



A REPORT  
TO THE  
MONTANA  
LEGISLATURE

FINANCIAL-COMPLIANCE AUDIT

*Montana School  
for the  
Deaf and Blind*

*For the Two Fiscal Years Ended  
June 30, 2008*

OCTOBER 2008

LEGISLATIVE AUDIT  
DIVISION

08-22A

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# LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor  
Monica Huyg, Legal Counsel



Deputy Legislative Auditors  
James Gillett  
Angie Grove

October 2008

The Legislative Audit Committee  
of the Montana State Legislature:

This is our financial-compliance audit report on the Montana School for the Deaf and Blind (school) for the two fiscal years ended June 30, 2008. This report contains one recommendation where the school can improve compliance with state accounting policy. The school's written response to the audit recommendation is included at the end of the audit report.

We thank the Superintendent and the school staff for their cooperation and assistance during the audit.

Respectfully submitted,

*/s/ Tori Hunthausen*

Tori Hunthausen, CPA  
Legislative Auditor



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## APPOINTED AND ADMINISTRATIVE OFFICIALS

### Montana School for the Deaf and Blind

Steve Gettel, Superintendent

Diane Moog, Principal

Bill Sykes, Business Manager

### Board of Public Education

Brian Schweitzer, Governor\*

Linda McCulloch, Superintendent of Public Instruction\*

Sheila M. Stearns, Commissioner of Higher Education\*

		<u>Term Expires</u>
Patty Myers, Chairperson	Great Falls	2014
Angela McLean, Vice Chairperson	Anaconda	2013
Storrs Bishop	Ennis	2010
Sharon Carroll	Ekalaka	2012
Cal Gilbert	Great Falls	2011
Dr. Kirk Miller	Bozeman	2009
Bernard Olson	Lakeside	2015
Katie Wood, Student Representative	Laurel	2009

\*ex officio members

Steve Meloy, Executive Secretary

For additional information regarding the school, contact:

Steve Gettel, Superintendent  
 Montana School for the Deaf and Blind  
 3911 Central Avenue  
 Great Falls, MT 59405-1697  
 Office: (406) 771-6000  
 e-mail: sgettel@msdb.mt.gov

# REPORT SUMMARY

## Montana School for the Deaf and Blind

This audit report contains the results of our financial-compliance audit of the Montana School for the Deaf and Blind (school) for the two fiscal years ended June 30, 2008. The recommendation in this report is related to noncompliance with state accounting policy. The prior audit report contained no recommendations to the school.

We issued an unqualified opinion on the financial schedules contained in this report. The reader may rely on the financial information presented in the financial schedules and the supporting data on the state’s accounting system.

The listing below serves as a means of summarizing the recommendation contained in the report, the school’s response thereto, and a reference to the supporting comments.

### Recommendation #1

We recommend the school implement procedures for monitoring and testing its internal control procedures.....	3
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# Chapter I – Introduction

## Introduction

We performed a financial-compliance audit of the Montana School for the Deaf and Blind (school) for the two fiscal years ended June 30, 2008. The objectives of our audit were to:

1. Determine the school's compliance with selected state laws and regulations.
2. Obtain an understanding of the school's internal controls to the extent necessary to support our audit of the financial schedules and if necessary, make recommendations for improvements in the office's management and internal controls.
3. Determine if the school's financial schedules are fairly presented for each of the two fiscal years ended June 30, 2008.

In accordance with section 5-13-307, MCA, we analyzed and disclosed the cost, if significant, of implementing the recommendation made in this report. Areas of concern deemed not to have significant effect on the successful operations of the school are not specifically included in the report, but have been discussed with management.

Areas of concern, if any, regarding compliance with laws and regulations and state accounting policy deemed not to have a significant effect on the successful operations of the school's programs are not specifically included in this report, but have been discussed with management.

