

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



22ND DISTRICT AGRICULTURAL ASSOCIATION
SAN DIEGO COUNTY FAIR
DEL MAR, CALIFORNIA

MANAGEMENT REPORT #08-020

YEAR ENDED DECEMBER 31, 2007

22ND DISTRICT AGRICULTURAL ASSOCIATION
SAN DIEGO COUNTY FAIR
DEL MAR, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2007

AUDIT STAFF

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MANAGEMENT REPORT NUMBER

#08-020

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Kelly Burt, President
Board of Directors
22nd DAA, San Diego County Fair
2260 Jimmy Durante Blvd
Del Mar, California 92014

We have performed the procedures enumerated below, which were agreed to by you solely to assist you with respect to the following compliance areas: (1) personnel procedures, (2) expenditures, (3) contracts, (4) purchasing procedures, and (5) courtesy pass policies and procedures for the period January 1, 2007 to December 31, 2007. The 22nd District Agricultural Association's (DAA) management is responsible for the personnel procedures, expenditures, contracts, purchasing procedures, and courtesy pass policies and procedures for the 22nd DAA. The agreed upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is the sole responsibility of the 22nd DAA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

In planning and performing our agreed upon procedures of the (1) personnel procedures, (2) expenditures, (3) contracts, (4) purchasing procedures, and (5) courtesy pass policies and procedures of the 22nd DAA, San Diego County Fair, Del Mar, California, for the year ended December 31, 2007, we considered its internal control structure in order to determine our compliance review procedures. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Our results are presented in the accompanying pages of the report.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Fair management, the Fair Board of Directors, and the Department of Food and Agriculture, however, we acknowledge that it is a public document and its distribution is not limited.



In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

During our analysis of the internal control structure of the 22nd DAA and compliance with State laws and regulations, we identified four areas with reportable conditions that are considered weaknesses in the Fair's operations: improper payment of employee leave hours, Board member benefits during fairtime, courtesy pass limitation, and temporary employees. We have provided eight recommendations to improve the operations of the Fair. The Fair must respond in writing on how each recommendation will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the 22nd DAA's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

IMPROPER PAYMENT OF EMPLOYEE LEAVE HOURS

Over a three-year period, the Fair improperly allowed its employees to cash out more than \$244,000 of compensated leave hours, such as vacation and annual leave. The Fair established a leave buy back program without sufficient authority a few years ago, which allowed its managers, supervisors, and other exempt employees to cash out their leave balances on an annual basis. Our office also noted that occasionally other employees represented by bargaining units cashed out their paid leave as well.

However, the State of California does not allow employees to cash out their leave balance unless authorized by the Department of Personnel Administration (DPA). Between January 2005 and August 2008, DPA issued one memo allowing a one-time leave buy back. According to DPA memo #2007-010 dated March 27, 2007, DPA and the Department of Finance authorized an Excluded Employee Leave Buy Back Program for the fiscal year 2006/2007. The maximum buy back allowed is 40 hours from vacation, annual leave, personal leave, and personal holiday credits.

In contrast, the Fair's leave buy back program allowed managers, supervisors, and exempt employees to cash out a maximum of 80 hours annually from annual leave, compensated time-off, excess credits, holiday credits, vacation, informal time off, personal leave, and personal holidays. On a consistent basis, our office noted the Fair did not follow its own policy and allowed employees to cash out an excess of 80 hours annually. For instance, during one calendar year, one employee cashed out an excess of 508 hours and another cashed out an excess of 344 hours.

From January 1, 2005 through August 31, 2008, the Fair's accounting records show that approximately \$244,010 was cashed out from leave balances (please see *Table 1* below). Twenty-two different managers and supervisors cashed out \$240,349, which does not include the 40 hours DPA allowed. Additionally, four rank and file employees cashed out \$3,661 in annual leave and vacation. Employees who cashed out leave and then subsequently separated from the Fair were not included in this total, since the Fair would have paid out their leave balance upon separation.

In addition, there was a lack of supporting documentation to prove the request to cash out leave was approved. Our office noted the request forms are signed by the requesting employee and indicate the date Human Resources received and processed the request, and the pay period the cash-out occurred. However, it is rare to observe an approving signature on the request form or an E-mail approving the request.

