

# WISCONSIN



## STATE FAIR PARK

June 1, 2018

Senator Robert Cowles, Co-Chair  
Joint Legislative Audit Committee  
State Capitol, Room 118 South  
Madison, WI 53707

Representative Samantha Kerkman, Co-Chair  
Joint Legislative Audit Committee  
State Capitol, Room 315 North  
Madison, WI 53707

Dear Co-Chairs Cowles and Kerkman,

On behalf of the Wisconsin State Fair Park (WSFP) Board of Directors and management, we would like to thank you for the opportunity to provide progress updates on the Legislative Audit Bureau's (LAB) report 18-1, which was a comprehensive Performance Audit of WSFP, spanning a five-year timeframe including FY2012-13 through FY2016-17.

The opportunity to discuss the audit with the Joint Legislative Audit Committee on April 24, 2018 was invaluable, and we are pleased to share with you the tremendous strides our organization has made in terms of the LAB's recommendations. Once again, we appreciate the thoroughness and professionalism of both the audit bureau staff and the committee during this process.

As you will see, we have been mindful to thoroughly address each recommendation in which LAB requested we provide an update to you by June 1, 2018. As you are aware, there were also several recommendations in which LAB requested we update our Board of Directors. These recommendations are not outlined in this formal response, but please be assured that we take all of the recommendations very seriously and will be updating our board accordingly.

We'd also like to reiterate, as we did in our earlier response to the audit, that in many cases, prior to the beginning of the audit process, we had not only recognized areas within our organization that were in need of improvement, but had already taken measures to improve upon them.

Respectfully, please see the responses outlining our significant progress related to LAB's recommendations below. We are willing to provide clarification or answer any questions you may have regarding these updates.

## OPERATING REVENUES AND EXPENDITURES

**Recommendation #1 - Pg. 23:** Use 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.

- ✓ The LAB report states that of the 2,391 Limited Term Employees (LTEs) who reported time during your review, 28 exceeded the 1,039-hour limit, which accounts for 1% of WSFP's total workforce.
- ✓ We absolutely have a goal of being 100% in compliance with the 1,039-hour limit for LTE appointments, and have been working with the Department of Personnel Management and utilizing the LTE Max Hour Report to adequately monitor LTE hours.
- ✓ We have also amended our internal policies and protocols for supervisors and HR personnel. All HR staff has been trained on running and using the LTE Max Hour report. They send bi-weekly status reports to Supervisors when a staff member hits the 800-hour threshold within their appointment so proper plans can be put into place.
- ✓ WSFP has not had an employee go over the 1,039-hour limit since November 2017.

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## CAPITAL PROJECTS

**Recommendation #2 - Pg. 28:** 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.

We continually assessed and revised facilities for areas of improvement. Specific areas have been prioritized and funds used as efficiently as possible. Current projects include:

- ✓ **Tommy G. Thompson Youth Center Renovation**  
Extensive renovations came out of a comprehensive study conducted by WSFP staff, which LAB references in the Audit. All project funding has been approved by the Department of Administration (DOA) and our Board of Directors, and includes HVAC units, flooring and locks, as well as a new sprinkler system.
- ✓ **Infrastructure Assessment**  
Encompassing Central Avenue, Wetley Way, Gate 1 and a portion of our parking facilities, this has also been approved by DOA. An engineering firm has been selected, and the meeting and design phase is currently in process.
- ✓ **Exposition Center Study**

A comprehensive study on the Exposition Center has recently been finalized. This study assesses the overall condition and life expectancies of all physical and mechanical aspects of the building (HVAC, plumbing, electrical, flooring, equipment, etc.) It also looks at the aesthetics and functionality of the building, as these are critical considering the large amount of revenue generated by the rental of this facility for events. Based on the revenue generated from the 2018 Wisconsin State Fair, staff will request that the Board of Directors approve capital funding to begin implementing the recommendations outlined in this study.

✓ **West Side Study**

The Department of Facilities Development (DFD) has approved a request to work with an approved architectural firm on a single-phase general assessment and site analysis of existing conditions, space needs for programming, development and implementation plans for the northwest side of State Fair Park. This includes the current site of the Swine Barn, the WonderFair Wheel and the entire Ag Village area. This study is currently in process, though the primary focus will be during the 2018 Wisconsin State Fair. The study will be submitted to WSFP by the end of September.