## Background

The Montana School for the Deaf and Blind (school) is a state supported special purpose school and an integral part of the Montana public education system. In accordance with its statutory mandates, the school serves two primary functions. First, by the use of specialized instruction and training, the school provides an education for deaf/hard of hearing and visually impaired children that is commensurate with the education provided to nondisabled children in local school districts. This education enables children being served by the school to become independent and self-sustaining citizens.

Second, the school serves as a consultative resource for parents of deaf/hard of hearing and visually impaired children not yet enrolled in an educational program and for school districts where deaf/hard of hearing and visually impaired children are receiving educational services. Upon request, the school outreach staff provide consultation and technical assistance to the families, teachers, and administrators of more than 300 sensory impaired infants, toddlers, and school aged children across the state.

At the end of the fiscal year 2007-08, the school was providing services to the following constituents:

- ◆ Educational placement for 20 visually impaired and 38 deaf/hard of hearing students.
- ◆ Interpreter tutor services for 15 deaf/hard of hearing students who take some or all of their classes in a mainstream setting.
- ◆ Residential living and health services for 23 students who attend the school.
- ◆ Educational evaluations for 16 students referred by their local school districts and audiological assessments for 267 children referred through the Outreach Program.
- ◆ Consultation services to local preschool/Headstart programs, local school districts, and parents through the school's Outreach Program to 384 students in 92 school districts and communities across the state.
- ◆ Home-based early educational intervention services through the school's Family Advisor Program for 32 deaf/hard of hearing or visually impaired infants and toddlers across the state.
- ◆ Specialized educational materials to 16 visually impaired students at the school and 13 school districts throughout Montana.
- ◆ Family Learning Weekends for 129 parents, siblings, and educators of visually impaired children and 181 parents, siblings, and educators of deaf/hard of hearing children as well as summer skills camps for 12 deaf/hard of hearing and 7 visually impaired students.

At the end of fiscal year 2007-08, the school was comprised of four programs with the following FTE: Administration, 5; General Services, 4; Student Services, 29.74; and Education, 49.87.

## Chapter II – Findings and Recommendation

### Internal Controls

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**The school has not fully implemented its internal control procedures.**

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State accounting policy outlines management’s responsibility for establishing and maintaining agency internal controls to safeguard and account for the resources entrusted to them to carry out government programs. To assist agencies with the implementation process, the Department of Administration issued an Internal Control Guidebook. The guide includes an internal control evaluation and monitoring plan, which recommends agencies monitor and test its internal controls and evaluate and report the results of its testing.

We found during the course of our audit that the school has documented its control procedures. However, at the end of fiscal year 2007-08, the school had not established a plan to monitor and test its internal controls. In addition, no actual testing or monitoring has been completed. The school should develop and implement monitoring and testing procedures to comply with state policy.

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**RECOMMENDATION #1**

*We recommend the school implement procedures for monitoring and testing its internal control procedures.*

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# Independent Auditor's Report And School Financial Schedules



Tori Hunthausen, Legislative Auditor  
Monica Huyg, Legal Counsel



Deputy Legislative Auditors  
James Gillett  
Angie Grove

## INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee  
of the Montana State Legislature:

We have audited the accompanying Schedules of Changes in Fund Balances & Property Held in Trust, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures of the Montana School for the Deaf and Blind for each of the fiscal years ended June 30, 2008, and 2007. The information contained in these financial schedules is the responsibility of the school's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial schedules are prepared on the basis of Montana state accounting policy, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The schedules are not intended to be a complete presentation and disclosure of the school's assets and liabilities.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances and property held in trust of the Montana School for the Deaf and Blind for each of the fiscal years ended June 30, 2008, and 2007, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

