based on information from a 2015 survey conducted for State Fair Park by a vendor.

To identify changes over time, we compared the results of the 2015 State Fair survey with the results of the most recent survey conducted previously, which was in 2010. We found that the average score for seven of nine survey questions that were posed in both the 2010 and 2015 surveys improved over this period, as shown in Table 13.

Table 13

Comparison of State Fair Survey Results¹

Area Rated	Average Score	
	2010	2015
Overall Enjoyment of Visit to the State Fair	4.45	4.54
Satisfaction with Variety of Food	4.56	4.44
Selection of Events, Rides, Games, and Entertainment	4.26	4.41
Satisfaction with Safety	4.25	4.27
Satisfaction with Customer Services	4.11	4.25
Cleanliness of the Fairgrounds	4.14	4.13
Value	3.94	4.12
Satisfaction with Price of Admission	3.91	4.05
Kid Friendliness	3.72	3.77

¹ Based on information from surveys conducted for State Fair Park by a vendor.

Shaded cells indicate a decline in the average score of survey respondents from 2010 to 2015.

Some important questions have not been consistently asked as part of each comprehensive survey.

We found that some important questions asked in one survey were not asked in the other, which precludes comparisons to determine if there were changes. For example, the 2015 survey did not ask respondents to rate family friendliness or the variety of entertainment, while the 2010 survey did not ask respondents to rate the quality of food or the overall appearance of State Fair Park. Although it may be useful to occasionally add new questions or modify existing questions, ensuring that a core set of questions is included as part of each comprehensive survey is important in measuring changes in the success of various aspects of the State Fair.

Recommendation

We recommend that State Fair Park:

- *identify the key questions it believes are important to comprehensively assess the success of the State Fair;*
- *ensure that the vendor it selects on a periodic basis to conduct the comprehensive survey of State Fair attendees includes these questions as part of the survey and that questions are asked in the same manner to ensure that changes over time can be accurately measured;*

- *assess changes over time using information from the key questions that will be asked as part of every comprehensive survey; and*
- *regularly report this information to the State Fair Park Board.*

Leasing Space for Other Events

In addition to using State Fair Park’s facilities and grounds for the annual State Fair, State Fair Park hosts an annual Harvest Fair in September and leases space to other external parties throughout the year, as permitted by s. 42.04, Wis. Stats. State Fair Park staff indicated that no admission fee is charged for Harvest Fair. However, State Fair Park does generate revenue for the event through sponsorships, parking, food and beverage sales, and certain activities for which fees are charged, such as building scarecrows, pumpkin carving, and amusement rides. State Fair Park does not track expenditures associated with the Harvest Fair, but gross revenues from the Harvest Fair have generally increased from FY 2012-13 through FY 2016-17.

From FY 2012-13 through FY 2016-17, State Fair Park leased facility space for approximately 180 revenue-generating events each year.

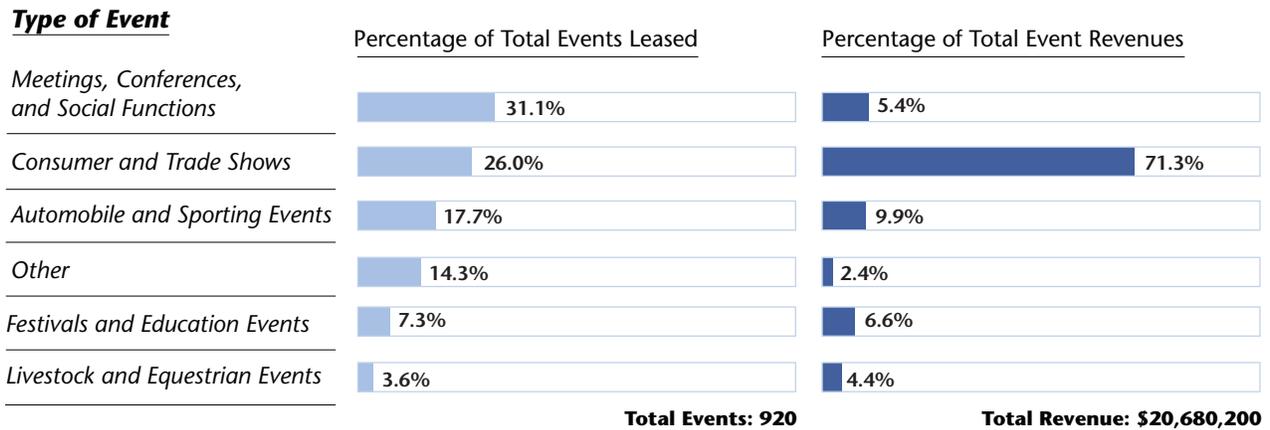
From FY 2012-13 through FY 2016-17, State Fair Park also leased facility space for approximately 180 revenue-generating events each year. The amount of space leased varied from a single conference room to large exhibit halls in the Wisconsin Exposition Center. Examples of some of the larger events include the Realtors Home and Garden Show, the Milwaukee Journal Sentinel Sports Show, the Milwaukee Boat Show, and the National Association of the Remodeling Industry Home Improvement Show.

Consumer and trade shows accounted for 71.3 percent of the revenue State Fair Park received from leasing space.

We estimated the percentage of revenues for each type of event because State Fair Park maintains incomplete revenue information. As shown in Figure 8, an estimated 31.1 percent of the events for which space was leased were meetings, conferences, and social functions, but they generated 5.4 percent of total event revenues State Fair Park received from leasing space. Consumer and trade shows, which are primarily large events held in the Wisconsin Exposition Center, accounted for 26.0 percent of the events held and 71.3 percent of total event revenues.

Figure 8

Events for which Space at State Fair Park Was Leased, by Type and Percentage of Revenue¹
FY 2012-13 through FY 2016-17



¹ The percentages are estimated because State Fair Park maintains incomplete information on total revenue received from its events.

Overall, 93.3 percent of respondents indicated that State Fair Park’s facilities met their expectations for value.

State Fair Park conducts surveys of individuals and organizations that lease space. From FY 2012-13 through FY 2015-16, State Fair Park received 186 survey responses, although not every respondent answered every question. Overall, 93.3 percent of respondents indicated that State Fair Park’s facilities met their expectations for value, and 98.9 percent indicated they would recommend State Fair Park’s facilities to others.

The respondents were also asked to rate their satisfaction with selected services on a scale from 1 (“poor”) to 7 (“excellent”). We analyzed the responses and found that the average rating among respondents was:

- 6.5 for overall satisfaction with the services provided by State Fair Park;
- 6.1 for overall State Fair Park cleanliness; and
- 6.0 for the quality of State Fair Park’s facilities.

The lowest-rated State Fair Park services were gate and parking operations and parking services.

The lowest-rated services were gate and parking operations and parking services, which received average scores of 5.4 and 5.5, respectively. In addition, 26 of 180 respondents (14.4 percent) rated gate and parking operations at “3” or less, and 22 of 160 respondents (13.8 percent) rated parking services at “3” or less. State Fair Park staff indicated that while general improvements have been made, they are not aware of any improvements to gate or parking operations being undertaken based on feedback from the surveys.

