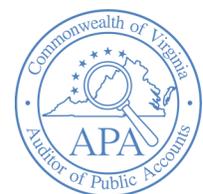




# SCIENCE MUSEUM OF VIRGINIA

## REPORT ON AUDIT FOR THE PERIOD JULY 1, 2011 THROUGH JUNE 30, 2015

Auditor of Public Accounts  
Martha S. Mavredes, CPA  
[www.apa.virginia.gov](http://www.apa.virginia.gov)  
(804) 225-3350



## AUDIT SUMMARY

Our audit of the Science Museum of Virginia for the period July 1, 2011, through June 30, 2015, found:

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

## TABLE OF CONTENTS

	<u>Pages</u>
AUDIT SUMMARY	
AUDIT FINDINGS AND RECOMMENDATIONS	1 - 4
AGENCY HIGHLIGHTS	5 - 6
INDEPENDENT AUDITOR'S REPORT	7 - 8
AGENCY RESPONSE	9-10
AGENCY OFFICIALS	11

## AUDIT FINDINGS AND RECOMMENDATIONS

### **Improve Controls over myVRS Navigator Snapshot Certification**

The Science Museum of Virginia (Science Museum) did not timely confirm the *myVRS* Navigator Contribution Snapshots. During the months of January 2013 through June 2015, Science Museum did not timely certify 37 percent of the monthly Snapshots (11 out of the 30 months reviewed).

Department of Accounts (Accounts) Payroll Bulletin Volume 2013-02 and Commonwealth Accounting Policies and Procedures Manual Topic 50410 state that agencies must certify the Contributions Snapshot by the 10th of the following month, as it becomes the official basis for the Retirement System billing amounts once certified.

Not timely certifying the Contribution Snapshot by the 10<sup>th</sup> of the following month impacts the ability of Accounts to process inter-agency transfers for any differences between the amounts confirmed in *myVRS* Navigator and the retirement contributions actually withheld and paid for all agencies across the Commonwealth. Delays also impact employees retiring or requesting a refund, as the Retirement System cannot process those transactions until the certification is completed. Inaccurate employee contributions may result in future retroactive adjustments and additional withholding for individual employees and may lead to incorrect payroll deductions and ultimately penalties and fees to the agency. Management stated that staffing shortages, competing priorities, and issues that required research contributed to the lack of timely certification of the Snapshots.

Management should ensure that Science Museum's internal policies and procedures for reconciling *myVRS* Navigator data address the timely certification of the Contribution Snapshot. We recognize that during the last consecutive eight months of fiscal year 2015, Science Museum did timely certify the Contribution Snapshots. Management should continue to prioritize the Snapshot process and ensure adequate staffing is assigned to reconcile the employee retirement data in order to timely certify the Snapshot each month.

### **Improve Controls over Cardinal Reconciliations**

Science Museum transitioned to using Cardinal, the Commonwealth's new accounting system, on October 1, 2014. However, after this transition, Science Museum did not properly reconcile financial data recorded in the Cardinal system. Specifically, our audit found the following:

- Science Museum did not reconcile monthly Cardinal financial transactions to the Commonwealth Accounting and Reporting System (CARS) for eight months of the fiscal year, October 2014 through May 2015.
- Science Museum did not reconcile capital asset transactions in the statewide Fixed Asset Accounting and Control System (FAACS) to the Cardinal system for eight months of the fiscal year, October 2014 through May 2015.

- Science Museum’s internally documented policies and procedures for reconciling FAACS, CARS, and Cardinal financial transactions were not in accordance with specific procedures outlined in the Commonwealth Accounting Policies and Procedures (CAPP)-Cardinal Manual Topics 20905 and 30905.
- Science Museum did not timely or accurately provide the fiscal year-end written certification to Accounts for June 2015. Specifically, the Accounting Manager signed the written certification instead of the fiscal officer. As documented on the official *Authorized Signatories* form provided to Accounts, Science Museum has designated the CFO, Director of Administrative Support Services, as the fiscal officer. Additionally, the certification was not provided until October 13, 2015, which was after Account’s required deadline of July 17, 2015.

