



## DEPARTMENT OF HISTORIC RESOURCES

### REPORT ON AUDIT

### FOR THE PERIOD

JULY 1, 2012 THROUGH JUNE 30, 2016

Auditor of Public Accounts

Martha S. Mavredes, CPA

[www.apa.virginia.gov](http://www.apa.virginia.gov)

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## AUDIT SUMMARY

Our audit of the Department of Historic Resources for the period July 1, 2012, through June 30, 2016, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth's accounting and financial reporting system;
- no matters involving internal control and its operation necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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## AGENCY HIGHLIGHTS

The Department of Historic Resources (Historic Resources) supports the stewardship of Virginia's significant historic, architectural, archaeological, and cultural resources and establishes and maintains a permanent record of those resources, which are accessible to support historic preservation and education. Historic Resources also administers grants to local governments, museums, historic sites, and other non-state entities and helps educate the citizens about the public benefits of heritage stewardship.

The Governor appoints Historic Resources' director, who serves as the State Historic Preservation Officer for the purposes of carrying out the federal National Historic Preservation Act of 1966, as amended in 1980. The State Review Board and the Board of Historic Resources exist to advise the director in certain program areas. The Board of Historic Resources also designates state landmarks, approves historical markers, and accepts preservation easements on properties.

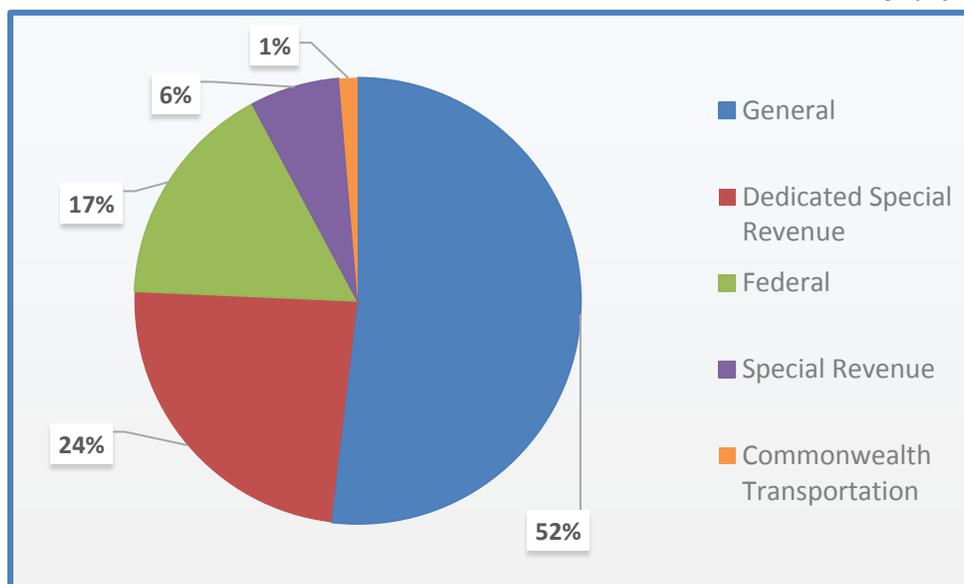
### Financial Information

Historic Resources administers a variety of programs that encourage the preservation of Virginia's historic resources. The majority of their expenses are pass-through grants relating to the operating or capital outlay support of entities declared as historic. Historic Resources awards these grants either by application or by specific appropriation by the General Assembly. Historic Resources also administers the state historic rehabilitation tax credit program.

Historic Resources receives a majority of its funding from general fund appropriations and federal grants. The chart below shows funding sources for fiscal years 2013 through 2016.

