

VIRGINIA'S MUSEUMS

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2005**

APA

**Auditor of
Public Accounts**
COMMONWEALTH OF VIRGINIA

EXECUTIVE SUMMARY

This report contains the results of our combined audit of the following museums* for the fiscal year ending June 30, 2005:

Science Museum of Virginia	Frontier Culture Museum of Virginia
Virginia Museum of Natural History	Jamestown-Yorktown Foundation
Virginia Museum of Fine Arts	Gunston Hall

* We also refer to these agencies collectively throughout the report as Virginia's Museums.

Our review of Virginia's Museums found that five of the six museums did not collect their projected special fund revenues by over ten percent. Further, by not accurately projecting special fund revenues, policy makers such as the General Assembly assume that the Museums have the ability to collect and support a larger portion of their operating costs than they actually collect. This overestimation of revenue collections also tends to distort the Museums' dependence on General Fund support to keep operations funded. By not including more accurate projections of special fund revenues in the budget, it appears that the Museums have greater flexibility to absorb potential changes in funding or service delivery. We believe that without greater accuracy in projecting special fund revenue collections, other museums incur the risk of having financial difficulties similar to the Science Museum.

In addition, the lack of funding has resulted in the Museums having small administrative staffs which do not provide for a good internal control structure. The best resolution for this issue is the sharing of general operating functions such as accounting, purchasing, payroll, marketing, development, reservations, and human resources. This structure allows smaller organizations to concentrate on their primary service delivery functions while improving internal controls like segregation of duties and minimizing operating costs. The savings gained from this sharing could improve the Museums' financial health and provide additional needed funding for exhibits, maintenance, debt, or the initiation of capital campaigns.

Historically, the Museums have been reluctant or opposed to any form of administration sharing of resources and have cited their independent boards, management structure, dispersed locations, and differing missions as reasons for their reluctance. The long-term financial health of all of these entities depends on a rational approach to their common administrative and operating needs. Only the Virginia Museum of Fine Arts has the depth of financial resources for long-term sound stability; however, this assumes that the Commonwealth will contribute its current support and increase that support to maintain the new capital construction it has undertaken.

For the fourth consecutive year, the Science Museum has experienced significant financial difficulties. Despite efforts to cut personal and contractual services costs, the overall structural deficit reached \$777,341 as of June 30, 2005, and during fiscal year 2006 peaked at \$891,394. In order to pay vendors on time and meet other obligations, the Science Museum incurred a cash deficit during fiscal 2006 though it was able to accumulate sufficient cash to have a year-end positive balance and reduced the structural deficit to \$350,832. We plan to issue a separate report discussing the financial condition of the Science Museum through June 30, 2006.

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MUSEUM OFFICIALS

VIRGINIA'S MUSEUMS STATEWIDE FUNDING AND OPERATING ISSUES

Virginia's Museums have the collective responsibilities of preserving, interpreting, and promoting history, culture, the arts, and sciences throughout the Commonwealth. Virginia's Museums receive a variety of funding to cover the expenses in their efforts to meet these responsibilities including General Fund appropriations and special fund revenue, which includes entrance fees, gift shop revenue, gifts, and related foundation grants and loans.

Our review of Virginia's Museums found five of the six museums did not collect their projected special fund revenues by over ten percent as shown in Table 1. Currently, all OF the Museums depend on special fund revenues to cover almost all of their non-payroll operating costs and all of the Museums depend on special fund revenue collections to cover between 2 and 79 percent of their payroll costs.

Further, by not accurately projecting special fund revenues, policy makers, such as the General Assembly, assume that the Museums have the ability to collect and support a larger portion of their operating costs than they actually collect. This overestimation of revenue collections also tends to distort the Museums' dependence on General Fund support to keep operations funded.

This reliance on special fund revenue collections makes accurate projection and collection of special fund revenue essential for the long-term fiscal health of the Museums. The reason for the variance appears to be both a structural problem within the methodology of projecting revenues and not adjusting budgeted amounts for changing economic conditions.

After considering the unique circumstances related to the Jamestown planned celebrations, all of the Museums, with the exception of Fine Arts, significantly missed their projections for special fund revenue collections. Excluding Jamestown, four of the Museums operated at levels of 7 to 18 percent lower than policy makers had anticipated.

Additionally, since this problem has existed for several years, policy makers may believe that the Museums are generally maintaining and providing a level of service that not collecting the special fund revenue prevents. Further, by not including more accurate projections of special fund revenues in the budget, it appears that the Museums have greater flexibility to absorb potential changes in funding or service delivery.

The Museums need to work with the Department of Planning and Budget to change their method of projecting special fund revenue collections and reflect this information in the budget bill. Further, where significant variances occur within a biennial budget cycle or appear to have some long term potential, these factors should be set out in the document that accompanies the budget bill.

We believe that without greater accuracy in projecting special fund revenue collections that other Museums incur the risk of having financial difficulties similar to the Science Museum. Further, policy makers do not have a complete understanding of the Museums' actual operations, also with tight operating margins there is a risk of incurring costs without the resources to pay for them.

Table 1

Special Revenue Collections

	Special Revenue Estimates	Special Revenue Collected	Difference Over/ (Under)	Percentage Over/(Under) Estimate
Science Museum of Virginia	\$4,422,717	\$3,917,562	\$ (505,155)	(11.42%)
Virginia Museum of Natural History	419,874	260,233	(159,641)	(38.02%)
Virginia Museum of Fine Arts	1,091,700	1,423,673	331,973	30.41%
Frontier Culture Museum of Virginia	660,507	389,587	(270,920)	(41.02%)
Jamestown-Yorktown Foundation (JYF)	6,199,644	5,629,979	(569,665)	(9.19%)
Jamestown 2007	<u>3,168,565*</u>	<u>70,332</u>	<u>(3,098,233)</u>	<u>(97.78%)</u>
Total JYF and Jamestown 2007	9,368,209	5,700,311	(3,667,898)	(39.15%)
Gunston Hall	310,974	158,598	(152,376)	(49.00%)

* The special revenue estimate reflects \$3 million in grants and gifts that Jamestown 2007's private affiliate anticipated collecting and would transfer to Jamestown 2007 for commemorative events. Management subsequently decided to have the private affiliate raise and spend the funding directly with no transfer to the state entity.

