



GUNSTON HALL

REPORT ON AUDIT

FOR THE YEARS ENDED

JUNE 30, 2012 AND JUNE 30, 2013

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



AUDIT SUMMARY

Our audit of Gunston Hall 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;
- adequate policies and procedures to ensure sufficient information system controls;
- 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
- corrective action has not been fully implemented related to findings from the prior year entitled "Establish Memorandum of Agreement for Human Resource Program Assistance" and "Improve Internal Controls over Revenue Collection and Deposit."

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AUDIT FINDINGS AND RECOMMENDATIONS

Improve Fixed Asset Management

Gunston Hall is not entering capital assets into the Fixed Asset Accounting and Control System (FAACS) nor are they updating FAACS for items that are no longer in their possession. Gunston Hall has not updated and entered information for new assets acquired since 2008. A truck valued in excess of \$20,000 was purchased in 2011, but this was not entered into FAACS. In addition, a physical inventory was completed in July 2012, but FAACS was not updated for assets that were no longer in existence at the time of the inventory. Furthermore, Gunston Hall was unable to provide information to document asset disposal activity. Gunston Hall has chosen to utilize FAACS to keep track of controllable assets; however, they are not adequately updating FAACS for those assets either.

Commonwealth Accounting Policies and Procedures require agencies to maintain proper stewardship over all assets. Without updating FAACS, Gunston Hall cannot adequately track assets, nor can they complete effective and accurate inventories.

Gunston Hall should adhere to the Commonwealth's policies and procedures regarding capital asset management. Furthermore, Gunston Hall should develop and maintain an adequate system of internal control to ensure that assets are properly controlled and safeguarded.

Designate a Purchase Card Program Administrator and Backup Program Administrator

Gunston Hall does not have a designated purchase card Program Administrator (Administrator). In October 2010, the Backup Program Administrator (Backup Administrator) assumed the Administrator's responsibilities, and there is no documentation to verify that the change was reported to the Department of Accounts. The Acting Administrator is unaware of whether the annual program administrator training has been completed, and there has not been an annual analysis of cardholder limits and usage. Our review of fiscal year 2013 usage revealed that Gunston Hall only utilized three percent of their credit limit.

The Commonwealth's policies and procedures require each agency to have an Administrator and Backup Administrator. The Program Administrator Form should be completed, and both the Administrator and Backup Administrator should complete annual training. Further, the Administrator should be familiar with procurement regulations and all responsibilities outlined in the Commonwealth's policies. If an Administrator and Backup Administrator are not designated, there is a possibility that the purchase card program is not adequately administered by Gunston Hall. Failure to properly administer the purchase card program increases the risk of inappropriate or fraudulent activity.

Gunston Hall should develop and document internal controls to ensure compliance with the Commonwealth's purchase card program. An Administrator and Backup Administrator should be designated according to Commonwealth's policies and Gunston Hall should ensure that they are adequately trained to administer the purchase card program.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Establish Memorandum of Agreement for Human Resource Program Assistance

During the previous audit, we found that Gunston Hall did not have a documented Memorandum of Agreement (agreement) with the Department of Human Resource Management (Human Resource Management) that outlines the scope of services provided by Human Resource Management and Gunston Hall's responsibilities. As of the current audit, Gunston Hall continues to rely on Human Resource Management to enter information in the Commonwealth's Personnel Management Information System and the Benefits Eligibility System without an agreement outlining the scope of services and responsibilities of each agency.

Gunston Hall and Human Resource Management are in the process of formalizing an agreement that will establish the level and duration of service, as well as clarify the responsibilities of and controls provided by both agencies.

Strengthen Internal Controls over Revenue Collection and Deposit Processes

During the previous audit, we found that Gunston Hall did not have adequate internal controls over their revenue collection and deposit processes. Although the agency has made improvements to the process, we found that there is still inadequate segregation of duties as the same individual prepares the deposit certificate, enters the information into the Commonwealth Accounting and Reporting System (CARS), and reconciles the deposits to CARS. We recognize that limited staffing resources restricts Gunston Hall from implementing ideal internal controls; however, Gunston Hall should develop compensating controls, where possible, to help decrease the risk of fraud or theft.