Table 1

Audit of San Diego County Fair			
Amount of Employee Paid Leave Improperly Cashed Out by Employees			
<u>Calendar Year</u>	<u>By Managers, Supervisors, and Excluded</u>	<u>By Represented Employees</u>	<u>Paid Leave Improperly Cashed Out</u>
2005	\$ 83,193	\$ -	\$ 83,193
2006	\$ 44,588	\$ -	\$ 44,588
2007	\$ 38,821	\$ 3,661	\$ 42,482
as of August 31, 2008	<u>\$ 73,747</u>	<u>\$ -</u>	<u>\$ 73,747</u>
Total	<u>\$ 240,349</u>	<u>\$ 3,661</u>	<u>\$ 244,010</u>

Recommendations

- 1. The Fair should establish an accounts receivable balance for each employee related to the amount of leave that was improperly cashed out in excess of the 40-hour limitation. Additionally, to ensure that the accounts receivables are repaid in a timely manner, the Fair should establish a timeline for these repayments.*
- 2. The Fair should review and revise its personnel policies to ensure that the Fair is in compliance with DPA rules and regulations. In the future, the Fair should comply with all State rules and regulations governing payroll, and restrict the cashing of paid leave to the maximum limitation established by DPA.*

BOARD MEMBER BENEFITS DURING FAIRTIME

The Fair provided its Board members with approximately \$12,460 in concert tickets. The Fair should be cautioned that, if there is not a legitimate business purpose, distributions of this nature may be deemed a gift of public funds according to the State Constitution. Based on the State Constitution, the Fair has no “power to make any gift or authorize the making of any gift, of any public money or thing of value to any individual...” This is a prior year audit finding.

Additionally, the Fair provided \$42,641 in catered dinners to Board members and their guests during fairtime without completing the proper documentation needed to determine if these dinners qualify as allowable promotional or public relations expenses. Sound accounting, good business practices, and the requirements of the Division of Fairs and Expositions (F&E) internal policy over public relations and promotional expenses mandates specific and detailed information for all persons incurring such expenses, including members of the Board of Directors. According to F&E Accounting Procedures Manual (APM) section 1, 2.86, all claims must include the names of all recipients of the item or benefit, purpose of the expenditure, and specific justification, including the topics discussed during the event and the necessity of or the benefits expected to accrue to the Fair by entertaining. The Fair

provided the listing of the attendees; however, the justification provided was from the 2006 audit response, which is general and does not specify the topics discussed. Without the specific detail, as required by the APM, one cannot determine whether this expense did indeed benefit the Fair. This is a prior year audit finding.

Recommendations

3. *We recommend the Fair revisit the issue with the Attorney General's Office to ensure the Fair Board is complying with the law.*
4. *The Fair should reevaluate its policy pertaining to the distribution of all types of tickets and passes. As a State agency, the Fair has the ultimate responsibility to the public to demonstrate compliance with all the State rules and regulations over passes in order to prevent the perception of an inappropriate use of funds.*
5. *The Fair should follow F&E's internal policy and the APM requiring all claims for payment of promotional or public relations expenses include the names of all recipients of the item or benefit, the purpose of the expenditure, justification for the food or meal, specific business topics discussed during the event, and necessity of or the benefits expected to accrue to the Fair by entertaining. A claim that does not meet all the requirements should not be approved for payment.*

COURTESY PASSES

The Fair does not track the number of courtesy passes redeemed as required by California Food and Agricultural Code. Therefore, we are unable to determine whether the Fair exceeded the 4% limitation. However, we noted that the Fair issued an amount of tickets, which, if all were redeemed, would have exceeded the 4% limitation. The exact percentage would have been 4.73.

Originally, the Fair reported that it distributed 3.95% in courtesy passes in the 2007 Statement of Operations. However, we noted an additional 4,000 courtesy passes not included in the distribution log.

Recommendations

6. *The Fair should ensure that it properly tracks its courtesy passes and that all admissions without payment fall within the three categories, as outlined in the California Food and Agricultural Code section 3022.*
7. *The Fair should comply with the California Food and Agricultural Code section 3026. As a State agency, the Fair has ultimate responsibility to the public to demonstrate compliance with all the State rules and regulations over passes in order to prevent the perception of an inappropriate use of funds.*

TEMPORARY EMPLOYEES

The Fair allowed more than 15 temporary employees to work in excess of the 119-day limitation within a calendar year. According to the APM, "by law temporary employees may

not work more than 119 days in a calendar year.” The APM further cites Article VII Sec. 4(1) of the Constitution of the State of California as its basis for this policy. We noted these employees worked between 120 and 259 days in 2007. This is a prior audit finding.