Table 2

Expenditure Funding Sources

	General Fund	Special Revenue	Other Funds	Total Operating Expenses
Science Museum of Virginia	\$4,151,759	\$4,342,062	\$ 169,324	\$ 8,663,145
Virginia Museum of Natural History	1,728,426	213,456	34,921	1,976,803
Virginia Museum of Fine Arts	6,638,406	1,402,704	4,985,838	13,026,948
Frontier Culture Museum of Virginia	1,294,833	370,732	-	1,665,565
Jamestown-Yorktown Foundation (JYF)	6,686,103	5,561,211	-	12,247,314
Jamestown 2007	<u>245,360</u>	<u>89,525</u>	<u>1,678,706</u>	<u>2,013,591</u>
Total JYF and Jamestown 2007	6,931,463	5,650,736	1,678,706	14,260,905
Gunston Hall	527,849	156,631	-	684,480

Payroll Expenses

	Payroll Expenses	Payroll Expenses as a Percentage of Total Operating Expenses	Percentage of Payroll Covered by Special Revenue
Science Museum of Virginia	\$ 5,300,771	61%	22%
Virginia Museum of Natural History	1,660,930	84%	-
Virginia Museum of Fine Arts	7,943,962	61%	16%
Frontier Culture Museum of Virginia	1,326,058	80%	2%
Jamestown-Yorktown Foundation (JYF)	8,986,179	73%	26%
Jamestown 2007	1,185,367	59%	79%
Total JYF and Jamestown 2007	10,171,546	71%	32%
Gunston Hall	454,761	66%	-

Table 3

	<u>Revenues</u>			Total Estimated Funding
	General Fund	Special Revenue Estimates	Other Nongeneral Fund Revenue Estimate	
Science Museum of Virginia	\$4,158,003	\$4,422,717	\$ 778,074	\$ 9,358,794
Virginia Museum of Natural History	1,728,426	419,874	30,000	2,178,300
Virginia Museum of Fine Arts	6,638,432	1,091,700	6,295,668	14,025,800
Frontier Culture Museum of Virginia	1,299,633	660,507	-	1,960,140
Jamestown-Yorktown Foundation (JYF)	6,686,103	6,199,644	-	12,885,747
Jamestown 2007	<u>245,360</u>	<u>3,168,565</u>	<u>5,000,000</u>	<u>8,413,925</u>
Total JYF and Jamestown 2007	6,931,463	9,368,209	5,000,000	21,299,672
Gunston Hall	529,349	310,974	-	840,323
	Total Estimated Funding	Total Funding Collected	Difference Over/ (Under)	Percentage Over/Under Estimate
Science Museum of Virginia	\$ 9,358,794	\$8,636,513	\$ (722,281)	(8%)
Virginia Museum of Natural History	2,178,300	1,988,659	(189,641)	(9%)
Virginia Museum of Fine Arts	14,025,800	13,043,876	(981,924)	(7%)
Frontier Culture Museum of Virginia	1,960,140	1,684,420	(275,720)	(14%)
Jamestown-Yorktown Foundation (JYF)	12,885,747	12,316,082	(569,665)	(4%)
Jamestown 2007	<u>8,413,925</u>	<u>4,653,692</u>	<u>(3,760,233)</u>	<u>(45%)</u>
Total JYF and Jamestown 2007	21,299,672	16,969,774	(4,329,898)	(20%)
Gunston Hall	840,323	686,447	(153,876)	(18%)

Administrative Functions

As a result of funding, the majority of the Museums have a small number of administrative staff, that by its nature does not allow for a good internal control structure. This is evident by the previous internal control findings regarding access to various systems at the Science Museum and Jamestown-Yorktown Foundation.

Over the past several years, a number of other agencies, including the Governor's Office, have addressed this issue by sharing general operating functions such as accounting, purchasing, payroll, marketing, development, reservations, and human resources. This structure allows smaller organizations to concentrate on their primary service delivery functions while improving internal controls like segregation of duties and minimizing operating costs. The savings gained from a similar consolidation could improve the Museums' financial health and provide additional needed funding for exhibits, maintenance needs, debt, or the initiation of capital campaigns.

All of the Museums, including the Science Museum, have plans to expand or host large special events, which will increase their reliance on special revenue to fund related expenses. Before these plans move forward, the administration should assess the current physical and financial condition of the Museums and develop a plan that addresses the Commonwealth's role and expectations related to funding and the quality of services the Museums could offer. As part of this plan, the administration should consider consolidating all of the Museums under one secretariat and require partnerships between the Museums and a state agency that can provide general operating functions. Museums that share resources and reduce general operating costs can provide the Commonwealth the opportunity to achieve plans for future expansion. However, not addressing the current financial and physical condition of the Museums will lead to the administration closing the doors of some Museums.

Museums Discussed in Other Reports

The remainder of this report highlights the operations and financial information for each of the Museums during fiscal year 2005.

Many of the Museums' operations undergo audit review during other audits performed by our office. The reader may access these reports through our website, www.apa.virginia.gov. A listing of those reports and the Museums included in them follows.

Information Systems Development Update - Jamestown-Yorktown Foundation – June 28, 2006
Science Museum of Virginia Special Report - August 15, 2006

VIRGINIA'S MUSEUMS HIGHLIGHTS AND FINANCIAL INFORMATION

Science Museum of Virginia

The Science Museum of Virginia, headquartered in Richmond, raises public understanding of science and technology throughout the Commonwealth. It accomplishes this through informal hands-on teaching and learning experiences and by various educational outreach programs.

In addition to the Broad Street location, the Science Museum operates the Virginia Aviation Museum in Sandston, Virginia. The Virginia Aviation Museum's collection features a wide variety of vintage aircraft, aircraft and aviation artifacts, memorabilia donated by others or on loan from the National Air and Space Museum, and descriptive exhibits on the history of aviation in Virginia.

The Science Museum also operates the Danville Science Center and the future Belmont Bay Science Center in Prince William County, Virginia. In addition, it plans to operate additional museums in Bristol and Harrisonburg, Virginia. Below are the net assets as of June 30, 2005, for each foundation.

Science Museum of Virginia Foundation	\$13,071,691
Belmont Bay Foundation (unaudited)	-
Danville Science Center Foundation	\$1,228,426

Financial Highlights

For the fourth consecutive year, the Science Museum has experienced significant financial difficulties. Despite efforts to cut personal and contractual services costs, the overall structural deficit reached \$777,341. In order to pay vendors on time and meet other obligations, the Science Museum incurred a cash deficit during fiscal 2006, though it was able to accumulate sufficient cash to reserves to have a year-end positive balance.

However, for fiscal 2006 the structural deficit grew to approximately \$891,394. We plan to issue a separate report discussing the financial condition of the Science Museum thorough June 30, 2006.

General Fund appropriations account for approximately 45 percent of the \$9.2 million in actual funding that the Science Museum received for fiscal year 2005. Special revenues from the collection of admission and membership dues, merchandise and food sales, facility rentals and support from the Science Museum of Virginia Foundation constitute another 49 percent.

The following chart illustrates the Science Museum's original budget, final budget, and actual expenses for all of its funds.