✓ **Building Appraisals**

With the recent implementation of the PeopleSoft system, DFD no longer tracks all of the state's building values. Working to get ahead of a potential issue, that of accurate building replacement values for insurance purposes, WSFP contacted the Bureau of Risk Management (BRM) and AON to proactively assist with procuring a company to assess the value of WSFP buildings and structures. This project is near completion. Not only will this help us with our assessment of the Fair Park overall, but we would like to share with you a quote from Brad Templin in DOA's Bureau of State Risk Management (BSRM).

*"This is the type of proactive thinking and action that BSRM appreciates seeing. With DFD no longer keeping tabs on building values throughout the state, Asset Management in the years to come is going to be an issue that many agencies are going to have to address. SFP has already countered this issue before it became a problem. I look forward to being able to use SFP as model if other agencies come to us and ask us, what can we do? Thanks for leading the way in the venture."*

**Recommendation #3 - Pg. 31:** *Initiate a formal planning process for identifying and analyzing the options available regarding the future use of the Milwaukee Mile, and make recommendations to the State Fair Park Board concerning what staff believes are the most appropriate uses of the Milwaukee Mile.*

- ✓ While it is true that we do not have any major races planned in the near future, this is primarily due to the state of the racing industry. 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 racing overall by viewers and sponsors. Additionally, promoters are not able to put on major races without investing

sanctioning fees of \$1 million or more. This is why we have strategically and proactively changed how we program the Milwaukee Mile. WSFP staff has been diligent, and successful, generating new revenue with creative programming initiatives.

- ✓ Any reference to selling the Milwaukee Mile needs to be considered in the context of understanding that not only is this State of Wisconsin property, but selling or changing this area would jeopardize the State Fair event. The Milwaukee Mile constitutes more than half of the parking spaces during State Fair, which generates a significant amount of revenue, and includes the Main Stage concert area, which is a pillar of State Fair that drives attendance and generates revenue via concert ticket sales, food and beverage sales, and overall spending.
- ✓ When future prospects or endeavors emerge in the racing industry, we will certainly consider whether they make financial sense and if capital investments in the racetrack are warranted. The WSFP Board has been continually updated on all events and opportunities related to the Milwaukee Mile and future plans, and per LAB's recommendation, will continue to be updated in the future.
- ✓ In February of 2018, we appointed several members of the WSFP Board to a Land/Property Committee, with emphasis being on the future vision of the Milwaukee Mile. This committee will also include select WSFP staff and will be headed by Chairman John Yingling. A meeting will be scheduled in early FY19.
- ✓ The newly created Land/Property Committee will outline a formal Scope of Services, to include a potential study encompassing a general assessment of existing Milwaukee Mile acreage, site analysis, perimeter space and programming considerations, development assessment, architectural designs and implementation recommendations. The Scope of Services will be submitted to DOA-DFD for approval prior to beginning the RFP process.
- ✓ If approved, the multi-phased study is estimated to cost between \$150,000-\$300,000. The WSFP Board will need to approve capitol funding for this project in FY19.

***Recommendation #4 - Pg. 33:*** Report 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 (DNR).

- ✓ Pursuant to the 2016 Inspection Report and request for improvements, we created and implemented a successful plan to address areas of noncompliance. We received the DNR Inspection Report from the 2017 Wisconsin State Fair on March 13, 2018. The report identified several areas of improvement, as well as additional areas of maintenance that will be addressed during the 2018 State Fair. WSFP staff has met with the DNR to discuss the improvements and areas of continued focus. The collaborative relationship with DNR has been very beneficial in helping us to meet the compliance expectations.

