



John Keel, CPA
State Auditor

An Audit Report on

Deferred Maintenance for the School for the Deaf

October 2015

Report No. 16-008



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Overall Conclusion

The School for the Deaf (School) generally ensured that it spent state appropriations for repair and rehabilitation for fiscal years 2012 and 2013 in accordance with statute and state purchasing requirements, and that it spent all the funds on repairs or rehabilitation expenses. However, the School should strengthen its procurement processes to ensure that it obtains competitive bids for purchases when required by state law.

School management stated that, in compliance with the School's record retention schedule, it had destroyed the supporting documentation for its expenditures for fiscal years 2004 through 2011. Because that documentation was necessary to verify the accuracy of the School's accounting data, auditors were not able to test expenditure data related to appropriations for repair and rehabilitation for fiscal years prior to fiscal year 2012 or to verify whether the School completed certain repair and rehabilitation projects prior to fiscal year 2012.

The School received approximately \$6.9 million in state appropriations for repair and rehabilitation during fiscal years 2004 through 2013 and expended approximately \$5.5 million of those funds. In fiscal year 2010, the School chose to return approximately \$1.4 million of its repair and rehabilitation appropriations to pay its part of a required statewide 5 percent budget reduction.

The School received \$707,680 (31.8 percent) of the \$2,227,303 in repair and rehabilitation appropriations that it had requested for the 2012-2013 biennium. Of the eight projects for which the School received funds for the 2012-2013 biennium, auditors determined that the

Background Information

The School for the Deaf (School) is in Austin, Texas and was established in 1856. During the 2014-2015 school year, the School had an enrollment of 584 students in its regular school year programs. Of those students, 262 lived on campus.

The School is housed on 67 acres and consists of 46 buildings containing a total of 544,831 square feet. Approximately half of those buildings were constructed during a major building program that occurred between calendar years 1993 and 2004. The estimated replacement cost of the 46 buildings was \$156.6 million as of August 2012.

In 2006, the School contracted with Parsons Environment & Infrastructure Group, Inc. (Parsons) to perform a facility condition assessment. The assessment identified \$17.5 million in current repair costs. A subsequent assessment by Parsons in 2012 identified \$39.3 million in current repair costs.

In fiscal year 2014, the Texas Facilities Commission took over repair and rehabilitation responsibilities for the School's facilities, as a result of Senate Bill 1457 (83rd Legislature, Regular Session). In 2014, the Texas Facilities Commission published its *Master Facilities Plan Report*, in which it listed \$104.6 million worth of identified building deficiencies on the School's campus.

Sources: The School's Web site; *Campus Master Plan Study for the Texas School for the Deaf*, 1988; *Comprehensive Report Summary Facility Condition Assessment - Detailed performed by Parsons*, August 2012; minutes from the School's governing board meetings; *Report Summary Facility Condition Assessment*, July 2006; Senate Bill 1457 (83rd Legislature, Regular Session); *Master Facilities Plan Report 2014, Texas Facilities Commission*; enrollment data provided by School management; and School management's testimony before the Senate Finance Committee on February 9, 2015.

This audit was conducted in accordance with Texas Government Code, Sections 321.0131 and 321.0132.

For more information regarding this report, please contact Cesar Saldivar, Audit Manager, or John Keel, State Auditor, at (512) 936-9500.

School had fully completed seven projects and did not complete one project, which is consistent with the School's management's statements to the Legislature. In addition, the School completed four unplanned projects during that time period.

Although the School addressed some health and safety issues through repairs and rehabilitation, State Fire Marshal's Office inspection reports from fiscal years 2013 and 2014 show the existence of significant campuswide fire deficiencies during that time period. Some of the identified fire safety issues remain and, as of January 2015, the State Fire Marshal's Office required eight of the School's buildings to be patrolled by dedicated staff members looking for potential ignition sources, other hazards, or fires to compensate for identified fire safety deficiencies.

To gain a better understanding of the nature of the fire safety risks that existed on the School's campus, auditors performed walkthroughs and examined 21 of the School's 35 fire alarm system control panels (control panels) in September 2015 and October 2015, including the control panels in the eight buildings under the "fire watch."