The CAPP-Cardinal Manual Topic 20905 states that agencies must reconcile all internally prepared accounting records, data submission logs, and other accounting data to reports and queries produced by the Cardinal system. CAPP-Cardinal Topic 30905 requires agencies to reconcile FAACS information to CARS to ensure it has interfaced properly, and reconcile to Cardinal to ensure general ledger journals have properly recorded capital asset activity. Further, Accounts requires certification of the agency’s year-end monthly reconciliation as prescribed by the Comptroller’s annual year-end closing procedures. Accounts requires the annual certification to be signed and submitted by the agency head and the agency’s fiscal officer. Additionally, CAPP-Cardinal Topic 20905 requires the agency’s internal policies and procedures to follow all requirements and procedures specifically outlined in the topic. This topic further states that if the agency determines to implement its own alternative reconciliation procedures they must obtain written, advance approval from Accounts, fully document the alternate procedures, and ensure the procedures meet the same intent and internal controls outlined in the CAPP-Cardinal topic.

The absence of appropriate internal controls over fiscal records can increase the potential for fraud and error. By not properly reconciling monthly Cardinal data to CARS, which currently remains the Commonwealth’s official system of record, Science Museum increases the risk of inaccurate financial records for financial reporting and increases the potential risk of fraudulent activity.

Management stated that during the Cardinal implementation meetings and the required Cardinal training provided by Accounts, Science Museum was informed that CARS remained the official state accounting system. With this understanding, Science Museum’s monthly reconciliation efforts during the fiscal year were focused on ensuring their internal logs, supporting documentation, and summary balances agreed to CARS. Additionally, management stated that they were not initially aware until later in the fiscal year that Accounts had implemented the new CAPP-Cardinal Topics 20905 and 30905.

Because Science Museum did not properly reconcile for eight months of the fiscal year the financial transactions in FAACS to Cardinal and financial transactions in Cardinal to CARS, at the June 2015 fiscal year-end, the museum’s financial information was out of balance between Cardinal and CARS. Further, Account’s General Accounting department had to assist Science Museum finance

staff to investigate and determine the out of balance issues and post adjusting journal entries to properly reconcile the museum's fiscal year transactions between the two accounting systems.

Management should develop, document and implement detailed policies and procedures that comply with all aspects of the reconciliation procedures outlined in the CAPP-Cardinal Topics 20905 and 30905. Management should ensure finance staff timely perform the monthly reconciliations of financial information in FAACS, Cardinal and CARS, and ensure reconciliations are properly approved. Management should submit accurate and timely certifications of monthly and year-end reconciliations to Accounts in accordance with Accounts' instructions outlined in the CAPP-Cardinal topic and the Comptroller's annual year-end memorandum procedures.

### **Improve the Process for Disclosing Economic Interest Requirements**

Science Museum is not properly identifying employees in positions of trust and requiring them to comply with Code of Virginia Statement of Economic Interest (SOEI) requirements. Specifically, our review of the calendar year 2014 filing deadlines and the June 15, 2015, filing deadline found the following:

- Two employees did not timely file SOEI forms for the June 15, 2015, deadline. One employee did not file until July 10, 2015, and the other employee did not file until July 20, 2015.
- Two employees in positions of trust did not file the required SOEI forms for the January 15, 2014, deadline; yet they filed for subsequent deadlines.
- Science Museum identified three additional employees required to file the SOEI form, as designated with "yes" in the Economic Interest data field of the Personnel Management Information System (PMIS), the statewide personnel system. However, these employees did not file the required forms for the calendar year 2014 deadlines nor the June 15, 2015, deadline.
- Science Museum has not included accurate information in the Economic Interest data field for seven employees in positions of trust that are required to file the SOEI form.