*/s/ James Gillett*

James Gillett, CPA  
Deputy Legislative Auditor

August 29, 2008



SCHOOL FOR THE DEAF & BLIND  
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Agency Fund
FUND BALANCE: July 1, 2007	\$ (484,491)	\$ 305,989	\$ 91	\$
PROPERTY HELD IN TRUST: July 1, 2007				\$ 9,787
<b>ADDITIONS</b>				
Budgeted Revenues & Transfers-In	12,636	418,832	218,719	
Nonbudgeted Revenues & Transfers-In	918	35,596		
Prior Year Revenues & Transfers-In Adjustments		(248)		
Direct Entries to Fund Balance	5,240,194	(90,883)		
Additions to Property Held in Trust				48,228
Total Additions	<u>5,253,748</u>	<u>363,297</u>	<u>218,719</u>	<u>48,228</u>
<b>REDUCTIONS</b>				
Budgeted Expenditures	5,328,164	464,044	218,719	
Nonbudgeted Expenditures		35,596		
Prior Year Expenditures Adjustments	6,710			
Reductions in Property Held in Trust				39,688
Total Reductions	<u>5,334,874</u>	<u>499,640</u>	<u>218,719</u>	<u>39,688</u>
FUND BALANCE: June 30, 2008	\$ (565,617)	\$ 169,646	\$ 91	\$
PROPERTY HELD IN TRUST: June 30, 2008				\$ 18,327

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

SCHOOL FOR THE DEAF & BLIND  
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Agency Fund
FUND BALANCE: July 1, 2006	\$ (528,480)	\$ 200,076	\$ 119	\$
PROPERTY HELD IN TRUST: July 1, 2006				\$ 20,895
<b>ADDITIONS</b>				
Budgeted Revenues & Transfers-In	11,278	401,548	202,538	
Nonbudgeted Revenues & Transfers-In	532	46,121		
Prior Year Revenues & Transfers-In Adjustments			1,130	
Direct Entries to Fund Balance	4,681,053	(14,357)		
Additions to Property Held in Trust				72,958
Total Additions	<u>4,692,863</u>	<u>433,312</u>	<u>203,668</u>	<u>72,958</u>
<b>REDUCTIONS</b>				
Budgeted Expenditures	4,698,457	281,278	203,696	
Nonbudgeted Expenditures	(7,961)	46,120		
Prior Year Expenditures Adjustments	(41,621)			
Reductions in Property Held in Trust				84,066
Total Reductions	<u>4,648,875</u>	<u>327,398</u>	<u>203,696</u>	<u>84,066</u>
FUND BALANCE: June 30, 2007	\$ (484,492)	\$ 305,990	\$ 91	\$
PROPERTY HELD IN TRUST: June 30, 2007				\$ 9,787

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

SCHOOL FOR THE DEAF & BLIND  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Federal Special Revenue Fund</u>	<u>Total</u>
<b>TOTAL REVENUES &amp; TRANSFERS-IN BY CLASS</b>				
Taxes	\$ 918			\$ 918
Charges for Services	8,772	\$ 83,098	\$ 14,746	106,616
Rentals, Leases and Royalties		1,446		1,446
Miscellaneous	3,864			3,864
Grants, Contracts, Donations and Abandonments		35,596		35,596
Other Financing Sources		334,040		334,040
Federal			195,201	195,201
Federal Indirect Cost Recoveries			8,772	8,772
Total Revenues & Transfers-In	<u>13,554</u>	<u>454,180</u>	<u>218,719</u>	<u>686,453</u>
Less: Nonbudgeted Revenues & Transfers-In	918	35,596		36,514
Prior Year Revenues & Transfers-In Adjustments		(248)		(248)
Actual Budgeted Revenues & Transfers-In	12,636	418,832	218,719	650,187
Estimated Revenues & Transfers-In	<u>13,832</u>	<u>369,349</u>	<u>198,390</u>	<u>581,571</u>
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (1,196)</u>	<u>\$ 49,483</u>	<u>\$ 20,329</u>	<u>\$ 68,616</u>
<b>BUDGETED REVENUES &amp; TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS</b>				
Licenses and Permits		\$ (621)		\$ (621)
Charges for Services	\$ 1,940	7,243	\$ (6,960)	2,223
Rentals, Leases and Royalties		125		125
Miscellaneous	(3,136)			(3,136)
Other Financing Sources		42,736		42,736
Federal			25,349	25,349
Federal Indirect Cost Recoveries			1,940	1,940
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (1,196)</u>	<u>\$ 49,483</u>	<u>\$ 20,329</u>	<u>\$ 68,616</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