Auditors observed that 17 of the 21 control panels had deficiencies that the State Fire Marshal's Office had previously identified. None of those deficiencies indicated that an entire building's fire alarm systems were inoperable. Additionally, auditors did not observe any deficiencies that would hinder a building's control panel from notifying either the School's campus security or the fire department. Instead, the documented deficiencies presented varied levels of life safety risks to building occupants. Auditors also observed that the Texas Facilities Commission, which is now responsible for repairs and rehabilitation of School facilities, had addressed some identified fire safety violations from fiscal years 2013 and 2014.

Auditors communicated less significant issues related to purchasing, user access, and preventive maintenance separately in writing to School management.

Summary of Management's Response

The School agreed with the recommendations in this report. The School's management's response is presented in Appendix 4.

Summary of Information Technology Review

Auditors reviewed the School's user access and segregation of duties in the Uniform Statewide Accounting System (USAS). Auditors did not perform any additional information technology work at the School.

Summary of Objective, Scope, and Methodology

The objective of this audit was to determine whether appropriations made for the benefit of the School for fiscal years 2004 through 2013 for deferred maintenance were spent in accordance with statutes and other applicable requirements.

The scope of this audit included all expenditures made through the School's repair and rehabilitation strategies between September 1, 2003, and August 31, 2013 (fiscal years 2004 through 2013). Due to a lack of supporting documentation, auditors were unable to test expenditure data for fiscal years prior to fiscal year 2012. The unavailability of this documentation limited auditors' ability to report on the original audit scope, as stated in the audit objective. Not being able to access the School's expenditure data also prevented auditors from determining whether the School completed certain repair and rehabilitation projects.

The audit methodology included testing repair and rehabilitation expenditures, including emergency expenditures, for accuracy and compliance with state purchasing requirements. Additionally, auditors identified expenditures for repair/rehabilitation projects that School management stated it used to prepare its *Legislative Appropriation Requests* for fiscal years 2004 through 2013. Auditors also toured the School's campus, including observing fire violation notices posted in campus buildings. Auditors used expenditure information in USAS and performed analysis to determine completeness of the data. Auditors determined that data was sufficiently reliable for purposes of this audit.

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Detailed Results

Chapter 1

The School's Repair and Rehabilitation Purchases During Fiscal Years 2012 and 2013 Generally Complied with Statutes and Other Applicable Requirements

The School for the Deaf (School) spent approximately \$5.5 million of the \$6.9 million it received in state appropriations for repair and rehabilitation of its facilities from fiscal years 2004 through 2013.¹ In fiscal year 2010, the School chose to return approximately \$1.4 million of its repair and rehabilitation appropriations to pay its part of a required statewide 5 percent budget reduction.

Auditors tested expenditures in the School's repair and rehabilitation strategy made only in fiscal years 2012 and 2013. While auditors could access accounting data for the fiscal years prior to fiscal year 2012, the School did not have the underlying support documentation for those expenditures. School management reported that, in compliance with state record retention laws and its own record retention procedures, it did not retain financial records after four years. As a result, auditors were not able to determine whether the School spent repair and rehabilitation appropriations made prior to fiscal year 2012 in accordance with statutes and other applicable requirements.

The School requested \$2,227,303 in appropriations for the 2012-2013 biennium. That request consisted of a facility construction, repair, and rehabilitation strategy request of \$865,224 and a \$1,362,079 exceptional item. The School received \$707,680 in appropriations for the facility construction, repair, and rehabilitation strategy and no funding for the exceptional item.

Chapter 1-A

The School's Fiscal Year 2012 and 2013 Regular Repair and Rehabilitation Purchases Generally Complied with Applicable Requirements; However, the School Did Not Consistently Comply With Competitive Bidding Requirements

The School generally ensured that it spent state appropriations for repair and rehabilitation for fiscal years 2012 and 2013 in accordance with statute and state purchasing requirements and that it spent all the funds on repairs or rehabilitation expenses.

¹ The School did not receive appropriations for facility repair and rehabilitation for the 2004–2005 biennium.

The School spent \$580,861 on 49 nonemergency procurements during fiscal years 2012 and 2013. The School recorded all 61 expenditures associated with those procurements accurately and spent all the funds on items that related to repairs or rehabilitation. In addition, the School usually documented that the purchases had been approved and that the repair or rehabilitation project had been completed prior to payment.