Section 2.2-3114 of the Code of Virginia outlines the principles by which state agencies identify employees in positions of trust and gives the requirements to file Statement of Economic Interest forms by the respective deadlines. Further, Executive Order 33 issued by the Office of the Governor clarifies that those in senior-level positions and those with responsibility for substantive authorization and decision-making regarding financial matters are included in this group.

Based on our communication with the Conflict of Interest and Ethics Advisory Council, the Council shows no written or electronic record of the aforementioned employees filing forms for the required deadlines, nor could Science Museum management provide confirmation that the forms had been filed. Since Science Museum has not accurately completed the Economic Interest data field in the personnel system, they have not properly identified employees required to file. Consequently, certain employees in positions of trust have not complied with SOEI filing

requirements. In addition, Science Museum may have erroneously designated certain employees that are not in positions of trust and; therefore, not required to file.

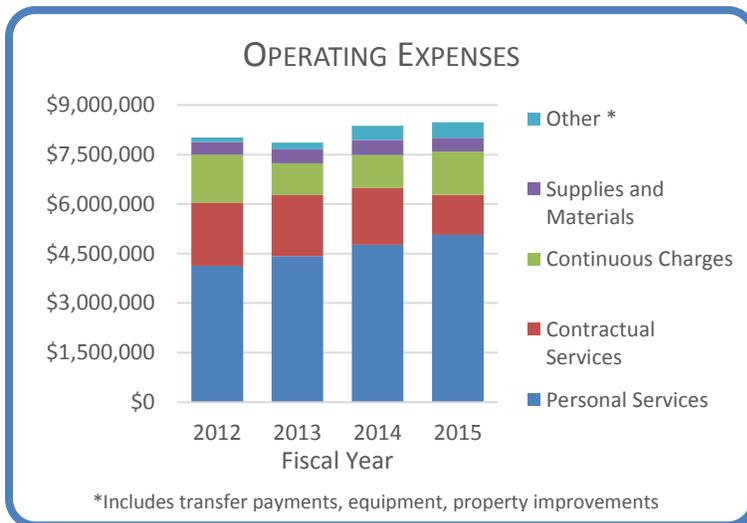
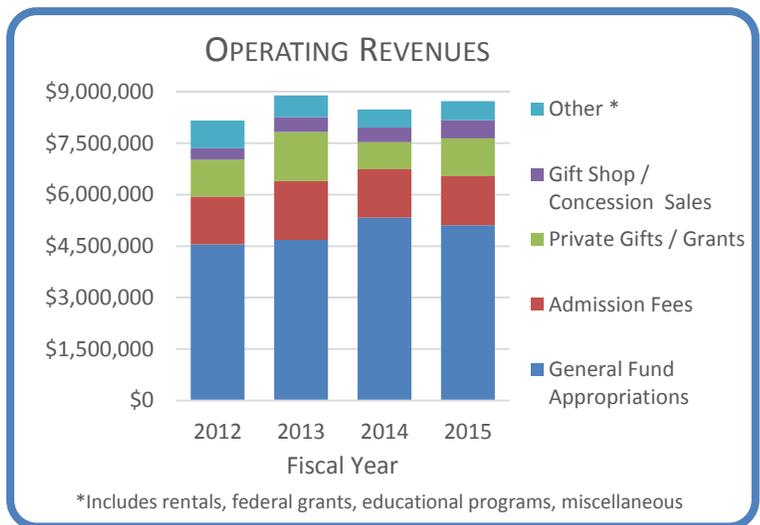
By not properly requiring employees in a position of trust to disclose their economic interests, Science Museum could be susceptible to a conflict of interest that would impair or appear to impair the objectivity of a fiscal decision. This also creates the appearance of a lack of transparency by the agency.