Because these areas are the lowest-rated services that were identified in its satisfaction surveys, it would be helpful for State Fair Park to determine why these services are the lowest rated, what changes could be made to improve these services, and whether it would be cost effective to do so.

Finally, we found that s. 42.105 (1), Wis. Stats., requires State Fair Park to enter into a memorandum of understanding with the Department of Tourism, to which it is attached for administrative purposes. The memorandum is to specify the responsibilities of the Department of Tourism for promoting fairs, exhibits, and promotional events at State Fair Park and the methods that the State Fair Park Board and the Department will use to cooperate in promoting and carrying out those events and activities. We found that State Fair Park and the Department of Tourism have not entered into this memorandum of understanding.

Recommendation

We recommend State Fair Park:

- *maintain a complete electronic record of the revenues generated by the events and other activities for which it leases space;*
- *determine why its gate and parking services are the lowest-rated services and whether it would be cost effective to make improvements in these areas to improve the satisfaction of entities leasing space; and*
- *enter into a memorandum of understanding with the Department of Tourism, as required by s. 42.105 (1), Wis. Stats.*

■ ■ ■ ■

Procurement Practices ■

Although State Fair Park procures its own goods and services valued at more than \$50,000, it was not officially delegated this authority by DOA. We found that State Fair Park does not maintain complete and accurate management information needed to effectively oversee its contracting processes, and it has not consistently followed proper procurement procedures. We make recommendations related to improving its procurement practices, complying with state procurement and cash-handling requirements, and enhancing its oversight of vendors operating during the State Fair.

Procuring Goods and Services

DOA delegates procurement authority for goods and services valued at more than \$50,000 to agencies having sufficient resources, knowledge, and experience.

Under s. 16.71, Wis. Stats., DOA is granted the authority to procure all necessary materials, supplies, equipment, and contractual services for all state agencies, or to delegate such authority to state agencies as it determines to be appropriate. In general, DOA delegates to all state agencies procurement authority for goods and services valued at \$50,000 or less. In addition, it delegates procurement authority for goods and services valued at more than \$50,000 to those agencies that procure goods and services on a regular basis and that DOA believes have sufficient resources, knowledge, and experience to effectively administer their own procurement processes.

State Fair Park enters into both expense contracts, which are contracts in which State Fair Park pays vendors for goods or services

rendered, as well as revenue contracts, which are contracts for which a vendor pays State Fair Park to lease space or to generate revenue, such as through the collection of parking fees from attendees of the State Fair, and shares a portion of the revenue generated with State Fair Park. DOA indicated that state agencies are generally required to follow procurement policies for both expense contracts and revenue contracts.

As required by s. 16.75, Wis. Stats., and the *State Procurement Manual*, the procurement of goods and services with a value of:

- \$5,000 or less is generally conducted using a state agency's "best judgment;"
- more than \$5,000 up to \$50,000 is conducted by state agencies by obtaining quotes from three viable vendors; and
- more than \$50,000 is conducted by DOA, or by agencies to which DOA has delegated purchasing authority, through a formal competitive bidding process that generally involves posting solicitations for bids or proposals to VendorNet, which is the State's online purchasing information system.

Through November 2017, State Fair Park had not received delegated procurement authority from DOA to procure goods and services over \$50,000.

Although State Fair Park directly procures all of its own goods and services, including those over \$50,000, it first requested delegated authority from DOA in November 2017. In addition, DOA has not included State Fair Park on its list of agencies for which DOA performs procurement functions. State Fair Park indicated it had 16 competitively awarded expense contracts that were active in FY 2016-17 and exceeded a value of \$50,000. Expenditures for these 16 contracts totaled \$2.4 million in FY 2016-17. DOA and State Fair Park have been discussing how best to address this procurement issue since State Fair Park hired a procurement manager in March 2017.

State Fair Park was unaware of a statutorily required memorandum of understanding it entered into with DOA in 2002.

We also note that s. 42.106 (2), Wis. Stats., requires State Fair Park to enter into a memorandum of understanding with DOA regarding the establishment of goals for construction and professional services contractors related to the hiring of women and minority group members. State Fair Park indicated it did not believe it had entered into the required memorandum with DOA because it could not locate this document. However, at our request, DOA was able to identify the 2002 memorandum with State Fair Park that addresses the statutory requirement, and we provided a copy of the memorandum to State Fair Park for its review and use. Because State Fair Park was unable to provide us with the memorandum

during our fieldwork, we did not have sufficient time to determine whether it was in compliance with the provisions of it.

Recommendation

We recommend State Fair Park:

- *work with the Department of Administration to determine the scope of State Fair Park's procurement authority under s. 16.71, Wis. Stats., and to follow the procurement processes for agencies without delegated procurement authority until it has formally been delegated such authority;*
- *review the memorandum of understanding required by s. 42.106 (2), Wis. Stats., and ensure that it is complying with the terms of the agreement; and*
- *report to the Joint Legislative Audit Committee by June 1, 2018, on its progress in these areas.*

Assessing Procurement Practices

Over the course of more than five months, State Fair Park was unable to provide us with a complete list of its contracts, including those exceeding \$50,000.

We found that State Fair Park does not maintain adequate and readily accessible information on its contracts. For example, over the course of more than five months, State Fair Park was unable to provide us with a complete list of its contracts, including those exceeding \$50,000. On May 24, 2017, we requested that State Fair Park provide us with a list of contracts it had entered into that were active at any time from FY 2012-13 through FY 2016-17. We first received a list in response to this request on August 31, 2017. However, the list was substantially inaccurate and incomplete. For example, it included over 100 items that were not separate contracts but portions of larger ones, primarily involving the lease of space during the State Fair. In addition, the list did not contain several contracts of which we had subsequently become aware through other information requests and conversations with agency employees.

Four subsequent revisions to this list provided by State Fair Park from September through October were also inaccurate and incomplete. For example, the final list of revenue contracts did not include all revenue-generating contracts, such as the contracts for leased space for the Milwaukee Sports Show and the Milwaukee Boat Show, and it contained inaccurate contract amounts for thousands of revenue contracts because they excluded the commission fees paid to State Fair Park.

Some contract information that State Fair Park provided to us differed from what it submitted to DOA.

In addition, some contract information that State Fair Park provided to us differed from what it submitted to DOA in November 2017 as part of its application for delegated procurement authority. For example, State Fair Park submitted information to DOA that included three contracts with expenditures totaling \$131,800 in FY 2016-17 that had not been identified in the information State Fair Park provided to us. Similarly, information State Fair Park provided to us included three contracts with expenditures totaling \$492,300 that were not listed as “procured contracts” in the information State Fair Park submitted to DOA. State Fair Park noted that this was because they were not annual, recurring expenditures. However, we raised the issue with DOA officials who indicated that these contracts should have been included as procured contracts in the information State Fair Park reported to DOA.

The lack of complete and accurate information prevented us from determining whether State Fair Park was in compliance with procurement requirements for all of its contracts. However, based on the contract information that was provided by State Fair Park, we reviewed its procurement practices and compared them with the policies established by DOA through the *State Procurement Manual*.