Of the 49 procurements tested, 22 were for more than \$5,000 and, therefore, were subject to state competitive purchasing requirements. Of those 22 procurements, the School executed 12 as proprietary purchases, resulting in payments totaling \$238,685 (41 percent of the total payments for the 49

Proprietary Purchase Requirements

Texas Government Code, Section 2155.067(c), allows state agencies to make noncompetitive purchases of goods or services that are proprietary to one vendor and for which an equivalent product cannot be supplied. To do that, the purchasing agency's head must sign a written justification that (1) explains the need for the proprietary specifications, and (2) states the reason competing products are not satisfactory.

procurements tested). Proprietary purchases are procurements made from a sole source because only one vendor can provide the satisfactory goods or services (see text box). The School's proprietary purchases included installation of a wheelchair ramp, roof repairs, and cleaning of a building duct system.

The School did not document, as required, why competing products were not satisfactory for 10 of those 12 proprietary purchases. Payments for those 10 proprietary purchases totaled \$210,877. As a result, the School did not comply with Texas Government Code, Section 2155.067(c), which promotes competition by limiting agencies' noncompetitive, proprietary

purchases to goods and services that only one vendor can provide.

In addition, prior to fiscal year 2014, the School did not require its purchasing staff to make conflict of interest disclosures as required by Texas Government Code, Section 2262.004.

Recommendations

The School should:

- Comply with all applicable state statutes and other requirements when making repair and rehabilitation purchases and document its compliance, including adequately documenting proprietary purchases and the reasons that proprietary goods or services are the only satisfactory means to meet the School's needs.
- Ensure that its purchasing staff make the required conflict of interest disclosures.

The School Completed Seven of Eight Planned Repair and Rehabilitation Projects During the 2012-2013 Biennium

School management stated that it completed 7 of the 8 planned projects with the School's 2012-2013 appropriations. The School's accounting records show that it fully completed those seven projects, which included:

- Replacing the student center's heating, ventilating, and air conditioning fan coil unit.
- Repairing and replacing cooling tower pipes in the School's central plant.
- Completing roof repairs.
- Contracting with Parsons Environment & Infrastructure Group, Inc. (Parsons) to perform a facilities assessment in fiscal year 2012.
- Installing tile flooring in the School's transitional apartments.
- Replastering the School's pool.
- Installing security cameras at the two campus entrances.

The project that the School did not complete was the installation of a fire suppression system in its server and records storage rooms. The School requested funds to complete that work during the 2014-2015 biennium.

The School prioritized projects listed above based on immediate needs. School management stated that its original funding request did not contain contingency funding to pay for unplanned repair needs that created a higher health and safety risk than its planned projects. As a result, the School used some of its repair and rehabilitation funding to address those unplanned needs.

Specifically, the School completed four unplanned projects during the 2012-2013 biennium at a total cost of \$303,605. School management did not request or receive supplemental appropriations to pay for the costs related to those four projects. The School used funds from its repair and rehabilitation strategy to complete those four projects. The four projects included:

- Repairing the west portion of the School's electrical loop after a March 2012 power outage.
- Repairing the School's plant cooling towers.
- Installing a supplemental heating, ventilation, and air conditioning unit in the School's server room.
- Installing a new air handler system in one of the School's vocational education buildings as part of emergency mold remediation.

The School Generally Made Emergency Repair and Rehabilitation Expenditures in Fiscal Years 2012 and 2013 in Accordance With State Procurement Requirements for Emergency Repairs

The School recorded 12 emergency expenditures totaling \$645,324 between fiscal years 2006 and 2013² (see Table 1). Auditors tested emergency expenditures only for fiscal years 2012 and 2013. As discussed in Chapter 1, auditors could not access supporting documentation for the 10 emergency expenditures recorded prior to fiscal year 2012.

Emergency Expenditure

A purchase of goods or services so badly needed that an agency will suffer financial or operational damage unless they are secured immediately.

Source: *The State of Texas Procurement Manual*.

As discussed in Chapter 1-B, the School completed four unplanned projects during fiscal years 2012 and 2013. The School recorded two of those four projects as emergency transactions in the Uniform Statewide Accounting System (USAS).³ The expenditures for those two projects totaled \$218,697, and the School generally processed them in accordance with state purchasing requirements.

Testing of emergency expenditures did not include expenditures related to the other two unplanned projects that were not recorded in USAS as emergency expenditures. The expenditures for those two unplanned totaled \$84,908, and the School processed them in accordance with state purchasing requirements.

