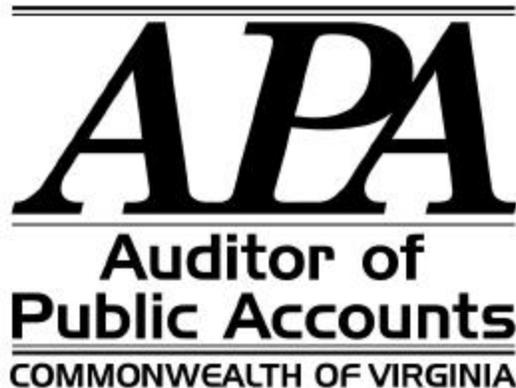


**DEPARTMENT OF EDUCATION INCLUDING
DIRECT AID TO PUBLIC EDUCATION
THE VIRGINIA SCHOOLS FOR THE DEAF AND BLIND
THE VIRGINIA SCHOOLS FOR THE DEAF AND BLIND
FOUNDATION
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2001**



AUDIT SUMMARY

Our audit included the Department of Education, Direct Aid to Public Education, the Virginia Schools for the Deaf and Blind, and the Virginia Schools for the Deaf and Blind Foundation. Our audit for the year ended June 30, 2001, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System for the Department of Education, Direct Aid to Public Education, the Virginia School for the Deaf and Blind in Staunton, and the Virginia School for the Deaf, Blind, and Multi-Disabled in Hampton;
- proper recording and reporting of transactions, in all material respects, in the accounting records for the Virginia Schools for the Deaf and Blind Foundation;
- internal control matters we consider reportable conditions; however, we do not believe that any of the reportable conditions are material weaknesses; and
- no instances of noncompliance that are required to be reported.

The Department of Education is the designated fiscal agent for the Comprehensive Services Act and we will issue a separate report on this activity.

- TABLE OF CONTENTS -

| | <u>Pages</u> |
|--|--------------|
| AUDIT SUMMARY | |
| INDEPENDENT AUDITOR'S REPORT | 1-2 |
| THE DEPARTMENT'S FUNCTIONAL AREAS | 3 |
| THE DEPARTMENT'S FINANCIAL AND OPERATIONAL HIGHLIGHTS | 3-4 |
| THE DEPARTMENT IN GENERAL | 5-9 |
| PROGRAMS IN THE DEPARTMENT OF EDUCATION | 9-10 |
| VIRGINIA SCHOOLS AND FOUNDATION FOR THE DEAF AND BLIND | 10 |
| INTERNAL CONTROL RECOMMENDATION | 11 |
| DEPARTMENT OF EDUCATION BOARD MEMBERS | 12 |

October 31, 2001

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department of Education including Direct Aid for Public Education, the Virginia School for the Deaf and Blind in Staunton, the Virginia School for the Deaf, Blind, and Multi-Disabled in Hampton, and the Virginia Schools for the Deaf and Blind Foundation** for the year ended June 30, 2001. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objective, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System and in the Department's accounting records, review the adequacy of the Department's internal control, and test compliance with applicable laws and regulations. We also reviewed the Department's corrective actions of audit findings from prior year reports.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances: expenditures, revenues and grant management.

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department'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.

The Department'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 and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and in the Department's accounting records. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted a certain matter involving internal control and its operation that we consider to be a reportable condition. A reportable condition involves matters coming to our attention relating to deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial records. We believe that the reportable condition is not a material weakness.

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

This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on November 19, 2001.

AUDITOR OF PUBLIC ACCOUNTS

SW:whb
whb:31

THE DEPARTMENT'S FUNCTIONAL AREAS

The Department of Education divides its operations up into four functional areas:

- Central Office
- Direct Aid to Public Education
- Comprehensive Services Act for At-Risk Youth and Families
- Virginia School for the Deaf and Blind in Staunton, the Virginia School for the Deaf, Blind, and Multi-Disabled in Hampton, and the Virginia School for the Deaf and Blind Foundation

The Department's Central Office provides general supervision of the public school system, provides training and technical assistance, and monitors local compliance with laws and regulations for all 132 school divisions. The Department also acts as a pass-through agency for State and Federal funds and determines the distribution of state money to local school divisions through direct aid to local school divisions.

During fiscal year 2001 the Department transferred over \$4.3 billion in state and federal funds to local school divisions. State dollars make up the majority of these funds, which support the Standards of Quality.