Analysis of Budgeted and Actual Funding

	<u>2005</u>			<u>2004</u>		
	<u>Original Budget Chapter 4</u>	<u>Final Budget</u>	<u>Expenses</u>	<u>Original Budget Chapter 1042</u>	<u>Final Budget</u>	<u>Expenses</u>
General Fund appropriations	\$4,098,118	\$4,158,003	\$4,151,759	\$3,856,891	\$3,932,290	\$3,919,446
Special revenue fund	4,466,885	4,499,368	4,342,062	4,067,463	4,072,140	4,025,815
Trust and agency	300,000	300,000	130,519	600,000	600,000	120,682
Federal	-	316,270	38,805	-	317,578	225,947
Total	<u>\$8,865,003</u>	<u>\$9,273,641</u>	<u>\$8,663,145</u>	<u>\$8,524,354</u>	<u>\$8,922,008</u>	<u>\$8,291,890</u>

While the Science Museum's actual funding in 2005 was \$9.3 million, total operating costs were approximately \$8.7 million with the personal service cost constituting 61 percent and continuous charges being 13 percent. The remaining 26 percent includes expenses for supplies and materials, plant and improvements, and other miscellaneous expenses.

The Commonwealth has committed \$5 million in general obligation bonds for the Science Museum's future Belmont Bay Museum, \$2 million in general obligation bonds for the IMAX Dome wing renovations, and \$3.4 million in general obligation bonds for the East/West Terrance renovations. The Danville Science Center has obtained the use of the Southern Railway Administration Office Building to create additional exhibit and office space. In addition to the \$3.7 million in general obligation bonds, the museum has \$694,000 in private contributions and a \$630,000 pass-through grant from the Virginia Department of Transportation.

Virginia Museum of Natural History

The Virginia Museum of Natural History, located in Martinsville, serves to preserve, study, and interpret the Commonwealth's natural heritage by providing research sites, exhibits, and programs for the public. Due to budget reductions, the Museum no longer funds or maintains the two branches at Virginia Polytechnic Institute and State University in Blacksburg and the University of Virginia in Charlottesville.

The Museum has an affiliation with the Virginia Museum of Natural History Foundation, an independently incorporated entity that exists for the sole purpose of soliciting, receiving, investing, and managing private donations for the Museum. The net assets of the Virginia Museum of Natural History Foundation reported as of June 30, 2005, were \$377,424.

Financial Highlights

General Fund appropriations account for 85 percent of the approximately \$2 million in actual funding that the Museum received for fiscal year 2005. Special revenues, constituting 13 percent are from the collection of admissions and other miscellaneous revenues.

The Museum has a total debt appropriation of \$25,567,363 for a new museum facility. The Commonwealth has committed \$19 million in general obligation bonds. In addition the Museum has committed another \$6.5 million from other funding sources including general fund appropriations.

The following chart illustrates the Virginia Museum of Natural History's original budget, final budget, and actual expenses for all of its funds.

Analysis of Budgeted and Actual Funding

	2005			2004		
	Original Budget Chapter 4	Final Budget	Expenses	Original Budget Chapter 1042	Final Budget	Expenses
General Fund appropriations	\$1,614,486	\$1,728,426	\$1,728,426	\$1,513,966	\$1,594,853	\$1,594,853
Special revenue fund	419,874	419,874	213,456	444,601	444,601	227,025
Federal	30,000	35,000	34,921	-	30,000	21,495
Total	<u>\$2,064,360</u>	<u>\$2,183,300</u>	<u>\$1,976,803</u>	<u>\$1,958,567</u>	<u>\$2,069,454</u>	<u>\$1,843,373</u>

Total operating costs were approximately \$2 million with personal services costs constituting 84 percent, contractual services constituting ten percent, and continuing charges (primarily heating, lighting and other operating costs) being six percent.

Virginia Museum of Fine Arts

The purpose of the Virginia Museum of Fine Arts, located in Richmond, is to collect, preserve, exhibit, and interpret art and to encourage the study of the arts. Fine Arts features permanent collections and original masterworks of art spanning more than 5,000 years from six continents. Special temporary exhibits also present views of art from all over the world. The performances featured by Fine Arts provide a full range of concerts, films, theater, and dance from classical to contemporary.

Fine Arts has affiliations with the following organizations, which are independently incorporated and exist for the sole purpose of soliciting, receiving, investing, and managing private donations for Fine Arts. The net assets reported as of June 30, 2005, were as follows:

Virginia Museum of Fine Arts Foundation	\$199,557,198
Council Sales Shop of the Virginia Museum of Fine Arts	492,936

Financial Highlights

Special revenues, constituting 53 percent of the \$14.5 million in actual funding that Fine Arts received for fiscal year 2005, come from Virginia Museum of Fine Arts Foundation support, membership dues, and the collection of admission for special exhibits. The remaining 47 percent comes from General Fund appropriations.

The following chart illustrates Fine Arts' original budget, final budget, and actual expenses for all of its funds.

Analysis of Budgeted and Actual Funding

	2005			2004		
	Original Budget Chapter 4	Final Budget	Expenses	Original Budget Chapter 1042	Final Budget	Expenses
General Fund appropriations	\$ 6,536,403	\$ 6,638,432	\$ 6,638,406	\$ 6,160,343	\$ 6,386,441	\$ 6,386,256
Special revenue fund	1,414,500	1,420,750	1,402,704	7,650,491	1,403,600	1,372,809
Dedicated special revenue	6,342,834	6,342,834	4,961,580	-	6,250,491	4,837,127
Federal	<u>100,000</u>	<u>124,258</u>	<u>24,257</u>	<u>100,000</u>	<u>128,376</u>	<u>28,376</u>
Total	<u>\$14,393,737</u>	<u>\$14,526,274</u>	<u>\$13,026,947</u>	<u>\$13,910,834</u>	<u>\$14,168,908</u>	<u>\$12,624,568</u>

Total operating costs were approximately \$13 million with personal costs constituting 60 percent, contractual services accounting for 25 percent, and continuing charges (primarily heating, lighting and other operating costs) being 15 percent.

Fine Arts has a total debt appropriation of approximately \$104 million to expand the Museum including a sculpture garden and various building system upgrades. The Commonwealth has committed \$45.7 million in general obligation bonds. The Museum has committed \$58.4 million primarily from the Virginia Museum of Fine Arts Foundation.

Frontier Culture Museum

The Frontier Culture Museum of Virginia, located in Staunton, commemorates and educates visitors about the influence of pioneer culture on the creation and development of the United States. The 220-acre site offers visitors the experience of 17th, 18th, and 19th century European and American customs. The site features period furnishings, crops, animals, foods, and costumed interpreters that help create a living illustration of life in Europe before immigration to America and the culture the immigrants built on one of America's first frontiers.

Frontier Culture has an affiliation with the American Frontier Culture Foundation, an independently incorporated entity that exists for the sole purpose of soliciting, receiving, investing, and managing private donations for Frontier Culture.

Financial Highlights

General Fund appropriations account for approximately 69 percent of the \$1.9 million in funding that Frontier Culture received for fiscal year 2005. Special revenues constitute 31 percent of the total funding and represent the collection of admission and other miscellaneous revenues including rental income from land leased to a gas station.

The following chart illustrates Frontier Culture's original budget, final budget, and actual expenses for all of its funds.