Table 1

School Emergency Expenditures from Fiscal Year 2006 through Fiscal Year 2013		
Service Date	Expenditure Description in USAS	Amount
February 6, 2006	Transformer Repair	\$ 67,057.29
August 25, 2008	Repair Gas Leak	79,715.89
October 1, 2009	Replace Transformer - Koen Hall	26,683.46
November 13, 2009	Roof Repairs	5,446.00
February 25, 2010	Renovation of Building	24,799.00
March 22, 2010	Additional Parking Lot Construction	25,000.00
April 5, 2010	Renovation of Building	35,319.09
April 13, 2010	Renovation of Building	15,344.02
June 22, 2011	Replace Water Heaters in Lewis Hall	41,198.00
August 3, 2011	Repair and Materials for Plant Cooling Towers	106,064.30
November 4, 2011	Repair and Materials for Plant Cooling Towers	107,626.00
March 19, 2012	Emergency Repair due to Power Outage	111,070.55
Total Emergency Repair and Restoration Expenditures -Fiscal Years 2004 through 2013		\$645,323.60

Source: USAS.

² The School changed accounting systems at the start of fiscal year 2006. The legacy accounting system did not identify emergency expenditures.

³ USAS is the School's accounting system and has a field that the School uses to designate which expenditures are for emergencies, as required by the *The State of Texas Procurement Manual*.

While Some Health and Safety Issues Have Been Addressed, Some Campus Fire Safety Weaknesses Remain

In its July 2013 and July 2014 inspection reports, the State Fire Marshal's Office determined that the School had campuswide deficiencies in its fire alarm systems, which indicated that the affected systems were not in compliance with applicable National Fire Protection Association codes.

As result of a January 2015 inspection, the State Fire Marshal's Office required that the interiors and exteriors of eight School buildings be patrolled by dedicated staff members looking for potential ignition sources, other hazards, or fires to compensate for the documented fire safety deficiencies. The buildings that the State Fire Marshal required to have that required "fire watch" included the elementary school building and two high school dormitories.

To gain a better understanding of the nature of the fire safety risks that existed on the School's campus, auditors performed walkthroughs and examined 21 of the School's 35 fire alarm system control panels (control panels) in September 2015 and October 2015, including the control panels in the eight buildings under fire watch.

On the dates of the walkthroughs, 17 of the 21 control panels had deficiencies that the State Fire Marshal's Office had previously identified. None of those deficiencies indicated that an entire building's fire alarm systems were inoperable. Additionally, auditors did not observe any deficiencies that would hinder a building's control panel from notifying either the School's campus security or the fire department. Instead, the documented deficiencies presented varied levels of life safety risks to building occupants.

Documentation of the fire safety deficiencies observed was in the following areas:

- **Deficiencies that compromise a fire alarm system's power supply.** Fire alarm systems require power to monitor buildings' fire safety status, and they require increased power during fire alarms for horns and strobe lights. One of the School's booster power supplies, which is meant to increase the power to fire alarm systems during fire alarms, for the School's upper school building complex⁴ was not being monitored. The batteries to the Ruth Seeger Gym's fire alarm system were too powerful. As a result, power to the batteries might be insufficient to recharge the batteries, or the extra battery power could damage the fire alarm system.

⁴ The upper school complex includes the high school, the middle school, and an administrative commons area, which are monitored by a common fire alarm system.

