



FRONTIER CULTURE MUSEUM OF VIRGINIA

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2021

Auditor of Public Accounts
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AUDIT SUMMARY

We audited several business cycles and processes at the Frontier Culture Museum of Virginia (Museum) for the fiscal year ended June 30, 2021. Our audit included a review of significant financial activity and follow up on internal control weaknesses from the prior reviews related to payroll and human resources, capital outlay and assets, and information system security. We found:

- four matters involving internal control and its operation necessary to bring to management's attention;
- two of the four internal control matters are considered to be instances of noncompliance with applicable laws and regulations or other matters that are required to be reported; and
- adequate corrective action with respect to the prior audit findings identified as "Resolved" in the [Findings Summary](#).

We did not review management's corrective action on prior audit findings identified as "Deferred" in the [Findings Summary](#). We will follow up on these findings in a future audit.

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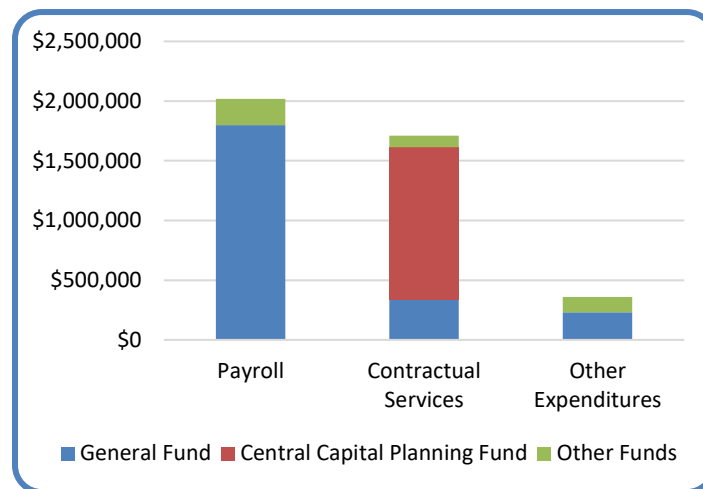
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MUSEUM AND AUDIT SCOPE OVERVIEW

The Museum is an educational and cultural institution that commemorates pioneer and frontier culture that contributed to the development of the United States. A supervisory board governs the Museum, which includes legislative and non-legislative members. The Museum's primary funding source comes from general fund revenues with a small portion of funds from special revenue sources such as admission fees, merchandise sales, donations, and rental revenues. Chart 1 shows the expenses for fiscal year 2021 along with the funding source. During fiscal year 2020, the Museum received \$2.7 million in central appropriations for a capital outlay project, which resulted in a \$1.2 million increase in overall expenses from fiscal years 2020 to 2021.

Fiscal Year 2021 Expenses

Chart 1

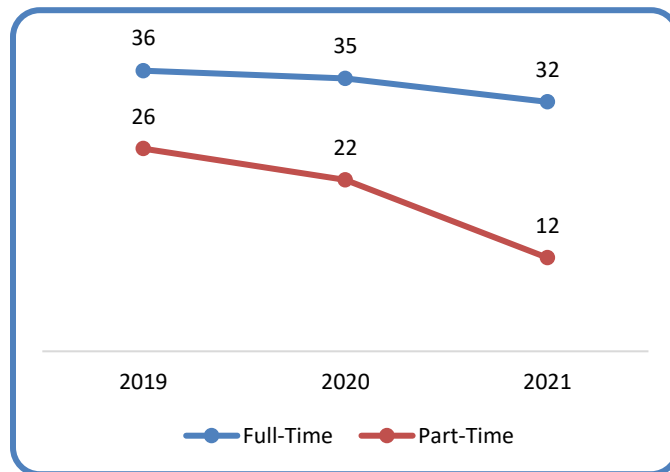


Source: Commonwealth accounting and reporting system

During calendar years 2020 and 2021, our office reviewed the Museum's internal controls related to fiscal and administrative processes, information systems security, and capital assets. Due to the significance of the issues identified during these reviews, a special report was issued identifying internal control weaknesses related to fiscal and administrative processes and information systems security. The report for the review of capital assets has not yet been issued and will be issued in early 2023. One of the underlying causes of the issues identified from all reviews performed was significant turnover at the Museum. As seen in Chart 2 the Museum has experienced a decline in personnel with part-time employees declining by over 50 percent from fiscal years 2019 to 2021. The decline in employment is mainly due to the COVID-19 pandemic, which placed a burden on Museum operations by increasing the workload for remaining employees.