Recommendation

8. *The Fair should comply with the APM and State Constitution by ensuring temporary employees do not work in excess of the 119-day limitation.*

NON-REPORTABLE CONDITIONS

DOCUMENTATION OF EXPENDITURES

The Fair's corporate credit card is used to facilitate business related expenses. We noted 34 instances totaling \$2,232 in restaurant charges that did not include an itemized receipt. The Fair had included a list of the attendees and the business purpose of the meal. However, only the signed credit card slip was provided, which includes the subtotal, tip, and total of the bill, instead of an itemized restaurant receipt. An itemized restaurant receipt provides transparency to the nature of the expense; without it our office cannot attest to the reasonableness of the expense.

Recommendation

The Fair should maintain itemized receipts for all restaurant expenses to ensure expenses are adequately supported.

SPONSORSHIP AGREEMENTS

An examination of the Fair's sponsorship agreements identified at least five sponsorship agreements were not sent to F&E prior to entering into the agreement. According to California Food and Agricultural Code section 4051.1(b), a "written notification to the department shall be required prior to ...entering into any agreement for activities," when the agreements exceeds over \$100,000 in value, exists for a period greater than two years, or contemplates building a permanent structure on Fair property. The Fair is required to obtain approval from F&E prior to entering into and execution of the agreement. We noted the sponsorship agreements were all over \$100,000 in value and were sent to F&E for approval after the commencement of terms. Additionally, four of the five had terms greater than two years. In one instance, the agreement was not sent to F&E until five months after the commencement date. When F&E receives the contract after its execution or in the middle of the term, F&E does not have the opportunity to review and determine whether the agreement appears to be in the best interest of the Fair and the State, or to make any suggestions regarding the language or terms of the contract prior to the commencement of the contract. This is a prior year finding.

Recommendation

The Fair should have better controls and procedures regarding sponsorship agreements to ensure it complies with the California Food and Agricultural Codes and F&E's Contract Manual.

DOCUMENTATION OF TEMPORARY EMPLOYEES

The Fair did not maintain at least six temporary employees' Employment Eligibility Verification Forms, Form I-9, from the Department of Homeland Security, U.S. Citizenship

and Immigration Services. The Form I-9 is used to document that a new employee is authorized to work in the United States based on the records the employee provides the employer to review in order to establish employee's identity and employment eligibility. According to the Form I-9, the employer must retain the completed forms for the later of three years after the date of hire or one year after the date employment ends.

Recommendation

The Fair should ensure it maintains all Forms I-9 on file as it hires temporary employees, in order to comply with the requirements established by the Department of Homeland Security.

DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE



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22ND DISTRICT AGRICULTURAL ASSOCIATION
State of California

July 9, 2009

Mr. Ron Shackelford
Audit Chief
CDFA Audit Office
2014 Capitol Avenue, Suite 107
Sacramento, CA 95814

Dear Ron:

We have reviewed your Management Report #08-020 for the year ended December 31, 2007 and considered your recommendations.

I am pleased to report that the District has addressed all the issues related to accounting and financial management which your office has brought to our attention in your report.

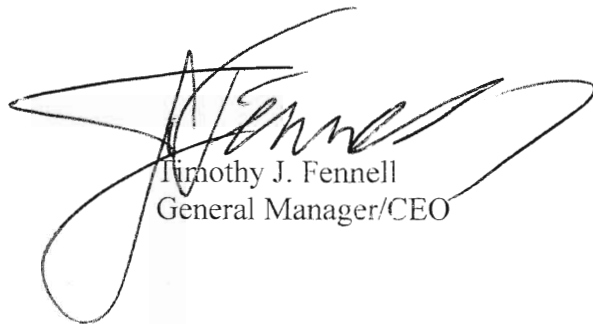
The following detailed responses are numbered to correspond to your numbered recommendations which are attached for your convenience.

Thank you for your assistance.

Sincerely,



Kelly Burt
President



Timothy J. Fennell
General Manager/CEO

Attachment

**22nd DISTRICT AGRICULTURAL ASSOCIATION
SAN DIEGO COUNTY FAIR**

**RESPONSE TO CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE
AUDIT REPORT
MANAGEMENT REPORT No. 08-020**

Year Ended December 31, 2007

The 22nd District Agricultural Association (“District”) has reviewed the Preliminary Draft of Management Report No. 08-020 (“Audit”) issued by the California Department of Food and Agriculture’s Audit Office (“CDFA”) for the year ending December 31, 2007. In compliance with CDFA’s request, this constitutes the District’s response.

