

JAMESTOWN-YORKTOWN FOUNDATION

**REPORT ON AUDIT
FOR THE YEARS ENDED
JUNE 30, 2008 AND JUNE 30, 2009**

APA
**Auditor of
Public Accounts**
COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the Jamestown-Yorktown Foundation, for the fiscal years ending June 30, 2008 and 2009, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- matters involving internal control and its operation necessary to bring to management's attention;
- instances of noncompliance with applicable laws and regulations or other matters that are required to be reported; and
- correction of internal control findings and recommendations from the prior audit

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AUDIT FINDINGS AND RECOMMENDATIONS

Improve Logical Access Management

The Jamestown Yorktown Foundation's logical access management policies and procedures meet the Commonwealth's security standard; however, the Foundation is not following those policies and procedures by not enforcing the following items.

- The Foundation does not maintain access authorization documentation.
- Both a user's supervisor and data/system owner do not properly approve the access authorization forms.
- The Foundation does not have documentation of the required periodic review of users' accounts.

By not following their policies and procedures for access administration, the Foundation is increasing the risk of unauthorized access to its systems and confidential information residing therein. Foundation management should ensure that all personnel understand and follow the organization's policies and procedures.

Properly Complete Payroll Reconciliations

The State Comptroller requires agencies to reconcile Virginia Retirement System transfers for retirement, group insurance, retiree health insurance credit, and long-term disability, to ensure the agency properly transfers and records these amounts. However, the Foundation did not perform these reconciliations and we recommend doing them immediately and every month thereafter.

AGENCY HIGHLIGHTS

The Jamestown-Yorktown Foundation serves to educate and promote understanding and awareness of Virginia’s role in the creation of the United States of America. The Foundation, accredited by the American Association of Museums, is an educational institution of the Commonwealth of Virginia and administers two living-history museums: the Jamestown Settlement located in Williamsburg and the Yorktown Victory Center located in Yorktown. The Jamestown Settlement interprets the cultures of 17th-century colonial Jamestown, America's first permanent English settlement, and the Powhatan Indians. The Yorktown Victory Center interprets the impact of the American Revolution on the people of America and the development of the new nation.

The Virginia General Assembly designated the Jamestown-Yorktown Foundation as the state agency responsible for directing the Commonwealth’s role in the commemoration of the 400th anniversary of the first English settlement in the New World. Jamestown 2007 served as a sub-agency of Jamestown-Yorktown Foundation primarily to handle the anniversary transactions. Fiscal year 2008 was the final year Jamestown 2007 received funding. The financial highlights section below presents the Jamestown-Yorktown Foundation separately from Jamestown 2007.

The Foundation has two private affiliates: Jamestown-Yorktown Foundation, Inc. and Jamestown-Yorktown Educational Trust, Limited. These affiliates collect and provide additional resources from private fundraising, museum gift shops, and food service concessions. Jamestown 2007 also had a private affiliate, Jamestown 2007, Inc. that provided private sponsorships for the 2007 commemoration. Independent external CPA firms audit the financial statements of these entities. The net assets for these entities, for the applicable periods, were as follows:

Entity Name	As of	Amount
Jamestown-Yorktown Foundation, Inc.	June 30, 2009	\$13,427,859
Jamestown-Yorktown Educational Trust, Ltd.	Dec. 31, 2008	\$ 5,732,533
Jamestown 2007, Inc.	June 30, 2008	\$ 1,549,143

FINANCIAL HIGHLIGHTS

Jamestown-Yorktown Foundation

The Foundation receives General Fund appropriations as well as various special revenues for admissions, educational grants and other miscellaneous revenues. The following chart illustrates the Foundation’s original budget, final budget, and actual expenses for all of its funds for fiscal years 2008 and 2009.

Analysis of Budgeted and Actual Expenses

	2009			2008		
	Original Budget Chapter 879	Final Budget	Expenses	Original Budget Chapter 847	Final Budget	Expenses
General Fund						
Appropriations	\$ 8,926,129	\$ 7,575,927	\$ 7,575,927	\$10,251,007	\$11,046,394	\$11,046,394
Special Revenue						
Fund	8,346,487	8,924,948	8,924,102	7,860,945	8,432,724	7,916,440
Federal Fund	-	3,794,857	3,794,857	-	-	-
Total	<u>\$17,272,616</u>	<u>\$20,295,732</u>	<u>\$20,294,886</u>	<u>\$18,111,952</u>	<u>\$19,479,118</u>	<u>\$18,962,834</u>

In fiscal year 2009, the Foundation received one-time federal funding of \$3.8 million from proceeds of the Jamestown commemorative coins issued by the United States mint. The Foundation subsequently transferred these funds to the Jamestown-Yorktown Foundation, Inc. The Foundation also experienced reductions in General Fund appropriations due to statewide budget reductions. To absorb these reductions, the Foundation took various actions including reducing some training and outreach activities, as well as using other revenue sources to support Foundation operations.