- **Deficiencies that compromise a fire alarm system’s ability to detect fires.** Those deficiencies included a water flow detector in the School’s swim center⁵ that did not send a signal to the fire alarm system panel in all instances. Water flow through sprinkler systems indicates a potential fire. Another such deficiency was an inoperable heat detector in the Career and Technical Education Ford Building.
- **Deficiencies that compromise a fire alarm system’s ability to notify building occupants of a fire.** Those deficiencies included inoperable fire alarm horns and visual alarm strobe lights. For example, strobe lights in three of the restrooms in the Lewis Hall high school boys’ dormitory were not working. Additionally, the strobe lights on the north side of the third floor in the upper school building complex were inoperable.
- **Impairments to the exit of building occupants during a fire alarm.** Those deficiencies included the lack of emergency lighting or exit signs in the swim center’s dressing room and the Texas School for the Deaf Gym. In addition, the elevators’ fire safety protocols were not functioning properly in the School’s swim center, the upper school complex, and the Koen Hall high school girls’ dormitory. During a fire alarm, elevators are supposed to automatically move to the first floor and stop with the doors open. Only persons with firefighters’ keys may operate the elevator during an alarm to reduce the risk of a building occupant being trapped in an elevator during a fire.
- **Impairments to fire sprinkler operations.** Those deficiencies increase the risk that sprinkler systems will not work as designed during a fire. Four safety devices that detect when the water to the sprinkler system has been cut off were not reporting to the fire alarm system. As a result, the fire alarm system would not detect whether water to the sprinkler system was cut off. Three of the devices were in the School’s residential cottages and one was in the elementary school building.
- **Impairments to smoke containment.** Fire alarm systems are designed to contain smoke to an isolated area during a fire by shutting down a building’s air handling unit and activating cut-off ducts to inhibit the movement of smoke through the building’s ductwork. However, the Career and Technical Education Ford Building and the student center have air handling units that would not shut down during an alert to limit the spread of smoke. In addition, some cut-off ducts in the upper school complex, the swim center, and the School’s business office were not working, and the duct heat and smoke detectors in the Ruth Seeger Gym had no power.

⁵ The swim center includes both the LeRoy Colombo Swim Center and the Texas School for the Deaf Gym, which are monitored by a common fire alarm system.

The School spent \$41,190 (6 percent) of its 2012-2013 biennium repair and rehabilitation appropriations on fire system repairs. Auditors reviewed service records in six of the School's buildings that documented the repairs made during that time period. In addition, auditors observed that the Texas Facilities Commission, which is now responsible for repairs and rehabilitation of School facilities, had addressed some identified fire safety violations from fiscal years 2013 and 2014. That work included the installation of new fire alarm system control panels in eight campus buildings and making repairs to fire alarm systems in six other buildings.

Appendices

Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether appropriations made for the benefit of the School for the Deaf (School) for fiscal years 2004 through 2013 for deferred maintenance were spent in accordance with statutes and other applicable requirements.

Scope

The scope of this audit included all expenditures made through the School's repair and rehabilitation strategies between September 1, 2003, and August 31, 2013 (fiscal years 2004 through 2013).

Auditors were unable to test or report on expenditure data for fiscal years prior to fiscal year 2012. School management stated that, in compliance with the School's record retention schedule, it had destroyed the supporting documentation for its expenditures for fiscal years 2004 through 2011. The unavailability of this documentation limited auditors' ability to report on the original audit scope, as stated in the audit objective. That documentation was necessary to verify the accuracy of the School's accounting data. Not being able to access the School's expenditure data also prevented auditors from determining whether the School completed certain repair and rehabilitation projects.

Methodology

The audit methodology included testing repair and rehabilitation expenditures, including emergency expenditures, for accuracy and compliance with state purchasing requirements. Additionally, auditors analyzed and evaluated facility condition assessment reports, and identified expenditures for repair/rehabilitation projects that School management stated it used to prepare its *Legislative Appropriations Requests* for fiscal years 2004 through 2013. Auditors also toured the School's campus and observed fire violation notices posted in campus buildings.

Auditors used expenditure information in the Uniform Statewide Accounting System (USAS) and performed analysis to determine completeness of the data. Auditors determined that data was sufficiently reliable for purposes of this audit. Additionally, auditors reviewed user access to and segregation of duties in USAS. Auditors did not perform any additional information technology work at the School.

Information collected and reviewed included the following:

- The School's accounting policies and procedures.
- The School's *Legislative Appropriations Requests* for the 78th through 82nd Legislatures.
- General Appropriations Acts (78th through 82nd Legislatures).
- The School's repair and rehabilitation accounting records for fiscal years 2004 through 2013.
- The School's purchase orders, invoices, and other support documentation related to repair and rehabilitation expenditures during fiscal years 2012 and 2013.
- The School's facility condition assessment reports completed in 2006, 2012, and 2014.
- State Fire Marshal's Office reports related to the School for January 2015, July 2014, and July 2013.
- Master Facilities Plan Report 2014, Texas Facilities Commission.
- USAS user access list and roles.