Payment of Employee Leave Hours

The audit stated that the District improperly allowed its employees to cash out compensated leave hours, such as vacation and annual leave.

The Department of Personnel Administration issued memo #2007-010 dated March 27, 2007 authorizing an Excluded Employee Leave Buy Back Program for the fiscal year 2006/2007. The maximum buy back allowed was 40 hours from vacation, annual leave, personal leave and personal holiday credits. The audit recommended:

- 1. The Fair should establish an accounts receivable balance for each employee related to the amount of leave that was improperly cashed out in excess of the 40-hour limitation. Additionally, to ensure that the accounts receivable are repaid in a timely manner, the Fair should establish a timeline for these repayments.*
- 2. The Fair should review and revise its personnel policies to ensure that the Fair is in compliance with DPA’s rules and regulations governing payroll, and restrict the cashing of paid leave to the maximum limitation established by DPA.*

RESPONSE

The 22nd DAA places a high value on their employees and recognizes the challenges placed upon many of them due to the current economic climate.

The State of California does allow the cashing out of unused leave under various circumstances. According to the DPA’s personnel policies, “DPA and the Department of Finance periodically authorize departments to offer to cash out excluded employees’ unused vacation, annual leave, and/or personal holiday credits at their regular pay rate. Departments choose whether to

participate based on availability of funds. Typically, the number of hours that may be cashed out is capped.”

The District has paid out unused leave since June 30, 2007 when the DPA’s program expired, permitting managers and supervisors to cash out up to 80 hours of their vacation or annual leave balances on an annual basis. In a few cases, leave was also cashed out for rank and file employees. Most cash-outs were made due to financial hardships of the employees, and all were approved after confirmation that sufficient leave balances remained. Staff proposed a formal leave cash-out policy. It was approved by the Board of Directors and was then submitted to the DPA. Staff was not aware of any governmental code or DPA rule that prohibited this practice. This practice is used in both public and private entities. According to the Total Compensation Survey, Public Sector Leave Practices- Management, released by DPA in 2006, several California cities, including Anaheim, Oakland, San Jose, and San Diego have leave buy-back programs. Several California counties also have these programs, as does the San Diego Convention Center.

According to the DPA’s 2006 Total Compensation Survey, average State salaries lagged behind other public sector employers in San Diego by 16.39%. This disparity has increased the financial hardships for our employees. With inflation and the salary reductions of 13.85% mandated by the Governor’s furlough program, that disparity is now well over 30%.

Under California law, vacation or annual leave is earned as labor is performed, and is accrued by the employer as it is earned, and may not be forfeited. This compensation is accrued by the District and is recorded as a liability on our balance sheet. In 2005, the District’s liability for compensated absences was \$993,231. As of December 31, 2008, this liability grew to \$1,135,542, an increase of 14.3%. If the District had not paid this “excess” leave to the employees who requested it, that liability would have been \$1,379,552, or an increase of 38.9%.

In compliance with DPA rules, the District accrues vacation and annual leave at the employees’ current rate of pay. Since 2005, most employees received two cost of living adjustments. On July 1, 2006, most employees received an increase of 3.5%. On July 1, 2007, another COLA was granted by the State in the amount of 3.4%. In addition, employees who had not yet reached the top of their pay scale received an annual merit salary adjustment of 5%. These Cost of Living Adjustments and Merit Salary Adjustments resulted in an increased liability to the District for compensated absences.

Because the District has sufficient cash to fund this liability, management believes that it is prudent to pay out leave on a case by case basis. This helps employees who face financial hardships, and decreases the financial liability of the District. As of December 31, 2008, our exempt employees still have, on average, over 470 hours of leave remaining. Those balances will only increase, as the Governor’s Executive Order effective July 1, 2009 states that furlough days must be taken before any other type of leave, such as vacation, annual leave, holiday credits or Compensating Time Off.