In fiscal year 2008, the Foundation’s General Fund budget increased as a result of carrying forward unspent General Fund appropriations from the Fiscal year 2007. The special revenue fund budget also increased during the year due to increased admissions collections and some additional grant reimbursements.

The Foundation’s operating costs are primarily for personal services, contracts for custodial and research costs, and supplies and materials. Also during fiscal year 2009, the Foundation acquired 9.5 acres of land adjacent to the Jamestown Settlement from James City County for approximately \$3.5 million, primarily to expand parking for the facility.

Jamestown 2007

All funds collected by Jamestown 2007 benefited the Jamestown-Yorktown Foundation’s preparation efforts for the 2007 commemoration. As mentioned earlier, fiscal year 2008 was the final year that Jamestown 2007 received funding.

Jamestown 2007 received \$6.3 million in revenue for fiscal year 2008, most of which came from motor vehicle license fees. In addition to the 2008 revenue amounts, there was a carry-forward balance of approximately \$2.4 million from fiscal year 2007. Also, in addition to the 2008 expenses, Jamestown 2007 repaid a \$5,000,000 loan provided by the Secretary of Finance in anticipation of private sponsorship funding. At the conclusion of fiscal year 2008, Jamestown 2007 transferred its remaining 400th Anniversary Fund balance to the Foundation. The following chart illustrates Jamestown 2007’s original budget, final budget, and actual expenses for all of its funds.

Analysis of Budgeted and Actual Expenses

<u>2008</u>	<u>Original Budget Chapter 847</u>	<u>Final Budget</u>	<u>Expenses</u>
General Fund Appropriations	\$ 506,796	\$ 803,665	\$ 803,665
Special Revenue Fund	280,565	280,565	129,721
Dedicated Special Revenue	<u>6,046,676</u>	<u>5,821,676</u>	<u>1,687,698</u>
Total	<u>\$6,834,037</u>	<u>\$6,905,906</u>	<u>\$2,621,084</u>

Jamestown 2007’s expenses primarily consisted of transfer payments to the Jamestown-Yorktown Foundation and Jamestown 2007, Inc.; personal service costs of Foundation employees; and contractual expenses for marketing and temporary employees.



Commonwealth of Virginia

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

Walter J. Kucharski, Auditor

May 19, 2010

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the Jamestown-Yorktown Foundation for the years ended June 30, 2008 and 2009. 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 Accounting and Reporting System, review the adequacy of the Foundation's internal controls, test compliance with applicable laws and regulations and review corrective actions of audit findings from prior year reports.

Audit Scope and Methodology

The Foundation's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. 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 and regulations.

We gained an understanding of the overall internal controls, both automated and manual, 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.

- Revenue
- Expenses
- Payroll
- Small Purchase Charge Cards
- Information Systems

We performed audit tests to determine whether the Foundation's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Foundation's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that the Foundation properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Foundation records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted certain matters involving internal control and its operation and compliance with applicable laws and regulations that require management's attention and corrective action. These matters are described in the section entitled "Audit Findings and Recommendations."

The Foundation has taken adequate corrective action with respect to audit findings reported in the prior year.

Exit Conference and Report Distribution

We discussed this report with management on June 24, 2010. Management's response has been included at the end of this report.

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



Jamestown-Yorktown Foundation

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June 22, 2010

Mr. Walter J. Kucharski
Auditor of Public Accounts
Commonwealth of Virginia
Post Office Box 1295
Richmond, VA 23218

Dear Mr. Kucharski:

The Jamestown-Yorktown Foundation appreciates the opportunity to comment on the JYF audit findings and recommendations to be included in the "Jamestown-Yorktown Foundation Report on the Audit for the Years Ended June 30, 2008 and June 30, 2009." The following is our response to each finding.

Improve Logical Access Controls

Staff is developing a corrective action plan to address the lack of enforcement of existing policies and procedures related to maintaining documentation supporting access authorization, access approval and periodic review.

Properly Complete Payroll Reconciliations

Staff completed the required VRS reconciliations and all transfers have been recorded properly. Going forward, reconciliations will be completed monthly.

I commend your staff for the professional manner in which the audit was conducted, and I will be reviewing and discussing the audit findings with our Board of Trustees.

Sincerely,

Philip G. Emerson

PGE/jjl

cc: The Honorable H. Benson Dendy III
The Honorable M. Kirkland Cox
Mr. J. Jeffrey Lunsford
Ms. Jean Puckett

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