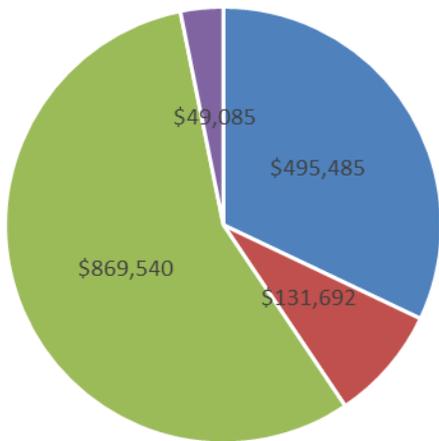
AGENCY HIGHLIGHTS

Gunston Hall, located in Lorton, is a 550-acre national historic landmark and the former home of George Mason. Gunston Hall promotes and educates the public about 18th century life, as well as the historical significance and contributions of George Mason. Gunston Hall’s collection of historical items is purchased, loaned, or gifted to the museum. Gunston Hall has a separate account, not in the Commonwealth’s accounting system, used solely for acquiring and restoring collection items. As of June 30, 2013, assets in this account totaled \$960,316.

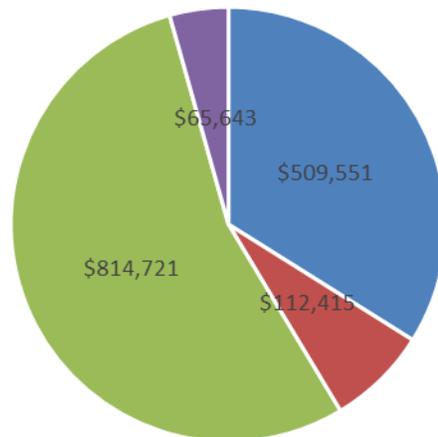
Gunston Hall has affiliations with the Gunston Hall Foundation (Foundation) and the Gunston Hall Regents Fund (Regents Fund). The Foundation operates as an endowment, managing an investment account from which yearly donations are made to the Regents Fund. While the Regents Fund has its own investments, it primarily functions as an operating account, directly paying for many of Gunston Hall’s operational expenses. Both entities exist solely for the benefit of Gunston Hall.

The financial highlights discussed below reflect only a small portion of the support provided by the Foundation and Regents Fund. The majority of support occurs through direct payments made by the Regents Fund and the Foundation for various museum programs. Together, the Regents Fund and the Foundation spent \$918,625 in fiscal year 2012 and \$880,364 in fiscal year 2013 to support Gunston Hall’s annual operational needs. The following charts show all of Gunston Hall’s funding sources.

Fiscal Year 2012 Funding Sources



Fiscal Year 2013 Funding Sources



- General Fund Appropriations
- Special Revenue
- Regent Fund Direct Payments
- Foundation Direct Payments

Source: Commonwealth Accounting and Reporting System and Financial Statement Templates

Financial Highlights

In addition to the support from its affiliates discussed above, Gunston Hall receives a combination of general fund appropriations and non-general fund revenues to support its operations. In fiscal years 2012 and 2013, approximately 65 percent of Gunston Hall's operating budget was from general fund appropriations. The remaining 35 percent was from non-general fund revenues, which consisted primarily of admission fees and limited donations from the Foundation and Regents Fund.

The following table illustrates Gunston Hall's original budget, final budget, and actual expenses for fiscal years 2012 and 2013, provided by the General Assembly.

Budget and Actual Operating Expenses by Funding Source - Fiscal Years 2012-2013

Funding Source	Fiscal Year 2012			Fiscal Year 2013		
	Original Budget	Final Budget	Actual Expenses	Original Budget	Final Budget	Actual Expenses
General Fund	\$489,039	\$495,485	\$493,828	\$494,363	\$509,551	\$502,224
Special Revenue (admissions, educational programs, Foundation support)	264,699	264,699	117,248	265,395	265,395	82,427
Total Operating Budget and Expenses	\$753,738	\$760,184	\$611,076	\$759,758	\$774,946	\$584,651

Source: Commonwealth Accounting and Reporting System

In addition to the funds spent by the Regents Fund and Foundation, Gunston Hall spent over \$1.1 million in operating expenses over the two-year period ending June 30, 2013. The majority of Gunston Hall's expenses were for personal services, which include fringe benefits, contractual services, which include telecommunication and information technology services provided by VITA, as well as, mechanical repair and maintenance services. The remaining expenses were for continuous charges, supplies and materials, and other miscellaneous expenses. The following table summarizes expenses for fiscal years 2012 and 2013.

