



VIRGINIA SCHOOL FOR THE DEAF AND THE BLIND

AUDIT OF SELECT CYCLES FOR THE YEAR ENDED JUNE 30, 2017

Auditor of Public Accounts
Martha S. Mavredes, CPA

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AUDIT SUMMARY

For the fiscal year ended June 30, 2017, we audited the Virginia School for the Deaf and the Blind's internal controls and compliance over petty cash, the capital asset inventory process, and the budget process. In addition, we followed up on all prior audit findings. We found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth's accounting and financial reporting system and the Commonwealth's fixed asset system related to the cycles listed above; and
- adequate corrective action with respect to prior audit findings, except for the finding entitled "Document Firewall Policies and Procedures and Continue to Develop and Implement an Information Security Program."

- TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
AUDIT FINDINGS AND RECOMMENDATIONS	1
AUDIT SCOPE OVERVIEW	2-3
INDEPENDENT AUDITOR'S REPORT	4-5
AGENCY RESPONSE	6
AGENCY OFFICIALS	7

AUDIT FINDINGS AND RECOMMENDATIONS

Continue to Develop an Information Security Program

Type: Internal Control and Compliance

Repeat: Yes (first issued in fiscal year 2015)

Prior Title: Document Firewall Policies and Procedures and Continue to Develop and Implement an Information Security Program

The Virginia School for the Deaf and the Blind (the School) is working with a third-party vendor to develop and document an information security program. The School and the vendor have a project timeline and expect to complete their work efforts by July 2019. Since January 2018, the School and the vendor developed an Information Security Program Manual (Manual) that includes policies, standards, and guidelines that cover all the control families in the Commonwealth's Information Security Standard (Security Standard), SEC 501, and their supporting procedures. The School and the vendor are developing procedures for each of the areas in the Manual such as change management and incident response.

In addition, the vendor and School reviewed the Business Impact Analysis, Data Classifications, and Risk Assessments for content and accuracy. These documents are essential for developing the School's contingency management documents such as a Continuity of Operations and Disaster Recovery Plan.

A complete and adequate information security program is particularly important because the School's Information Technology (IT) department, instead of the Commonwealth's IT Partnership with Northrop Grumman, manages certain parts of the School's network infrastructure. Without an adequate and complete information security program, the School cannot consistently implement IT controls.

The School should continue to work with the vendor and complete the milestones in the project timeline. Completing the information security program and having procedures to manage the School's IT environment will help secure the student network infrastructure and help to ensure the School complies with the requirements in the Security Standard.

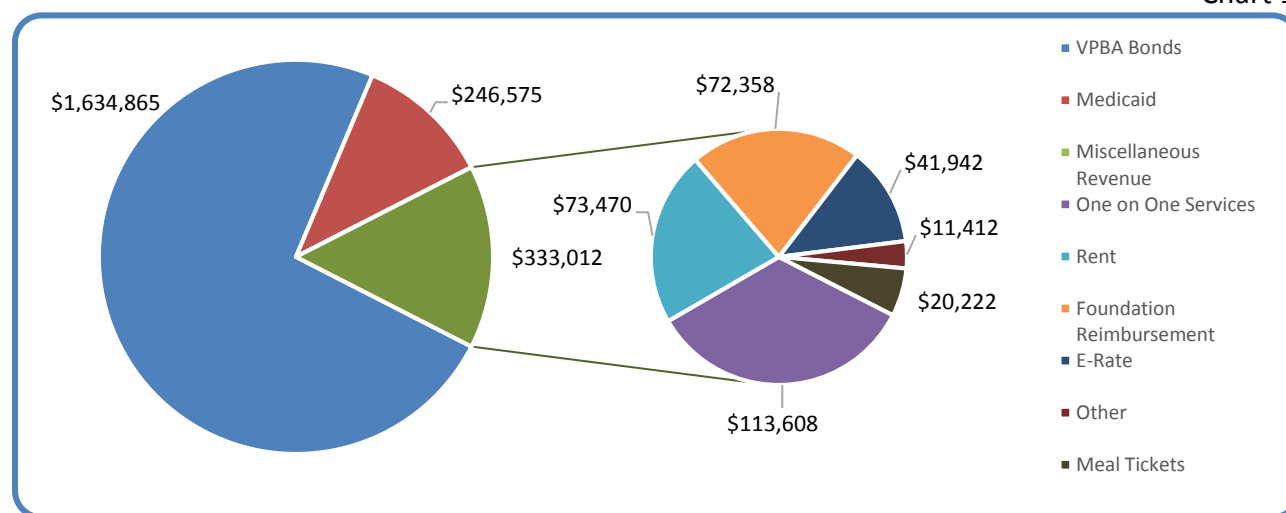
AUDIT SCOPE OVERVIEW

The School provides comprehensive instructional programs and residential services to children with sensory impairments and multiple disabilities from preschool through the twelfth grade. In addition, the School provides parent and infant services through a “Small Steps” program. Small Steps provides information, education, and support services to families with children age three and younger who are deaf, hard-of-hearing, blind, low vision, or deaf and blind. The growth, progress, and welfare of the School is promoted by the Virginia School for the Deaf and the Blind Foundation (Foundation). The Foundation is an IRS Code §501(c)(3) corporation that administers gifts, grants, bequests, and devices consistent with its terms and for the benefit of the School. The School’s specialized services are achieved through multiple revenue sources. The School’s revenue primarily comes from the following three categories: Virginia Public Building Authority (VPBA) bonds, Medicaid, and miscellaneous revenues.