As the assigned fiscal agent for the Comprehensive Services Act for At-Risk Youth and Families (CSA), Central Office personnel process all payments to localities for services performed assisting at-risk youths. This includes the approval of all applications and reimbursement requests from local CSA agents (There will be a separate report for CSA.)

The Department also maintains operating control over the two Schools for the Deaf and Blind as well as the Deaf and Blind Foundation, Incorporated. These schools provide comprehensive instructional programs and services to children with serious auditory and visual impairments and multi-disabilities that local school divisions cannot serve, and the Foundation promotes the growth, progress, and general welfare of the schools.

THE DEPARTMENT'S FINANCIAL AND OPERATIONAL HIGHLIGHTS

The Department receives primarily General Fund appropriations. The Department also receives federal grants and collects fees for licensing teachers. The Department transfers over \$4.3 billion or 98 percent of the Department's total funding to local school divisions for direct aid to public education.

The Department has operating expenses of \$62.5 million of which approximately \$23.1 million (36.9 percent) pays payroll and benefits, \$18.3 million (29.3 percent) goes toward contractual services, which includes travel expenses and another \$19.1 million (30.5percent) goes toward supplies and materials. The Department's largest contractual services vendor is Harcourt Brace receiving approximately \$18 million during fiscal year 2001 for testing materials and services. The remaining funds pay for supplies, equipment, and property improvements for the central office.

The Virginia School for Deaf and Blind in Staunton, and the Virginia School for the Deaf, Blind, and Multi-Disabled in Hampton spent approximately \$7.68 and \$7.27 million, respectively. The Virginia School for the Deaf and Blind in Staunton budgeted \$3,791,080 for capital projects and maintenance reserve. During fiscal year 2001, capital project and maintenance reserve expenses totaled \$634,322.87 leaving \$3,156,757.13 unexpended for the fiscal year. The Virginia School for the Deaf, Blind, and Multi-Disabled in Hampton budgeted \$3,317,723 for capital project and maintenance reserve. During fiscal year 2001, capital project and maintenance reserve expenses totaled \$431,294.81 leaving \$2,886,428.19 unexpended for the fiscal year.

The following tables summarize the Department's total appropriations and expenses in fiscal year 2001 including the schools.

| | Appropriation and Revenue | Expenses | % of Total Expenses |
|---|---------------------------|--------------------|---------------------|
| Direct Aid to Public Education | \$ 4,409,118,296 | \$ 4,366,264,799 | 98.2% |
| Central Office Operations | 69,091,747 | 66,923,351 | 1.5% |
| Virginia Schools for the Deaf And Blind | 14,523,054 | 13,889,394 | 0.3% |
| Total | \$ 4,492,733,097** | \$ 4,447,077,544** | 100.00% |

SOURCE: Commonwealth Accounting and Reporting System Trial Balance (Report: 402 B1) for the year ended June 30, 2001

**Does not include capital project expenditures and revenue incurred by the Virginia Schools for the Deaf and Blind.

| Expenditure Object Code | FY00 | FY01 |
|---------------------------|--------------------|--------------------|
| Personal Services | \$ 31,262,088 | \$ 34,080,948 |
| Contractual Services | 28,771,729 | 19,606,826 |
| Supplies and Materials | 1,534,284 | 19,935,628 |
| Transfer Payments | 4,069,827,492 | 4,370,612,241 |
| Continuous Charges | 1,789,407 | 783,043 |
| Property and Improvements | 14,168 | 8,729 |
| Equipment | 2,743,876 | 2,054,347 |
| Plant and Improvements | 606,534 | (4,218) |
| Total | \$ 4,136,549,578** | \$ 4,447,077,544** |

SOURCE: APA CARS Report C832 for the year ended June 30, 2001

**Does not include capital project expenditures and revenue incurred by the Virginia Schools for the Deaf and Blind.

| | Direct Aid to Public Education | Central Office Operations | Virginia Schools for the Deaf And Blind |
|---------------------------|--------------------------------|---------------------------|---|
| General Fund Expenses | \$ 3,906,718,295 | \$ 46,676,116 | \$ 12,835,070 |
| Non-General Fund Expenses | 2,463,974 | 2,284,968 | 586,676 |
| Federal Fund Expenses | 457,082,530 | 17,962,267 | 467,648 |
| Total | \$ 4,366,264,799 | \$ 66,923,351 | \$ 13,889,394 |

