

Investigative Report

Arkansas Legislative Audit

Review of Selected Transactions Searcy County Fair Association

January 1, 2019 through December 31, 2022



INTRODUCTION

This report is issued pursuant to a request for Arkansas Legislative Audit (ALA) to review selected transactions of the Searcy County Fair Association (SCFA). The 20th Judicial District Prosecuting Attorney requested ALA assistance after receiving allegations that some SCFA facility rental fees were not deposited.

OBJECTIVES

Objectives of this review were to:

- Determine if facility rental fees were properly accounted for and deposited in SCFA bank accounts.
- Assess internal controls for adequacy.

SCOPE AND METHODOLOGY

This review was conducted primarily for the period January 1, 2019 through December 31, 2022. ALA staff reviewed available records, including bank statements, deposit slips, office calendars, and other documentation. In addition, certain individuals were interviewed, and SCFA's internal controls were assessed for adequacy.

BACKGROUND

SCFA is a nonprofit corporation governed by a 5-member Executive Board of Directors. SCFA sponsors the annual Searcy County fair and other events, such as pageants and livestock shows. During the review period, funding consisted primarily of facility rental fees, event proceeds, donations, and state grants (i.e., fair funding and construction).

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RESULTS OF REVIEW

Comparison of Collections with Bank Deposits

SCFA collected fees for rental of its facility and utilized a calendar to document facility reservations. ALA staff compared rental dates noted on calendars with bank deposits that indicated rental fees, for the period January 1, 2019 through December 31, 2021. However, without receipts being issued, ALA was unable to confirm that all reservations noted on the calendar were fulfilled. Based on available documentation and assuming the facility was rented as indicated on the calendars, rental fees totaling approximately \$2,123 were undeposited for calendar years 2019, 2020, and 2021, as shown in **Exhibit I**. Because a 2022 calendar was not available, ALA staff were unable to determine when the facility was rented during that year. However, \$1,132 in deposits indicating rental fees were made during 2022.

Exhibit I

Searcy County Fair Association (SCFA)
Comparison of Rentals per Calendars with Rental Fee Bank Deposits
For the Period January 1, 2019 through December 31, 2021

	Calendar Year			Total
	2019	2020	2021	
Rentals per Calendars (Note 1)	\$ 2,065	\$ 2,235	\$ 2,748	\$ 7,048
Bank Deposits Indicating Rental Fees (Note 2)	1,150	1,925	1,850	4,925
Over/(Short)	\$ (915)	\$ (310)	\$ (898)	\$ (2,123)

Note 1: According to an SCFA official, SCFA normally charges rental fees of \$25, \$35, or \$55, depending on the type of event. Arkansas Legislative Audit (ALA) staff were unable to determine the amount actually received for 124 rentals. For these rentals, ALA staff used the average rental fee of \$38.33 for comparison purposes.

Note 2: ALA staff noted four deposit slips totaling \$924 that did not indicate the type of revenue being deposited. However, based on dates and amounts, the revenue does not appear to be rental fees. Therefore, these deposits are not included in the comparison above.

Source: SCFA records and bank records (unaudited by Arkansas Legislative Audit)

ALA staff also examined other revenue types, including “fairbook” ads, banners, booth rentals, livestock entry fees, and pageant entry fees. Due to inadequate records, ALA staff were unable to determine if all revenue was properly deposited.

Internal Control Deficiencies

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct mistakes, errors, or noncompliance with applicable Arkansas Code, regulations, and policies. Failure to maintain adequate internal controls increases the risk of misappropriation of assets and potential waste and abuse of funds.

ALA review revealed the following internal control deficiencies:

- Receipts or other records were not maintained to document the amount of funds collected.
- Deposit slips did not always indicate the type of revenue being deposited.

- Cash receipt and disbursement journals were not maintained.
- There were no facility rental agreements or written policies concerning the amount of rental fees to be charged.
- The calendar reflecting 2022 facility rentals could not be located.
- Management did not provide adequate fiscal oversight.

RECOMMENDATIONS

ALA staff recommend that:

- Receipts be issued or other records be maintained to document the amount of funds collected.
- Deposit slips always indicate the type of revenue being deposited.
- Cash receipt and disbursement journals or a general ledger be maintained.
- The Board adopt written facility rental policies, including the amount of rental fees to be charged.
- Calendars and any other records containing pertinent rental information be retained.
- Management exercise proper fiscal oversight, ensure internal controls are established, and monitor controls to ensure adherence.

MANAGEMENT RESPONSE

Management response is provided in its entirety in **Appendix A**.

SUMMARY

ALA comparison of rental dates noted on calendars with bank deposits that indicated rental fees revealed approximately \$2,123 in undeposited funds for the years 2019 through 2021. In addition, due to inadequate records, ALA staff were unable to determine when the facility was rented in 2022; however, deposit slips indicated that \$1,132 deposited during the year was for rental fees. Several internal control deficiencies contributed to unaccounted for funds.

This report has been forwarded to the 20th Judicial District Prosecuting Attorney and the Attorney General.

Appendix A
Management Response

Plan of Correction for Obtaining Rental Payments tracking at the Searcy County Fairgrounds:

1. Digital Calendar (currently using Gmail calendar) will be utilized and shared among the Treasurer or other board members as deemed necessary.
2. Google Form has been created to send to Prospective Renters.
3. Form is to be completed and returned either in Digital Form or via United States Postal Service
4. In the Event the Prospective Renter does not have access to digital forms, Paper forms will be placed in the buildings to be completed prior to the event.
5. Payment Can be made online with PayPal or Square, Checks can be mailed to PO Box 203, Marshall AR, 72650, or a locked deposit box is located in each building to deposit cash or check payments into.
6. Locked deposit boxes will be checked and cleared by either the Director or the Treasurer and be taken for deposit into the general account of the Searcy County Fair.
7. Treasurer will record on the treasurer's spreadsheet the name and the amount of the renter to be compared to the Calendar.
8. The Director may run a separate spreadsheet to compare the deposit with the digital Calendar.
9. Applications or hand written receipts will be utilized for record keeping.
10. In the event there is discrepancies between the Calendar, Applications, and deposits, the issue will be entered in to the agenda of the next monthly meeting.

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