Procedures and tests conducted included the following:

- Performed a walkthrough of the School's campus and interviewed management and staff at the School about repair and rehabilitation processes.
- Tested repair and rehabilitation expenditures, including emergency expenditures, the School made between fiscal years 2012 and 2013 for accuracy and compliance with state purchasing requirements.
- Determined whether repair and rehabilitation projects funded in the General Appropriations Acts were completed.
- Analyzed the 2006 and 2012 facility condition assessment reports prepared for the School by Parsons Environment & Infrastructure Group, Inc.
- Analyzed the Texas Facilities Commission's *Master Facilities Plan Report 2014* and supporting documentation.
- Analyzed State Fire Marshal's Office reports related to the School for January 2015, July 2014, and July 2013.

- Reviewed USAS user access list and roles to determine the appropriateness of the access.
- Tested whether the School's purchasing staff completed conflict of interest forms for fiscal years 2012 and 2013.

Criteria used included the following:

- General Appropriations Acts (78th through 82nd Legislatures).
- The School's *Legislative Appropriations Requests* for the 78th through 82nd Legislatures.
- The School's accounting and purchasing policies and procedures.
- Texas Government Code, Chapters 417, 2103, 2155, and 2262.
- Title 34, Texas Administrative Code, Chapter 20.
- State of Texas Procurement Manual, 2012 version.
- State of Texas Contract Management Guide, Version 1.12.

Project Information

Audit fieldwork was conducted from June 2015 through October 2015. 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.

The following members of the State Auditor's staff performed the audit:

- Gregory Scott Adams, CPA, CGFM, MPA (Project Manager)
- Kelley Ngaide, CIA, CFE (Assistant Project Manager)
- Cody Conrado
- Michael Goodwin
- Ashlee Jones, CFE, CGAP, CICA
- Kyle Ketry
- Misha Shahab
- Nakeesa Shahparasti, CPA

- Greg Steadman, CISA
- Jacqueline Thompson, CFE
- Julia Youssefnia, CPA
- George D. Eure, CPA (Quality Control Reviewer)
- J. Scott Killingsworth, CIA, CGAP, CGFM (Quality Control Reviewer)
- Cesar Saldivar, CGAP (Audit Manager)

The School's Repair and Rehabilitation Expenditures - Fiscal Years 2004 through 2013

Auditors identified a total of \$5,561,129 that the School for the Deaf (School) spent on repairs and maintenance from funds it received through its repair and rehabilitation appropriations during fiscal years 2006 through 2013⁶ (see Table 2). Auditors were able to audit the funds expended only for fiscal years 2012 and 2013 because the underlying documentation was not available for prior fiscal years.

Table 2

The School's Reported Repair and Rehabilitation Expenditures					
Fiscal Years 2006 through 2013					
Type of Expenditure	Biennium				Total
	2006-2007	2008-2009	2010-2011	2012-2013	
Repairs and Maintenance	\$ 361,149	\$ 1,143,229	\$ 525,667	\$ 603,995	\$ 2,634,040
Capital Outlay	688,730	311,548	153,055	0	1,153,333
Professional Services and Fees	585,959	23,340	0	0	609,299
Supplies and Materials	36,770	467,956	84,145	14,193	603,064
Other Expenditures	93,445	247,051	126,633	71,659	538,788
Rentals and Leases	18,470	4,084	50	0	22,604
Totals	\$1,784,523	\$2,197,208	\$889,550	\$689,847	\$5,561,128