Analysis of Budgeted and Actual Funding

	2005			2004		
	Original Budget Chapter 4	Final Budget	Expenses	Original Budget Chapter 1042	Final Budget	Expenses
General Fund appropriations	\$1,243,524	\$1,299,633	\$1,294,833	\$1,185,374	\$1,222,331	\$1,217,302
Special Revenue fund	<u>668,918</u>	<u>668,918</u>	<u>370,732</u>	<u>642,696</u>	<u>672,696</u>	<u>499,577</u>
Total	<u>\$1,912,442</u>	<u>\$1,968,551</u>	<u>\$1,665,565</u>	<u>\$1,828,070</u>	<u>\$1,895,027</u>	<u>\$1,716,879</u>

Total operating costs are approximately \$1.6 million with the personal services cost constituting 80 percent and contractual services (primarily for custodial, maintenance and research services) being 13 percent. The remaining seven percent is for supplies and materials, continuous charges, and other various expenses.

The Frontier Culture Museum has one capital outlay project to renovate a barn to use as a maintenance building. Frontier Culture spent \$92 on this project during 2005 and \$54,244 for maintenance reserves.

Jamestown-Yorktown Foundation

The Jamestown-Yorktown Foundation serves to educate and promote understanding and awareness of Virginia's role in the creation of the United States of America. The Foundation administers two living history museums: the Jamestown Settlement located in Williamsburg and the Yorktown Victory Center located in Yorktown. The sites depict the lives of English settlers and Powhatan Indians at the dawn of colonial America and the lives of continental army soldiers and Tidewater farming families during the Revolution.

The Foundation is actively working on a number of projects for the Jamestown 2007 Commemoration. The Foundation continues to make progress on 14 active projects, with one project, the Jamestown Central Support Complex, was substantially completed by the end of fiscal year 2005. The Foundation completed an additional project, the Visitor Reception and Café Building, during fiscal year 2004 and closed the project in 2005. The Foundation has a debt appropriation totaling \$66.9 million for projects in progress as of June 30, 2005. The Commonwealth has committed \$52.4 million in general obligation bonds and the Foundation has committed approximately \$14.5 million from other funding sources including general fund appropriations, museum revenue, and vehicle license plate revenue. The schedule in Appendix A presents the capital projects, budgets, funding sources, and total project expenses as of June 30, 2005.

The Foundation has affiliations with the following organizations, which are independently incorporated entities that exist for the sole purpose of soliciting, receiving, investing, and managing private donations for the Foundation. The net assets reported as of June 30, 2005, were as follows:

Jamestown-Yorktown Foundation, Inc.	\$9,515,613
Jamestown-Yorktown Educational Trust, Limited	4,934,778*

*as of December 31, 2005

Financial Highlights

The financial information below presents the Jamestown-Yorktown Foundation separately from its sub-agency, Jamestown 2007, due to the anticipated increase in revenues and expenses the Foundation will incur to plan and coordinate the event.

General Fund appropriations account for approximately 53 percent of the \$12.6 million in operating funding that the Foundation received for fiscal year 2005. Special revenues, constituting 47 percent, are from the collection of admission and other miscellaneous revenues, including a loan from the Jamestown-Yorktown Foundation, Incorporated.

The following chart illustrates the Foundation's original budget, final budget, and actual expenses for all of its funds.

	<u>2005</u>			<u>2004</u>		
	<u>Original Budget Chapter 4</u>	<u>Final Budget</u>	<u>Expenses</u>	<u>Original Budget Chapter 1042</u>	<u>Final Budget</u>	<u>Expenses</u>
General Fund appropriations	\$ 6,605,612	\$ 6,686,103	\$ 6,686,103	\$ 5,039,578	\$ 5,327,787	\$ 5,319,787
Special revenue fund	5,831,026	5,831,026	5,561,211	5,456,975	5,463,572	5,451,368
Federal	-	-	-	-	20,584	20,584
Total	<u>\$12,436,638</u>	<u>\$12,517,129</u>	<u>\$12,247,314</u>	<u>\$10,496,553</u>	<u>\$10,811,943</u>	<u>\$10,791,739</u>

Total operating costs of the Jamestown-Yorktown Foundation were approximately \$12 million with personal service cost constituting 73 percent and 27 percent for contractual services for custodial, maintenance, and research, and other miscellaneous expenses.

Jamestown 2007

All funds collected by Jamestown 2007 benefit the Jamestown-Yorktown Foundation's effort towards preparing for the 2007 commemoration. Jamestown 2007 received \$4.7 million in actual revenue for fiscal year 2005. About 93 percent of this revenue represents motor vehicle license fees shown as dedicated special revenue funds. The remaining seven percent primarily represents General Fund appropriation and miscellaneous revenues.

The following chart illustrates Jamestown 2007's original budget, final budget, and actual expenses for all of its funds.

Analysis of Budgeted and Actual Funding

	2005			2004		
	Original Budget Chapter 4	Final Budget	Expenses	Original Budget Chapter 1042	Final Budget	Expenses
General Fund appropriations	\$ 241,460	\$ 245,360	\$ 245,360	\$ 424,439	\$ 241,460	\$ 241,460
Special Revenue fund	23,565	100,234	89,525	5,023,565	30,164	30,164
Dedicated Special Revenue	<u>5,000,000</u>	<u>5,479,653</u>	<u>1,678,706</u>	<u>-</u>	<u>5,216,781</u>	<u>3,151,181</u>
Total	<u>\$5,265,025</u>	<u>\$5,825,247</u>	<u>\$2,013,591</u>	<u>\$5,448,004</u>	<u>\$5,488,405</u>	<u>\$3,422,805</u>

Jamestown 2007 spent approximately \$2 million during fiscal year 2005. About 59 percent of these expenses represent payroll services costs of Jamestown-Yorktown Foundation employees, 26 percent for contractual services, and 12 percent for transfer payments. The remaining three percent represents other operating expenses and acquisition of equipment.

Jamestown 2007 has an affiliation with Jamestown 2007, Inc. Jamestown 2007, Inc., is an independently incorporated entity that exists for the sole purpose of promoting the objectives and programs of Jamestown 2007 and soliciting private support for the commemoration. Net assets as of June 30, 2005, were \$4,215,473.

Internal Control Findings and Recommendations

Ticketing Improvements System

The Jamestown-Yorktown Foundation's Ticketing Improvements System will improve ticketing capabilities and provide enhanced services for the upcoming Jamestown 400th Anniversary commemoration. The Foundation must replace the existing ticketing system for several key reasons, including the system's inability to handle the expected increase in volume due to the 2007 commemoration. Also, the existing system is causing a loss in revenue because it cannot offer ticket packages with neighboring Colonial Williamsburg and Busch Gardens. Lastly, the current system will lose vendor support after July 1, 2007.

The Foundation put out an initial Request for Proposal (RFP) in November 2005, and after receiving proposals that did not conform to the specified requirements, they reissued the RFP. The re-issuance resulted in a one-month delay and minor reduction in scope, removing non-essential functionality. The second RFP yielded a vendor and the Foundation is currently in negotiations with Resort Technology Partners (RTP) for product and implementation services.

