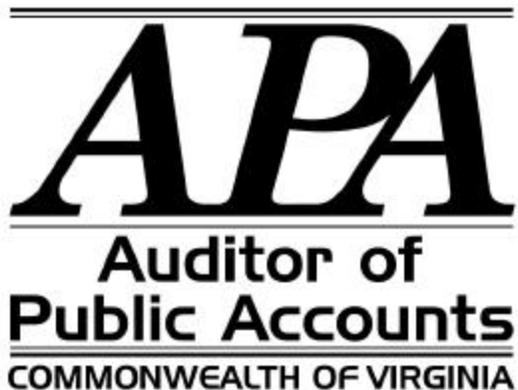


**VIRGINIA'S MUSEUMS
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEARS ENDED
JUNE 30, 2000 AND 2001**



AUDIT SUMMARY

This report contains the results of our combined audit of the following museums:

- Science Museum of Virginia
- Virginia Museum of Fine Arts
- Frontier Culture Museum of Virginia
- Gunston Hall
- Jamestown-Yorktown Foundation
- Virginia Museum of Natural History

We refer to these agencies collectively as Virginia's Museums. Our work included an audit of the financial records and operations, a review of internal controls, and tests of compliance with laws, rules, and regulations.

We found:

- certain matters that we consider reportable conditions in internal controls; however, we do not consider these matters to be material weaknesses;
- no issues of noncompliance with applicable laws and regulations tested that we are required to report;
- adequate corrective action with respect to audit findings reported in the prior audit, with two exceptions; and
- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System.

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VIRGINIA'S MUSEUMS

Virginia's Museums have the collective responsibilities of preserving, interpreting, and promoting history, culture, the arts, and sciences throughout the Commonwealth. The Science Museum of Virginia, the Virginia Museum of Fine Arts, the Frontier Culture Museum of Virginia, Gunston Hall, and the Jamestown-Yorktown Foundation are under the Education secretariat, while the Virginia Museum of Natural History is under the Natural Resources secretariat.

Although all six museums have similar operating and funding objectives; each has its own unique mission. While the museums receive their primary support from the State, each relies on additional support from private foundations or trusts. These affiliated organizations are independently incorporated and exist for the sole purpose of soliciting, receiving, investing, and managing private donations for each related Museum's benefit.

The financial information presented in this report reflects the program standards implemented by the Department of Planning and Budget for Virginia's Museums. These standards require the Museums to track operating expenses for the following:

- Collections management and curatorial services - Provide cultural enrichment and education through the research, acquisition, display, preservation, and management of permanent and temporary collections.
- Educational and Education Extension Services - Produce and present cinema, music, dance or dramatic productions, as well as provide education in fine arts, science, and history through instruction, exhibits, films, lectures, interpretations, and demonstrations within the museum and communities throughout the Commonwealth.
- Administrative and Support Services - Provide services to museum members, retain current members, and attract new members. Provide operational and support services to museums and cultural agencies, including general management and direction, accounting and budgeting, procurement, human resources, information systems security, physical plant, and housekeeping services.

The Science Museum of Virginia

The Science Museum of Virginia, headquartered at Richmond's historic Broad Street Station seeks to educate citizens of all ages in the concepts and principles of science. They accomplish this through informal hands-on teaching and learning experiences and by various educational outreach programs.

In addition to the Broad Street location, the Science Museum operates the Virginia Aviation Museum. The Virginia Aviation Museum's collection features a wide variety of vintage aircraft, aircraft and aviation artifacts, and memorabilia donated by others, or on loan from the National Air and Space Museum, and description exhibits on the history of aviation in Virginia.

The Science Museum is also affiliated with the Danville Science Center, which specializes in hands-on exhibits that are designed to stimulate an interest in science and create a better understanding of various science disciplines.

New Initiatives

The Science Museum began new efforts to receive and was awarded direct federal funding in fiscal year 2002 under the Access Equity Innovation Opportunity Ubiquity (AEIOU) program. This outreach program is designed to extend technology and education to low income urban areas.

The Science Museum has also recently begun development of the new Belmont Bay Science Center located in Northern Virginia. With the new Science Center, the Science Museum hopes to create partnerships with various local entities, with an emphasis placed on supporting Virginia's Science Standards of Learning (SOL's) in Life Science.

The following table represents revenues and expenditures for fiscal years ending June 30, 2000 and 2001.