If the District were to create receivables from the affected employees and increase its expense and liability by \$240,349 as recommended by the CDFA audit report, this would create an even larger financial hardship on our employees who already are paid substantially less than comparable public entities in San Diego. The liability for the District would have to be adjusted upward for any merit salary adjustments, and Cost of Living Adjustments granted since these payouts. The District already faces a large increase in our liability for uncompensated absences for 2009 and 2010 due to the State furlough program. Employees forced to take a 13.85% pay cut and to take three furlough days off each month before they are allowed to take any other form of leave will be far less likely to be able to take the vacation and leave that they have accrued and still perform their duties. According to DPA rules, this liability is to be accrued at the unreduced rate of pay, or before the pay reduction due to the furlough program. This will only result in an even larger liability at year's end. When the increased liability due to the Furlough program is added to the adjustment proposed by the auditors, the resulting liability for the District is estimated to be \$1.7 Million.

The adjustment proposed by the auditors would also result in the restatement of our audit reports for the years affected by our CPA firm. This restatement might also raise questions by our bond rating company and bondholders over a compensation policy that is commonly accepted and widely used in the industry to minimize future unfunded liabilities of both public and private companies and governmental entities.

The practice of cashing out leave balances is not uncommon and, as previously stated, is in effect with several California public entities. As long as the entity has sufficient cash reserves to pay the employees, this practice serves to lower the liability of the employer, and improves the morale of the employees. At the District, we are, in spite of the recession, still very busy with events. It is impossible for our employees to take three days each month as furlough days, then take an additional average of two days each month as leave, and still operate over 300 year-round events held at the Del Mar Fairgrounds. Since this is our employees' money, not ours, and if they left our employee we would have to pay it out, it should be paid to them on a case by case basis. We strongly believe that this is in the best interest of the employer and the employee who faces financial hardships including loss of the job of their spouse, threat of loss of their home, or health issues to name just a few examples.

Board Member Benefits During Fairtime

The audit report stated that the District provided its Board members with an approximate total of \$12,460 in concert tickets and failed to justify and support the business purpose and necessity for \$42,641 in catered dinners provided to Board members and their guests during fair time. The audit recommended:

3. *We recommend the Fair revisit the issue with the Attorney General's Office to ensure the Fair Board is complying with the law.*
4. *The Fair should reevaluate its policy pertaining to the distribution of all types of tickets and passes. As a State agency, the Fair has the ultimate responsibility to the*

public to demonstrate compliance with all the State rules and regulations over passes in order to prevent the perception of an inappropriate use of funds.

5. *The Fair should follow F & E's internal policy and the APM requiring all claims for payment of promotional or public relations expenses include the names of all recipients of the item or benefit, the purpose of the expenditure, justification for the food or meal, specific business topics discussed during the event, and necessity of or the benefits expected to accrue to the Fair by entertaining. A claim that does not meet all the requirements should not be approved for payment.*

RESPONSE

The District has worked closely with the Attorney General's office to review and revise existing policies regarding fair passes and Directors Dining. The new ticket policy was drafted to comply with new Fair Political Practices Commission regulations, as well as other pertinent statutes, regulations and controlling law. This Ticket Policy was approved by our Board of Directors and is currently in effect for admission tickets as well as concert tickets. A copy of this policy will be provided to the CDFR Audit Office.

The audit report states that the Fair provided catered dinners to the Board members and their guests during fairtime at a cost of \$42,641. The people who attend these buffet dinners are not limited to Board members, or even to Board members and their guests. The attendees include fair sponsors, local, county and State representatives, promoters, livestock judges, visiting fair managers, Western Fairs Association members, and even underprivileged families. Regarding the provision of meals for public relations, the District provides a buffet dinner in a room in the Grandstand known as the Directors' Dining Room each evening during the fair, which is available for use by the directors and senior management among others. Most of the directors attend the fair on a daily or near-daily basis, and the Directors' Dining Room provides a quieter locale at which the directors and staff can meet with fair sponsors, and host local dignitaries, government officials, and company representatives who are currently or considering conducting business with the District as well as other guests as previously described. The District provides a Guest Book for Directors Dining, and attendees sign in upon arrival.

As for the purpose of Directors' Dining, our directors and senior management also meet with sponsors and potential sponsors to discuss the fair and year-round sponsorship possibilities. The District enjoys significant financial benefits from these sponsorships. District sponsorship revenues grew from \$45,000 in 1992 to over \$2,600,000 in 2008.

Though the audit report states that these dinners were provided at a cost of \$42,641, it should be noted that the District also shares net revenues with our food service provider. While the District paid the provider for the meals provided, it also shares in 87% of the net revenues. We estimate that share to be \$18,550, so the net cost to the District was actually \$24,091. It should also be noted that all alcoholic beverages are paid for directly by the Directors and are not part of this cost. Taking into consideration the fact that our Fair is a 22-day event, the cost of providing meals to our directors, senior staff and guests who attend the buffet is less than \$1,100 per day.