The Ticketing Improvements System has two central requirements. It must provide expanded ticketing capabilities and provide scheduling and resource management functionalities. In the negotiations, the Foundation discovered that the RTP product will satisfy the ticketing requirement; however, the scheduling and resource management component will require additional functional capabilities, requiring several added months of work. RTP has proposed a completion date of September 2006 for the additional functionality. The Foundation recently completed detailed project plans and is moving forward with a phased installation approach, beginning with the ticketing phase implementation in July 2006, and following with the

scheduling and resource management phase in September 2006. We are cautious of the project timeline due to the RFP delays causing a compressed period to complete the project.

Develop and Implement Written Policies and Procedures for the Capitalization of Capital Project Costs

Jamestown-Yorktown Foundation's policies and procedures are not sufficient to ensure proper and timely capitalization of capital project costs. During our review of fiscal year 2005 capital projects, we found the following:

- the Foundation did not capitalize any capital project expenditures during fiscal year 2004 in the Commonwealth's Fixed Asset Accounting and Control System (FAACS) and still had not correctly entered the amounts for both fiscal years 2004 and 2005 by the end of fiscal year 2005;
- the Foundation did not capitalize completed projects into their respective asset categories (i.e., buildings and or equipment) resulting in a \$16 million overstatement of non-depreciable capital assets, a \$16 million understatement of depreciable capital assets, and an understatement of depreciation expense for fiscal year 2005. The Foundation did make an entry after fiscal year end to capitalize these completed projects in FAACS; however, the Foundation capitalized three separate building assets as one building asset in FAACS; and
- of the amounts capitalized for completed projects, the Foundation does not have a consistent methodology for which costs to capitalize or expense. For two of the three projects discussed above, the Foundation capitalized the amount budgeted, rather than the amount spent. For the third project, the Foundation capitalized \$2 million less than the project's budget or costs.

The Commonwealth's Accounting Policies and Procedure's Manual (CAPP Manual) requires agencies doing the following:

- annually record capital project costs in the Construction-in-Progress account in FAACS at year-end until the project is complete. Upon completion, the agency should transfer the total cost to the appropriate fixed asset account, and
- review all project costs to determine if costs associated with capital projects are capital expenditures or current period expenses. The cost of buildings should include the purchase or construction cost; professional fees for architects, attorneys, appraisers or financial advisors; and any other expenditure necessary to put a building or structure within its intended state of operations. The cost also includes improvements to buildings. The main criteria for capitalizing building improvements is whether the expenditures significantly extend the useful life or significantly enhance the value of the individual building. Expenditures not meeting these criteria should be expensed.

The Foundation received significant funding for the capital projects associated with Jamestown 2007 and will need to report these projects in the Commonwealth's Comprehensive Annual Financial Report. Because these projects represent significant assets for the Commonwealth, it is important that the Foundation record these assets timely and accurately in FAACS. Inaccurate recording of these assets could result in a material misstatement of the Commonwealth's financial statements.

The Foundation should develop written procedures for the capitalization of project costs. These procedures should include a definition of capitalized costs versus expenses, ensure timely entry of costs into Construction-in-Progress, and verify subsequent transfer to the appropriate fixed asset account in FAACS. The Foundation should also correct any errors current noted above in FAACS.

Gunston Hall

Gunston Hall, located in Lorton, is a 550-acre national historic landmark and the former home of George Mason. Gunston Hall promotes and educates the public about 18th century life, as well as the historical significance and contributions of its owner.

Gunston Hall has affiliation with the Gunston Hall Regents Fund and Gunston Hall Foundation, an independently incorporated entity that exists for the sole purpose of soliciting, receiving, investing, and managing private donations for Gunston Hall.

Financial Highlights

General Fund appropriations account for 77 percent and special revenue funds constitute 23 percent of the \$687,947 in actual funding received in fiscal year 2005. Gunston Hall receives special revenue from admission receipts and funds provided by Gunston Hall’s private foundation for supplies and personnel expenses. The drop of \$180,535 between budgeted and actual special revenue reflects a failure to meet their special revenue estimate.

The following chart illustrates Gunston Hall’s original budget, adjusted budget, and actual funding received for all of their funds.

Analysis of Budgeted and Actual Funding

	<u>2005</u>			<u>2004</u>		
	<u>Original Budget Chapter 4</u>	<u>Final Budget</u>	<u>Expenses</u>	<u>Original Budget Chapter 1042</u>	<u>Final Budget</u>	<u>Expenses</u>
General Fund appropriations	\$525,623	\$529,349	\$527,849	\$507,339	\$516,949	\$515,260
Special Revenue fund	337,638	339,133	156,631	334,648	337,701	131,742
Federal	-	-	-	-	9,526	9,526
Total	<u>\$863,261</u>	<u>\$868,482</u>	<u>\$684,480</u>	<u>\$841,987</u>	<u>\$864,176</u>	<u>\$656,528</u>

Total operating and capital costs are approximately \$684,480 with personal services cost constituting 66 percent and 34 percent for supplies and materials, mechanical maintenance services, and other miscellaneous expenses.

Gunston Hall has approximately \$2.0 million in capital project funding from the sale of bonds issued through the Virginia Public Building Authority (VPBA) for additions to the Anne Mason Building. In addition to the VPBA bonds, Gunston Hall received funding from the private foundation and the remainder out of the General Fund. Gunston Hall spent \$3.1 million since the project began in 2001 and spent approximately \$534,000 during fiscal year 2005. The project has a scheduled completion date during fiscal year 2006.

Internal Control Findings and Recommendations

Strengthen Controls over Petty Cash Account

Petty cash accounts are inherently risky activities and therefore, require strong internal controls. Not having strong controls could allow non-compliance with state accounting policies and procedures, as well as allow errors and losses to go undetected.

Gunston Hall personnel used the petty cash fund for salary advances and reimbursement of an inappropriate purchase. However, there are no written policies and procedures or documentation of monthly reconciliations.

Management should establish written policies and procedures over the petty cash account. These policies and procedures should include guidelines for what is and is not an allowable item for payment from petty cash and follow state policy. The fiscal officer should also perform and document a reconciliation of the cash on hand and cash in the petty cash bank account at the end of each month. The director should review this reconciliation.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

August 9, 2006

The Honorable Timothy M. Kaine
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Thomas K Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited selected financial records and operations of **Virginia's Museums** for the year ended June 30, 2005. We conducted our audit in accordance with the standards for performance audits set forth in Government Auditing Standards, issued by the Comptroller General of the United States.

AUDIT OBJECTIVES

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Museums' internal controls, test compliance with applicable laws and regulations and review corrective actions of audit findings from prior year reports.

AUDIT SCOPE AND METHODOLOGY

The Museums' 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 and regulations.

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

- Revenues
- Expenses
- Payroll
- Liabilities

We performed audit tests to determine whether the Agency'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 and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Agency's operations. We tested transactions and

performed analytical procedures, including budgetary and trend analyses. We confirmed Foundation asset balances at June 30, 2005, with outside parties.