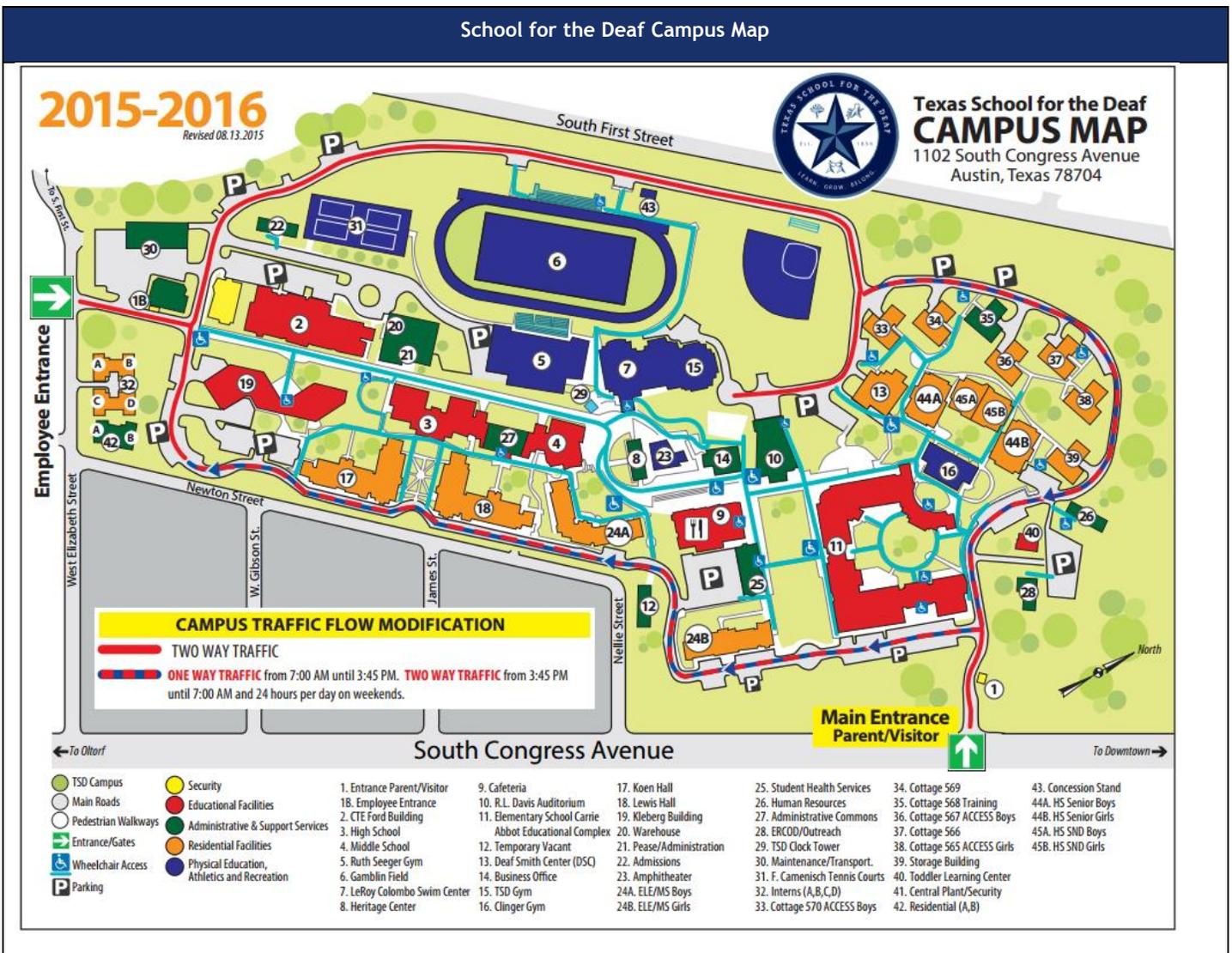
Source: Uniform Statewide Accounting System.

⁶ The School did not receive appropriations for repair and rehabilitation in fiscal years 2004 or 2005.

Map of the School's Campus Buildings

The School for the Deaf (School) was founded in 1856 and is the oldest continuously operating school in Texas. The School is located on South Congress Avenue in Austin, Texas. According to School management, the School's campus consists of 46 buildings housed on 67 acres. Parsons Environment & Infrastructure Group, Inc., in its August 2012 *Summary Facility Condition Assessment*, stated that the School's buildings contain a total of 544,831 square feet. Figure 1 shows the School's campus map. The map does not show three buildings: the School's current central plant; a transformer building; and the School's old, unused power plant.

Figure 1



Source: The School's Web site at http://www.tsd.state.tx.us/apps/pages/index.jsp?uREC_ID=147135&type=d&pREC_ID=350848.

Management's Response



OFFICE OF THE
SUPERINTENDENT

October 22, 2015

State Auditor's Office
Greg Adams
P.O. Box 12067
Austin, Texas 78711-2067

Subject: Management Response

Dear Greg,

Last May I would not have anticipated I would be thanking you for the opportunity to participate in this audit. Although it was intense and time consuming, I believe the results and overall conclusions are fair. You and your team were warm, courteous and professional and we enjoyed the opportunity to get to know each of you.