Science Museum should properly identify all employees in a position of trust and accurately update the Economic Interest data field in the personnel system to reflect those employees required to file the SOEI forms. Science Museum should require all employees identified in a position of trust to complete the required SOEI forms for all filing deadlines and ensure timely submission of the forms.

## AGENCY HIGHLIGHTS

The Science Museum of Virginia (Science Museum), headquartered in Richmond’s Broad Street Station, focuses on Science, Technology, Engineering, and Math (STEM) education and raises public understanding in those areas to “inspire Virginians to enrich their lives through science.” It accomplishes this through informal hands-on teaching, learning experiences, and various educational outreach programs. The Science Museum maintains a collection of permanent exhibitions, to include the IMAX Dome Theater along with various artifacts and interactive technologies about space, health, electricity, and the earth. Additionally, Science Museum rotates various temporary exhibits, some of which are loaned from other entities around the world. In addition to the Broad Street Station, the Science Museum also operates the Virginia Aviation Museum and the Danville Science Center.

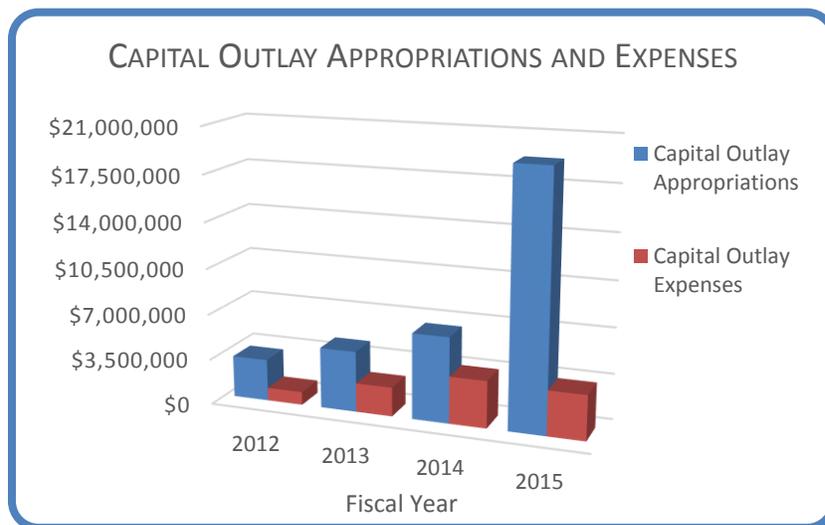
For fiscal years 2012 through 2015, Science Museum’s operating revenues totaled approximately \$34.3 million. Approximately 57 percent of this total comes through general fund appropriations. The remaining non-general fund revenues actually received during fiscal years 2012 through 2015, over \$14.6 million, consists of museum admission fees, gift shop and concession sales, and other miscellaneous revenues. Additionally, Science Museum receives non-general fund revenues from private gifts and grants. This private funding primarily comes from the Science Museum of Virginia Foundation and the Danville Science Center, Inc., both nonprofit corporations that exist solely to support the programs, projects, and operations of the Science Museum.



Science Museum spent approximately \$32.7 million in total on operating expenses for fiscal years 2012 through 2015. Personal services, including fringe benefits, represent the majority of those expenses, totaling over \$18.4 million for fiscal years 2012 through 2015. The remaining expenses are normal operating expenses for a museum, such as utilities, maintenance, printing, shipping, supplies, insurance, rentals, and equipment.

During the fiscal year 2015, Science Museum received approximately \$19.3 million in capital appropriations, which consists primarily of \$16.1 million in Virginia Public Building Authority bonds to upgrade the Museum’s exhibits and construct a new event space, along with non-general fund appropriations carried forward from the prior years. For fiscal years 2012 through 2015, Science Museum spent approximately \$10.2 million in total capital project expenses for various exhibit improvements and maintenance reserve projects at the Broad Street Station, Danville Science Center, and the Aviation Museum.