SOURCE: Commonwealth Accounting and Reporting System Trial Balance (Report: 402 B1) for the year ended June 30, 2001

| | Percent of Direct Aid to Public Education | Amount of Direct aid to Public Education (in millions) |
|---------------------------------|---|--|
| SOQ | 61% | \$ 2,648 |
| Special State Revenue Sharing | 20% | 888 |
| Categorical Aid | 9% | 402 |
| Public School Employee Benefits | 6% | 266 |
| Other | 4% | 162 |
| Total | 100% | \$ 4,366 |

SOURCE: Commonwealth Accounting and Reporting System Summary of Expenditure Transactions by Fund and Subprogram (1408 A1) for the year ended June 30, 2001

THE DEPARTMENT IN GENERAL

The Department consists of eight separate divisions: Accountability, Assessment and Reporting, Finance, Instruction, Instructional Support Services, Policy and Public Affairs, Teacher Education and Licensure, and Technology. Approximately 359 employees work in these eight divisions whose purpose it is to monitor, review, provide technical assistance, and calculate state aid for local school divisions. The Central Office staff provides direct administrative support to aid localities.

For fiscal year 2001, Standards of Quality (SOQ) funding made up approximately 61 percent of all aid sent to local school divisions with another 20 percent from Special State Revenue Sharing.

Special State Revenue Sharing consists of a portion of net revenue from the state sales and use tax and lottery profits. Sales and use tax disbursements go to each school division using census data of school-age children within the school division. The school divisions receive Lottery profit allocations based on the number of students reported for each school division in the spring multiplied by the per pupil amount determined by the General Assembly.

The Department calculates most state entitlement payments based on the average daily membership for each school division and the total appropriation. At the beginning of the fiscal year, the Department calculates 24 equal installment payments to each school division. After each school division reports its actual average daily membership as of March 31, the Department adjusts the remaining installment payments to reflect each school division's actual average daily membership.

DIRECT AID TO PUBLIC EDUCATION

The Standards of Quality set minimum standards for the programs and services each local school board should provide. The Department allocates funds to each locality based on information gathered from local school divisions, following the provisions of the Appropriation Act and federal grant agreements. In addition to providing funds to localities, the Department also transfers federal assistance to other state agencies that administer educational programs.

The following table shows expenditures in direct aid to public education over the last five years. In 2001, total direct aid expenditures increased by over \$300 million (5 percent). This growth can be attributed to increased student enrollment, growth in per pupil costs, and growth in revenue source dedicated to public education, such as sales tax. In fiscal year 2001, the General Assembly appropriated \$310 million from lottery proceeds for public education. The local school divisions must use 50 percent of these funds for school construction and renovation, infrastructure, technology, modernization, or debt service payments. The School Division may use the remaining 50 percent of the lottery proceeds for any education purpose.

| Fiscal Year | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|--------------|--------------|--------------|--------------|--------------|
| Direct Aid to Localities Expenditures * | \$ 3,259,616 | \$ 3,405,147 | \$ 3,874,590 | \$ 4,065,104 | \$ 4,366,265 |
| Total Students | 1,085,716 | 1,100,002 | 1,110,846 | 1,121,780 | 1,130,446 |
| Per Pupil Expenditure ** | \$ 3,002 | \$ 3,096 | \$ 3,488 | \$ 3,624 | \$ 3,862 |
| Total Teachers | 80,879 | 82,666 | 84,283 | 85,817 | 89,872 |

* Dollars in thousands

** Per Pupil Expenditure is the Direct Aid to Localities Expenditures divided by total students

CENTRAL OFFICE

The central office supervises the public school systems and monitors their compliance with laws and regulations. The central office staff process and monitor the disbursement of state and federal funds to local school divisions, as well as perform on-site reviews to ensure local school divisions comply with state and federal regulations. The central office also issues teacher licenses and maintains the Virginia Public Education Network, an online resource that allows schools to receive and exchange information with the Department and other educational entities. Central office is broken into the following eight divisions.