**Employee Count
Fiscal Years 2019-2021**

Chart 2



Source: Commonwealth's accounting and financial reporting system

The objective of this audit was to review significant financial activity and follow up on internal control weaknesses from the prior reviews related to payroll and human resources, capital outlay and assets, and information system security. We deferred follow up over certain internal control weaknesses to allow the Museum additional time to implement corrective action. For additional details on the status of all prior year findings, see the [Findings Summary](#) appendix.

AUDIT FINDINGS AND RECOMMENDATIONS

Continue to Develop and Implement an Information Security Program

Type: Internal Control and Compliance

Repeat: Partial (first issued in 2020)

Prior Year Titles: Develop and Implement Policies and Procedures over Information Systems; Improve Access Controls; Improve and Test Disaster Recovery Plan

The Museum does not have a sufficient information security program in accordance with the Commonwealth's Information Security Standard (Security Standard), SEC 501. Since our prior review, the Museum has been working with the Virginia Information Technologies Agency (VITA) to assess its information technology (IT) environment and evaluate the sensitivity of its systems. The Museum has implemented some aspects of an information security program such as security awareness training. However, there are no policies and procedures over information security and areas which are prone to risk, such as access controls. In addition, the Museum has not tested its Disaster Recovery Plan. Due to the Museum's lack of dedicated IT personnel and resources, the Museum has yet to develop and implement an information security program and supporting policies and procedures.

The Security Standard, Section 1.4, states that each agency shall establish, document, implement, and maintain an information security program appropriate to its business and technology environment in compliance with the requirements set forth in the Security Standard. Further, Section 2.4 of the

Security Standard states that the agency head is responsible for ensuring that an information security program is maintained, documented, and effectively communicated to protect the Museum's IT systems and data. Without an information security program, there is an increased risk that the Museum will not appropriately implement IT controls and may inconsistently address security needs in its IT environment. These risks could lead to unauthorized access to data and potentially compromise the confidentiality, integrity, and availability of the Museum's data.

The Museum should continue to gain an understanding of the Security Standard requirements and work with VITA to develop and implement an information security program that is appropriate to its IT environment. The Museum should develop, implement, and effectively communicate policies and procedures to protect its systems and data in accordance with the Security Standard. These policies and procedures should cover access controls such as requesting access to systems and reviewing access annually as required by Section 8.1 of the Security Standard, disaster recovery planning, as well as other critical controls that are deemed necessary based on the IT environment. As we expect the completion of an on-going capital project will change the Museum's IT security needs, the Museum should continue to evaluate its needs and obtain the necessary IT personnel and resources to ensure compliance with the Security Standard.

Improve Oversight of Third-Party Providers

Type: Internal Control and Compliance

Repeat: Yes (first issued in 2020)

Prior Year Titles: Improve Oversight of Third-Party Service Providers; Develop a Process for Obtaining and Reviewing Audit Logs

The Museum uses third-party service providers (providers) to provide and host an information system that supports its mission-critical business functions. The Museum does not have a process in place to ensure that providers have adequate security controls to protect sensitive data. The Museum's lack of IT personnel, resources, and knowledge on the Security Standard requirements are primary contributors for the lack of proper oversight of the providers.

We identified three weaknesses and communicated them to management in a separate document marked Freedom of Information Act Exempt (FOIAE) under § 2.2-3705.2 of the Code of Virginia due to them containing descriptions of security mechanisms. The Security Standard requires agencies to implement certain controls that reduce unnecessary risk to data confidentiality, integrity, and availability in systems processing or storing sensitive information. By not meeting the minimum requirements in the Security Standard, the Museum cannot ensure the confidentiality, integrity, and availability of data within its systems.

The Museum should dedicate the necessary resources to implement the controls discussed in the communication marked FOIAE in accordance with the Security Standard and best practices in a timely manner.

Continue to Improve Policies and Procedures

Type: Internal Control

Repeat: Partial (first issued in 2020, with significant progress)

Prior Year Title: Design and Implement Policies and Procedures for all Critical Business Areas

The Museum should continue to improve policies and procedures over all critical business processes. Policies and procedures serve as a key internal control to ensure the efficiency and effectiveness of operations and support the consistent execution of fiscal processes by current and future employees. Since the last review, the Museum has made significant progress in designing and implementing policies and procedures. However, additional improvements are necessary to ensure that turnover or other unforeseen circumstances do not adversely impact the Museum's operations. Due to the Museum's small number of fiscal and administrative personnel and competing job responsibilities, management has not had adequate time to improve policies and procedures over all critical business areas.