The School for the Deaf agrees with the findings in this report. We believe we spent our repair and rehabilitation funds on critical deferred maintenance needs according to statute and generally followed state purchasing requirements.

We also agree with your recommendations that the school should comply with all applicable state statutes by documenting proprietary purchases more thoroughly, including the reasons why the proprietary goods or services are the only satisfactory means to meet the School's needs and why competing products/services are not satisfactory. We recognize that our documentation for sole source purchases is inadequate and we have developed a new checklist for proprietary purchases. As an interim measure the Superintendent is reviewing the documentation for all proprietary purchases.

We will ensure that our conflict of interest disclosures are completed annually as we implement our new procedure on completing an Annual Procurement Plan in accordance with Texas Administrative Code Title 34, Part 1, Chapter 20, Subchapter C, Rule §20.41 (h). Conflict of Interest forms are required in this submission.

Additionally to comply with this recommendation we will be sending our Purchasing Manager to two staff development training sessions. The first is this month on Contract Administration and the second a Procurement Management Academy in March.

We would like to comment on Chapter 1 regarding the School's Repair and Rehabilitation purchases. Our decision to return \$ 1,362,079 of repair and rehabilitation funds in fiscal year 2010 as part of the mandatory state agency 5% reduction was simply the least harmful of two unpleasant options; deferring critical maintenance or eliminating staff and as a result, federally mandated student services. It is further notable that \$1,074,810 had been budgeted that year for fire alarm system repairs and upgrades. Profoundly aware that the 5% reduction presented us with a "choice" between the lesser of two evils, we requested an exemption. This exemption was not granted.

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The audit further reports that the School spent \$41,190 (6 percent) of its 2012-2013 biennium repair and rehabilitation appropriation on fire system repairs. Given the limitations imposed on the auditors by our records retention schedule, we recognize that the above expenses were the only ones with the required back-up data to be verified. However, the School notes that between the years of 2008 to 2013 the School spent more than \$208,620 (including the \$41,190) on the fire alarm system.

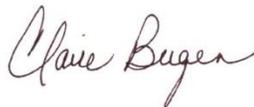
In the 2014-2015 biennium the school was successful in receiving \$65,000 for fire suppression systems in the Server and Records rooms along with \$395,000 for fire alarm panel repairs and upgrades. Those funds were transferred to the Texas Facilities Commission (TFC) in September of 2014 as a result of Senate Bill 211. Some of the repairs noted in this report were delayed pending other maintenance priorities, but at this date the TFC, through their contractor, Kiewit, has completed the first phase of the fire alarm system repairs. The completed work includes:

- \$280,000 of Fire Alarm panel replacements and repairs.
- \$235,000 for Fiber network upgrades to convert from an analog system to a fiber network system, which is more reliable.
- \$ 61,500 for Elevator machine room repairs.

Phase 2 of the fire alarm system repairs will include a complete repair of all the deficiencies identified in Chapter 2 of this report as well as bringing everything up to code with a fully functioning alert system. The estimated cost of this project is \$2.19 million and the targeted completion date is January of 2017. TFC, Kiewit and the School will collaborate to ensure that the timeline for critical buildings is escalated beginning with the high school dormitories. Until that time, the State Fire Marshall has required TFC and the School to have a "fire watch" protocol in key campus buildings. It is important to note that this system is in addition to our fire alarm system, which in spite of its deficiencies still alerts our Security department and the Austin Fire Department.

Please let me know if you would like to discuss this. Again, we appreciate the great working relationship we had with your staff, your professionalism and particularly your willingness to discuss some complicated issues.

Sincerely,



Claire Bugen
Superintendent

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair
The Honorable Joe Straus III, Speaker of the House, Joint Chair
The Honorable Jane Nelson, Senate Finance Committee
The Honorable Robert Nichols, Member, Texas Senate
The Honorable John Otto, House Appropriations Committee
The Honorable Dennis Bonnen, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

School for the Deaf

Members of the School for the Deaf Governing Board

Mr. Walt Camenisch, President

Mr. Eric Hogue, Vice President

Ms. Angie Wolf, Secretary

Ms. Beatrice Burke

Dr. Sha Cowan

Mr. Tryan P. Lee

Ms. Susan Ridley

Dr. Shawn Saladin

Ms. Claire Bugen, Superintendent

Texas Facilities Commission

Mr. Harvey Hilderbran, Executive Director



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