Audit Conclusions

We found that the Museums properly stated, in all material respects, the revenues and expenses recorded in the Commonwealth Accounting and Reporting System.

We noted a certain matter involving internal control and its operation that represent a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial processes being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. This material weakness describes the structural deficit at the Science Museum. We noted some additional matters involving internal control and its operation that we considered necessary to bring to management's attention. These matters are described within the section titled "Virginia's Museums Highlights and Financial Information" under the Gunston Hall, and Jamestown-Yorktown Foundation sections of this report, in the subsections entitled "Internal Control Findings and Recommendations."

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

EXIT CONFERENCE

We discussed this report with Management of the Museums at various exit conferences held during the weeks of August 14 and 21, 2006.

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

SW/kva

AGENCY RESPONSES

We discussed this report with Management at all of the Museums; however, the Museums of Natural History and Fine Arts have elected not to provide a response.

The responses for the Science Museum of Virginia, Frontier Culture Museum of Virginia, Jamestown-Yorktown Foundation, and Gunston Hall can be found on the following pages.



August 22, 2006

Mr. Walter J. Kucharski
Auditor of Public Accounts
The James Monroe Building
101 North 14th Street, 8th Floor
Richmond, Virginia 23219

RE: Response of the Science Museum of Virginia to
Virginia's Museums – Report on Audit ... June 30, 2005

We are pleased that your recent audit has documented the following progress at the Science Museum of Virginia.

- Of the six state agency Museums, only one had a better forecasting record for its non-general fund revenues than the Science Museum. [Table 1]
- The Science Museum has the highest level of non-state (“Special Revenue”) funding among the six museums (52%), reflecting well on our ability to leverage state tax dollars. [Table 2] (We are unhappy to note the converse: that among the six state agency museums, the Science Museum has the lowest level of state (General Fund”) operating support (48%), an unfortunate circumstance, given the critical nature of its science education mission and the obvious funding difficulties affecting all museums of the past few years.) We further note that the General Fund cuts of nearly \$1,000,000 per year in 2002 and 2003, and the resulting staff reduction from 116 to 80, greatly impaired the Museum’s ability to raise Special Revenues.
- In the analysis section for the Science Museum, the report says:
While the Science Museum’s actual funding in 2005 was \$9.3 million, total operating costs were approximately \$8.7 million ... [Page 6]
We are pleased to have recorded operations at a surplus and continuing improvement in financial performance.

We restate:

- The Science Museum closed the years ended June 30, 2005 and 2006 with a cash surplus;
- The Science Museum closed the year with its Accounts Payable lower than a year earlier and current within state prompt payment directives; and
- The Science Museum closed the year with a loan payable to the SMV Foundation of \$270,000, lower by \$130,000 than the previous year.
- The Science Museum has reduced its “structural deficit” as calculated by you from \$777,341 June 30, 2005 to \$350,832 June 30, 2006.

SCIENCE MUSEUM OF VIRGINIA

WALTER R.T. WITSCHY, PH.D., DIRECTOR

2500 WEST BROAD STREET, RICHMOND, VIRGINIA 23220-2054 • VOICE 804-864-1499 • FAX 804-864-1560 • www.smv.org
DANVILLE SCIENCE CENTER • VIRGINIA AVIATION MUSEUM • BELMONT BAY SCIENCE CENTER • RICE RIVERCENTER

We further provide that the Museum's staff and Board of Trustees have taken the following additional actions, in part because of consultations with you.

- The Trustees have charged the Strategic Planning Committee to consider the five-year implications of managing Museum finances to avoid all structural imbalances in funding, with a special concern to cost-of-living changes in personnel costs, and other uncontrollable increases (such as for utilities).
- The Trustees have charged the SMV Joint Finance Committee with meeting monthly (as of November 2005) to closely track Museum financial performance, and to receive reports from Museum staff weekly on critical performance indicators.
- The SMV Joint Finance Committee has already undertaken to consider in detail your recommendations regarding staffing of the Finance Department, defending against problems due to staff turnover, internal controls, and opportunities to outsource accounting functions.

In summary, the Museum staff and Trustees have in place plans to correct those elements of the Balance Sheet and Income Statement that have contributed to a structural deficit in the past few years. During this time of structural deficits, the Museum has adjusted to deep cuts in General Fund appropriations, to dramatic changes in local attendance patterns, and to a nationwide economic downturn affecting Science Museum admissions, and admissions at many museums across the country. Additionally, the Museum staff and Trustees have begun efforts to craft solutions to the other findings you present.

Sincerely,

A handwritten signature in black ink, reading "Walter R. T. Fitzke". The signature is written in a cursive style with a large, prominent initial "W".

Director
Science Museum of Virginia



COMMONWEALTH of VIRGINIA

Frontier Culture Museum of Virginia

P.O. BOX 810
STAUNTON, VIRGINIA 24402-0810
Telephone: (540) 332-7850
FAX: (540) 332-9989

Mr. Walter J. Kucharski
Auditor of Public Accounts
James Monroe Building
101 North 14th Street 8th Floor
Richmond, VA 23219
August 21, 2006

Dear Mr. Kucharski,

Thank you for providing the opportunity to comment on the portions of your department's audit of Virginia's Museums which pertain to the Frontier Culture Museum.

The Frontier Culture Museum is a unique – even among the Virginia Museums – living history site which requires specialized staffing and program reservations functions. We have streamlined our daily operations by adding human resource duties to the job description of the Operations Manager, who oversees administration and communications between departments and who serves as the administrative assistant to the Executive Director, by utilizing the Payroll Services Bureau, and by working closely with the non-profit 501c3 American Frontier Culture Foundation on development and marketing. These adjustments have proven to be efficient and cost-saving, and allow us the flexibility to respond to internal issues and to our customers on a daily basis expediently rather than working through layers of a distant bureaucracy; we look forward to developing similar arrangements as needed for other administrative and operational functions.

The Museum has procedures in place that ensure good internal controls within our administrative staff, including use of several wage positions to provide fiscal support instead of one full-time position. Based on the success of our work with the Payroll Services Bureau, we feel confident that any future outsourcing needs might be accomplished in a similar manner, with local agencies or departments in Richmond already structured to assist small agencies.

Regarding projected special fund revenue, in the past, the Frontier Culture Museum used total collections figures to estimate revenue; we have realized that these figures included some items that were actually reimbursements, and this error has since been corrected. Our current budgets' revenue projections are as accurate as possible, and show a significant improvement in accuracy over projections in past year's. I will look forward to speaking with you at your convenience should you have questions or need more information.

Sincerely,

A handwritten signature in blue ink, appearing to read "G. John Avoli".

