



FRONTIER CULTURE MUSEUM OF VIRGINIA

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF MAY 2017

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



– TABLE OF CONTENTS –

	<u>Page</u>
REVIEW LETTER	1-4
AGENCY RESPONSE	5-6



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

October 6, 2017

Eric Bryan, Interim Agency Head
Frontier Culture Museum of Virginia
P.O. Box 810
1290 Richmond Road
Staunton, Virginia 24401

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire, completed on May 10, 2017, for the **Frontier Culture Museum of Virginia** (Frontier Culture). The purpose of this review was to evaluate if the agency has developed adequate internal controls over significant organizational areas and activities and not to express an opinion on the effectiveness of internal controls. Management of Frontier Culture is responsible for establishing and maintaining an effective control environment.

The Auditor of Public Accounts has developed a new process for auditing agencies that are not required to have an audit every year, which we refer to as "cycled agencies." Traditionally, we audit these agencies at least once every three years. We now employ a risk-based approach to auditing the cycled agencies. Under this approach, annually we will perform a risk analysis for all of the cycled agencies considering certain criteria and divide the agencies into two pools. One pool will receive an annual audit and the other pool will be subject to review in a special project focused on one area of significance as well as a review of internal controls in the form of a questionnaire. All agencies will undergo an Internal Control Questionnaire review at least once every three years. This letter is to communicate the results of the Internal Control Questionnaire review.

Review Process

During the review, the agency completes an Internal Control Questionnaire that covers significant organizational areas and activities including payroll and human resources; revenues and expenses; procurement and contract management; and information technology and security. The questionnaire focuses on key controls over these areas and activities.

We review the agency responses and supporting documentation to determine the nature, timing, and extent of additional procedures. The nature, timing, and extent of the procedures selected depend on our judgment in assessing the likelihood that the controls may fail to prevent and/or detect events that could prevent the achievement of the control objectives. The procedures performed target risks or

business functions deemed significant and involve reviewing internal policies and procedures. Depending on the results of our initial procedures, we may perform additional procedures including reviewing evidence to ascertain that select transactions are executed in accordance with the policies and procedures and conducting inquiries with management. The “Review Procedures” section below details the procedures performed for Frontier Culture. The results of this review will be included within our risk analysis process for the upcoming year in determining which agencies we will audit.

Review Procedures

Due to the implementation of the new statewide accounting system, we reviewed system access and a selection of system and transaction reconciliations in order to gain assurance that the statewide accounting system contains accurate data.

We reviewed the Internal Control Questionnaire and supporting documentation detailing policies and procedures. As a result of our review, we performed additional procedures over the following areas: small purchase charge cards, relationship with the museum’s foundation, information system security, and service organizations. These procedures included validating the existence of certain transactions; observing controls to determine if the controls are designed and implemented; reviewing transactions for compliance with internal and Commonwealth policies and procedures; and conducting further review over management’s risk assessment process.

As a result of these procedures, we noted areas that require management’s attention. These areas are detailed in the “Review Results” section below.

Review Results

We noted the following areas requiring management’s attention resulting from our review:

- Frontier Culture was not able to provide reconciliations between agency records and the Commonwealth’s accounting and financial reporting system. These records were lost during a computer replacement. Frontier Culture should ensure it is in compliance with the Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 20905, which requires that reconciliations be retained for three years by ensuring that records are regularly backed up.
- Frontier Culture does not currently have documented policies and procedures for the following areas:
 - *Accounting System Reconciliation* – Frontier Culture does not have policies and procedures to document the process for reconciling agency records with the Commonwealth’s accounting and financial reporting system. Management should develop desk procedures to document each step of the reconciliation process.