- ✓ On May 15, 2018 WSFP submitted a formal addendum to the 2017 Storm Water Management Plan to the Department of Natural Resources. Highlights of this addendum include:
  - Hiring a specialized cleaning crew that will report directly to the Agriculture Director. This crew will have an agriculture background and be familiar with our animal changeover process and trained in biosecurity measures relating to livestock. Barn Cleaning checklists will be maintained, signed and turned in daily to shift supervisors.
  - Installing ADS Flexstorm sewer inlet covers to help prevent solids from entering the sewer system. The inserts will be placed in areas exposed to high volumes of bedding and animal waste. They will be checked daily and included on the above-mentioned Barn Cleaning checklists.
  - We will re-mark 18 sewer locations, and stencil 50 storm inlets with the words “Dump no waste, drains to river”. We will also add 12 additional informational signs within Ag Village notifying exhibitors to keep the area clean and free of debris.
  - Compactor areas will be checked three times daily by supervisors to ensure they are clean and free of debris.



## **EVENT MANAGEMENT**

While this section of the report did not include recommendations that were required to be reported on to the committee, it was a topic of conversation during our hearing on April 24, therefore we feel it’s important to provide you with the following information.

It was suggested 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, Wisconsin State Fair’s Amusement Ride & Game area, as well as contract and bid solicitation language changes, which we have updated.

We are extremely proud of our independently managed midway, and are happy to comply with all of the recommendations. The Board of Directors supports this business model, and understands that, not only is it financially prudent, it is also a proven way to provide the safest and most enjoyable midway experience to our fairgoers.

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. During the committee hearing it was apparent that the committee was concerned about our increased expenses the past few years.

A significant amount of our increase in expenses has occurred for one reason, which is the most important reason, and that is the safety of our Fairgoers. We have installed metal detection devices at all eight of our public entrance gates, therefore have not only incurred the expense of the equipment, but also the additional staff needed and the training of the staff to properly utilize the equipment. We have also increased the number of security cameras throughout the Fair Park from 50 to 274 in the past five years. We are confident you agree that these expenses are non-negotiable.

These security measures have been extremely effective, considering that arrest numbers have decreased significantly from 190 in 2013 to 32 in 2017. The safety of our fairgoers is our number one priority, and these numbers show that we are dedicated to continuing this commitment to safety.

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## PROCUREMENT PRACTICES

***Recommendation #5 - Pg. 53:*** *Work with DOA to determine the scope of State Fair Park's procurement authority under s. 16.71, Wis. Stats., and 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.*

- ✓ State Fair Park and DOA have been in conversations for several months about delegation of procurement authority to WSFP.
- ✓ WSFP has taken several important steps toward delegation including:
  - Hiring a purchasing manager who will receive delegated procurement authority.
  - Hiring a contract specialist.
  - Setting organizational structures that provide for better accountability and support of the procurement function.
  - Applying for delegated procurement authority from DOA.
- ✓ In mid-April, DOA agreed to delegate procurement authority to WSFP on a partial basis. In effect, WSFP will be able to conduct procurement activities with the assistance of DOA, State Bureau of Procurement as we build staff and organizational capacity.
- ✓ DOA and SFP have agreed to a six-month plan that includes various check points of work, and training and professional development for WSFP staff.

- ✓ The results of this plan will be evaluated by DOA after six months to measure progress and determine whether full delegation is warranted, or if additional support is needed.
- ✓ The memorandum of understanding has been reviewed by the administration of State Fair Park. Steps have been taken to document compliance with all aspects of the memorandum.

***Recommendations #6 – Pg. 56: 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, and regularly review its procurement practices to ensure they are in compliance with state requirements.***

- ✓ State Fair Park staff will update and maintain a comprehensive list of all contracts, even though this is not a requirement in the State Procurement Manual, but rather a recommended best practice. It is important to note that we do have numerous documents outlining all contracts executed by WSFP staff, but are working to create one comprehensive document outlining every contract.
- ✓ We have made tremendous strides in terms of following policies and procedures in the State Procurement Manual. Prior to the beginning of the audit we had hired a Controller, and have also hired a Procurement Manager who has previous state procurement experience. He has conducted comprehensive training with our staff on procurement policies, providing each employee with a binder of information about state procurement policies. Training will continue on a bi-annual basis.
- ✓ We have also hired a Contract Specialist to assist in the procurement and contracting procedures outlined in the State Procurement Manual.