G. John Avoli
Executive Director



Jamestown-Yorktown Foundation

P.O. Box 1607, Williamsburg, Virginia 23187-1607
(757) 253-4838 (757) 253-5299 Fax (757) 253-5110 TDD www.historyisfun.org



August 15, 2006

An Agency of the
Commonwealth of Virginia

Accredited by the
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H. Benson Dendy III
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Suzanne O. Flippo
Secretary

M. Kirkland Cox
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Philip G. Emerson
Executive Director

Mr. Walter J. Kucharski
Auditor of Public Accounts
James Monroe Building
101 North 14th Street, 8th Floor
Richmond, VA 23219

Dear Mr. Kucharski,

I have reviewed your Virginia's Museums 2005 report and appreciate the opportunity to respond to your comments and recommendations applicable to the Jamestown-Yorktown Foundation and Jamestown 2007. The Foundation values the APA's comments and will give serious consideration to the general and specific recommendations discussed in the audit.

Virginia's Museums Statewide Funding and Operating Issues

The audit correctly describes the museums' reliance on projected special revenues. We recognize the importance of making accurate projections for long-term fiscal health and to assess each museum's ability to offset its operating costs.

Given a high reliance on admissions and other earned income, the Foundation seeks to be conservative when estimating revenues and requesting appropriations. Such revenue projections represent the best estimates at the time they are made, and variances occur as the tourism market is subject to significant swings in magnitude, often without warning.

However, the more critical factor is whether the Foundation monitors its revenue collections in order to adjust spending and avoid operating deficits, including payroll. JYF staff monitors its admissions revenues monthly and makes internal budget and staffing adjustments as necessary in response to changing admissions levels, and takes pride in its performance. Further, the Foundation focuses considerable energy on its special revenue generating activities to ensure its reservations, marketing and development teams continue to refine their strategies to maximize non-general fund revenue production.

As I noted last year, suggestions for museums to share administrative functions have been raised in the past including consolidation of museums. The Rowland report completed in the early 1990s was the most detailed analysis of

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Mr. Walter J. Kucharski
August 15, 2006
Page 2 of 3

museum consolidation, involving extensive and active participation from museum staff, with the result of the museums maintaining their own autonomy.

Since that study was completed, our agency has taken advantage of opportunities to strengthen, consolidate and outsource administrative functions where possible in order to stretch resources, ensure better business practices and to comply with state guidelines. As directed by the Board of Trustees and the Department of Planning and Budget, we strive to maintain high professional standards and we are open to pursuing opportunities for additional operational efficiencies within our financial constraints. The new performance based budget and the strategic planning for the Commonwealth led by DPB and the enterprise application PPEA proposal currently under review by VITA are good examples of areas that will identify agency needs and help improve efficiencies.

Ticketing Improvements System

The Foundation successfully implemented the first phase of the ticketing software system in July 2006. Resort Technology Partners (RTP) has completed the development of additional functionality and the Foundation is completing testing of the enhancements. The current timeline will have the second phase of the installation completed ahead of the September 2006 target date. The functionality of the new system resolves the outstanding issues that existed with the prior ticketing system and staff has reviewed processes and workflow of the new system to maintain internal controls.

Develop and Implement Written Policies and Procedures for the Capitalization of Capital Project Costs

The Foundation was aware of deficiencies in recording capital project expenditures that had been exacerbated by the significant number of capital projects underway in preparation for the 2007 commemoration, general workload increases in accounting and staff turnover. The accounting staff developed a work plan late in fiscal year 2005 to address the deficiencies with a goal of reviewing all capital projects and ensuring that all capital expenditures were properly categorized and expensed by the close of fiscal year 2006.

While preparing the year-end directives, staff realized that assets had been misstated and immediately notified the Department of Accounts (DOA) of the error so that corrections could be made prior to release of the Commonwealth's Comprehensive Annual Financial Report (CAFR). Staff fully disclosed and discussed its prior procedures and the misstatement with APA staff conducting the fieldwork and advised both the APA and DOA of its plan to rectify the prior year misstatement, develop new procedures for capitalizing assets, and ensure that all capital projects expenditures are properly categorized and expensed by the close of fiscal year 2006.

Written policies and procedures have been developed and were used to correct the misstatement and update the Construction-In-Progress account and to capitalize completed projects. At the close of fiscal year 2006, entries into FAACs were made in accordance with the written policies and procedures.

Mr. Walter J. Kucharski
August 15, 2006
Page 3 of 3

I will be reviewing the audit findings with our Board of Trustees and discussing your comments with them. Please extend our appreciation to your staff for their assistance with this audit. Thank you for the opportunity to respond to your comments for publication with the report.

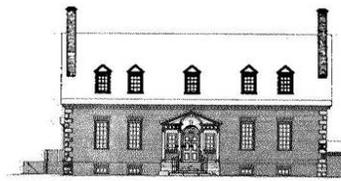
Sincerely,

A handwritten signature in black ink, appearing to read "Philip G. Emerson". The signature is fluid and cursive, with a large initial "P" and a long, sweeping underline.

Philip G. Emerson

PGE/JJL/lmo

cc: The Honorable Vincent F Callahan, Jr.
The Honorable Thomas K. Norment, Jr.
The Honorable M. Kirkland Cox
Mr. J. Jeffrey Lunsford
Ms. Jean L. Puckett



GUNSTON HALL

Home of George Mason
Mason Neck, Virginia 22079-3901

August 16, 2006

David L. Reese
Director

Office (703) 550-9220
Fax (703) 550-9480
dreese@gunstonhall.org

Mr. Walter J. Kucharski
Auditor of Public Accounts
101 North 14th Street, 8th Floor
Richmond, VA 23219

Dear Mr. Kucharski:

I welcome the opportunity to respond to comments relating to Gunston Hall in the Auditor of Public Account's Virginia Museums Report for 2005. Regarding the suggestion that Virginia Museums consolidate their operations, I do not believe that such a move would be practical or successful. The six museums supported by the Commonwealth (a science museum, a museum of fine arts, an historic house site, and outdoor museums showcasing Virginia's material culture) are vastly different. All have separate missions, unique maintenance concerns, distinct collections issues and different audiences. We are also geographically distant from one another. While it is important for us to communicate with staff from our sister museums, or consider collaborative events, it would be impractical to share employees, facilities, or services. A better way to unite these institutions is to improve our communications with state officials, and I am very pleased that Governor Kaine has, for the first time, appointed an Assistant Secretary of Education to deal exclusively with Virginia's museums. I look forward to working with Mr. Garcia.

Following the on-site audit, Gunston Hall has taken steps to address the concerns expressed by the auditor and has discussed the questions raised with the auditor in detail. Specific responses are reiterated below.

GENERAL COMMENT REGARDING ALL MUSEUMS:

. . . by not accurately projecting special fund revenues, policy makers, such as the General Assembly, assume that the Museums have the ability to collect and support a larger portion of their operating costs than they actually collect. . . .

This reliance on special fund revenue collections makes accurate projection and collection of special fund revenue essential for the long-term fiscal health of the museums. . . .

RESPONSE: As noted during the audit, Gunston Hall is already working with its budget analyst to correct this situation and to accurately estimate the amount of non-general funds anticipated to be received through admission fees and other private sources.