We found examples of improper or poorly managed procurement activity associated with purchases by State Fair Park, including:

- five instances of failing to obtain at least three quotes for separate purchases ranging from \$5,500 to \$7,500;
- four instances in which State Fair Park solicited bids for goods or services exceeding \$50,000 but, in response to our inquiries, could not determine whether it had entered into contracts as a result of these solicitations;
- one instance in which State Fair Park was unable to provide two one-year extensions to a 2015 contract for advertising services with an annual value of more than \$600,000;
- one instance of failing to issue a required purchase order for a contracted service;
- one instance in which a solicitation valued at \$125,000 was abandoned by State Fair Park because it had not included sufficient specificity in its solicitation or allowed for sufficient time to review the proposals it received;

- one instance in which State Fair Park disposed of a front-end loader without first obtaining authorization from DOA, as it is required to do; and
- one instance in which State Fair Park exceeded by \$27,400 the maximum amount permitted to be spent for an advertising contract.

State Fair Park did not follow proper procurement procedures when entering into a five-year contract with its parking services vendor in April 2013.

We also found examples of improper or poorly managed procurement activity by State Fair Park related to its revenue-generating contracts. For example, State Fair Park entered into a five-year revenue-generating contract with a vendor in April 2013 to manage its parking services. This contract had an estimated annual value to State Fair Park of approximately \$1.3 million. Under the terms of the contract, the vendor is responsible for collecting parking fees from individuals attending events hosted by State Fair Park and providing State Fair Park with a percentage of the fees collected. The contract is effective from April 2013 through April 2018, with five automatic one-year extensions unless either party provides advance written notice of its intention not to renew the contract. We found that State Fair Park:

- did not post a request for proposals on VendorNet, as prescribed by the *State Procurement Manual*;
- did not seek approval from its Board when initially entering into the contract in April 2013, as it is required to do under the Board's bylaws for all contracts for consulting, employment, or other professional services exceeding \$25,000, and for any service contracts that exceed three-years in length; and
- did not seek Board approval when amending the contract in April 2015, as required by the Board's bylaws.

In addition, State Fair Park has not followed competitive bidding requirements for selecting ride and game operators since becoming directly responsible for selecting these operators in 2012, and it has not received a waiver of these requirements from DOA. Instead, State Fair Park contracted with those ride and game operators it used during the previous year that it perceived to be of high quality, and it recruited additional operators to fill any remaining openings without using a competitive bidding process. In October 2017, State Fair Park submitted to DOA an application for a \$3.0 million waiver

from competitive bidding requirements that would allow its current procurement practices for selecting ride and game operators. As of November 2017, its request was pending.

State Fair Park noted that most of these procurement issues occurred during the tenure of a previous purchasing agent, who was terminated by State Fair Park in January 2017. To help address deficiencies in its procurement practices, State Fair Park indicated that supervisory responsibilities for procurement were transferred from the chief financial officer to the accounting manager in an effort to increase oversight of procurement after it became aware of the procurement problems. In addition, State Fair Park indicated that it plans to hire a new staff member to address contract compliance.

As it continues to work to improve its procurement practices, it will be important for State Fair Park to follow state procurement rules and maintain accurate, comprehensive, and easily accessible electronic contract information that facilitates its ability to adequately oversee its contracting practices.

Recommendation

We recommend State Fair Park:

- *maintain a comprehensive and accurate electronic inventory of its active contracts and regularly use this information to oversee its contracting practices;*
- *follow all policies and procedures established in the State Procurement Manual;*
- *regularly review its procurement practices to ensure they are in compliance with state requirements; and*
- *report to the Joint Legislative Audit Committee by June 1, 2018, on its progress in these areas.*

Managing Contracted Services

State Fair Park enters into both expense contracts and revenue contracts.

As noted, State Fair Park enters into both expense contracts and revenue contracts. Because the information on many of State Fair Park's revenue contracts was substantially incomplete and inaccurate, we limited our review to its expense contracts and to those revenue contracts associated with vendors operating during the State Fair, because these contracts included more complete information.

Expense Contracts

Because State Fair Park provided us with incomplete contract and expenditure information, we analyzed FY 2016-17 contract and expenditure information State Fair Park submitted to DOA as part of its application for delegated procurement authority. State Fair Park identified a total of 309 expense contracts that were active in FY 2016-17. During this year, it made payments to vendors totaling \$4.6 million, as shown in Table 14. Since at least FY 2012-13, DOA annually granted State Fair Park a waiver from state competitive procurement requirements for entertainment acts, as well as for judging and agricultural activities. State Fair Park indicated it used these waivers to execute 273 contracts totaling \$1.8 million in FY 2016-17.

Table 14

State Fair Park Contract Expenditures¹ FY 2016-17

Type	Number of Contracts	Total Expenditures	Average Expenditure per Contract
Supplies and Services	23	\$1,700,700	\$73,900
Entertainment	63	1,626,900	25,800
Maintenance and Construction	13	1,155,500	88,900
State Fair Judging and Agricultural Activities	210	130,600	600
Total	309	\$4,613,700	14,900

¹ Primarily based on contract and expenditure information State Fair Park submitted to DOA as part of its application for delegated procurement authority in November 2017.

As noted, State Fair Park is required to obtain the approval of its Board before executing contracts for consulting, employment, or other professional services that exceed \$25,000. Based on information provided by State Fair Park, we identified 64 expense contracts that it executed from January 2013 through June 2017 that required Board approval. However, we found that State Fair Park sought approval for nine contracts totaling \$1.3 million after the contracts had already been executed, including:

- \$623,900 for seven contracts to provide maintenance and construction services;

- \$623,500 for one contract to provide advertising services in 2016; and
- \$32,500 for one contract with the City of West Allis to provide security services at the 2016 State Fair.

☑ Recommendation

We recommend State Fair Park comply with the bylaws of the State Fair Park Board that require State Fair Park to seek the Board’s approval before executing contracts for consulting, employment, or other professional services exceeding \$25,000, and for any service contracts that exceed three years in duration.

Revenue Contracts with State Fair Vendors

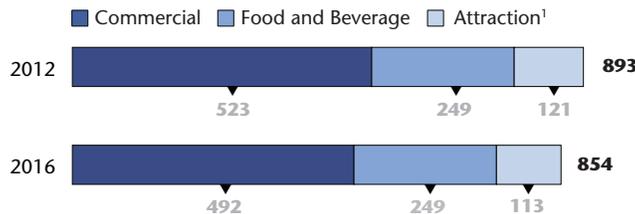
Most of State Fair Park’s revenue contracts are with attraction vendors, food and beverage vendors, and commercial vendors at the State Fair.

State Fair Park annually enters into revenue contracts with several hundred vendors for the State Fair. The three primary types of vendors are attraction vendors, which primarily provide amusement rides and games; food and beverage vendors; and commercial vendors. Commercial vendors include a wide variety of vendors ranging from those selling goods, such as mattresses and kitchen utensils, to vendors selling services, such as educational programs at local colleges and financial and investment services.

Based on the information provided by State Fair Park, the number of vendors at the State Fair decreased from 893 in 2012 to 854 in 2016, as shown in Figure 9. The largest decrease was for commercial vendors, which accounted for 31 (79.5 percent) of the 39 fewer vendors.