- *Contract Management* – Management should develop procedures to ensure contract administrators sufficiently monitor contractor performance. Additionally, contract administrators should document their monitoring activities.
- *Systems Access* – Management should develop procedures that outline how employees request and gain access to Frontier Culture’s information systems including third-party systems.
- *System Access Termination* – Frontier Culture utilizes an Employee Clearance Sheet to ensure that employees have their system access removed. Although this control helps to ensure that system access is removed, management should also document and implement procedures to supplement the existing control. Procedures should include defining the timeliness of termination; how access should be removed for certain circumstances such as user inactivity, change in job role, or termination; as well as how and when the termination is communicated to the Information Security Officer.
- Frontier Culture is not reconciling Small Purchase Charge Card (SPCC) transactions as required by the CAPP Manual. As of May, Frontier Culture had only completed SPCC reconciliations for two months of fiscal year 2017; eight months of reconciliations had not been prepared. CAPP Manual Topic 20355 requires that SPCC statements be reconciled and reviewed on a monthly basis. Frontier Culture should ensure SPCC transactions are reconciled and reviewed timely in order to reduce the risk of unallowable purchases and fraud.
- Frontier Culture currently utilizes two external service providers and has not requested the reports from the provider’s auditors to ensure the proper controls are in place. Service Organization Control (SOC) reports are evaluations performed at the service provider by an independent auditor. The reports provide assurance over the design and effectiveness of the provider’s controls. Management has not requested SOC reports from either of the two providers that they are utilizing. Management should request and review SOC reports from its providers to ensure the providers’ controls are adequate, and to ensure that the report’s complimentary controls, which detail controls needed to be in place at Frontier Culture to have a complete control structure, are adequately implemented.
- Frontier Culture has a Continuity of Operations Plan (COOP) in place; however, it has not been updated since 2014. In accordance with the Commonwealth’s Information Security Standard, SEC 501-09, contingency plans for information systems should be reviewed on an annual basis or more frequently if required to address environmental changes. Therefore, we recommend that the COOP plan be reviewed at least annually to ensure continuity plans remain relevant to Frontier Culture’s current operations.
- Frontier Culture currently has no method of providing information security awareness training to its employees. Frontier Culture should continue working with the Virginia Information Technologies Agency to provide security awareness training at least annually.

Additionally Frontier Culture should have documented policies and procedures for tracking who has completed the security awareness training and consequences, such as loss of system access, for not completing the training within a designated timeframe.

We discussed these matters with management on July 18, 2017. Management's response to the findings identified in our review is included in the section titled "Agency Response." We did not validate management's response and, accordingly, cannot take a position on whether or not adequately addresses the issues in this report.

This report is intended for the information and use of management. However, it is a public record and its distribution is not limited.

Sincerely,

Auditor of Public Accounts

JDE/alh



COMMONWEALTH of VIRGINIA

Frontier Culture Museum of Virginia

P.O. BOX 810

STAUNTON, VIRGINIA 24402-0810

Telephone: (540) 332-7850

FAX: (540) 332-9989

October 20, 2017

Ms. Martha S. Mavredes
Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Dear Ms. Mavredes,

I have reviewed the audit findings by the Auditor of Public Accounts of the Frontier Culture Museum and agree with your results. I recognize that there were several areas that needed to be addressed including:

1. Compliance with CAPP topic 20905 to ensure that all records are retained for three years and regularly backed up.
2. Document policies and procedures for the Commonwealth's accounting system, contract management, systems access, and system access termination.
3. Reconciling the Small Purchase Charge Card (SPCC) statements on time as according to the CAPP topic 20355.
4. Requesting and receiving Service Organization Control (SOC) reports and evaluations from external service providers.
5. Updating the Continuity of Operations Plan (COOP) at least annually and including continuity plans for information technology systems.
6. Providing information security awareness training to the Museum's employees.

Since the audit was conducted, the Museum has begun to work diligently to address the findings from this audit. The Museum is in the process of updating and creating internal policies and procedures to address issues of internal control including accounting system reconciliation, contract management, systems access, and system access termination. The Museum will also develop and document a method in which vital documents are backed up on a regular basis to ensure compliance with CAPP topic 20905.

The Museum is also in the process of updating the COOP plan to ensure that it is on the proper template and includes continuity plans for information technology systems that the Museum utilizes. Museum staff recently completed active assailant training with the intention of including this vital information in the COOP plan going forward.

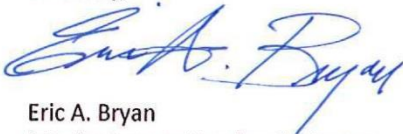
"Bringing the Past to Life"
www.frontier.virginia.gov

Museum management is also in the process of providing Information security awareness training to all staff through the Virginia Information Technologies Agency's SANS system. Museum information technology staff received training and access to the SANS training system at the end of September. Museum employees will complete the mandatory training by the end of the calendar year. The Museum is also working with the VITA ISO services to confirm that the Service Organization Control (SOC) reports are received and evaluated and to ensure the design and effectiveness of the provider's controls.

Agency management is also reorganizing position duties to ensure that all reconciliations are completed in a timely manner as stated in CAPP topic 20355 for SPCC reconciliation. We understand the importance of ensuring that these reconciliations are done on time and are working to address this issue.

I offer my thanks for your staff's work during this audit to ensure that the Museum is compliant with all Commonwealth of Virginia policies and procedures. Please let me know if I need to provide any further information.

Sincerely,



Eric A. Bryan
Interim Agency Head and Director