SCHOOL FOR THE DEAF & BLIND  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Federal Special Revenue Fund</u>	<u>Total</u>
<b>TOTAL REVENUES &amp; TRANSFERS-IN BY CLASS</b>				
Licenses and Permits		\$ 621		\$ 621
Taxes	\$ 532			532
Charges for Services	6,994	76,075	\$ 37,301	120,370
Rentals, Leases and Royalties		1,421		1,421
Miscellaneous	4,284			4,284
Grants, Contracts, Donations and Abandonments		46,121		46,121
Other Financing Sources		323,431		323,431
Federal			159,373	159,373
Federal Indirect Cost Recoveries			6,994	6,994
Total Revenues & Transfers-In	<u>11,810</u>	<u>447,669</u>	<u>203,668</u>	<u>663,147</u>
Less: Nonbudgeted Revenues & Transfers-In	532	46,121		46,653
Prior Year Revenues & Transfers-In Adjustments			1,130	1,130
Actual Budgeted Revenues & Transfers-In	<u>11,278</u>	<u>401,548</u>	<u>202,538</u>	<u>615,364</u>
Estimated Revenues & Transfers-In	16,544	321,276	192,086	529,906
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (5,266)</u>	<u>\$ 80,272</u>	<u>\$ 10,452</u>	<u>\$ 85,458</u>
<b>BUDGETED REVENUES &amp; TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS</b>				
Licenses and Permits		\$ (116)		\$ (116)
Taxes	\$ (307)			(307)
Charges for Services	(6,465)	14,075	\$ 13,933	21,543
Rentals, Leases and Royalties		(1,579)		(1,579)
Miscellaneous	1,506			1,506
Other Financing Sources		67,892		67,892
Federal			(1,275)	(1,275)
Federal Indirect Cost Recoveries			(2,206)	(2,206)
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (5,266)</u>	<u>\$ 80,272</u>	<u>\$ 10,452</u>	<u>\$ 85,458</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

SCHOOL FOR THE DEAF & BLIND  
SCHEDULE OF TOTAL EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Administration Program	Education	General Services	Student Services	Total
<b>PROGRAM (ORG) EXPENDITURES &amp; TRANSFERS-OUT</b>					
Personal Services					
Salaries	\$ 247,646	\$ 2,477,980	\$ 106,035	\$ 719,219	\$ 3,550,880
Employee Benefits	73,412	880,528	44,620	335,668	1,334,228
Total	<u>321,058</u>	<u>3,358,508</u>	<u>150,655</u>	<u>1,054,887</u>	<u>4,885,108</u>
Operating Expenses					
Other Services	95,915	14,076	57,004	5,920	172,915
Supplies & Materials	2,548	176,130	44,278	53,242	276,198
Communications	44,906	30,678	2,143	3,075	80,802
Travel	950	47,593		43,787	92,330
Rent		88,796		1,654	90,450
Utilities			181,249		181,249
Repair & Maintenance		39	165,072	3	165,114
Other Expenses	4,684	74,399	7,995	419	87,497
Total	<u>149,003</u>	<u>431,711</u>	<u>457,741</u>	<u>108,100</u>	<u>1,146,555</u>
Equipment & Intangible Assets					
Equipment			21,570		21,570
Total			<u>21,570</u>		<u>21,570</u>
Total Expenditures	<u>\$ 470,061</u>	<u>\$ 3,790,219</u>	<u>\$ 629,966</u>	<u>\$ 1,162,987</u>	<u>\$ 6,053,233</u>
<b>EXPENDITURES BY FUND</b>					
General Fund	\$ 467,901	\$ 3,122,660	\$ 600,485	\$ 1,143,828	\$ 5,334,874
State Special Revenue Fund	2,160	467,999	29,481		499,640
Federal Special Revenue Fund		199,560		19,159	218,719
Total Expenditures	<u>470,061</u>	<u>3,790,219</u>	<u>629,966</u>	<u>1,162,987</u>	<u>6,053,233</u>
Less: Nonbudgeted Expenditures		35,596			35,596
Prior Year Expenditures Adjustments		100	5,407	1,203	6,710
Actual Budgeted Expenditures	<u>470,061</u>	<u>3,754,523</u>	<u>624,559</u>	<u>1,161,784</u>	<u>6,010,927</u>
Budget Authority	484,748	3,968,341	689,314	1,255,702	6,398,105
Unspent Budget Authority	<u>14,687</u>	<u>213,818</u>	<u>64,755</u>	<u>93,918</u>	<u>387,178</u>
<b>UNSPENT BUDGET AUTHORITY BY FUND</b>					
General Fund	\$ 14,687	\$ 171,675	\$ 55,343	\$ 69,564	\$ 311,269
State Special Revenue Fund		42,141	9,412	16,327	67,880
Federal Special Revenue Fund		2		8,027	8,029
Unspent Budget Authority	<u>14,687</u>	<u>213,818</u>	<u>64,755</u>	<u>93,918</u>	<u>387,178</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