- **Accountability:** comprised of three separate units: Accreditation, Federal Monitoring, and Governor's Best Practice Centers.
 - Accreditation: coordinates the accreditation program for K-12 public schools and works with local school divisions and parents in matters related to home schooling. One of the primary focuses of the work with the accreditation program is the development of a process for and conducting of academic reviews in schools rated Accredited with Warning (in specific academic area or areas). During the school year 2000-01, the unit conducted reviews in 211 schools. In the 2001-02 school year, the unit plans to review approximately 130 schools. In addition, this unit responds to inquiries from local school divisions and the public on matters relating to compulsory school attendance, the Standards of Quality, home schooling, and religious exemptions.
 - Federal Monitoring: coordinates monitoring procedures with personnel from the Division of Instructional Support Services and conducts monitoring visits to 20 or more school divisions each year. This unit does follows up on corrective action plans developed by local school divisions outlining their efforts to maintain compliance with the federal requirements for the Title I, Title VI, Vocational Education, Special Education, and Adult Education federal programs.
 - Governor's Best Practice Centers: comprises eight regional centers that support and serve as a resource to school divisions and individual schools to help ensure they meet the *Regulations Establishing Standards for the Accreditation of Public Schools in Virginia*. The centers also assist local school divisions to provide professional development and research activities for administrators and teachers on the Standards of Learning tests and the analysis of test data to make instructional decisions to improve student achievement.
- **Assessment and Reporting:** implements the state mandated testing programs including the Standards of Learning Assessment Program, the Literacy Passport Testing Program and the Virginia State Assessment Program (Stanford 9 achievement testing), develops, produces, and disseminates the School Performance Report Cards, and contributes to the Standards for Accrediting Schools.
- **Finance:** comprised of 4 separate units: Accounting, Budget, Support Services, and School Nutrition.
 - Accounting: has responsibility for payments, fund handling, and reporting following state and federal regulations.
 - Budget: develops the biennial budgets for Central Office Operations and Direct Aid to Public Education. Once this data is developed, the budget office disseminates the

information to school divisions and central office personnel involved with executing the budget during the biennium. Budget also insures funding is allocated to school divisions as proposed in the budget, monitors expenditures against appropriations for both the Central Office and Direct Aid budgets, and makes budgetary and appropriations adjustments to the Central Office and Direct Aid budgets as needed. Budget staff also provide support to the General Assembly process in areas such as fiscal impact statements, development of new funding formulas, and reconciling appropriations. Other functions include development of reports, technical and information assistance to school divisions and interest groups/general public, and support state level officials.

- Support Services: provides technical and practical advice on the planning, construction, and maintenance of public schools in response to requests by local school divisions, architects, educational facility planners, and the public. Support Services also administers contracts, purchasing, agency warehouse, mail services, printing, record management, and fixed asset accounting. The unit provides technical assistance to school divisions to enable them to provide transportation for the students enrolled in public schools.
- School Nutrition: administers the federally funded National School Lunch, School Breakfast, Special Milk, and the After School Snack Programs for all public schools and public Residential Child Care Institutions and ensures compliance with all federal and state regulations governing these programs. The unit provides technical assistance and training to all local school divisions in developing nutrition programs that maintain nutrition integrity, maintain financial accountability, and manage federal and state funds.
- **Instruction**: comprised of five separate units: Adult Education and Literacy Services, Secondary Instructional Services, Middle Instructional Services, Elementary Instructional Services, and Career and Technical Education.
 - Adult Education and Literacy Services: provides support for adult education and literacy services, with priority on the development and expansion of quality family literacy and workplace education programs.
 - Secondary Instructional Services: provides technical assistance to school divisions to implement the Standards of Learning (SOL) program. The assistance is primarily field services in the form of training for secondary teachers and administrators, creating and reviewing secondary curricular materials, assisting with the development of SOL assessments, and advising on policy issues on instruction. Specialists work with other divisions on issues about instruction, such as teacher licensure and instructional support services. Other programs administered within the unit include the Governor's Schools and the Foreign Language Academies.
 - Middle Instructional Services: serves as the source of technical assistance for specific and general middle school subjects. The unit has individuals with specific knowledge in the six to eighth grade core Standards of Learning in history, english, mathematics, and science as well as the K-12 SOL health/physical education/driver education and music. Other technical assistance is available in the areas of: remedial education initiatives, staff development, research-based instructional strategies, and curriculum development.
 - Elementary Instruction Services: provides technical assistance on subject specific as well as general preschool and elementary knowledge. The unit has individuals with