Additionally, Science Museum has spent this funding for the design and construction of the Broad Street Station’s new “Speed” exhibit and the upcoming multi-use event center, the Dewey Gottwald Center. Science Museum’s premiere gallery exhibit "Speed" will have its grand opening on May 21, 2016. The “Speed” exhibit features the SR-71 Blackbird and unveils the intersection of motion and time across a world of science and technology. It also includes over 50 interactive exhibits and hundreds of unique experiences that will allow Virginians to experience science. The new Dewey Gottwald Center is expected to open April 2017. The event center will be a conditioned space able to seat 700 guests and accommodate various sized events simultaneously when needed. The Center will open da Vinci: The Exhibition in May 2017, which will be making its North American debut. This exhibition highlights the creativity, ingenuity and brilliance of Leonardo da Vinci.





# Commonwealth of Virginia

*Auditor of Public Accounts*

Martha S. Mavredes, CPA  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

March 4, 2016

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 **Science Museum of Virginia** for the period July 1, 2011, through June 30, 2015. 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 and Cardinal, review the adequacy of Science Museum's internal controls, and test compliance with applicable laws, regulations, contracts, and grant agreements. Science Museum transitioned to using Cardinal, the Commonwealth's new accounting and financial reporting system, on October 1, 2014.

## **Audit Scope and Methodology**

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, regulations, contracts, and grant agreements.

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.

Cash receipting and revenues  
Payroll and other expenses  
Small purchase charge card  
Capital outlay and fixed assets  
Systems access

We performed audit tests to determine whether 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, regulations, contracts, and grant agreements. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of Science Museum’s operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

### **Conclusions**

We found that the Science Museum of Virginia properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and Cardinal. The Science Museum of Virginia 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, regulations, contracts and grant agreements that require management’s attention and corrective action. These matters are described in the section entitled “Audit Findings and Recommendations.”

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

We discussed this report with management on May 6, 2016. Management’s response to the findings identified in our audit is included in the section titled “Agency Response.” We did not audit management’s response and, accordingly, we express no opinion on it.

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

KJS/clj



May 4, 2016

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

Dear Ms. Mavredes:

We are providing this letter in response to deficiencies noted in the agency audit for the fiscal years ended June 30, 2012, June 30, 2013, June 30, 2014, and June 30, 2015.

**Timely confirm the myVRS Navigator Snapshot Certification**

The Science Museum of Virginia acknowledges the importance of certifying the monthly myVRS Navigator contribution snapshots by the 10<sup>th</sup> of the month. As an agency identified by the Department of Planning and Budget to participate and cooperate with the Department of Accounts Payroll Service Center prior to 2010 the Science Museum of Virginia transferred all payroll records and functions as required to the service center.

The Science Museum of Virginia relies on the "Payroll Service Bureau Business Process Overview Manual for the Delineation of Procedural Responsibilities" and other information obtained from the Payroll Service Bureau to determine/delineate which functions are the responsibility of the Science Museum of Virginia and which payroll and reconciliation related functions are the responsibility of the Payroll Service Bureau. Based on the information contained in the "Payroll Service Bureau Business Process Overview Manual for the Delineation of Procedural Responsibilities", VRS reconciliation functions related to CAPP topic 50410 is designated as the responsibility of the Payroll Service Bureau. Additionally, as one of the services offered by the Bureau, the VRS reconciliation is listed as one of the "Items Directly Submitted to Requesting Authority". Consequently, we believed the VRS reconciliation was being completed properly and in accordance with CAPP topic 50410.

After being made aware that employee VRS retirement information had not been reconciled timely when we had a vacancy in our Payroll Specialist position, we developed and immediately implemented internal policies and procedures that ensure all aspects of the reconciliation procedures specified in the Commonwealth Accounting Policies and Procedures Manual Topic 50410 are completed properly and timely. As of December 2015, the Science Museum of Virginia's contribution snapshots are certified by the 10<sup>th</sup> of the month. The agency will work with the Department of Accounts Payroll Service Bureau to further clarify the areas of responsibility and to ensure compliance with CAPP topic 50410.