SCHOOL FOR THE DEAF & BLIND  
SCHEDULE OF TOTAL EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Administration Program	Education	General Services	Student Services	Total
<b>PROGRAM (ORG) EXPENDITURES &amp; TRANSFERS-OUT</b>					
Personal Services					
Salaries	\$ 235,537	\$ 2,091,491	\$ 99,307	\$ 691,211	\$ 3,117,546
Employee Benefits	67,276	703,421	35,539	349,229	1,155,465
Total	302,813	2,794,912	134,846	1,040,440	4,273,011
Operating Expenses					
Other Services	49,696	13,264	61,574	6,942	131,476
Supplies & Materials	10,287	127,867	39,117	74,102	251,373
Communications	27,293	20,669	1,012	2,516	51,490
Travel	1,591	28,202		44,510	74,303
Rent		51,214			51,214
Utilities			169,878		169,878
Repair & Maintenance			88,496		88,496
Other Expenses	1,432	70,301	6,987	315	79,035
Total	90,299	311,517	367,063	128,385	897,265
Transfers					
Accounting Entity Transfers	9,693				9,693
Total	9,693				9,693
Total Expenditures	\$ 402,805	\$ 3,106,429	\$ 501,910	\$ 1,168,825	\$ 5,179,969
<b>EXPENDITURES BY FUND</b>					
General Fund	\$ 402,517	\$ 2,599,437	\$ 501,910	\$ 1,145,011	\$ 4,648,875
State Special Revenue Fund	288	327,110			327,398
Federal Special Revenue Fund		179,882		23,814	203,696
Total Expenditures	402,805	3,106,429	501,910	1,168,825	5,179,969
Less: Nonbudgeted Expenditures		46,121	(7,961)		38,160
Prior Year Expenditures Adjustments		(41,842)		220	(41,622)
Actual Budgeted Expenditures	402,805	3,102,150	509,871	1,168,605	5,183,431
Budget Authority	407,480	3,319,751	539,955	1,225,652	5,492,838
Unspent Budget Authority	\$ 4,675	\$ 217,601	\$ 30,084	\$ 57,047	\$ 309,407
<b>UNSPENT BUDGET AUTHORITY BY FUND</b>					
General Fund	\$ 4,524	\$ 131,866	\$ 30,084	\$ 51,750	\$ 218,224
State Special Revenue Fund	151	85,735			85,886
Federal Special Revenue Fund		0		5,297	5,297
Unspent Budget Authority	\$ 4,675	\$ 217,601	\$ 30,084	\$ 57,047	\$ 309,407

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

# Montana School for the Deaf and Blind

## Notes to the Financial Schedules

### For the Two Fiscal Years Ended June 30, 2008

## 1. Summary of Significant Accounting Policies

### **Basis of Accounting**

The Montana School for the Deaf and Blind (school) uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental (General, State Special Revenue, Federal Special Revenue) funds category. In applying the modified accrual basis, the school records:

- ♦ Revenues when it receives cash or when receipts are realizable, measurable, earned, and available to pay current period liabilities.
- ♦ Expenditures for valid obligations when the school incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the school to record the cost of employees' annual and sick leave when used or paid.

