



# JAMESTOWN-YORKTOWN FOUNDATION

## REPORT ON AUDIT FOR THE YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2013

Auditor of Public Accounts  
Martha S. Mavredes, CPA  
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## AUDIT SUMMARY

Our audit of the Jamestown-Yorktown Foundation for the fiscal years ended June 30, 2012, and 2013, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System and the agency's accounting records;
- adequate policies and procedures to ensure sufficient information system controls;
- matters involving internal control and its operation necessary to bring to management's attention;
- instances of noncompliance with applicable laws and regulations or other matters that are required to be reported; and
- progress in corrective actions for prior year audit findings.

Jamestown-Yorktown Foundation has taken corrective action on findings from the prior audit which include improving information systems security compliance and improving the documentation and review of the financial system reconciliations; however, Jamestown-Yorktown has made limited progress in improving the documentation of the payroll reconciliations. Our audit did not review corrective action for the prior finding related to the payroll certification process because Jamestown-Yorktown began utilizing the Payroll Service Bureau in April 2012.

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## AUDIT FINDINGS AND RECOMMENDATIONS

### **Improve Documentation of Reconciliations and Reviews**

Jamestown-Yorktown Foundation does not have proper procedures in place to document reconciliations and supervisory review performed for the Commonwealth Integrated Payroll/Personnel System (CIPPS) to Commonwealth Accounting and Reporting System (CARS) reconciliations and the petty cash reconciliations.

Payroll reconciliations reviewed during the audit lacked documentation of preparer sign-off, completion dates, and supervisory review. In addition, after the employee responsible for the CARS to CIPPS reconciliations left the agency in June 2013, reconciliations were not completed from June 2013 to March 2014. This was due to a miscommunication between staff as to who would assume the responsibility for the reconciliation.

Petty cash reconciliations are not documented. The Petty Cash Custodian reviews the bank statement and informally reconciles the bank statement to the known petty cash payments. Commonwealth Accounting Policies and Procedures require a reconciliation of the monthly petty cash bank statement.

Reconciliations should show documentation that they have been completed and should include the preparer's signature and completion date, as well as supervisory review. Without adequate documentation and supervisory review, management cannot ensure that reconciliations are performed properly and in a timely manner. Reconciliations assist agencies in identifying processing errors. Improper and untimely reconciliations can result in the agency having undetected errors in their financial records and increases the risk of misappropriating funds. Proper documentation and signoff removes doubt of the responsibility for the task.

Jamestown-Yorktown should improve reconciliation documentation procedures to definitively show when and by whom the reconciliations and reviews are performed. Furthermore, Jamestown Yorktown should improve petty cash controls by documenting and reviewing the petty cash reconciliation. Jamestown-Yorktown should also update internal policies to clearly identify responsibilities and processes and ensure that all job responsibilities are clearly communicated to employees.

## AGENCY HIGHLIGHTS

The Jamestown-Yorktown Foundation (Jamestown-Yorktown) educates and promotes understanding and awareness of Virginia's role in the creation of the United States of America. Jamestown-Yorktown administers two living-history museums: Jamestown Settlement located in Williamsburg and the Yorktown Victory Center located in Yorktown. Jamestown Settlement interprets the cultures of 17th-century colonial Jamestown, America's first permanent English settlement, and the Powhatan Indians. The Yorktown Victory Center interprets the impact of the American Revolution on the people of America and the development of the new nation.

Jamestown-Yorktown has two private affiliates that provide financial support to the museum. Jamestown-Yorktown Foundation, Inc. coordinates private fundraising and receives donations from public and private corporations, in addition to purchasing artifacts and overseeing investments. The Jamestown-Yorktown Educational Trust, Limited (the Trust) runs the museum's four gift shop locations and the café operations. Both of these entities are audited by independent external CPA firms. During calendar years 2012 and 2013, the Trust reimbursed Jamestown-Yorktown for various operating expenses in the amount of \$1,477,987 and \$1,562,127, respectively.

In June 2012, Jamestown-Yorktown began constructing the American Revolution Museum at Yorktown to replace the Yorktown Victory Center. This will be an 80,000 square-foot facility with new permanent gallery exhibits and visitor parking areas. The museum will also expand and relocate the outdoor Continental Army encampment and Revolutionary-period farm. The project is expected to be completed in late 2016. As of June 30, 2013, the agency expended over \$6.7 million on the project. Virginia Public Building Authority bonds funded 73 percent and the remaining funding was from non-general fund revenues.

### **Financial Highlights**

Jamestown-Yorktown receives a combination of general fund appropriations and non-general funds. In fiscal year 2012 and 2013, 57 percent and 56 percent, respectively, of Jamestown-Yorktown's budget was from non-general fund revenues, which included admission fees, funds from the two affiliates, and educational grants. The remaining funds were from general fund appropriations. The table below illustrates Jamestown-Yorktown's budget and actual expenses for fiscal years 2012 and 2013.