<u>Revenue</u>	<u>2000</u>	<u>2001</u>
General Fund appropriations	\$ 9,296,428	\$ 9,014,060
Support from private councils, foundations, and trusts	1,575,294	4,100,827
Admissions	1,776,142	1,167,168
Other revenue	<u>1,048,760</u>	<u>1,060,402</u>
Total revenue	<u>13,696,624</u>	<u>15,342,457</u>
<u>Expenses</u>		
Educational and extension services	934,488	6,496,214
Museum administration	2,866,838	3,200,946
Curatorial services and other expenses	<u>5,011,290</u>	<u>1,078,460</u>
Total operating expenses	8,812,616	10,775,620
Capital project expenses	<u>6,860,312</u>	<u>3,802,048</u>
Total expenses	<u>15,672,928</u>	<u>14,577,668</u>
Excess revenue over expenses	<u>\$ (1,976,304)</u>	<u>\$ 764,789</u>

The Science Museum of Virginia receives funding from Virginia Public Building Authority (VPBA) program bond issues for three major renovation projects. The museum initially incurs the expenditure and requests reimbursement from the Department of Treasury. The timing difference between the expenditure and sale of bond proceeds resulted in the deficit for fiscal year 2000.

The Virginia Museum of Fine Arts

The Virginia Museum of Fine Arts, located in Richmond, seeks to promote the education and appreciation of art throughout the Commonwealth. The Museum features permanent collections and original masterworks of art spanning more than 5,000 years from six continents. Special temporary exhibits also present views of art from all over the world. The performances featured by the Museum provide a full range of concerts, films, theater, and dance from classical to contemporary.

The following table represents revenues and expenditures for fiscal years ending June 30, 2000 and 2001. The Museum of Fine Arts also operates the museum gift shop and food services. The resources received from these operations are used for financing the self-supporting activities of the Museum.

<u>Revenue</u>	<u>2000</u>	<u>2001</u>
General Fund appropriations	\$12,127,839	\$ 9,584,576
Support from private councils, foundations, and trusts	6,153,804	6,655,616
Admissions	1,214,492	730,254
Other revenue	<u>132,155</u>	<u>21,562</u>
Total revenue	<u>19,628,290</u>	<u>16,992,008</u>
 <u>Expenses</u>		
Educational and extension services	4,876,572	4,884,708
Museum administration	8,200,483	8,001,844
Curatorial services and other expenses	<u>2,442,182</u>	<u>2,470,981</u>
Total operating expenses	15,519,237	15,357,533
Capital project expenses	<u>1,338,678</u>	<u>350,507</u>
Total expenses	<u>16,857,915</u>	<u>15,708,040</u>
Excess revenue over expenses	<u>\$ 2,770,375</u>	<u>\$ 1,283,968</u>

The Frontier Culture Museum of Virginia

The Frontier Culture Museum of Virginia, located in Staunton, commemorates and educates visitors about the influence of pioneer culture on the creation and development of the United States. The 220-acre site offers visitors the experience of 17th, 18th, and 19th century European and American customs. The site features period furnishings, crops, animals, foods, and costumed interpreters that help create a living illustration of life in Europe before immigration to America and the culture the immigrants built on one of America's first frontiers.

The following table represents revenues and expenditures for fiscal years ending June 30, 2000 and 2001.

<u>Revenue</u>	<u>2000</u>	<u>2001</u>
General Fund appropriations	\$1,770,895	\$2,019,716
Support from private councils, foundations, and trusts	180,371	187,884
Admissions	225,066	210,291
Other revenue	<u>127,183</u>	<u>170,484</u>
Total revenue	<u>2,303,515</u>	<u>2,588,375</u>

<u>Expenses</u>		
Educational and extension services	\$ 666,107	\$ 692,050
Museum administration	1,231,522	1,135,890
Curatorial services and other expenses	<u>198,087</u>	<u>205,373</u>
Total operating expenses	2,095,716	2,033,313
Capital project expenses	<u>94,779</u>	<u>208,276</u>
Total expenses	<u>2,190,495</u>	<u>2,241,589</u>
Excess revenue over expenses	<u>\$ 113,020</u>	<u>\$ 346,786</u>

Gunston Hall Plantation

Gunston Hall, located in Lorton, is a 550-acre national historic landmark and the former home of George Mason. The Museum promotes and educates the public about 18th century life, as well as, the significance and contributions of its owner.