Courtesy Passes

The audit report states that the Fair does not track the number of courtesy passes redeemed as required by California Food & Agricultural Code. The audit recommended:

6. The Fair should ensure that it properly tracks its courtesy passes and that all admissions without payment falls within the three categories, as outlined in the California Food and Agricultural Code section 3022.

7. The Fair should comply with the California Food and Agricultural Code section 3026. As a State agency, the Fair has ultimate responsibility to the public to demonstrate compliance with all the State rules and regulations over passes in order to prevent the perception of an inappropriate use of funds.

RESPONSE.

The Fair does indeed track courtesy passes with the following policy. A credential request is created by a Supervisor, the request will have the quantity of tickets requested, the purpose of the request and what type of ticket is needed (trade, access, complimentary, etc.). The credential request is then forwarded to the Department Head for approval. Once the request is approved by the Department Head, it is forwarded to the General Manager, or Deputy General Manager for the final approval. Upon final approval, the request is processed by the Credentials Department. All credentials are tracked by the credential request that is submitted to the Credentials Department and all tickets are bar-coded for tracking when they come in to our gates. Bar-code scanners are used so that redeemed courtesy passes can be tracked. All courtesy passes fall within the three categories outlined in Food and Agriculture Code Section 3022.

Food & Ag Code Section 3026 limits courtesy pass admissions to 4% of gross paid admissions to the fair in the preceding calendar year. Unlike some fairs in the state, the District does charge an admission fee, and also has the highest attendance in the state of California. As a state institution, the District tries to utilize as many courtesy passes as possible to welcome to the annual Fair individuals who could not otherwise afford, or be able, to attend. Although every attempt is made to keep these courtesy passes within the 4% limit, our attempts to accommodate the disadvantaged poses inherent conflicts. Nonetheless, in 2009, the District changed its courtesy pass policy in an attempt to more closely hew to the 4% limit. The District will continue to make every effort to meet this 4% limit, while simultaneously making the annual Fair an achievable destination for everyone, regardless of financial, physical or other limitations.

Temporary Employees

8. The Fair should comply with the State Constitution and Department of Personnel Administration rules and regulations by ensuring temporary employees do not work in excess of the 119-day limitation.

RESPONSE

The District hosts over 300 interim events each year. In order to provide the staffing and support for the annual fair and the interim events, the District employs approximately 1,700 temporary employees each year. The audit report stated that more than fifteen of these temporary employees worked in excess of the 119-day limitation.

When the Southern California wildfires broke out in October, 2007, the Fairgrounds was designated as a center for evacuation and shelter for over 2,000 people, 2,400 horses and 400 cats and dogs. Though many of our temporary employees had already reached their limit of 119 days, they were desperately needed to stage our exhibit halls as temporary living quarters for people and their household pets, maintain the cleanliness of the halls, restrooms, and grounds, provide food to the evacuees, deliver feed and bedding to the horses in our stable areas, and keep the premises safe. Several of these employees exceeded their limit in order to provide the services required during this state of emergency.

Five of these employees worked in our Parking department. Our interim events are held year-round, so we must have reliable, trustworthy supervisors who oversee our parking cashiers and attendants who work these events. Therefore, four parking supervisors and one parking director worked over the 119-day limit.

Two temporary employees filled positions that were budgeted for permanent positions but were vacant. These permanent positions are no longer vacant.

The District will work with its Human Resources department to institute all necessary controls to track the number of days worked by temporary employees and insure none of them exceed the limits established by the California Constitution and the State Personnel Board.

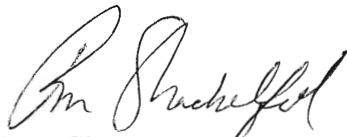
CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the 22nd DAA, San Diego County Fair for their review and response. We have reviewed the response. After review, our office has determined that management has not taken the appropriate action in response to our finding regarding improper payment of employee leave hours. Therefore, due to the possible material impact on the Fair, our office will refer this issue to the Bureau of State Audits for their review and further action if needed.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between September 15, 2008 and September 26, 2008. My staff met with management on September 25, 2008 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.



Ron Shackelford, CPA
Chief, Audit Office

September 26, 2008

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 22nd DAA Board of Directors
1	Chief Executive Officer, 22nd DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office