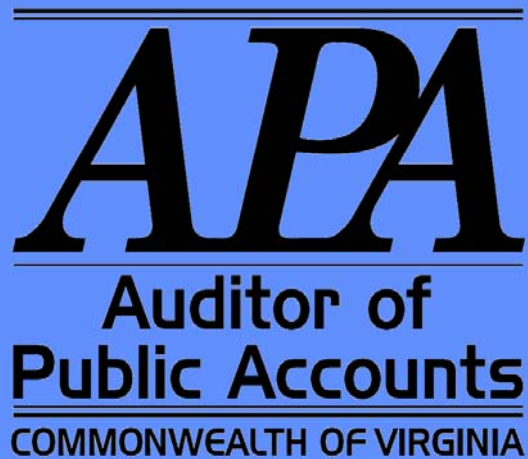


**SCIENCE MUSEUM OF VIRGINIA**

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



## **AUDIT SUMMARY**

Our audit of the Science Museum of Virginia, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving internal control and its operations 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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## MUSEUM HIGHLIGHTS

The Science Museum of Virginia (Science Museum) seeks to raise the public's understanding of science and technology. It accomplishes this objective through informal hands-on teaching, learning experiences, and various educational outreach programs. In addition to the Broad Street Station, the Science Museum operates the Virginia Aviation Museum and the Danville Science Center.

The Virginia Aviation Museum's collection features a wide variety of airworthy vintage aircrafts, aviation artifacts, descriptive exhibits on the history of aviation in Virginia, and memorabilia donated by others or on loan from the Smithsonian's Air and Space Museum. The Danville Science Center is located in the city's tobacco warehouse district and features a computer lab, butterfly garden, science exhibits, and a natural history collection.

### Financial Information

According to its strategic plan, the Science Museum's goal is to fund its operations through 50 percent State funding (General Fund Appropriations) and generate the remaining 50 percent through special revenue consisting of admissions, program fees, facility use fees, concessions, retail sales, and support from the various museum foundations. The following table details the Science Museum's revenue sources for fiscal years 2008 and 2009.

#### Analysis of Science Museum Operating Revenue

	<u>2009</u>	<u>2008</u>
General fund appropriation	\$5,188,095	\$5,610,756
Special revenue	3,455,895	4,211,267
Other revenue	<u>77,671</u>	<u>29,348</u>
Total funding	<u>\$8,721,661</u>	<u>\$9,851,371</u>

Source: Commonwealth Accounting and Reporting System

The Science Museum's special revenue peaked at about \$4.2 million during fiscal 2008. However, during fiscal 2009, the Science Museum's special revenue decreased by over 18 percent and its general fund appropriation decreased by about 7.5 percent.

The reduction in special revenue and general fund appropriation resulted from the weakened economy and caused significant operating challenges for the Science Museum. The decrease in special revenue is the result of declines in admissions, program fees, facility use fees, concessions, retail sales, and support from foundations. Other revenue consists primarily of federal grants and debt service funds.

The Science Museum underwent further reductions of its general fund appropriation to about \$4.77 million in fiscal 2010 and has a budget for this appropriation of \$4.63 million in both fiscal years 2011 and 2012. As a result, the Science Museum will need to increase its special revenue over this period to offset the reductions. If special revenue sources fail to increase to pre-recession levels, the Science Museum will need to make further operating reductions including staff, services, and other items to stay within their reduced budget.

Analysis of Operating Revenues and Expenses

	<u>2009</u>	<u>2008</u>
Operating revenue	\$8,721,661	\$9,851,371
Operating expenses	<u>8,765,975</u>	<u>9,804,545</u>
Net difference	<u>\$ (44,314)</u>	<u>\$ 46,826</u>

Source: Commonwealth Accounting and Reporting System

The preceding table compares the Science Museum's operating revenues versus its operating expenses for fiscal years 2009 and 2008. The Science Museum's expenses exceeded its total operating revenue by \$44,314 in fiscal 2009, but the Science Museum had sufficient cash balances to cover this shortfall.

By the end of fiscal 2008, the Science Museum anticipated that state budget cuts and declining special revenue could potentially lead to operating expenses exceeding revenues. As a result, Science Museum management made decisions to adjust operations for these reductions.

These choices included reducing the size of its staff, outsourcing its Human Resource function to the Department of Human Resource Management, and closing all Science Museum locations on Mondays. The Science Museum also outsourced operational services such as housekeeping, landscaping, and some maintenance services.