- specific knowledge in the K-5 core Standards of Learning in history, english, mathematics, and science as well as the K-12 SOL health/physical education. Other technical assistance is available in the areas of quality preschool programs, remedial education initiatives, staff development, research-based instructional strategies and curriculum development.
- Career and Technical Education Services: administers and monitors federal and state vocational grants by providing technical assistance, approving reimbursements requests, and performing on-site monitoring for localities.
 - **Instructional Support Services**: comprised of four separate units: Compensatory Programs, Special Education and Student Services, Due Process and Complaints, and State Schools and State Operated Programs.
 - Compensatory Programs: administers and monitors Title I, Title VI, Safe & Drug Free schools, Migrant Education, and Homeless Education federal grants. The unit provides technical assistance, approves reimbursements, reviews self-assessments, participates in on-site visits, and reviews local applications for localities. In addition, they provide regional alternative education programs that offer educational services to students who are on long-term suspension or expulsion.
 - Special Education and Student Services: administers state and federal Special Education programs and services. This unit collects data from the localities, receives federal grant monies, reviews and approves locality reimbursement requests, and budgets allocations to local school divisions.
 - Due Process and Complaints: investigates complaints alleging non-compliance with state and federal special education requirements and manages the state due process system.
 - State Schools and State Operated Programs: provides supervision to the Virginia School for the Deaf and the Blind at Staunton, and the Virginia School for the Deaf, Blind, and Multi-disabled at Hampton. The unit supervises educational programs in state schools, mental facilities, medical hospitals, regional and local juvenile detention homes, and private and public long term childcare facilities.
 - **Policy and Public Affairs**: conducts analyses and studies of educational issues for the Department, the Superintendent of Public Instruction, the Board of Education, and the Secretary of Education. The studies and analyses include legislative summaries of proposed bills, position papers, briefing documents, research papers, and oral presentations. The Policy Office also provides technical support to the local school divisions and the general public through responses to questions concerning guidelines, regulations, laws, and other state policies affecting public schools. The Communications Office maintains media relations and external communications, including Web-based, video, and print productions. The Board of Education Liaison Office provides professional and administrative support to the State Board of Education and serves as staff coordinator for the regulatory review process.
 - **Teacher Education and Licensure**: issues licenses for over 90,000 instructional school personnel and coordinates the approval of teacher education programs in Virginia's 37 institutions of higher education that prepare teachers, administrators, and other school personnel. The

division provides technical assistance and evaluation of teacher education programs, as well as develops and administers career switcher alternative routes to licensure.

- **Technology:** comprised of three separate units: Instructional Media and Training, Information Technology, and Teleproduction Services
 - Instructional Media and Training: provides planning, coordinating, directing, and supporting of state educational technology initiatives and programs. The five service areas in this unit include: educational technology planning, instructional computing hardware and networking, instructional computing software, instructional television utilization and school library media.
 - Information Technology: provides information technology support for the Department as well as technical outreach to school divisions. The four functional areas of this unit include: system development, data administration, engineering support, and external technical services.
 - Teleproduction Service: utilizes studio and remote production capabilities to provide live statewide and national broadcast of staff development programs, courses, DOE Hour, informational programs and interviews. This department maintains a video lending library, and provides e-rate technical support, a federally funded authorized program. It also maintains the Virginia Satellite Educational Network which provides courses, particularly advanced placement courses, to schools where there are too few students to justify hiring a teacher, or when a qualified teacher is unavailable.

PROGRAMS IN THE DEPARTMENT OF EDUCATION

STANDARDS OF ACCREDITATION

The Board of Education adopted revisions to the *Regulations Establishing Standards of Accrediting Public Schools in Virginia*. The revisions became effective September 28, 2000, for the 2000-2001 school year. The regulations include provisions that raise academic achievement standards for students, increase the high school graduation requirements, increase instructional time, and establish a school report card for parents and community.

STANDARDS OF LEARNING

During fiscal year 2001, the Board of Education adopted revisions to the Standards of Learning, the essential knowledge, skills, and processes that students should learn in certain grade levels and subjects. The board adopted revised Standards of Learning for health, physical education, driver education, history, and social sciences. The board also approved a review schedule for all Standards of Learning areas. The schedule calls for a review of all standards at least every seven years.