The school uses the accrual basis of accounting for its Fiduciary (Agency) fund category. Under state accounting policy, the school records additions and reductions to property held in trust for others.

Expenditures and expenses may include: entire budgeted service contracts even though the school receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

### **Basis of Presentation**

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment.

The school uses the following funds:

### **Governmental Fund Category**

- ♦ **General Fund** – to account for all financial resources except those required to be accounted for in another fund.
- ♦ **State Special Revenue Fund** – to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific state program purposes. School State Special Revenue Funds include School Trust

Interest/Income Fund and Donations to the School for The Deaf and Blind. Donations are transferred from the school to the school foundation.

- ♦ **Federal Special Revenue Fund** – to account for activities funded from federal revenue sources. School Federal Special Revenue Funds include U.S. Department of Education and U.S. Department of Agriculture grants.

### **Fiduciary Fund Category**

- ♦ **Agency Fund** – to account for resources held by the state in a custodial capacity. The school agency funds include student account money.

## **2. General Fund Balance**

The negative fund balance in the General Fund does not indicate overspent appropriation authority. The school has authority to pay obligations from the statewide General Fund within its appropriation limits. The school expends cash or other assets from the statewide fund when it pays General Fund obligations. The school's outstanding liabilities exceed the assets it has placed in the fund, resulting in negative ending General Fund balances for each of the fiscal years ended June 30, 2007, and June 30, 2008.

## **3. Direct Entries to Fund Balance**

Direct entries to fund balances in the General, Special Revenue, and Federal Special Revenue Funds include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies.

## **4. Foundation**

A foundation was created by the Montana Board of Public Education and incorporated under section 20-8-111, MCA. The responsibility of the foundation is to receive, hold, manage, use, and dispose of real and personal property given to the school, the board, or state of Montana on behalf of the school, by purchase, gift, devise, bequest, or as otherwise acquired. The proceeds, interest, and income thereof are to be used for the benefit of the school. The foundation activity is not reflected on the accompanying financial schedules. The foundation's audited financial statements report expenditures of \$239,039 and \$304,882 in support of the school during fiscal years 2006-07 and 2007-08, respectively.

MONTANA SCHOOL  
FOR THE  
DEAF AND BLIND

SCHOOL RESPONSE





Montana SCHOOL *for the*  
Deaf & Blind

*giving kids the building blocks to independence*

3911 Central Avenue  
Great Falls, Montana 59405  
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406.771.6164 FAX  
[www.msdb.mt.gov](http://www.msdb.mt.gov)

September 4, 2008

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LEGISLATIVE AUDIT DIV.

Tori Hunthausen  
Legislative Auditor  
Room 160 State Capitol Building  
PO Box 201705  
Helena, MT 59620-1705

Re: Agency response to financial compliance audit recommendation

Dear Ms Hunthausen,

Listed below is the schools' response to the audit recommendation contained in the financial-compliance audit report for the two fiscal years ended June 30, 2008.

**Recommendation #1**

We recommend the school implement procedures for monitoring and testing its internal control procedures.

**Response:** Concur

The school will arrange with another state agency to have an employee with financial expertise from that agency monitor and test the schools' internal controls procedures and prepare a report to document findings.

We wish to express our appreciation to your staff, Chris Darragh and David Brammer, for their professionalism and their approach in conducting the schools' audit. Mr. Darragh and Mr. Brammer were great to work with.

Sincerely,

  
Steve Gettel, Superintendent