Figure 9

Vendors at the State Fair



¹ Includes vendors providing amusement rides and games.

Unlike commercial vendors whose fees are based entirely on the lease of space, State Fair Park charges food and beverage vendors and attraction vendors the greater of either the guaranteed fee for the lease of space, or a commission based on their total reported sales during the course of the State Fair. State Fair Park indicated that, in general, commissions generate more revenue than guaranteed fees, but the guaranteed fees provide State Fair Park with the assurance of revenue in instances in which food and beverage or attraction vendors have few customers.

State Fair Park typically charges food and beverage vendors a percentage of their reported net sales.

State Fair Park typically charges food and beverage vendors 24.0 percent of reported net sales for food and non-alcoholic beverages and 30.0 percent for alcoholic beverages, while beverage-only vendors are charged 30.0 percent of their net sales. Vendors operating attractions on the midway collect tickets from attendees and redeem these tickets for a percentage of midway revenues. State Fair Park retains 45.0 percent of ticket revenues from ride operators and 25.0 percent from game operators on the midway.

Information on payments by vendors was not readily available prior to FY 2015-16. Therefore, we reviewed information provided by State Fair Park on payments vendors made to State Fair Park for FY 2015-16 and FY 2016-17. As shown in Table 15, payments by vendors increased from \$6.7 million in FY 2015-16 to \$7.1 million in FY 2016-17, or by 5.4 percent.

Table 15

Payments to State Fair Park by Vendors at the State Fair

Type of Vendor	FY 2015-16	FY 2016-17	Percentage Change
Food and Beverage	\$3,952,500	\$4,111,800	4.0%
Attraction ¹	1,535,700	1,714,000	11.6
Commercial	1,242,300	1,266,800	2.0
Total	\$6,730,500	\$7,092,600	5.4

¹ Includes vendors providing amusement rides and games.

We reviewed the procedures State Fair Park uses to verify the sales reported by food and beverage vendors and attraction vendors. These procedures are important because a significant portion of State Fair Park’s revenues depend on the reported net sales of these vendors.

State Fair Park does not have written policies and procedures for reconciling reported vendor sales to ensure it receives all commissions owed.

We found that it is a best practice for state fairs to establish written policies and procedures for reconciling reported vendor sales with supporting documentation to ensure they receive all commissions owed. However, the steps taken by State Fair Park to reconcile food and beverage sales and attraction sales are not formalized in its written policies and procedures. Instead, staff indicated they provide verbal instructions to employees conducting these reconciliations.

The development of written policies and procedures is important to ensure that both new and current employees understand the correct procedures to follow. Verbal instructions may be incomplete, inaccurate, or not remembered accurately at the time they are implemented. Written policies and procedures help to ensure consistency among employees and can provide an accurate and reliable source of information that can be referenced in completing important tasks.

State Fair Park does not require all vendors to use a cash register to ensure that a cash register tape is available to support their reported sales.

In addition, we found that while State Fair Park requires vendors subject to a commission rate to report sales for each of their locations on a daily basis, it does not require all of these vendors to use a cash register to ensure that a cash register tape is available to support their reported sales. Currently, only food and beverage vendors with permanent stands or those that sell alcohol are required to use a cash register. Vendors that do not use a cash register provide little or no supporting documentation of their reported sales. This substantially limits the ability of State Fair Park to validate sales amounts reported by vendors that do not use cash registers. As is consistent with the best practices we identified, State Fair Park instead reviews historical sales information for those vendors not using cash registers, accounting for differences in vendor type, fair attendance, vendor location, and product changes. During the 2016 State Fair, 171 (61.7 percent) of the commission-based vendors that collect cash did not use cash registers.

Requiring all vendors subject to commission rates to use cash registers would facilitate State Fair Park's ability to provide effective oversight and ensure that it receives all fees it is owed. State Fair Park indicated it plans to require all commission-based vendors to use cash registers during the 2018 State Fair.

In addition, we found that it is a best practice to ensure cash registers for vendors at state fairs provide accurate sales information. For those vendors that are required to use cash registers, State Fair Park requires cash registers to be non-resettable and capable of generating a daily summary sales report. State Fair Park indicated this requirement limits the ability of vendors to create false reports.

State Fair Park does not follow all procedures prescribed by DOA related to cash management.

We also reviewed procedures outlined in the *Wisconsin Accounting Manual*, which is maintained by DOA, and assessed State Fair Park's compliance with these procedures. While observing the reconciliation process of reported vendor revenue during a visit to the 2017 State Fair, we found State Fair Park followed many of the procedures prescribed by the accounting manual, such as reconciling cash on a daily basis and placing cash deposits in sealed, clear, tamper-proof bags. However, it did not follow all prescribed procedures related to cash management, which we addressed with State Fair Park in a separate confidential memorandum.

Recommendation

We recommend State Fair Park:

- *establish written policies and procedures for reconciling revenue reported by vendors at the State Fair;*
- *require all commission-based vendors to use cash registers that are non-resettable and capable of generating a daily summary sales report;*
- *follow all cash management procedures prescribed by the Wisconsin Accounting Manual; and*
- *report to the Joint Legislative Audit Committee by June 1, 2018, on its progress in these areas.*

Evaluating Vendors

To assess vendors at the State Fair, State Fair Park conducts customer service evaluations, and it contracts for a secret shopper program.

State Fair Park evaluates vendors at the State Fair using two processes: customer service evaluations, which are conducted by its own employees, and secret shopper evaluations, which are conducted by a contractor. Most vendors are evaluated by customer service representatives, but only a small number are evaluated by the secret shopper program.

To conduct its own customer service evaluations, State Fair Park indicated it hires approximately 20 LTEs each year who spend approximately 1,700 hours evaluating State Fair vendors. These employees evaluate vendors using a checklist of approximately 20 criteria. Approximately half of the criteria are scored on a scale of 1 ("unacceptable") to 6 ("superior") and include assessments of product appearance, product presentation, cleanliness, and the extent to which fixtures and equipment are in good repair. The other half of the checklist criteria are assessed on a "yes" or "no" basis to

indicate whether the vendor is in compliance with required practices, such as state health and fire regulations and accurate food and beverage pricing. An overall rating is produced using only those criteria given a numerical score. Criteria assessed on a “yes” or “no” basis are not factored into the overall rating for the vendor.

A requirement that vendors receive an overall score of at least 4.0 on their customer service evaluations is not strictly enforced.

State Fair Park evaluated 829 (97.1 percent) of the vendors during the 2016 State Fair. We analyzed these evaluations. The assessment criteria that State Fair Park has established and shared with vendors indicates that their opportunities for participation in future fairs are contingent upon their receipt of an overall score of at least 4.0. However, State Fair Park indicated this policy is not strictly enforced in order to allow vendors an opportunity to correct deficiencies, and because it recognizes the potential for error and inconsistencies among the LTEs conducting the evaluations.

In assessing the performance of vendors during the 2016 State Fair, 80 of 829 vendors (9.7 percent) received overall scores of less than 4.0. Among these 80 vendors:

- 73 (91.3 percent) were permitted to return for the 2017 State Fair;
- 5 (6.3 percent) were not permitted to return for the 2017 State Fair; and
- 2 (2.5 percent) chose not to apply for the 2017 State Fair.