The following table represents revenues and expenditures for fiscal years ending June 30, 2000 and 2001.

<u>Revenue</u>		
General Fund appropriations	\$ 832,540	\$1,029,876
Support from private councils, foundations and trusts	89,808	-
Admissions	89,900	113,822
Other revenue	<u>-</u>	<u>57,748</u>
Total revenue	<u>1,012,248</u>	<u>1,201,446</u>
<u>Expenses</u>		
Educational and extension services	<u>808,185</u>	<u>830,057</u>
Total operating expenses	808,185	830,057
Capital project expenses	<u>89,750</u>	<u>112,682</u>
Total expenses	<u>897,935</u>	<u>942,739</u>
Excess revenue over expenses	<u>\$ 114,313</u>	<u>\$ 258,707</u>

The Jamestown-Yorktown Foundation

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 administers two living-history museums, the Jamestown Settlement, located in Williamsburg, and the Yorktown Victory Center, located in Yorktown. The sites depict the lives of English settlers and Powhatan Indians at the dawn of colonial America and the lives of continental Army soldiers and Tidewater farming families during the Revolution.

The Jamestown-Yorktown Foundation is organizing Virginia's observance of the 400th anniversary of the founding of Jamestown. The Foundation's Board of Trustees created the Jamestown 2007 Steering Committee that has responsibility for organizing and planning the 2007 Commemoration.

The following table represents revenues and expenditures for fiscal years ending June 30, 2000 and 2001.

<u>Revenue</u>	<u>2000</u>	<u>2001</u>
General Fund appropriations	\$25,952,530	\$15,423,001
Support from private councils, foundations and trusts	73,000	83,000
Admissions	3,805,893	4,165,740
Other revenue	<u>821,634</u>	<u>975,304</u>
Total revenue	<u>30,653,057</u>	<u>20,647,045</u>
<u>Expenses</u>		
Educational and extension services	4,689,654	5,674,939
Museum administration	5,411,615	5,540,737
Curatorial services and other expenses	366,429	911,699
Jamestown 2007 Commemoration	<u>536,022</u>	<u>404,371</u>
Total operating expenses	11,003,720	12,531,746
Capital project expenses	<u>2,301,369</u>	<u>5,024,943</u>
Total expenses	<u>13,305,089</u>	<u>17,556,689</u>
Excess revenue over expenses	<u>\$17,347,968</u>	<u>\$ 3,090,356</u>

Due to needed budget cuts, the Virginia General Assembly halted numerous capital projects throughout the state resulting in a decrease in appropriations from fiscal year 2000 to 2001. Capital project expenditures increased, due to the completion of the Education Center and the start of the Visitor Services and Cafe building.

The Virginia Museum of Natural History

The Virginia Museum of Natural History, located in Martinsville, serves to preserve, study, and interpret the Commonwealth's natural heritage. The Museum also maintains two branches, one at Virginia Tech, in Blacksburg, Virginia, and the other, at the University of Virginia, in Charlottesville. All three facilities provide exhibits, programs, and field trips for the public.

The Museum sponsors the Virginia Science Standards Institute, which trains teachers to teach the Science Standards of Learning more effectively. This is done primarily through teacher training seminars, special publications for teachers on natural history called "Nature Notes," and science kits for classroom use.

New Initiatives

Funding obtained through Virginia Public Building Authority (VPBA) bond issues will enable the Museum of Natural History to construct a new museum site. The Museum expected to begin construction during fiscal year 2000 and to complete it in April 2004. However, due to funding delays, the Museum temporarily halted the project.

The following table represents revenues and expenditures for fiscal years ending June 30, 2000 and 2001.

<u>Revenue</u>	<u>2000</u>	<u>2001</u>
General Fund appropriations	\$3,990,713	\$2,713,073
Support from private councils, foundations and trusts	120,151	155,189
Admissions	23,944	39,597
Other revenue	<u>286,428</u>	<u>230,321</u>
Total revenue	<u>4,421,236</u>	<u>3,138,180</u>
<u>Expenses</u>		
Educational and extension services	993,175	893,703
Museum administration	869,098	862,770
Curatorial services and other expenses	<u>844,134</u>	<u>877,144</u>
Total operating expenses	2,706,411	2,633,617
Capital project expenses	<u>707,563</u>	<u>322,764</u>
Total expenses	<u>3,413,974</u>	<u>2,956,381</u>
Excess revenue over expenses	<u>\$1,007,262</u>	<u>\$ 181,799</u>

GASB 34 REPORTING REQUIREMENTS

GASB Statement No. 34 requires that most works of art, historical treasures, and similar assets be capitalized at historical cost or fair value at the date of donation. This includes library books that are works of art and/or historical treasures. However, the statement also allows an exception to the capitalization requirement. Collections that were not capitalized at June 30, 2000, which meet all of the following criteria, do not require capitalization.