***Recommendations #7 – Pg. 61: 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, and follow all cash management procedures prescribed by the Wisconsin Accounting Manual.***

- ✓ Written policies for reconciling the revenue reported by vendors are in development and follow the cash management procedures listed in the Wisconsin Accounting Manual.
- ✓ The majority of WSFP's commission-based vendors will be required to use proper cash registers in 2018. The transition to proper cash registers for commission-based vendors will be finalized in 2019. All Cash, Credit Card, and ATM policies have been submitted to DOA for review in relation to the cash management recommendation.
- ✓ In preparation for this new requirement, we have conducted research and gathered information on a variety of Point of Sale (POS) systems and their functionality. To aid the vendors in this complex transition we will be providing a list of approved POS systems that fulfill the requirements outlined.

- ✓ It will be mandatory that each vendor fill out and provide a Reporting and Cash Register Verification Form. This form will indicate to the Fair which system they will be using as well as who will be programming their system. This information will be collected, recorded, and monitored throughout the duration of State Fair.

**Recommendation #8 - Pg. 64:** *Revise customer service evaluation policies to make them consistent with 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.*

- ✓ To outline our policies more clearly, we have created a *Vendor Call for Improvement and Dismissal Protocol* to ensure policies are consistently enforced, and all issues of compliance are addressed. The protocol clearly defines the department's required response for various situations and the corresponding action required by the vendor. This includes a communication plan with a minimum of three years of tracking improvements to each compliance issue.
- ✓ We have also created a *Vendor Non-Compliance and Inadequacies Severity Scale* to guide decisions related to non-compliance and/or below average operations. This scale explains the differing levels of compliance issues and outlines the action warranted for these issues or inadequacies.
- ✓ These systems will work hand in hand to help determine what issues and inadequacies are teachable, merit warning, or merit dismissal. We expect that this will create a consistent message to all vendors and emphasize the importance of business operations, site aesthetics, and Vendor License Agreement (VLA) compliance.
- ✓ Additionally, we have included a more thorough explanation of our evaluation process in our Vendor Manual to ensure vendors have a better understanding of the process and our expectations of them. Increased communication and emphasis on vendor business expectations will ensure high quality vendors and Fairgoer experience in the commercial, food & beverage, and attraction categories.
- ✓ Notable, comprehensive vendor evaluations are considered "best practice" in the fair industry lead by WSFP. The WSFP evaluation process is considered one of the best in the industry, therefore has been adopted by several other large fairs.
- ✓ We will continue our secret shopper program, which evaluates vendors during the annual State Fair. In preparation for the 2018 State Fair we have created a list of high-priority vendors and the specific areas of concern for each vendor. The contracted secret shopper will be directed that all vendors on the high-priority list must be evaluated during State Fair as a part of the contractual obligation.



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**WISCONSIN STATE FAIR PARK FOUNDATION**

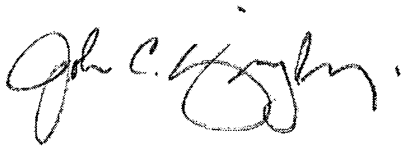
**Recommendation #9 - Pg. 69:** Consider whether it is appropriate for it to enter into agreements under which it foregoes revenue and instead directs the revenue be paid to a private entity, develop a justification for entering into such agreements if it believes that they are appropriate, and seek the approval of the State Fair Park Board before executing such agreements.

- ✓ WSFP and the Foundation are currently developing appropriate policies, with WSFP Board of Directors approval, following WI Statute 42.01(4) on revenue sharing agreements

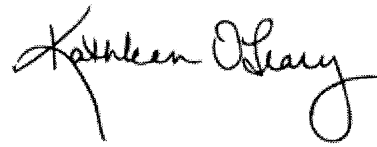
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In closing, we appreciate the thoroughness of the assessment provided by this audit, as it will help us in our continual quest to produce one of the most successful State Fairs in the country, and fulfill the mission of State Fair Park. State Fair Park was created 126 years ago to represent and enhance six major areas of interest – Agriculture, Industry, Entertainment, Commerce, Sports and Government. We are proud to continue this mission by providing a leading year-round event venue to ultimately enhance the economic and social benefits to Wisconsin’s residents and visitors.

Sincerely,



John Yingling, Chairman  
Wisconsin State Fair Park Board of Directors



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

Cc: Joe Chrisman, State Auditor