**2013-2016 Average Actual Expenses by Funding Source**

Chart 1

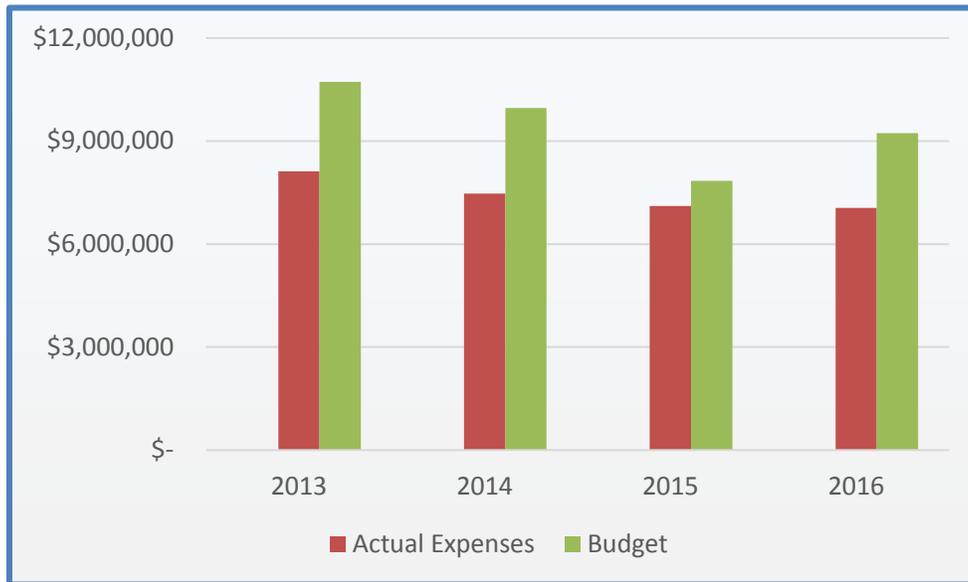


Source: The Commonwealth's accounting and financial reporting system

Beginning fiscal year 2013 through 2015, Historic Resources experienced a continued decline in funding; however, in fiscal year 2016 Historic Resources' funding increase as a result of an increase in the state historic rehabilitation tax credit fee rate. The following chart highlights the budgetary and actual expense activity for the fiscal years 2013 through 2016.

**2013-2016 Budget to Actual Expenses**

Chart 2

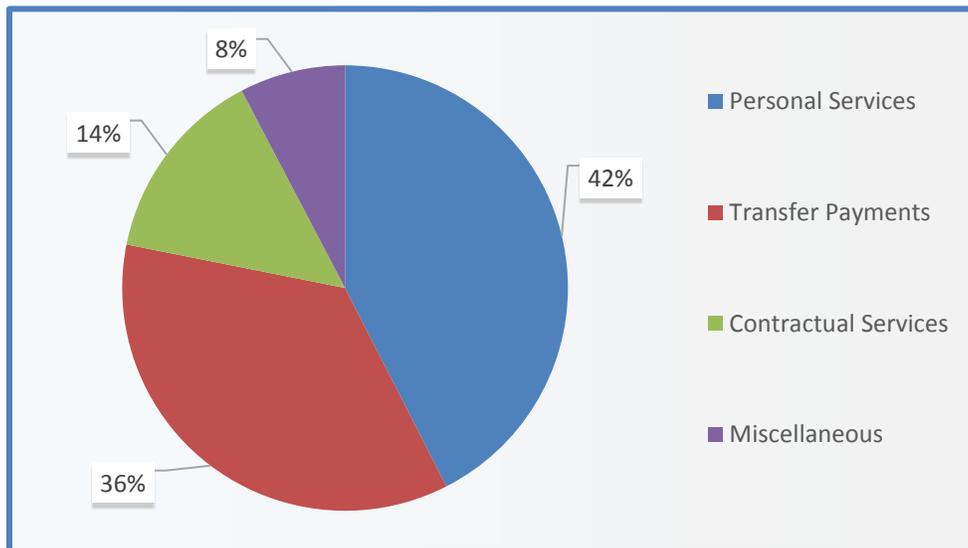


Source: The Commonwealth's accounting and financial reporting system

The majority of Historic Resources' expenses are related to payroll (personal services) and grant payments (transfer payments). The following chart highlights the average expenses of fiscal years 2013 through 2016.

**2013-2016 Average Expenses**

Chart 3



Source: The Commonwealth's accounting and financial reporting system



# Commonwealth of Virginia

*Auditor of Public Accounts*

Martha S. Mavredes, CPA  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

March 31, 2017

The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable Robert D. Orrock, Sr.  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of the **Department of Historic Resources** for the period July 1, 2012, through June 30, 2016. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **Audit Objectives**

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth's accounting and financial reporting system, review the adequacy of Historic Resources' internal controls, and test compliance with applicable laws, regulations, contracts, and grant agreements. Historic Resources transitioned to using the Commonwealth's new accounting and financial reporting system on October 1, 2014.

## **Audit Scope and Methodology**

Historic Resources management has responsibility for establishing and maintaining internal control and complying with applicable laws, regulations, contracts and grant agreements. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws, regulations, contracts, and grant agreements.

We gained an understanding of the overall internal controls, both automated and manual, as they relate to the audit objectives, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Revenues, including Federal Grants  
Expenses, including Federal Grants  
Payroll expenses  
Information System Security

We performed audit tests to determine whether Historic Resources' controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws, regulations, contracts, and grant agreements as they pertain to our audit objectives. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of Historic Resources' operations. We performed analytical procedures, including budgetary and trend analyses. We also tested details of transactions to achieve our objectives. A nonstatistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

### **Conclusions**

We found that Historic Resources properly stated, in all material respects, transactions recorded and reported in the Commonwealth's accounting and financial reporting system, relating to the audit objectives.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Exit Conference and Report Distribution**

We discussed this report with management on May 2, 2017. This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

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## DEPARTMENT OF HISTORIC RESOURCES

As of June 30, 2016

Julie Langan, Director  
Stephanie Williams, Deputy Director  
Jennifer Mayton, Acting Director of Financial Services

### **State Review Board Officials**

Sara Bon-Harper  
Jody Lahendro  
Gabrielle Lanier  
Lauranett Lee  
Carl Lounsbury  
Elizabeth Moore  
John Salmon

### **Board of Historic Resources Officials**

Colita Nichols Fairfax  
Frederick Fisher  
Drew Gruber  
Nosuk Pak Kim  
Margaret Peters  
Clyde Smith  
Ashley Atkins Spivey