



# VIRGINIA SCHOOL FOR THE DEAF AND THE BLIND

## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF AUGUST 2024

Auditor of Public Accounts  
Staci A. Henshaw, CPA

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# Commonwealth of Virginia

## Auditor of Public Accounts

Staci A. Henshaw, CPA  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

September 9, 2024

Patricia Trice, Superintendent  
Virginia School for the Deaf and the Blind  
P.O. Box 2069  
Staunton, VA 24402

### INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for **Virginia School for the Deaf and the Blind** (School). We completed the review on August 2, 2024. The purpose of this review was to evaluate if the agency has developed adequate internal controls over significant organizational areas and activities and not to express an opinion on the effectiveness of internal controls. Management of the School is responsible for establishing and maintaining an effective control environment.

#### Review Process

During the review, the agency completes an Internal Control Questionnaire that covers significant organizational areas and activities including payroll and human resources; revenues and expenses; procurement and contract management; capital assets; grants management; debt; and information technology and security. The questionnaire focuses on key controls over these areas and activities.

We review the agency responses and supporting documentation to determine the nature, timing, and extent of additional procedures. The nature, timing, and extent of the procedures selected depend on our judgment in assessing the likelihood that the controls may fail to prevent and/or detect events that could prevent the achievement of the control objectives. The procedures performed target risks or business functions deemed significant and involve reviewing internal policies and procedures. Depending on the results of our initial procedures, we may perform additional procedures including reviewing evidence to ascertain that select transactions are executed in accordance with the policies and procedures and conducting inquiries with management. The "Review Procedures" section below details the procedures performed for the School. The results of this review will be included within our risk analysis process for the upcoming year in determining which agencies we will audit.

## **Review Procedures**

We evaluated the agency's corrective action for the 2021 internal control questionnaire review findings as well as the findings in the report titled "[Cycled Agency Capital Assets Review for the year ended June 30, 2020.](#)" The agency has taken adequate corrective action with respect to findings reported in the prior review and audits that are not repeated in the "Review Results" section below.

We reviewed a selection of system and transaction reconciliations in order to gain assurance that the statewide accounting system contains accurate data. The definitive source for internal control in the Commonwealth is the Agency Risk Management and Internal Control Standards (ARMICS) issued by the Department of Accounts (Accounts); therefore, we also included a review of ARMICS. The level of ARMICS review performed was based on judgment and the risk assessment at the School. Our review of the School's ARMICS program included a review of all current ARMICS documentation and a comparison to statewide guidelines established by Accounts. Further, we evaluated the School's process of completing and submitting attachments to Accounts.

We reviewed the Internal Control Questionnaire and supporting documentation detailing policies and procedures. As a result of our review, we performed additional procedures over the following areas: payroll and human resources; expenses; capital assets; and information technology and security. These procedures included validating the existence of certain transactions; observing controls to determine if the controls are effectively designed and implemented; reviewing transactions for compliance with internal and Commonwealth policies and procedures; and conducting further review over management's risk assessment process.

As a result of these procedures, we noted areas that require management's attention. These areas are detailed in the "Review Results" section below.

## **Review Results**

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

- **Repeat** - The School has formal, documented policies and procedures over many of its significant business processes. However, during our review, we identified several critical business areas where the School should develop or improve policies and procedures to maintain an effective control environment. Topic 20905 and other sections of the Commonwealth Accounting Policies and Procedures (CAPP) Manual require each agency to "publish its own policies and procedures documents, approved in writing by agency management." Management should ensure detailed policies and procedures exist for all critical business areas. In addition, management should continue to develop a process to review and approve all policies and procedures either annually or as needed and maintain documentation of the process.