2500 West Broad Street, Richmond, Virginia 23220 804.864.1400 [www.smv.org](http://www.smv.org)

### **Improve Controls over Cardinal Reconciliations**

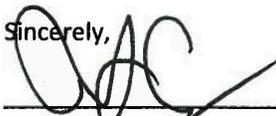
The Science Museum of Virginia recognizes the importance of performing timely and complete financial reconciliations. The agency successfully completed the FY2015 reconciliation of Cardinal financial transactions to the Commonwealth Accounting and Reporting System (CARS) in August 2015, after year-end close. All variances for FY2015 were identified, analyzed, documented and communicated to the Department of Accounts. The journal entry to correct the FY2015 Cardinal balances was posted to Cardinal by the Department of Accounts in February 2016. In July 2015, the museum's reconciliation policies and procedures were revised to ensure compliance to the CAPP manual reconciliation requirements. Additionally, the museum's reconciliation processes were extensively modified and improved to ensure reconciliations are performed monthly, timely and reviews of the results of the reconciliation are properly documented. In August 2015, all museum fiscal staff with reconciliation responsibilities attended a DOA sponsored reconciliation lab.

A complete reconciliation of the Fixed Asset Accounting & Control System (FAACS) to Cardinal for FY2015 was completed prior to the close of FY2015. However, as noted, the monthly reconciliations with the exception of June were not completed timely during FY2015. To ensure FAACS to Cardinal reconciliations are successfully performed monthly as prescribed by the CAPP manual, procedures were modified and implemented to identify and make the appropriate adjustments for any variances between the FAACS and Cardinal on a monthly basis and to ensure the results of the reconciliation are properly reviewed and documented.

As noted, although the museum's staff completed reconciliation of Cardinal to CARS in August 2015, the FY2015 written certification of reconciliation was submitted to the Department of Accounts in October 2015 after the results of the reconciliation efforts were meticulously reviewed to ensure completeness and accuracy. After determining the reconciliation was complete and accurate, the accounting manager signed the certification of reconciliation in the absence of the CFO. The Science Museum of Virginia has resubmitted the FY2015 year-end certification and it has been signed by the CFO as designated on the official Authorized Signatories form.

### **Improve the Process for Disclosing Economic Interest Requirements**

The Science Museum of Virginia acknowledges the need to review and update the Economic Interest data field of the Personnel Management Information System (PMIS) and the need for employees in positions of trust to file the required SOEI forms by the required deadlines. Prior to 2010 the agency transferred all Human Resources functions (including PMIS) to the Department of Human Resource Management Service Center. We relied on the information we updated in the Conflict of Interest portal which identified employees we deemed to be in positions of trust. July 1, 2014 the agency left the DHRM Service Center and re-established an internal Human Resource Department which has focused diligently and systematically on updating PMIS records. After this matter was brought to our attention records for each position has been reviewed to ensure proper designation of SEOI filing requirements. Steps have also been taken to ensure that all identified employees complete the required SOEI forms by the deadlines.

Sincerely,  
  
\_\_\_\_\_  
Richard Conti, Director

  
\_\_\_\_\_  
Saa'dia Walker Talbert, CFO

## SCIENCE MUSEUM OF VIRGINIA

Richard Conti, Director/CEO

### BOARD OF TRUSTEES

As of June 30, 2015

Margaret G. Lewis, Chair  
David B. Botkins, Vice Chair  
Glenn K. Davidson, Secretary

Sunita Gupta  
Eucharía N. Jackson  
Tiffany Jana  
Matthew Mansell  
James P. O'Brien, Ph.D.

Mary Ellen Pauli  
L. Clifford Schroeder, Jr.  
Richard P. Solana, D.V.M., Ph.D.  
Robert T. Taylor, Sr.  
Charles T. Warren

John D. Whitlock