- The collection is held for public exhibition, education, or research in furtherance of public service instead of financial gain
- The collection is protected, kept unencumbered, cared for, and preserved; and
- The collection is subject to an organizational policy that requires the proceeds from sales of collection items to be used in acquiring additions to the collection.

In addition, if collections are not capitalized, the Commonwealth Annual Financial Report (CAFR) must include a description of the collection and the reasons these assets are not capitalized. If the collections are capitalized, the CAFR must include the following:

- Assets associated with governmental and business-type activities
- July 1 and June 30 balances, separately disclosing the accumulated depreciation and history cost
- Capital acquisitions
- Sales or other dispositions
- Current fiscal year depreciation expense.

The Virginia Museums have met the criteria that would exempt them from GASB 34 Capitalization of Works of Art or Historical Treasure requirements. However, each museum will be required to provide a description of the collection and the reasons that these assets are not capitalized to the Department of Accounts.

FINDINGS AND RECOMMENDATIONS

Improve Cash Deposit Procedures

The Virginia Museum of Fine Arts and the Museum of Natural History do not deposit cash receipts timely. State guidelines require the deposit of collections on the day received, or no later than the next business day. In order to expedite cash flows and decrease the risk of fund misappropriation, these museums should implement controls that will ensure timely deposit of funds.

Improve Fixed Asset Procedures

The Frontier Culture Museum of Virginia, Gunston Hall, the Jamestown-Yorktown Foundation, and the Science Museum of Virginia are not tracking and updating the Fixed Asset Accounting and Control System (FAACS) timely. In addition, Gunston Hall did not conduct a fixed asset inventory within the required timeframe. State guidelines require agencies to establish and implement cost beneficial internal control procedures to ensure that transactions, adjustments, and discrepancies of fixed assets occur in a timely and efficient manner. This requirement includes the performance of inventories at least every two years and proper maintenance of the FAACS.

Improper recordation and tracking of assets makes it difficult to maintain and protect these items. Management should review current policies and implement necessary internal controls to ensure correct and timely recording of these assets.

Improve Procedures over Small Purchase Charge Card

Gunston Hall and the Jamestown-Yorktown Foundation have not established adequate procedures to ensure compliance with Small Purchase Charge Card guidelines. State guidelines require cardholders to reconcile charge card activity monthly, supervisory review of reconciliation and supporting documentation, adequate staff training, and annual evaluation of activity and program policies. The Jamestown-Yorktown Foundation policies do not require cardholders to perform reconciliations, or the supervisor to review them. Gunston Hall did not receive proper training or perform annual evaluations of activity.

These museums should revise and implement written procedures to ensure proper administration of this program. The procedures should specifically address cardholders, supervisors, and program administrator responsibilities for monthly and annual evaluation of charge card activity.

May 22, 2002

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Kevin G. Miller
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of **Virginia's Museums** for the years ending June 30, 2000 and 2001. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objective, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Museums' internal control, and test compliance with applicable laws and regulations. We also reviewed the Museums' corrective actions of audit findings from prior year reports.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Museums' operations. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Revenues and Cash Receipts
Expenditures

Petty Cash
Fixed Assets

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Museums' 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.

The Museums' 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.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Museums properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Museums record 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 that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Museums' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial records. Reportable conditions are described in the section entitled "Findings and Recommendations." We believe that none of the reportable conditions is a material weakness.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. The Museums have taken adequate corrective action with respect to audit findings reported in the prior year, except for the findings entitled "Improve Cash Deposit Procedures" and "Improve Fixed Asset Procedures."

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.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on:

The Science Museum of Virginia	July 29, 2002
Virginia Museum of Fine Arts	August 27, 2002
Frontier Culture Museum of Virginia	July 29, 2002
Gunston Hall Plantation	August 7, 2002
Jamestown-Yorktown Foundation	August 8, 2002
Virginia Museum of Natural History	August 12, 2002

AUDITOR OF PUBLIC ACCOUNTS