Budget and Actual Operating Expenses by Funding Source - Fiscal Years 2012-13						
	Fiscal Year 2012			Fiscal Year 2013		
<u>Funding Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>
General Fund	\$ 6,429,681	\$ 6,578,130	\$ 6,468,557	\$ 6,738,161	\$ 6,954,293	\$ 6,954,293
Special Revenue (admissions, educational programs, membership revenues)	<u>8,742,921</u>	<u>8,736,540</u>	<u>8,021,364</u>	<u>8,794,052</u>	<u>8,794,052</u>	<u>7,610,142</u>
<b>Total Operating Budget and Expenses</b>	<u>\$15,172,602</u>	<u>\$15,314,670</u>	<u>\$14,489,921</u>	<u>\$15,532,213</u>	<u>\$15,748,345</u>	<u>\$14,564,435</u>

Jamestown-Yorktown's capital appropriation totaled more than \$45 million in fiscal year 2013. Approximately \$43 million of this appropriation was carried over from fiscal year 2012 for the replacement of the Yorktown Victory Center. In fiscal years 2012 and 2013, Jamestown-Yorktown spent approximately \$1 million and \$4.3 million, respectively on capital projects. Virginia Public Building Authority bonds and non-general funds financed 99 percent of the capital appropriation.

In total, during fiscal years 2012 and 2013, Jamestown-Yorktown spent over \$29 million in operating expenses. The majority of Jamestown-Yorktown's expenses were for personal services, which include fringe benefits and contractual services which include advertising, architectural and engineering services, telecommunication and information technology services provided by Virginia Information Technologies Agency, and custodial services. The remaining expenses were for continuous charges, supplies and materials, and other miscellaneous expenses. The following table summarizes expenses for fiscal years 2012 and 2013.

Expenses by Type by Fiscal Year		
	<b>2012</b>	<b>2013</b>
Personal Services	\$10,055,667	\$10,240,415
Contractual Services	3,035,539	2,937,003
Continuous Charges	790,664	815,776
Supplies and Materials	522,109	454,848
Equipment	52,635	85,242
Transfer Payments	27,433	24,709
Property Improvements	<u>5,874</u>	<u>6,442</u>
<b>Total</b>	<u>\$14,489,921</u>	<u>\$14,564,435</u>



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

May 5, 2014

The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable John M. O'Bannon, III  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of the **Jamestown-Yorktown Foundation** for the years ended June 30, 2012, and 2013. 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 Objectives**

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System and Jamestown-Yorktown's accounting records, review the adequacy of Jamestown-Yorktown's internal controls, test compliance with applicable laws, regulations, contracts, and grant agreements, review information systems controls, and review corrective actions of audit findings from prior year reports.

## **Audit Scope and Methodology**

Jamestown-Yorktown's 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, regulations, contracts, and grant agreements.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Revenue  
Expenses, including small purchase charge card, payroll, and capital projects  
General System Controls  
Petty Cash  
Fixed Assets

We performed audit tests to determine whether the Jamestown-Yorktown'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. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Jamestown-Yorktown's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses. We did not review corrective action for the prior finding related to the payroll certification process because Jamestown-Yorktown began utilizing the Payroll Service Bureau in April 2012.

### **Conclusions**

We found that the Jamestown-Yorktown properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and its accounting records. Jamestown-Yorktown records its 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 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."

Jamestown-Yorktown Foundation has taken corrective action on findings from the prior audit which include improving information systems security compliance and improving the documentation and review of the financial system reconciliations, however Jamestown-Yorktown has made limited progress in improving the documentation of the payroll reconciliations. Our audit did not review corrective action for the prior finding related to the payroll certification process because Jamestown-Yorktown began utilizing the Payroll Service Bureau in April 2012.

### **Exit Conference and Report Distribution**

We discussed this report with management on June 12, 2014. Management's response to the findings identified in our audit is included in the section titled "Agency 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, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

STT/clj



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# Jamestown-Yorktown Foundation

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June 11, 2014

Ms. Martha S. Mavredes, CPA  
Auditor of Public Accounts  
Commonwealth of Virginia  
101 North 14<sup>th</sup> Street, 8<sup>th</sup> Floor  
Richmond, VA 23219

Dear Martha,

The Jamestown-Yorktown Foundation appreciates the opportunity to review and comment on the Auditor of Public Accounts' Report on the Audit for the Years ending June 30, 2012 and 2013.

## Comments to Management

### Improve Documentation of Reconciliations and Reviews

*The Foundation acknowledges there were inadequate procedures and insufficient documentation of required reconciliations and supervisory review during the audit period. Specifically, we acknowledge that several reconciliations lacked proper documentation of supervisory review and that due to a staff vacancy the required reconciliations did not occur on a timely basis.*

*Staff completed the required reconciliations within one week of the lapse being brought to our attention during the audit field work. Staff is currently reviewing all procedures and reconciliations to ensure that reconciliation procedures include sign off by preparer and reviewer. Petty cash procedures have been updated. Internal policies are being updated to ensure that all required documentations are identified and job responsibilities identified. A complete corrective action plan will be developed to address the findings.*

I will be reviewing the audit findings with our Board of Trustees and discussing your comments with them. I commend your staff for the professional manner in which the audit was conducted. As always, please know we appreciate your guidance and support.

Sincerely,

Philip G. Emerson

PGE/JLP/lmo

cc: The Honorable H. Benson Dendy III  
The Honorable M. Kirkland Cox  
Mr. J. Jeffrey Lunsford  
Ms. Jean L. Puckett

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## AGENCY OFFICIALS

Jamestown Yorktown Foundation

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