Expenses by Type by Fiscal Year

	2012	2013
Personal Services	\$420,846	\$294,350
Contractual Services	95,907	148,190
Continuous Charges	60,448	108,312
Supplies and Materials	30,915	33,445
Property and Improvements	1,780	-
Equipment	<u>1,180</u>	<u>354</u>
Total	\$611,076	\$584,651

Source: Commonwealth Accounting and Reporting System



Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 5, 2014

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John M. O'Bannon, III
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of **Gunston Hall** 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 Gunston Hall's internal controls, test compliance with applicable laws, regulations, contracts, and grant agreements, and review corrective actions of audit findings from prior year reports.

Audit Scope and Methodology

Gunston Hall'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.

Revenue
Expenses, including small purchase charge card and payroll

General System Controls
Fixed Assets

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

Conclusions

We found that Gunston Hall properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. Gunston Hall 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."

We noted that corrective action has not been fully implemented related to findings from the prior year entitled "Establish Memorandum of Agreement for Human Resource Program Assistance" and "Improve Internal Controls over Revenue Collection and Deposit"; however, progress has been made. These matters are described above in the section entitled "Status of Prior Year Findings and Recommendations."

Exit Conference and Report Distribution

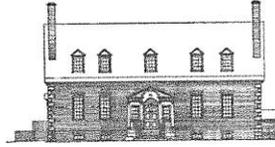
We discussed this report with management on June 9, 2014. Management's response to the findings identified in our audit is included in the section titled "Agency Response." We did not audit management's response and, accordingly, we express no opinion on it.

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

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GUNSTON HALL

Home of George Mason
10709 Gunston Road
Mason Neck, Virginia 22079-3901

Scott M. Stroh III
Executive Director

Phone: (703) 550-9220
Internet: www.GunstonHall.org

June 13, 2014

The Honorable Martha Mavredes
Auditor of Public Accounts
PO Box 1295
Richmond, VA 23218

Dear Ms. Mavredes:

Thank you for the opportunity to provide comments in response to Gunston Hall's recent financial recording for fiscal years 2012 and 2013. We value the professionalism of the team conducting the review and appreciate your assistance. After reviewing the findings, we are pleased to offer the following response:

1. Improve Fixed Asset Management: Gunston Hall acknowledges that it has not updated the FAACS system on a regular basis. Inventories are conducted and the agency is aware of the location and condition of its assets. An inventory was performed in July, 2012 and one is scheduled for July, 2014. FAACS is presently being updated and will be so again following the July, 2014 inventory.
2. Designate a Purchase Card Administrator and Backup Administrator: Gunston Hall has a back-up Purchase Card Administrator, but concurs that it does not currently have a primary Purchase Card Administrator. The back-up administrator serves as the administrator and completed all training in April, 2014. We will ensure a primary Purchase Card Administrator is registered in June, 2014. Gunston Hall has also adjusted credit limits downward and is vigilant in its review of card usage. In addition to the back-up administrator, the Executive Director reviews and approves credit card statements and receipts monthly.
3. Establish MOA for Human Resource Program Assistance: Gunston Hall concurs that it does not have an MOU with the Department of Human Resource Management. Gunston Hall is working with DHRM to finalize an agreement and DHRM continues to provide HR services to Gunston Hall.
4. Strengthen Internal Controls over Revenue Collection and Deposit Processes: Gunston Hall acknowledges the APA's comments regarding internal controls over revenue collection and deposit processes, but would like to note that these processes were strengthened during the prior audit, additional safeguards added during the current audit, and policies enhanced. Gunston Hall has a very small staff and as a result we have proactively instituted additional safeguards over revenue collection and deposit.

In closing, please again accept our thanks for a thorough review and for your recommendations and support.

Sincerely,


Scott Muir Stroh III
Executive Director

An educational agency of the Commonwealth of Virginia governed by
The Board of Regents of Gunston Hall – The National Society of The Colonial Dames of America

The Mission of Gunston Hall is to utilize fully the physical and scholarly resources of Gunston Hall to stimulate continuing public exploration of democratic ideals as first presented by George Mason in the 1776 Virginia Declaration of Rights.

AGENCY OFFICIALS

As of June 30, 2013

GUNSTON HALL

Scott M. Stroh, III
Executive Director

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