The Museum's policies and procedures over the areas below include a high-level overview of the requirements and processes in place. However, procedures do not always provide sufficient guidance for an employee without prior knowledge of the Museum's operations or state requirements to adequately perform the processes. The Museum should continue to improve policies and procedures over the following areas:

- Capital outlay and assets
- Information system security
- Payroll and human resources
- Reconciliations of all Commonwealth systems

Commonwealth's Accounting Policies and Procedures (CAPP) Manual Topic 20905 requires agencies to publish their own internal policies and procedures which management approves in writing. CAPP Manual Topic 20905 further states that the lack of complete and up-to-date internal policies and procedures customized to reflect the agency's staffing, organization, and operating procedures, reflects inadequate internal control.

The Museum should continue to evaluate the need for policy and procedure improvements over all critical business processes, including but not limited to the areas listed above. When improving policies and procedures, the Museum should also consider anticipated changes in controls resulting from the transition to the Commonwealth's new human resource and payroll management system which will occur during fiscal year 2023.

Properly Perform Reconciliation of Retirement Benefits System Information

Type: Internal Control

Repeat: Partial (first issued in 2020, with significant progress)

Prior Year Title: Comply with State Requirements for Payroll and Human Resources Processes

The Museum is not properly performing the reconciliation of the Commonwealth's retirement benefits system. The Payroll Service Bureau (Bureau) performs certain reconciliation processes on behalf of the Museum; however, the Museum is not properly performing the following responsibilities. The Museum does not perform a reconciliation of creditable compensation between the Commonwealth's human resource and retirement benefits systems prior to confirming that the retirement data is accurate. Additionally, the Museum was unable to provide documentation to support its review of the Commonwealth's human resource system cancelled records report.

CAPP Manual Topic 50410 requires agencies to perform a monthly reconciliation of creditable compensation between the Commonwealth's human resource and retirement benefits systems. The Bureau's Scope of Services agreement with the Museum more specifically states that the Museum is responsible for reconciling creditable compensation prior to confirming the monthly contribution, reviewing the Commonwealth's human resource system cancelled records report, and resolving discrepancies identified during the reconciliation process. The Museum did not perform the required tasks as staff did not have an adequate understanding of their responsibilities as outlined in the Bureau's Scope of Service's agreement. In addition, the Museum's policies and procedures do not include all aspects of the parts of the reconciliation process for which the Museum is responsible.

Retirement benefits system information is critical to the services provided by the Virginia Retirement System (VRS) and insufficient reconciliation could result in improper payment of employee contributions to VRS or errors in members' retirement-related data. Improper reconciliation processes can also affect the integrity of the information in the Commonwealth's retirement benefits system that determines pension liability calculations for the entire Commonwealth.

Museum management should review CAPP Manual Topic 50410 and the Bureau's Scope of Services agreement to ensure they have an adequate understanding of their responsibilities in relation to the reconciliation of retirement benefits system information. The Museum should also revise its policies and procedures to address the process for reconciling and reviewing retirement benefits system information in accordance with the Bureau's Scope of Services agreement.



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
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February 6, 2023

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board of Trustees
Frontier Culture Museum

We have audited significant financial activity and followed up on internal control weaknesses from prior reviews related to payroll and human resources, capital outlay and assets, and information system security of the **Frontier Culture Museum of Virginia** (Museum) for the year ended June 30, 2021. 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 Scope and Objectives

Our audit's primary objective with regard to payroll and human resources, capital outlay and assets, and information systems security were to review the adequacy of the Museum's internal controls, and test compliance with applicable laws, regulations, contracts, and grant agreements. We also reviewed corrective actions for select audit findings from prior reports. See the [Findings Summary](#) included in the Appendix for a listing of prior year findings and the status of follow-up on management's corrective action.

Audit Methodology

The Museum's management has responsibility for establishing and maintaining internal control and complying with applicable laws, regulations, contracts, and grant agreements. 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, as they relate to the audit objectives, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. 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 as they pertain to our audit objectives.

Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Museum’s operations. We performed analytical procedures, including budgetary and trend analyses. We also tested details of transactions to achieve our objectives.

A nonstatistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Conclusions

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.”

The Museum has taken adequate corrective action with respect to select audit findings reported in the prior year that are listed as resolved in the [Findings Summary](#) in the Appendix.