However, documentation maintained by State Fair Park indicates that the reasons the five vendors were not permitted to return were based on compliance issues and not their low evaluation scores: two submitted late payments, two failed to conform to required opening and closing times, and one failed to cooperate with State Fair Park staff.

State Fair Park does not consistently enforce its vendor policies.

As noted, the information State Fair Park provides to vendors indicates that their ability to return to subsequent fairs will be based on those criteria for which a numerical score is given. However, State Fair Park’s actual practice also bases a vendor’s ability to return on compliance with its vendor license agreement, such as making prompt payments to State Fair Park. Because State Fair Park does not consistently enforce its vendor policies, it is difficult to determine whether vendors are being treated equitably when it takes action against some vendors that violate its policies but not others. State Fair Park staff members acknowledged a lack of consistency in taking enforcement actions against vendors that violate State Fair Park’s policies and the terms of their contracts.

The secret shopper program covertly observes State Fair vendor transactions to assess whether proper cash handling is occurring.

In addition to conducting its own vendor evaluations, State Fair Park purchases the services of a secret shopper program. The secret shopper program covertly observes State Fair vendor transactions to assess whether proper cash handling is occurring, and it makes general observations about the appearance of the vendors' booths and the friendliness of the vendors' employees. State Fair Park indicated that it relies heavily on the secret shopper program to ensure vendors are properly recording sales, especially for vendors that do not use cash registers.

State Fair Park indicated it does not maintain a database of the secret shopper evaluation results or the actions taken in response to problems discovered through the secret shopper program. Therefore, we analyzed the paper documents associated with secret shopper assessments made during the 2016 State Fair.

As part of the secret shopper program, State Fair Park designates vendors as high, medium, or low priority for review by the secret shopper program. The designations are based on an informal assessment of factors such as the number and type of prior concerns that have been identified with the vendor and whether the vendor is new to the State Fair. State Fair Park staff indicated that their goal is to ensure that high-priority vendors are observed at least once during the State Fair and that medium- and low-priority vendors are observed as time allows.

We reviewed results from the 2016 State Fair and found that the secret shopper program had evaluated 45 vendors, including 26 of the 29 vendors (89.7 percent) that were designated as high-priority vendors by State Fair Park. Of the 45 vendors it evaluated, 2 were evaluated more than once, including 1 of the 29 high-priority vendors.

We found that the secret shopper program identified issues with 28 of the 45 vendors it evaluated, including:

- 19 issues involving poor cash register visibility;
- 9 issues involving failing to verify the age of individuals who purchased alcohol and appeared to be under 35 years old;
- 5 issues involving improper cash management;
- 3 issues involving poor customer service; and
- 1 issue involving a vendor failing to use a cash register even though it was required to do so.

In response to these problems, State Fair Park staff indicated they promptly contacted vendors to issue verbal reminders concerning appropriate protocols.

Recommendation

We recommend State Fair Park:

- *revise its customer service evaluation policies to make them consistent with its practices;*
- *develop and consistently apply criteria for determining the circumstances under which a vendor will not be allowed to return for a subsequent State Fair;*
- *take steps to ensure that all vendors designated as high-priority vendors are evaluated at least once by the secret shopper program during each State Fair; and*
- *report to the Joint Legislative Audit Committee by June 1, 2018, on its progress in these areas.*

■ ■ ■ ■

Wisconsin State Fair Park Foundation ■

The State Fair Park Board established the Wisconsin State Fair Park Foundation in 1995 to provide financial support, generate funding for youth programs, and assist with facility planning and development. The Foundation has one employee who is also an employee of State Fair Park. From 2012 through 2016, the Foundation spent \$538,800 on youth programs and provided \$163,900 in grants and support to State Fair Park. We also found that State Fair Park provides both direct and indirect support to the Foundation.

Creation and Membership

Statutes allow the Board to establish a nonstock corporation for the purpose of raising funds and providing support for State Fair Park.

Section 42.01 (4), Wis. Stats., allows the State Fair Park Board to establish a nonstock corporation for the purpose of raising funds and providing support for the operation, management, and development of State Fair Park. In August 1995, the Board established the Wisconsin State Fair Park Foundation, a private, not-for-profit corporation organized under section 501 of the Internal Revenue Code. The mission of the Foundation includes:

- securing partnerships to provide financial support for State Fair Park operations;
- generating resources to support the development of youth programs at State Fair Park, such as the Wisconsin State Fair Youth Day Camp; and
- assisting the State Fair Park Board with future facility planning and development.

The State Fair Park Foundation Board consists of 13 members. State Fair Park's CEO and the chair of the State Fair Park Board are ex officio members of the Foundation's Board, with other members representing a variety of professional sectors. Appendix 4 lists the members of the State Fair Park Foundation Board as of November 2017.

Activities of the Foundation

The State Fair Park Foundation has one employee who is also an employee of State Fair Park.

The Foundation has one employee who serves as its executive director. In 2016, he reported working 20 hours per week for the Foundation and was paid \$45,000 by the Foundation. This individual is also employed as an LTE by State Fair Park. In FY 2016-17, the individual worked 10 hours per week for State Fair Park and was paid a total of \$15,000 by State Fair Park to perform liaison functions between State Fair Park and the Foundation.

We analyzed the Foundation's activity from 2013 through 2016 based on its IRS Form 990, which the Foundation is required to submit annually. As shown in Table 16, we found that it generated \$1.7 million, of which \$847,500 (50.2 percent) was provided by one grantor to support youth programming, such as establishing a designated area for youth activities at the State Fair and providing free admission for youth 11 and younger during one day of the fair.

We found that it is a best practice for organizations administering state fairs to have agreements with their foundations that are current and outline all of the duties and responsibilities of each organization. We believe the agreement that State Fair Park has with the State Fair Park Foundation is consistent with this best practice.

Table 16

Revenues and Expenditures of the State Fair Park Foundation¹

	2013	2014	2015	2016	Total
Revenues					
Grants and Contributions	\$290,500	\$314,600	\$379,900	\$352,300	\$1,337,300
Fundraising Events	79,400	80,200	49,600	127,300	336,500
Investment Income	9,600	1,100	1,100	1,200	13,000
Total	\$379,500	\$395,900	\$430,600	\$480,800	\$1,686,800
Expenditures					
Youth Programs	160,200	132,900	137,000	108,700	538,800
Administrative Costs ²	39,600	58,000	61,900	63,500	223,000
Grants to Organizations	–	44,000	35,100	65,300	144,400
Grants to Individuals	6,300	52,000	55,900	–	114,200
Other ³	14,400	31,700	27,900	13,000	87,000
Purchase of Bunk Beds for Youth Center	23,600	–	–	–	23,600
Total	\$244,100	\$318,600	\$317,800	\$250,500	\$1,131,000
Surplus	\$135,400	\$ 77,300	\$112,800	\$230,300	\$ 555,800

¹ Based on information from Form 990 that the State Fair Park Foundation submitted each year to the Internal Revenue Service.