We included follow up on all prior year audit findings as a primary objective of the audit. Our previous audit noted several internal control weaknesses related to proper accounting and recording of miscellaneous revenue. Miscellaneous revenues totaled \$333,012 for fiscal year 2017 and include the following sources: one on one services, rent, foundation reimbursement, E-Rate, and student fundraisers and donations. The School provides assistance to localities with onsite one on one specialized support, and in return receives reimbursement for these services. The School offers temporary lodging to students along with rental opportunities of their facilities, soccer fields, and basketball courts to the surrounding community. The Foundation reimburses the School for agreed upon expenses along with providing income from investments annually. The School takes part in the E-Rate program through the Department of Education, which offers reimbursements for telecommunication and internet expenses for schools and libraries. The remaining amount of miscellaneous revenue primarily comes from student fundraisers and donations acquired during the year. Chart 1 below details revenue by source for the year ended June 30, 2017.

Revenue by Source for the year ended June 30, 2017

Chart 1



Source: The Commonwealth’s accounting and financial reporting system

In addition to the prior year findings related to proper recording of revenue and receiving adequate reimbursement from the foundation mentioned above, we also followed up on prior year audit findings associated with information systems security and construction contract accounting. We found all prior year audit findings to be resolved except for the information systems security finding, which is included in this report in the section titled “Audit Findings and Recommendations.”

Additional objectives of this year’s audit included petty cash, which the School closed out as of June 30, 2017. We ensured that internal controls over the petty cash account’s usage during the year were reasonable and that the account close out was completed appropriately. We also reviewed the School’s budgeting process for reasonableness, since this is an important part of operations management. Furthermore, given the significance of capital assets, which are valued at over \$107 million as of fiscal year end, we performed procedures to verify that the School performed a full capital asset inventory every two years and that there were adequate internal controls and procedures in place during the inventory process.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 23, 2018

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission

We have audited petty cash, the capital asset inventory process, and the budget process of the Virginia School of the Deaf and the Blind (the School) for the year ended June 30, 2017. 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 with regard to petty cash, the capital asset inventory process, and the budget process were to evaluate the accuracy of transactions as recorded in the Commonwealth's accounting and financial reporting system and the Commonwealth's fixed asset system; review the adequacy of the School's internal controls; test compliance with applicable laws, regulations, contracts and grant agreements; and review corrective actions of audit findings from prior year reports.

Audit Scope and Methodology

The School'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 School'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 and records, and observation of the School's operations. We performed analytical procedures, including budgetary and trend analyses. We also tested details of transactions to achieve our objectives.

Conclusions

We found that the School properly stated, in all material respects, transactions recorded and reported in the Commonwealth's accounting and financial reporting system and the Commonwealth's fixed asset system, relating to the audit objectives.

We noted certain matters involving internal control and its operation and compliance with applicable laws, regulations, contracts and grant agreements pertaining to information systems security that require management's attention and corrective action. These matters are described in the section entitled "Audit Findings and Recommendations."

The School has taken adequate corrective action with respect to audit findings titled, "Improve Construction Contract Accounting," "Properly Record School Revenues," and "Obtain Adequate Reimbursement from the Foundation for Services Provided" reported in fiscal year 2015. The School's corrective action for "Document Firewall Policies and Procedures and Continue to Develop and Implement an Information Security Program" is on-going and re-issued as a part of the current year finding, "Continue to Develop an Information Security Program."

Exit Conference and Report Distribution

We discussed this report with management on June 6, 2018. Management's response to the finding 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

KRC/clj



COMMONWEALTH of VIRGINIA

Virginia School for the Deaf and the Blind

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(540)332-9000 Fax (540)332-9042

June 11, 2018

Ms. Martha Mavredes
Auditor of Public Accounts
PO Box 1295
Richmond, Virginia 23218

Dear Ms. Mavredes,

The audit for the fiscal year 2017 was recently completed. The process was very thorough and I was pleased with the results. Virginia School for the Deaf and the Blind (VSDB) continues to be committed to establishing and maintaining accounting procedures that result in effective operations and adherence to the state's accounting procedures. Please accept this letter as confirmation of the audit and the findings. As noted, VSDB continues to work to increase its IT security as noted and operating within established timelines to have the process completed in a timely manner.

VSDB strives to meet the needs of its students while adhering to the Commonwealth's policies. We appreciate the time and effort the APA has put forth to assist us.

Thank you

A handwritten signature in black ink that reads "Pat Trice".

Pat Trice
Superintendent

The Virginia School for the Deaf and the Blind does not discriminate on the basis of race, sex, color, national origin, religion, sexual orientation, age, political affiliation, veteran status, or against otherwise qualified persons with disabilities in its programs and activities.

VIRGINIA SCHOOL FOR THE DEAF AND THE BLIND

As of June 30, 2017

Patricia Fahed Trice
Superintendent

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