Exit Conference and Report Distribution

We provided management a draft of this report on February 6, 2023. Management’s response to the findings identified in our audit is included in the section titled “Museum 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, the Museum’s Board of Trustees, and citizens of the Commonwealth of Virginia and is a public record.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

JDE/clj

FINDINGS SUMMARY

Finding Title	Follow-up Status	Fiscal Year*
Continue to Develop and Implement an Information Security Program	Partial Repeat	2020
Improve Oversight of Third-Party Providers	Repeat	2020
Continue to Improve Policies and Procedures	Partial Repeat	2020
Properly Perform Reconciliation of Retirement Benefits System Information	Partial Repeat	2020
Ensure Compliance with the Agency Risk Management and Internal Control Standards	Deferred**	2020
Perform Reconciliation of Accounting Records	Resolved	2020
Improve Internal Controls over Assets	Resolved/Deferred***	2020
Improve Internal Controls over Receipt of Funds	Resolved	2020
Improve Security Awareness Training Process	Resolved	2020
Improve the Tracking and Reporting of Construction in Progress	Resolved	2020
Ensure Completion and Performance of Physical Inventories	Deferred***	2020

*Findings included in the prior report titled "Review of the Frontier Culture Museum of Virginia November 2020" and the report titled "Cycled Agency Capital Assets Review" pertain to the fiscal year ending June 30, 2020. The "Cycled Agency Capital Assets Review" will be issued in early 2023.

**We deferred follow up over this finding to a future review as we did not deem it to be significant in the context of the audit objectives.

***We deferred follow up work over bi-annual inventories to a future review as we included the last inventory the Museum conducted in the scope of the report titled "Cycled Agency Capital Assets Review."



COMMONWEALTH OF VIRGINIA

Frontier Culture Museum of Virginia

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Ms. Staci Henshaw
Auditor of Public Accounts
101 North 14th Street, 8th Floor | Richmond, VA 23219
February 22, 2023

Good afternoon Ms. Henshaw,

I have reviewed the findings per the attachment and have met with relevant staff members to discuss. It is apparent much work needs to be done to bring us into compliance. While I am at the very beginning of this process you can be confident progress will begin to be made. To date, I have met with our Trustee Chairman, and we will be appointing an Audit review committee in March 2023 comprised of Staff and Trustees to monitor progress noted in the attachment. This subject will be included in future meetings with the full Board of Trustees. Please know I have a 40-year background in executive management in the banking industry and realize as well as appreciate the importance of audit compliance, especially as a recipient of taxpayer funds.

I include a statement from our Finance Director:

"We will strive to expand and improve our policies and procedures; however staffing levels continue to be a challenge. We have already contacted several other agencies regarding their approach to reconciliation of Retirement Benefits System information and will incorporate what we have learned into our procedures. We have also contacted DOA regarding outdated CAPP Topics that still refer to CARS/CIPPS and learned that they hope to have these updated by the end of this fiscal year. Having that guidance will facilitate our progress".

And our IT resource:

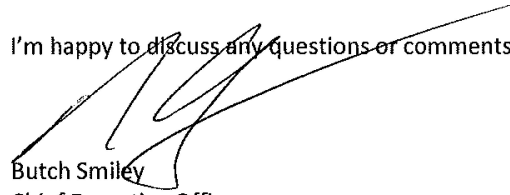
"The first finding on information security systems is accurate and does mention the lack of dedicated IT personnel as a major cause. I continue to meet with VITA CSRM analysts regularly and we are awaiting the updated Security Standards (SEC530) to come out soon. SEC530 will combine the previous standards of SEC501 and SEC525 and hopefully makes things clearer. As to the finding on Oversight of Third-Party Providers, this references the ECOS program that VITA provides for agencies to acquire and evaluate cloud hosted applications. We have received conflicting information for years from VITA about whether the application we currently use is required to be assessed by ECOS.

"Bringing the Past to Life"
www.frontiarmuseum.org

The application does not retain sensitive data but is essential to business operations as the Museum's point-of-sale and reservation system".

Additionally, the Frontier Culture Museum has begun the process of bringing in a third-party consultant to assist us. We are still in the process of hiring an additional fiscal technician and in fact recently received a number of applicants. Unfortunately, these applicants did not possess the necessary qualifications and we have reopened the position for hire.

I'm happy to discuss any questions or comments you may have.



Butch Smiley
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FRONTIER CULTURE MUSEUM OF VIRGINIA

As of June 30, 2021

Megan Newman, Executive Director

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