² Includes the salary of the executive director.

³ Includes items such as fundraising, catering, and clothing expenses.

From 2013 through 2016, the Foundation spent \$538,800 on youth programs.

From 2013 through 2016, the Foundation spent \$1.1 million. The largest amount, \$538,800 (47.6 percent), was spent on youth programs. In addition, based on information maintained by State Fair Park, the Foundation provided \$163,900 (14.5 percent) for State Fair Park’s operations, including:

- \$132,300 in grants to State Fair Park;
- \$23,600 for bunk beds the Foundation purchased for the Tommy G. Thompson Youth Center; and
- \$8,000 paid to State Fair Park in sponsorship fees, for which the Foundation received admission tickets to the State Fair.

Of the \$132,300 in grant funds provided to State Fair Park:

- \$60,000 was for State Fair agriculture prizes and awards;
- \$60,000 was for architecture and engineering fees for the Dairy Education Center project;
- \$12,000 was for expenses associated with two State Fair Park employees attending a 2014 conference in Australia related to the promotion of global agriculture; and
- \$300 was for supplies for State Fair Park’s mounted police.

In addition, the Foundation supports capital projects. For example, it is anticipated to fund a \$1.9 million Dairy Education Center project for State Fair Park that was enumerated as part of the 2017-19 Biennial Budget Act.

State Fair Park provides both direct and indirect support to the Foundation.

Conversely, we found that State Fair Park provides both direct and indirect support to the Foundation. For example, from October 2013 through June 2017, State Fair Park paid the Foundation’s executive director \$56,245 for working as an LTE to provide liaison functions between State Fair Park and the Foundation.

In addition, State Fair Park provides in-kind support to the Foundation in the form of office space for the executive director; use of facilities for Foundation events and activities, including meetings of the Foundation Board; and complimentary tickets for State Fair admission and parking. We estimate the value of this support at approximately \$61,000 from 2013 through 2016. However, State Fair Park also benefitted from the support it provided. For example, the State Fair admission tickets it provided likely resulted in some individuals attending the State Fair who would not otherwise have attended. State Fair would financially benefit from any expenditures these individuals make at the State Fair for food, beverages, rides, and games.

Revenue generated by one of State Fair Park’s contracts is paid to the Foundation.

Finally, we found that revenue generated by one of State Fair Park’s contracts is paid to the Foundation. Since April 2013, State Fair Park has contracted with a vendor to provide an extensive selection of State Fair merchandise and souvenir items. The original contract was in effect for a period of three years and was extended for an additional two years—through December 2017—under a contract extension executed in July 2015.

An executive of the vendor providing the merchandise is a member of the Foundation's Board. Unlike its other revenue contracts, the provisions of this contract direct that the revenue generated be paid to the Foundation, rather than to State Fair Park. State Fair Park did not provide a reason for this contract structure and indicated it was established at the direction of State Fair Park's former CEO. From 2013 through 2016, we estimate that approximately \$240,600 was paid to the Foundation through this contract.

We question the appropriateness of this contract because State Fair Park did not provide an explanation for directing the revenue to the Foundation, and it is unusual for a state agency to enter into an agreement with a private entity under which that agency forgoes revenue and instead directs that the revenue generated be paid to another private entity.

Recommendation

We recommend State Fair Park:

- *consider whether it is appropriate for it to enter into agreements under which it foregoes revenue and instead directs the revenue be paid to a private entity;*
- *develop a justification for entering into such agreements if it believes that they are appropriate;*
- *seek the approval of the State Fair Park Board before executing such agreements; and*
- *report to the Joint Legislative Audit Committee by June 1, 2018, on the status of its efforts.*

■ ■ ■ ■

Appendices ■

Appendix 1

Map of State Fair Park



Appendix 2

State Fair Park Board Members

November 2017

Board Chairperson

John Yingling

Statutory Role: Wisconsin Resident and General Business Representative

Term expires: May 1, 2020

Board Vice-Chairperson

James Villa

Statutory Role: Technology Business Representative

Term expires: May 1, 2019

Other Members

Tim Carpenter

Statutory Role: State Senator

Term expires: does not expire

Leah Vukmir

Statutory Role: State Senator

Term expires: does not expire

Daniel Riemer

Statutory Role: State Assembly Representative

Term expires: does not expire

Keith Ripp

Statutory Role: State Assembly Representative

Term expires: does not expire

Sheila Harsdorf, Secretary

Statutory Role: Secretary of the Department of Agriculture, Trade and
Consumer Protection

Term expires: does not expire

Sarah Klavas, Deputy Secretary

Statutory Role: Designee of the Secretary of the Department of Tourism

Term expires: does not expire

Jayne Buttke

Statutory Role: General Business Representative

Term expires: May 1, 2021

Susan Crane

Statutory Role: General Business Representative

Term expires: May 1, 2018

Other Members *(continued)*

Dan Devine, Mayor of West Allis
Statutory Role: Resident of West Allis
Term expires: May 1, 2019

Sue Rupnow
Statutory Role: Agriculture Business Representative
Term expired: May 1, 2017¹

Vacant (as the result of a former Board member's resignation)
Statutory Role: General Business Representative
Term expires: May 1, 2020

¹ This member has continued to participate in Board meetings even though the member's term has expired.

Appendix 3

Debt Service Schedule for State Fair Park

As of March 2017

Fiscal Year	General Purpose Revenue ¹	Program Revenue ²	Total
2017-18	\$ 3,098,300	\$ 3,719,100	\$ 6,817,400
2018-19	2,575,200	3,716,300	6,291,500
2019-20	2,544,900	3,496,000	6,040,900
2020-21	2,167,600	3,266,100	5,433,700
2021-22	1,738,800	2,660,800	4,399,600
2022-23	1,362,100	2,649,900	4,012,000
2023-24	740,700	1,353,100	2,093,800
2024-25	489,000	1,325,600	1,814,600
2025-26	397,800	1,210,200	1,608,000
2026-27	273,900	1,212,000	1,485,900
2027-28	147,400	1,193,600	1,341,000
2028-29	136,600	1,143,000	1,279,600
2029-30	126,400	1,140,500	1,266,900
2030-31	64,800	1,133,400	1,198,200
2031-32	54,400	24,700	79,100
2032-33	49,100	25,100	74,200
2033-34	45,500	1,500	47,000
2034-35	45,600	400	46,000
2035-36	40,600	100	40,700
Total	\$16,098,700	\$29,271,400	\$45,370,100

¹ To be paid by the Department of Administration.

² To be paid by State Fair Park.

Appendix 4

State Fair Park Foundation Board Members

November 2017

President

Mike Wojciechowski, Vice President of Business Development
Milwaukee Admirals

Vice President

Dave Hock, Vice President of Sales and Marketing
Beechwood Sales and Service

Other Members

Dan Elias, Vice President
The Specialized Marketing Group, Inc.

Mary E. Henke, President
Gordon Henke Family Foundation, Inc.