GOVERNOR SCHOOLS

By the end of fiscal year 2001, Virginia had 42 Governor Schools, a state and local supported program that provides academic year and summer courses for gifted students. The schools consist of 7 Summer Residential Governor Schools, 20 Summer Regional Governor Schools, and 15 operational Academic-Year Governor Schools. The Board of Education approved an additional Academic-Year Governor's School and anticipates the opening in September 2002, pending the allocation of funds by the

2002 General Assembly. Summer Residential Governor Schools enrolled approximately 750 students and had more than 100 teachers/mentors/staff. Summer Regional Governor Schools enrolled approximately 1,600 students and had 300 teachers, and Academic-Year Governor Schools had enrolled approximately 7,000 students and more than 275 teachers. The Department also supports the Governor's Foreign Language Academies, which offer French, Spanish, German, Japanese, Latin, and Russian language programs. These academies employ 26 teachers who teach approximately 286 students.

CHARTER SCHOOLS

Charter Schools are public, nonsectarian, nonreligious, or nonhome-based schools located within a public school division. A charter school may be a new public school or through the conversion of all or part of an existing public school. Any person, group, or organization may submit an application to develop a charter school to the local school board only in school divisions where the school board has adopted a resolution to accept charter applications. Charter schools are subject to the requirements of the Standards of Quality, including the Standards of Learning and the Standards of Accreditation.

Charter schools receive state and federal funding but also may receive gifts, donations, or grants. The federal Public Charter Schools Program awarded the Department a three-year grant for \$2.1 million to financially assist developing charter schools with startup costs. There are currently nine charter schools in Virginia. Eight of these schools have submitted grant applications to the Department for the federal startup funds in the amount of \$130,000 and the Department approved all eight grant applications.

VIRGINIA SCHOOLS AND FOUNDATION FOR THE DEAF AND BLIND

The Virginia School for Deaf and Blind in Staunton and the Virginia School for Deaf, Blind, and Multi-Disabled in Hampton each have an advisory commission that monitors operations and submits recommendations to the Board of Education. These two schools provide educational services for students with sensory impairments from birth to age 22. The school in Staunton provides a program of study that offers a standard diploma, a modified standard diploma, and an Individualized Education Program diploma. The school in Hampton provides a program of study that offers an Individualized Education Program diploma. The schools provide academic and vocational education, as well as other services such as speech therapy, health services, and guidance counseling. The location of the student's permanent home determines which school the child attends, with the exception of multi-disabled students. Multi-disabled students attend the Hampton school, which has the facilities for these students. Most students live on campus during the week and receive transportation home on the weekends.

Most of the schools' funding comes from General Fund Appropriations. The schools also receive funds from local school divisions, federal grants, and income from the foundation. The majority of the schools' expenses are payroll, campus maintenance, and capital projects.

The Virginia Schools for the Deaf and Blind Foundation, Incorporated, raises funds for the schools and aids in existing and future enterprises involving the Schools. The Assistant Superintendent of Finance serves as the Secretary/Treasurer of the Foundation and oversees the actions of the Foundation's investor and reports financial activities to the Board of Education, the governing board for the Foundation. The Board meets approximately once a year, exclusively for the Foundation to approve budgets, review financial reports, and set investment policies if needed. Annually, the schools receive income from the Foundation's investments, which they must spend in accordance with a plan submitted to the Foundation's board. The Foundation operates on a calendar year. From January 1, 2000 to December 31, 2000, the Foundation paid \$71,442 to the Staunton school and \$17,368 to the Hampton school. The market value of the Foundation's investments as of December 31, 2000, was \$2,861,625.

INTERNAL CONTROL RECOMMENDATION

Review Systems Internal Control Planning

Education has updated its Business Impact Analysis and Contingency Management Plan, and has a draft of its Information System Safeguard Policy. All of these documents address the minimum criteria of the Department of Information Planning standards and guidelines and Education's current operating environment.

Management, beyond the information technology unit, needs to determine if these documents serve as an adequate means to address some of Education's longer term objectives for exchange information with the local school divisions, moving to a more automated processing of fiscal transaction, and enhancements to the exchange of electronic information. As Education moves to a more sophisticated technology we do not believe the current documents will provide the assistance needed to address these technologies. Therefore, management will need to either recommend enhancing these documents or develop independent plans in these three critical areas.

DEPARTMENT OF EDUCATION

BOARD MEMBERS

As of June 30, 2001

Kirk T. Schroder, President

Susan T. Noble, Vice President

Mark C. Christie

M. Scott Goodman

Audrey B. Davidson

Gary L. Jones

Susan L. Genovese

Ruby W. Rogers