In addition, the Science Museum developed a new strategic plan in response to the economic challenges it faced. According to Science Museum management, the new strategic direction focuses on developing partnerships with private companies, local governments, and institutions of higher education to deliver Science Museum programs, rather than building physical science centers.

In conjunction with this new direction, the Science Museum transferred construction and management responsibility of the planned Science Center at Belmont Bay in Northern Virginia to George Mason University and has eliminated plans for science centers in Bristol and Harrisonburg.

The following table details the Science Museum's expenses by type for fiscal years 2008 and 2009. In addition to its operating expenses, the Science Museum spent about \$2.8 million on capital projects during the audit period. Of this amount, about \$1.9 million was for renovations of the IMAX facility at the Broad Street Station, and about \$880,000 was for capital improvements to the Science Museum's three locations.

Analysis of Operating Expenses by Type

	<u>2009</u>	<u>2008</u>
Payroll and personnel services	\$5,084,473	\$5,806,588
Contractual services	1,506,616	1,694,991
Continuous charges	1,296,273	1,097,882
Supplies and materials	523,490	768,346
Other	<u>355,123</u>	<u>436,738</u>
Total	<u>\$8,765,975</u>	<u>\$9,804,545</u>

Source: Commonwealth Accounting and Reporting System

The Science Museum's payroll and personnel services expenses decreased by 12.4 percent or \$722,115 during fiscal 2009. Between fiscal year 2008 and the end of fiscal 2009, the Science Museum reduced its full-time staff from 84 to 58 positions.

Under the Commonwealth's personnel policies, involuntarily separated employees receive certain benefits at the time of their termination of employment. These benefits reduce the amount of savings that the agency experiences in the year of termination. The loss of these employees and not having to pay these benefits should reduce personnel costs an estimated additional \$450,000 or more in fiscal 2010, or an overall decrease of about \$1.2 million when compared to fiscal 2008 personnel costs.

Of the 26 eliminated positions, 18 occurred in administration, marketing, and outreach while only eight occurred throughout the Science Museum's remaining functions; which include guest services at the Science Museum's three locations, exhibit fabrication and maintenance, and the IMAX and information technology divisions. The Science Museum targeted its reductions in staff composition to ensure that it could handle increased attendance and demand when the economic situation improves.

The \$188,375 decrease in contractual service expenses is primarily due to decreases in custodial, equipment maintenance, skilled, and catering services. The \$198,391 increase in continuous charges is mostly due to an increase in equipment installment purchases and electrical service charges. The Science Museum disputed the increase in electrical service charges and negotiated with their electric services provider to refund most of the fiscal 2009 increase, which it plans to receive by the end of fiscal 2010.



**Walter J. Kucharski, Auditor**

# Commonwealth of Virginia

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

April 23, 2010

The Honorable Robert F. McDonnell  
Governor of Virginia

The Honorable M. Kirkland Cox  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of the **Science Museum of Virginia** 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 Science Museum's internal controls, and test compliance with applicable laws and regulations, and review corrective actions of audit findings from prior year reports.

## Audit Scope and Methodology

The Science Museum'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.

Payroll expenses  
Human resources  
Contractual service expenses  
Special revenue collections

Capital assets  
Information security

We performed audit tests to determine whether the Science Museum'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 Science Museum's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

### Conclusions

We found that the Science Museum properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Museum 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 no matters involving internal control and its operation and compliance with applicable laws and regulations that require management's attention and corrective action.

The Science Museum 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 April 23, 2010. The Science Museum'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

GGG/clj





# SCIENCE MUSEUM OF VIRGINIA

April 23, 2010

Mr. Walter J. Kucharski  
Auditor of Public Accounts  
P.O. Box 1295  
Richmond, VA 23218

Dear Mr. Kucharski:

Please accept this letter as our response to the audit of the Science Museum of Virginia for the Fiscal Years 2008 and 2009.

We would like to thank you and your staff for the professional manner in which the audit was conducted. Your staff was organized, courteous and kept management informed throughout the audit process.

With warm regards,

Richard C. Conti  
Director/CEO

L. Darlene Selz, CPA  
CFO/Director of Administration & Finance

RICHARD C. CONTI, DIRECTOR/CEO

THE SCIENCE MUSEUM OF VIRGINIA

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