- **Partial Repeat** – The School does not maintain documentation of its reconciliation of construction in progress (CIP) to the Commonwealth’s capital asset system. CAPP Manual Topic 30310 requires an agency to reconcile the CIP spreadsheet to the Commonwealth’s capital asset system at least quarterly to ensure accuracy and completeness of reported CIP amounts. The School should track CIP projects through a CIP spreadsheet by asset category, perform a reconciliation at least quarterly, and retain documentation of this process.
- **Partial Repeat** – The School did not record capital asset additions timely in the Commonwealth’s capital asset system. The School was also unable to provide supporting documentation of the asset acquisition date and valuation of one asset. In addition, the salvage value of one asset addition reviewed was not reasonable. CAPP Manual Topic 30205 requires agencies to post all assets, except in unusual circumstances, within 30 days after receipt and acceptance of the asset except at year end when agencies must record all accepted and received assets by the year-end close date to ensure agencies report assets in the correct fiscal year. Management should ensure that the personnel responsible records all capital assets timely and maintains supporting documentation for all assets.
- The School’s employee termination checklist does not require documented evidence of the completion of access removal to ensure the proper processing of separated employees. The School should update its termination checklist and document the systems for which it removes access.
- The School is not properly accounting for leases or grouping leases in accordance with Governmental Accounting Standards Board (GASB) Statement No. 87. The School does not have procedures for determining the interest rate to report, nor has it properly tracked all leases. In addition, the School does not have an established process for identification of leases. CAPP Manual Topic 31200, which references GASB Statement No. 87, requires agencies to group leases for recording in the lease accounting system to ensure proper classification of leases as long-term and short-term; and to evaluate explicit, implicit, and incremental borrowing rates before resorting to using the prime rate for a reasonable and accurate interest rate. Management should develop lease procedures that comply with GASB Statement No. 87 and properly record and classify leases in accordance with this standard.
- The School is not properly accounting for subscription-based information technology arrangements (SBITA) in accordance with GASB Statement No. 96. The School does not have an established process for identification of SBITAs. CAPP Manual Topic 31300, which references GASB Statement No. 96, requires agencies to determine and record the necessary accounting information in the Commonwealth’s lease accounting system based on the contract to ensure proper classification of long-term and short-term SBITAs; and to evaluate explicit, implicit, and incremental borrowing rates before defaulting to the prime rate for a

reasonable and accurate interest rate. Management should develop SBITA procedures that comply with GASB Statement No. 96 and properly record and classify SBITAs in accordance with this standard.

We discussed these matters with management on September 9, 2024. Management's response to the findings identified in our review is included in the section titled "Agency Response." We did not validate management's response and, accordingly, cannot take a position on whether it adequately addresses the issues in this report.

This report is intended for the information and use of management. However, it is a public record and its distribution is not limited.

Sincerely,

Staci A. Henshaw  
Auditor of Public Accounts

JDE/vks

# COMMONWEALTH of VIRGINIA

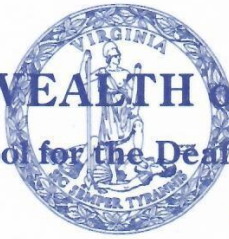
## Virginia School for the Deaf and the Blind

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September 10, 2024

Staci Henshaw  
Auditor of Public Accounts  
PO Box 1295  
Richmond VA 23218

Dear Ms. Henshaw:

The audit that was completed in 2024 was very thorough and VSDB is pleased with the findings. One area noted for management's attention was the need for more sufficient policies and procedures in several business processes. While desktop procedures were in place, they need to be more in depth and complete. Another area was maintaining the documentation for the construction in progress reconciliations. Going forward all information will be maintained electronically. Leases and subscription-based information technology arrangements (SBITAs) will be recorded.

Please accept this letter as confirmation of the audit and findings.

Thank you

A handwritten signature in cursive script, appearing to read "Pat Trice".

Pat Trice  
Superintendent

*As required for federal laws and regulations, the Virginia School for the Deaf and the Blind at Staunton does not discriminate on the basis of sex, race, color, religion, disability, or national origin in employment or in its educational programs and activities.*