



VIRGINIA MUSEUM OF NATURAL HISTORY

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF MAY 2017

Auditor of Public Accounts
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Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

August 15, 2017

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

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire, completed on May 12, 2017, for the **Virginia Museum of Natural History** (Museum). 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.

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 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

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: information technology and security, and payroll. 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 is reconciling internal records with the Commonwealth’s accounting and financial reporting system in accordance with the Commonwealth Accounting Policies and Procedures Manual Topic 20905. Our review found the Museum has a policy related to the reconciliations. However, the Museum has not formalized its procedures to reflect the current process for completing the reconciliations. The Museum should formalize the procedures to ensure there is sufficient detail to allow someone new to the agency to follow the process. In addition to formalizing the procedures, the Museum should ensure all reconciliations contain sufficient evidence including indication of management’s review and approval.
- Due to recent changes in the Information Security Officer (ISO) and backup ISO positions, the Museum has not reestablished its administrative rights with the Virginia Information Technologies Agency (VITA). As a result, the Museum is not able to receive the daily report

from VITA showing successful completion of tests and backups. During our review, we determined the ISO and backup ISO recently met with VITA to gain an understanding of the Museum’s responsibilities and VITA responsibilities as it relates to information technology and information system security at the Museum. The Museum should reestablish administrative rights with VITA and obtain and review the daily reports. In addition, the Museum should continue to update its information technology policies and procedures as a result of its meetings and correspondence with VITA.

We discussed these matters with management on June 30, 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/clj

August 25, 2017

Ms. Mavredes
Auditor of Public Accounts
P. O. Box 1295
Richmond, VA 23218

Re: Internal Control Questionnaire Review Result

Dear Ms. Mavredes:

We have reviewed the Internal Control Questionnaire Review Results for Virginia Museum of Natural History, dated August 15, 2017. We appreciate the opportunity to respond to the comments and recommendations applicable to the internal audit for the Museum for fiscal year 2016. We value the APA's comments and recommendations and will make every effort to implement recommended changes.

Internal Control Findings and Recommendations

Cardinal Reconciliations

You noted the following areas requiring management's attention resulting from the review:

The Museum is reconciling internal records with the Commonwealth's accounting and financial reporting system in accordance with the Commonwealth Accounting Policies and Procedures Manual Topic 20905. The review found the Museum has a policy related to the reconciliations. However, the Museum has not formalized its procedures to reflect the current process for completing the reconciliations. The Museum should formalize the procedures to ensure there is sufficient detail to allow someone new to the agency to follow the process. In addition to formalizing the procedures, the Museum should ensure all reconciliations contain sufficient evidence including indication of management's review and approval.

- *We have reviewed the Cardinal reconciliations and ensured that it covers all of the requirements in the CAPP Manual Topic 20905. We have also typed the handwritten procedures that were kept in the reconciliation folder, made some needed changes, ensured that the procedures are in a step by step format so that*

anyone can follow them. We have included a signature line for the preparer and management to sign off on the reconciliation after review. We have also included this documentation in our VMNH Drop Box where other policies and procedures are kept for viewing and use by all employees.

Information Security

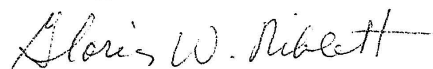
You noted that due to recent changes in the Information Security Officer (ISO) and backup ISO positions, the Museum had not reestablished its administrative rights with the Virginia Information Technologies Agency (VITA). As a result, the Museum was not able to receive the daily report from VITA showing successful completion of tests and backups. During the review, you determined that the ISO and backup ISO had recently met with VITA to gain an understanding of the Museum's responsibilities and VITA responsibilities as it relates to information technology and information system security at the Museum. The Museum should reestablish administrative rights with VITA and obtain and review the daily reports. In addition, the Museum should continue to update its information technology policies and procedures as a result of its meetings and correspondence with VITA.

- The Museum has reestablished administrative rights with VITA and now has access to all reports for review. The previous AITR has returned and is now ISO. He is very knowledgeable about all of the responsibilities of the ISO. We still have an AITR also who is doing very well with the required tasks. The ISO and the AITR are required to abide by the VITA Standard Policies and Procedures. They are aware of the policies and procedures, have access to them and will keep them up-to-date. They both are in constant contact with the VITA liaison and representative.*

Virginia Museum of Natural History wishes to follow all rules and regulations as required by the Commonwealth's Accounting Policies and Procedures Manual. We recognize that this is very important and are making every effort to make any corrections needed.

Again, thank you. We value your recommendations. We look forward to working with you again and appreciate the opportunity to comment on these matters.

Sincerely,



Gloria W. Niblett

Director of Administration and Services

Cc: Joe B. Keiper, Executive Director
Lauren Figg, Auditor of Public Accounts