Jim Mejchar, Member
West Allis Chamber of Commerce

Kathleen O'Leary, Chief Executive Officer
State Fair Park

Brice Osinski, Clinical Department Administrator
Department of Neurosurgery, Medical College of Wisconsin

Gloria Ratajewski
Original Board Member

Steve Sazama, Owner
Saz's Hospitality Group

Anthony M. Stich, Director of Global Marketing
Advicent Solutions

Kerry Wolfe, Senior Vice President of Programming
iHeartMedia Milwaukee

Carrie Woods, Associate Director of Communications and Marketing
Carroll University

John Yingling, Chairperson
State Fair Park Board

Response ■



December 21, 2017

Mr. Joe Chrisman, State Auditor
Wisconsin Legislative Audit Bureau
22 East Mifflin Street, Suite 500
Madison, WI 53703

Dear Mr. Chrisman,

Thank you for the opportunity to review and respond to the Legislative Audit Bureau's (LAB) comprehensive Performance Audit of Wisconsin State Fair Park (WSFP), which spans a five-year timeframe including FY2012-13 through FY2016-17. Having recently been appointed CEO/Executive Director of Wisconsin State Fair Park on October 24, 2016, being at the helm of an agency undergoing this process was a new experience. It was an experience that I must admit was daunting at times for our entire staff, who was in the midst of planning and producing the 2017 Wisconsin State Fair. State Fair Park staff dedicated over 2,600 hours to this audit; however, it is important to note that we know how much time and effort your team also put into this report and we appreciate their thoroughness and professionalism throughout the process.

This response will address your recommendations, and in many cases, show that prior to the beginning of the audit, we had not only recognized things within our processes that were in need of improvement, but had already taken measures to improve upon them. It will also highlight positive trends at WSFP and provide context and clarification to a number of the LAB findings.

Although the introduction of the report gives an overview of WSFP, I think it's notable for readers to understand our mission statements for both Wisconsin State Fair Park and the Wisconsin State Fair, which are as follows:

WISCONSIN STATE FAIR PARK:

To provide a leading year-round venue for agricultural, exhibition, sports, entertainment, cultural and educational uses to enhance the economic and social benefits to Wisconsin's residents and visitors.

WISCONSIN STATE FAIR:

Celebrate the rich history and bright future of the State of Wisconsin by promoting agriculture and other industries paramount to Wisconsin's success through education, participation and competition. Provide a fun, family-friendly, affordable, and safe event for visitors of all ages and ethnicities, creating memories and traditions to be carried on for generations.

We appreciate that the report reflects positively on the consistently high marks Wisconsin State Fair Park receives from not only patrons of the Wisconsin State Fair event, but also from our promoters who rent facilities from us.

Most noteworthy, WSFP has seen a budget surplus for the past six years, a milestone we are extremely proud of, considering the agency was operating at a deficit for many years. This surplus is due to improved fiscal responsibility, but it can also be attributed to the unparalleled success of the Wisconsin State Fair, which has drawn attendance of more than one million for five years in a row.

We also feel it's important for taxpayers to understand that WSFP is primarily program revenue funded. The report does note this in the Capital Projects section, stating that "large capital projects are primarily funded by program revenue generated from the operation of State Fair Park" and that "Wisconsin does not provide funding to support State Fair Park's operating costs." However, we feel that this important distinction is often unrecognized or misunderstood by the public, hence why it is included in this response. This distinction is critical, considering that some of the recommendations in the report will require a substantial financial commitment.

Please note: the following sections of this letter address the recommendations contained within LAB's report in the order they are presented within the full report, which differs from the order they are presented in the report's Highlights section.



OPERATING REVENUES AND EXPENDITURES (includes Staffing)

Regarding the first recommendation, which addresses the use of reports available through the State's enterprise planning system to regularly monitor the number of hours worked by its limited-term employees (LTEs) to ensure the total number of hours each employee works does not exceed 1,039 hours. It's first important to note that State Fair Park employs more than 2,000 limited-term employees each year in order to ensure the State Fair event is sufficiently staffed.

The LAB report states that of the 2,391 LTEs who reported time during your review, 28 exceeded the 1,039 hour limit, which accounts for only 1% of WSFP's total workforce.

That being said, we absolutely have a goal of being 100% in compliance with the 1,039-hr. limit for LTE appointments, and have already taken proactive steps toward this goal. We plan to share the status of our efforts on this matter with the Joint Legislative Audit Committee, as recommended.

Regarding staffing overall, we also feel it's important to recognize that while, as noted in the report, WSFP's number of full-time employees (FTEs) increased from 39 to 48 positions in 2012. This was due primarily to the acquisition of the Exposition Center, which operates on a year-round basis, hosting hundreds of events. Prior to this acquisition, the Exposition Center operated as an independent LLC, therefore its staff members were not State of Wisconsin employees.

Also, the audit team took the time to analyze best practices within the fair industry, and compared Wisconsin State Fair to other State Fairs of similar size and attendance. However, it did not include a staffing comparison, which is a critical piece of information, as it demonstrates the magnitude of what our staff accomplishes with the least number of full-time employees compared to similar State Fairs. As indicated in the report, the Iowa, Ohio and Indiana State Fairs have attendance most similar to the Wisconsin State Fair, yet the number of full-time employees at the Iowa State Fair is 60, Ohio is 59, and Indiana is 88, compared to our current 48.



CAPITAL PROJECTS (Expenditures, Future Projects, Milwaukee Mile Racetrack and Storm Water Requirements)

The second recommendation, to conduct a comprehensive review of our grounds and facilities, is something we absolutely agree is imperative for long-term strategic planning, but do want to clarify that we continually assess and review our grounds and facilities on an annual basis. It is important to note that staff, as a continuation of our facilities review plan, recently received approval from the Board to conduct a comprehensive study of the entire west side of State Fair Park, including Agriculture Village. We plan to compile assessments of various buildings and areas (similar to that of the Tommy G. Thompson Youth Center that was referenced in the recommendation) and

produce a comprehensive report for internal use as well as Board expenditure approvals. However, please note that the reference made to the State Fair Park Masterplan, which was issued in 2000, is something we will consider for the future, but a study of this magnitude would have a significant impact on future budgets.

Regarding the third set of recommendations involving long-term planning for use of the Milwaukee Mile Racetrack, there was a substantial amount of background and industry information provided to the audit team. Unfortunately, this did not make it into the final report; however, we believe it is important for readers of this report to have the following information:

While the statement that we do not have plans to host a major racing event in the near future is true, this decision is strategic and fiscally responsible due to the state of the racing industry. Currently, both NASCAR and IndyCar are in a transition period and desperately seeking to recapture viewership. Their TV ratings have plummeted in recent years, and there is less interest in the industry overall by viewers and sponsors.

At this time, it is difficult to tell if this trend will continue, or if there will be a rebound. This has put us in a very precarious position, which is one reason there have been changes in recent years to the way we program the Milwaukee Mile. Races on ovals are becoming a thing of the past, not to mention that promoters are not able to put on major races without investing in sanctioning fees of \$1 million or more. Therefore, our staff has worked hard to generate revenue with creative programming initiatives, including music festivals, and track use in conjunction with potential events taking place during the Harley-Davidson anniversary in 2018.

