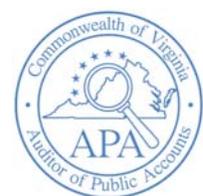




VIRGINIA MUSEUM
OF
NATURAL HISTORY

REPORT ON AUDIT
FOR THE YEARS ENDED
JUNE 30, 2012 AND JUNE 30, 2013

Auditor of Public Accounts
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AUDIT SUMMARY

Our audit of the Virginia Museum of Natural History for the fiscal years ended June 30, 2012, and June 30, 2013, 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 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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MUSEUM HIGHLIGHTS

The Virginia Museum of Natural History (Museum), located in Martinsville, is an agency of the Secretary of Natural Resources for the Commonwealth of Virginia and interprets Virginia's natural heritage by providing research sites, exhibits, and programs for the public. The Museum serves the entire Commonwealth, as well as Southeastern United States and many international venues, through exhibits, on-line resources, scientific research and collections, and educational outreach programs.

Permanent and special exhibits are featured both at the Museum and through remote sites. The Museum acquires its collections through direct purchase, donation, and loan. Four doctoral curators lead the Museum's studies in areas such as Paleontology, Archaeology, Mammalogy, Marine Science, and Geology.

The Virginia Museum of Natural History Foundation is a 501(c)(3) non-profit organization that exists to support the mission and programs of the Museum. The Foundation is an independent corporation which seeks to support and assist the Museum by raising funds from private and other sources. During fiscal year 2012, the Foundation reached the \$4 million phase of the "Make a Lasting Impression" Capital Campaign. The next \$1 million of this \$5 million campaign will be used to build an endowment, allowing for upkeep, maintenance, and future updates to the Museum's permanent exhibit galleries.

FINANCIAL HIGHLIGHTS

Tables 1 and 2 below illustrate the Museum's original budget, final budget and actual expenses for fiscal years 2012 and 2013. In fiscal years 2012 and 2013, the Museum received approximately 81 percent of its operating budget from General Fund appropriations and the remaining 19 percent from Special Revenue and a Federal Trust granted through the United States Department of Agriculture. Between fiscal years 2012 and 2013, the Museum experienced an increase in the General Fund appropriation for supplemental support for unfunded technology costs and returning senior curators to full-time status as well as a distribution from Central Appropriations to transfer bonus, benefit changes and other adjustments as required by Items 468 and 469 of Chapter 3.

During fiscal years 2012 and 2013, the Museum's final budget decreased by approximately \$204,000 and \$34,000, respectively, when compared to the prior fiscal year. However, budgeted Special Revenue funding, which can be fluid by nature, was reduced between fiscal years 2012 and 2013 to more accurately align incoming revenue with outgoing expenses. As part of non-general fund revenues, the final budget for Federal funds remained consistent for each fiscal year from the 2011 Trust funds received in fiscal year 2012 to the appropriation for fiscal year 2013.

Table 1 – Budget and Actual Operating Expenses by Funding Source – Fiscal Year 2012

Funding Source	Original Budget	Final Budget	Actual Expenses
General	\$2,433,032	\$2,532,042	\$2,532,042
Special Revenue	781,900	698,004	297,409
Federal	30,000	110,000	85,863
Total	\$3,244,932	\$3,340,046	\$2,915,314

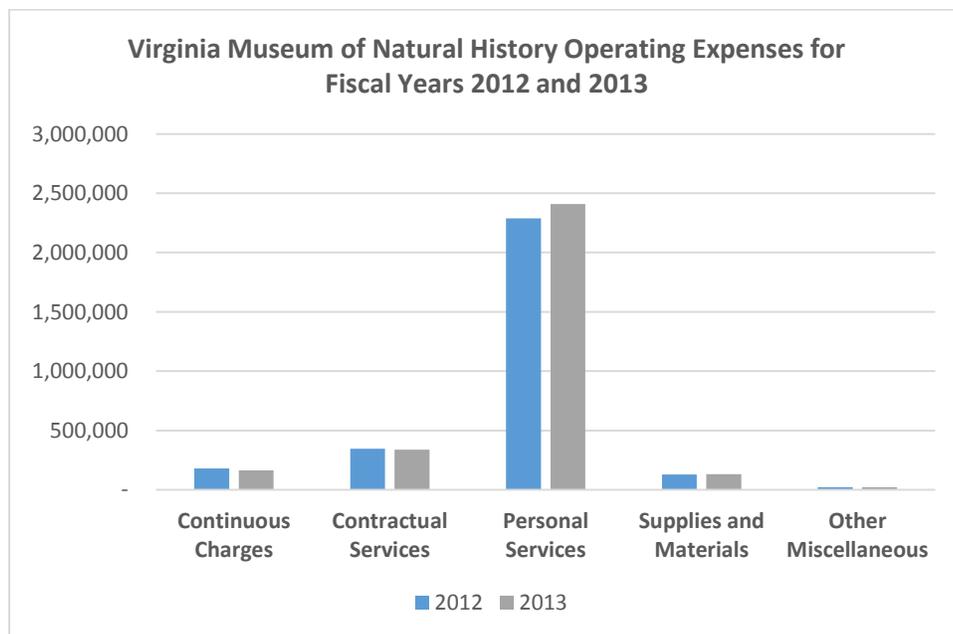
Table 2 – Budget and Actual Operating Expenses by Funding Source – Fiscal Year 2013

Funding Source	Original Budget	Final Budget	Actual Expenses
General	\$2,581,504	\$2,674,597	\$2,674,597
Special Revenue	521,905	521,905	315,686
Federal	110,000	110,000	57,833
Total	\$3,213,409	\$3,306,502	\$3,048,116

Source: Virginia Acts of Assembly/Commonwealth Accounting and Reporting System

The Museum spent over \$5.9 million in total operating expenses across fiscal years 2012 and 2013. As illustrated below, due to the educational and outreach focus of the Museum, personal services, including fringe benefits, of \$4.6 million or 78.7 percent continue to account for the Museum’s largest operating expenses. Contractual services, continuous charges, and supplies and materials expenses totaled \$1.2 million or 20.5 percent of total operating expenses. The remaining other miscellaneous category, consisting of equipment and transfer payments, accounts for less than one percent of total operating expenses.

Chart 1 – Operating Expenses by Category





Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

April 8, 2015

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Virginia Museum of Natural History** (Museum) for the years ended June 30, 2012, and June 30, 2013. 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 Museum's internal controls, test compliance with applicable laws, regulations, contracts, and grant agreements.

Audit Scope and Methodology

The 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.

Federal revenues and expenses
Contractual services expenses
Payroll expenses
Small purchase charge card
Appropriations
Cash receipting/Petty Cash
Information System Security

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

Conclusions

We found that the 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 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 April 8, 2015.

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

JRQ/alh

**VIRGINIA MUSEUM OF NATURAL HISTORY
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