



VIRGINIA MUSEUM OF NATURAL HISTORY

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF JUNE 2020

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



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Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

August 24, 2020

Joe Keiper, Executive Director
Virginia Museum of Natural History
21 Starling Avenue
Martinsville, VA 24112

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Virginia Museum of Natural History** (Museum). We completed the review on June 8, 2020. 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 the Museum is responsible for establishing and maintaining an effective control environment.

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; capital assets; grants management; and debt. 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 the Museum. 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

We evaluated the agency's corrective action for all prior review findings except for findings related to information system security. Information system security findings will be evaluated in the special project report over this area to be issued later this year. The agency has taken adequate corrective action with respect to all other review findings reported in the prior year.

We reviewed a selection of system and transaction reconciliations in order to gain assurance that the statewide accounting system contains accurate data. The definitive source for internal control in the Commonwealth is the Agency Risk Management and Internal Control Standards (ARMICS) issued by the Department of Accounts (Accounts); therefore, we also included a review of ARMICS. The level of ARMICS review performed was based on judgment and the risk assessment at each agency. At some agencies only inquiry was necessary; while others included an in-depth analysis of the quality of the Stage 1 Agency-Level Internal Control Assessment Guide, or Stage 2 Process or Transaction-Level Control Assessment ARMICS processes. Our review of the Museum's ARMICS program included a review of all current ARMICS documentation and a comparison to statewide guidelines established by Accounts. Further, we evaluated the agency's process of completing and submitting attachments to Accounts.

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: payroll and human resources; revenue and expenses; procurement; and capital assets. 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:

- The Museum does not maintain up-to-date policies and procedures, showing written approval of management, for all business areas. We noted no internal policies and procedures for several key business processes and some existing policies did not include key controls or evidence of management's review and approval. Topic 20905 and other sections of the Commonwealth Accounting Policies and Procedures (CAPP) Manual state that each agency needs to "publish its own policies and procedures documents, approved in writing by agency management." Management should establish policies and procedures for all critical business processes in order to maintain an effective control environment. Additionally, management should ensure the documented procedures reflect the actual business process and contain written evidence of approval by management.

- The Museum’s director and fiscal officer did not complete the mandatory ARMICS training as required by a memorandum from the State Comptroller dated February 28, 2019. This memo requires each agency head to complete the training on ARMICS by April 30, 2019. The Museum’s director and fiscal officer should complete this training and ensure compliance with this memo.
- The Museum submitted four out of 14 attachments to the Department of Accounts after the due dates. The Office of the Comptroller’s Directive No. 1-19 requires the submission of attachments via e-mail by the due dates shown in the directive. The Museum should establish policies and procedures that identify the attachments it is required to submit and the dates by which it should submit them.
- The Museum’s process for confirming the accuracy of information reported to the Virginia Retirement System does not include a review of the cancelled records report from the statewide human resources system. The Museum’s process also does not include a review of the Virginia Retirement System’s exception listing. Finally, the Museum was unable to provide evidence it reconciled the information reported to the Virginia Retirement System for one of two months selected. The Museum should ensure that reconciliations are performed and documented in accordance with topic 50410 of the CAPP Manual, including review of the cancelled records report and exception listing.
- An employee with signatory authority to the Museum’s financial account also has the ability to record and deposit funds and is responsible for the monthly review and reconciliation of the bank account. Topic 20205 of the CAPP Manual requires agencies to implement internal control procedures that observe appropriate segregation of duties. The Museum should separate the receipt, accounting, deposit, and reconciliation functions among different employees to establish appropriate internal control.
- The Museum does not require all individuals in positions of trust, including contracting officers, to file statements of economic interest. The Governor’s Executive Order Number Eight provides the policy to implement § 2.2-3100 of the Code of Virginia. This Executive Order identifies senior agency positions involved in substantive authorization of contracts and procurement and others as individuals occupying positions of trust. The Museum should require its contracting officers to file statements of economic interest and evaluate other positions within the agency that may be required to file as well.

We discussed these matters with management on July 10, 2020. 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 it 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,

Martha S. Mavredes
Auditor of Public Accounts

JDE\vks



23 September 2020

Agency Response:

Virginia Museum of Natural History

We have reviewed the Internal Control Questionnaire Results letter from the Auditor of Public Accounts.

The staff of the Virginia Museum of Natural History appreciates the professionalism and suggestions set forth by the summary report. We plan to work with staff to implement processes and procedures to effectively eliminate issues discovered during the audit process.

On July 10, 2020, we spoke with a representative from the Auditor of Public Accounts. We explained that some issues were created due to staff turnover. Individuals named to specific positions were not part of the organization at the time particular issues arose. Therefore, they specifically could not meet deadlines. Issues regarding the separation of duties were explained by a lack of staff due to budgetary constraints.

We appreciate the information that came to light throughout the audit process. Efforts are already underway to prevent future issues. In the meantime, let me know if I can help in any way.

Sincerely,

A handwritten signature in black ink that reads "JB Keiper". The signature is stylized with a large, looped "J" and "B".

Joe Keiper
Executive Director
Virginia Museum of Natural History