Mr. Walter J. Kucharski
Page Two
August 16, 2006

COMMENTS SPECIFIC TO GUNSTON HALL:

Strengthen Controls over Petty Cash Account

Petty cash accounts are inherently risky activities and therefore require strong internal controls. Not having strong controls could allow non-compliance with state accounting policies and procedures, as well as allow errors and loss to go undetected.

Gunston Hall personnel use the petty cash fund for salary advances and inappropriate purchases. However, there are no written policies and procedures or documentation of monthly reconciliations.

RESPONSE: Gunston Hall will closely follow State guidelines to ensure that petty cash funds are not inappropriately expended.

Regarding salary advances – the advance payment in question was issued to an employee whose hours were incorrectly calculated during payroll processing. Funds were repaid and re-deposited to the account when the next payroll was processed. We now understand petty cash funds may only be used for a salary advance for a wage employee's first paycheck.

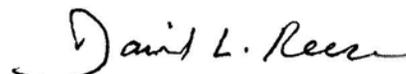
Management should establish written policies and procedures over the petty cash account. These policies and procedures should include guidelines for what is and is not an allowable item for payment from petty cash and follow state policy. The fiscal officer should also perform and document a reconciliation of the cash on hand and cash in the petty cash bank account at the end of each month. The director should review this reconciliation.

RESPONSE: The petty cash checking account is reconciled monthly with the bank statement and documentation is on that statement; change funds are counted daily and on-hand petty cash funds are monitored weekly. Following the auditor's recommendations, a specific form has been developed for monthly reconciliation of the complete petty cash account. The form reflects funds available, as well as those expended but not yet reimbursed.

Gunston Hall does not have separate policies and procedures, but follows the policies and guidelines in the CAPP Manual for petty cash, as well as all other financial transactions.

Gunston Hall's petty cash account is \$1500; of this \$700 is cash on hand for change funds and small purchases and \$800 is deposited with the bank.

Sincerely,



David L. Reese
Director

SCHEDULE OF CAPITAL PROJECTS AS OF JUNE 30, 2005

Project Number	Projects	Total Appropriations	General Fund
<u>The Science Museum of Virginia</u>			
16254	Adaptive Reuse of Transportation-Railroad Siding	\$ 900,000	\$ -
16537	Belmont Bay Life Science Center	5,000,457	457
16538	Addition to the Danville Science Center	5,027,897	18,897
16737	Renovation of East/West Terrace and Stormwater/Sewage System	3,473,871	-
16783	Imax Dome Infrastructure Renovations	2,000,000	-
<u>Virginia Museum of Natural History</u>			
16154	New Museum Facility	25,567,363	3,103,363
<u>Virginia Museum of Fine Arts</u>			
16011	Upgrade Fire Suppression	5,600,000	2,900,000
16439	Parking Deck	12,512,001	1,124,001
16495	Museum Expansion and Sculpture Garden	83,387,515	51,515
17043	Replace Cooling Tower	827,000	-
17125	Upgrade Security Systems	1,792,000	-
<u>Frontier Culture Museum of Virginia</u>			
16021	Restoration/Maintenance Building	967,304	17,304
<u>Jamestown-Yorktown Foundation</u>			
15894	Visitor Reception and Café	6,180,000	4,885,000
16024	Jamestown Interim Exhibit of the Collection	2,816,153	-
16025	Park Entry for Jamestown's 2007 Celebration	694,000	5,418
16026	Jamestown Theater and Exhibit Gallery	31,884,106	635,726
16027	2007 Commemorative Monument	29,200	29,200
16133	Jamestown Entrance Plaza, Parking Lots and Roadways	5,443,001	159,635
16469	Jamestown Riverfront Amenities and Shipwright Building	1,964,920	117,920
16472	Central Support Complex	7,492,940	217,231
16473	Jamestown Maintenance Building	841,315	33,315
16474	Jameswton Powhatan Village	1,911,371	78,950
16474	Jameswton Powhatan Village	1,911,371	78,950
16475	Jamestown Fort (Construction of 9 Buildings)	2,109,000	53,000
16476	Jamestwton Ships	4,094,420	26,550
16670	Jamestown 2007 Special Exhibition	5,325,000	-
16977	Replace JCSA Sewer Pump Station	377,000	-
16978	Renovate Yorktown Exhibits	1,395,000	-
17122	Improvements: Mathews Gallery Lighting	585,000	-
<u>Gunston Hall</u>			
16305	Additions to the Ann Mason Building	2,281,950	252,950

APPENDIX

Special Revenue	Bond Proceeds	Other	FY 2005 Expenditures	Prior Year Expenditures	Project Balance June 30, 2005
\$ 900,000	\$ -	\$ -	\$ 85,753	\$ 442,336	\$ 371,911
-	5,000,000	-	-	456	5,000,001
630,000	3,679,000	700,000	3,005,395	248,360	1,774,142
-	3,473,871	-	58,331	1,505,754	1,909,786
-	2,000,000	-	158,565	266,213	1,575,222
3,445,000	19,019,000	-	4,451,810	995,653	20,119,900
-	2,700,000	-	123,705	175,976	5,300,319
3,000,000	8,388,000	-	82,341	904,491	11,525,169
51,336,000	32,000,000	-	3,305,164	6,264,714	73,817,637
-	827,000	-	317	-	826,683
-	1,792,000	-	-	-	1,792,000
-	950,000	-	31,067	17,396	918,841
880,000	415,000	-	(45,374)	6,069,363	156,011
25,000	2,791,153	-	58,932	2,140,561	616,660
-	688,582	-	(1,554)	584,452	111,102
1,500,000	29,748,380	-	8,695,856	9,014,879	14,173,371
-	-	-	13,048	9,446	6,706
300,000	4,913,366	70,000	2,918,060	1,769,149	755,792
1,847,000	-	-	74,719	123,773	1,766,428
8,966	7,238,770	27,973	2,407,502	4,661,900	423,538
-	808,000	-	58,716	33,315	749,284
488,000	1,274,000	70,421	29,213	166,706	1,715,452
488,000	1,274,000	70,421	29,213	96,284	1,785,874
600,000	1,456,000	-	228,564	190,567	1,689,869
1,823,000	1,527,450	717,420	65,278	124,139	3,905,003
5,325,000	-	-	327	-	5,324,673
-	377,000	-	4,049	-	372,951
-	1,395,000	-	189,381	-	1,205,619
-	585,000	-	45,600	-	539,400
-	2,029,000	-	533,587	1,658,219	90,144

VIRGINIA MUSEUMS

The Science Museum of Virginia	Walter R. T. Witschey, Ph.D., Director
Virginia Museum of Natural History	Gette, Timothy - Executive Director/CEO
Virginia Museum of Fine Arts	Michael Brand, Director
Frontier Culture Museum of Virginia	G. John Avoli, Executive Director
Jamestown-Yorktown Foundation	Phillip G. Emerson, Executive Director
Gunston Hall	David Reese, Director

THE SCIENCE MUSEUM OF VIRGINIA

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