Any reference to selling the Milwaukee Mile (which is state property) needs to be considered in the context of understanding that not only is this State of Wisconsin property, but selling or changing this area could potentially jeopardize the State Fair event - not only from a space standpoint, but also a revenue standpoint - given that the Mile constitutes more than half of the parking spaces during State Fair. Additionally, this would potentially eliminate the Main Stage concert area, which is a pillar of State Fair that drives attendance and generates additional revenue via concert ticket sales, food and beverage sales, and overall per-cap spending.

If and when future prospects or endeavors emerge in the racing industry, they will be reviewed and a decision will be made on whether they make financial sense and if capital investments in the racetrack are warranted. The WSFP Board has been continually updated on all things related to the Milwaukee Mile and future plans, and, per your recommendation, will continue to be updated in the future. We will also identify and analyze new uses for the space and update the Joint Legislative Audit Committee on these possibilities as recommended in the report.

Regarding the recommendations on storm water permits, State Fair Park feels confident that it has mitigated the violations referenced from 2016 and submitted a comprehensive report to the Department of Natural Resources (DNR) outlining the measures taken in 2017. At this time, we are awaiting documentation from DNR, and will share this with the Joint Legislative Audit Committee when we receive it.

EVENT MANAGEMENT (Midway Management, Security, Assessing Satisfaction of Fairgoers, Non-Fair Events)

This section of the report includes recommendations to provide more detailed revenue and expenditure information to our Board of Directors and solicit information to assess the merits of continuing to independently manage SpinCity, the Wisconsin State Fair’s Amusement Ride & Game area. It also recommends contract and bid solicitation language changes, which we will update.

We are extremely proud of our independently managed midway, and have no issue complying with these recommendations, as we are confident our Board supports this business model, and understands that, not only is an independently managed midway financially prudent, it is also a proven way to provide the most enjoyable and

safest midway experience to our fairgoers (as noted in Figure 5 later in the report). This model allows us to offer some of the newest and best rides in North America to our visitors. Additionally, and most notable, is that the independent midway model offers the opportunity to contract with a company that specializes in ride safety and inspections, which ultimately is the most important aspect of managing a midway. This also allows WSFP control over operating hours if closing early is necessitated by unforeseen circumstances.

Security at the State Fair event is also addressed in this section, and we appreciate the audit team’s assessment of this extremely important facet of our event. We have had significant expense increases in the past two years, not only to install metal detection devices at all eight of our public entrance gates, but also to staff these gates properly to ultimately protect our fairgoers. We have also increased the number of security cameras throughout the Fair Park from 50 to 274 in the past five years, but these are expenses that we feel are non-negotiable.

We believe these security measures have been extremely effective, considering that arrest numbers have decreased significantly in recent years, from 190 in 2013 to 34 in 2016. The safety of our fairgoers is our number one priority, and these numbers show that we are dedicated to continuing this commitment to safety.

This section also addresses the results of our comprehensive fairgoer surveys over the past five years, showing positive trends in almost every area, and basically neutral results in others (we do not consider a .01 decrease in scoring to be an area of decreased quality or a deficiency). The recommendations include asking consistent questions from year-to-year, which we will absolutely consider, but it needs to be noted that the majority of the questions are consistent. It’s important to assess the validity of each question as time goes on and some things become less important while others become more important. A good example of this is a question asked in prior surveys regarding our fairgoers’ website usage on desktop and mobile devices. This type of data is now readily available via website tracking analytics – something we do consistently as part of our comprehensive marketing and communications plan – and is much more accurate than asking for this information via a survey.

We understand that parking operations and services are consistently rated lower than other areas, and this is definitely something that we will address and work to improve. We have been working closely with our contracted parking vendor on improvements, both during State Fair and year-round. In respect to the recommendation regarding the Department of Tourism, we have a long-standing relationship with the department, and have already begun discussions regarding entering into an MOU that specifies the Department of Tourism’s role in promoting events at State Fair Park.



PROCUREMENT PRACTICES (Procurement, Revenue & Expense Contracts, Vendor Evaluations)

Prior to this audit, executive management and I had already identified procurement issues that needed improvement. Therefore, we began taking measures to improve upon these issues, including necessary staffing changes. Many of the recommendations regarding procurement have been in progress for some time, including strictly following policies and procedures outlined in the State Procurement Manual. We will report the status to the Joint Legislative Audit Committee as recommended.

Regarding the reference to a list of all active contracts from FY 2012-13 through FY 2016-17 and our inability to provide this information, please note that four times throughout the audit process the request was modified to include different data fields, which required multiple revisions to a document with over 6,000 lines of data.

WSFP does maintain records of all contracts, but prior to the audit this information was not in one comprehensive document due to the wide variety of contracts handled by various departments within the agency. This list was assembled into one database just prior to and during the State’s fiscal year-end, as well as during the annual Wisconsin State Fair. While this database is not a procurement requirement, we will act upon the audit team’s

recommendation to create it, and agree that it will be helpful in managing the large volume of contracts executed by WSFP.

It is also important to note that DOA and WSFP personnel began discussions regarding procurement delegation at the beginning of 2017. In a memo from the Deputy Secretary of DOA dated March 1, 2017, she proposed that the “Board designate a procurement director who will be delegated authority to conduct procurement activities in accordance with state laws and policies.” On May 1, the Bureau of Procurement Administrator and Deputy Administrator visited WSFP to provide application materials to complete.

Regarding the recommendation to seek the Board’s approval prior to executing contracts over \$25,000, given the Board meets bi-monthly, there have been instances where contracts were executed shortly before the Board met. WSFP staff is committed to following Board bylaws and has already become more forward-thinking to ensure the timeliness of seeking these approvals, as well as updating the Board on contract details, as reflected in recent Board meeting minutes.

There are several recommendations regarding vendor services, including the selection and evaluation processes, which we will report upon to the Joint Legislative Audit Committee. We recognize how there may appear to be inconsistency in enforcing our policies, but in actuality, there needs to be language clarification in our vendor manual, as there are a number of factors that are taken into consideration when evaluating our vendors. The statement that “State Fair Park staff members acknowledged a lack of consistency in taking enforcement actions against vendors that violate State Fair Park’s policies and the terms of their contracts” pertains to the fact that some issues are more severe than others and warrant immediate resolution/action, while others are easily corrected. We also feel it’s important to note that our vendor evaluation process at WSFP by far exceeds best practices in the fair industry and is considered an industry model that other fairs plan to emulate in the future.

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WISCONSIN STATE FAIR PARK FOUNDATION

The audit team recognized that the Wisconsin State Fair Park Foundation follows many practices similar to other fair foundations throughout the country. An area of concern is one State Fair contract that provides revenue directly to the foundation. This agreement was entered into under the direction of the previous CEO/Executive Director, and we will certainly consider the appropriateness of the contract, and report the status to the Joint Legislative Audit Committee as recommended.

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We appreciate the thoroughness of the assessment provided by this audit, as it will help us in our continual quest to produce one of the most successful State Fairs in the country, and fulfill the mission of State Fair Park by providing a leading year-round event venue to ultimately enhance the economic and social benefits to Wisconsin’s residents and visitors.

Sincerely,



Kathleen O’Leary, CEO/Executive Director
Wisconsin State Fair Park