

Audit Report

Maryland School for the Deaf

September 2019



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

Joint Audit and Evaluation Committee

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Gregory A. Hook, CPA
Legislative Auditor

September 4, 2019

Senator Craig J. Zucker, Senate Chair, Joint Audit and Evaluation Committee
Delegate Shelly L. Hettleman, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Maryland School for the Deaf (MSD) for the period beginning March 31, 2015 and ending November 29, 2018. MSD provides a comprehensive educational program for school-age deaf students and operates two campuses in Frederick and Columbia, Maryland.

Our audit disclosed that MSD did not comply with State procurement regulations when procuring sign language interpreting services. MSD contracted with certain vendors and individuals without publicly soliciting competitive bids, without publishing solicitations or awards on *eMaryland Marketplace*, and without review and approval by the Department of Budget and Management, as required. During calendar years from 2016 to 2018, MSD's expenditures for sign language interpreting services totaled \$426,200.

Our audit also included a review to determine the status of the two findings contained in our preceding audit report. We determined that MSD satisfactorily addressed these findings.

MSD's response to this audit is included as an appendix to this report. We reviewed the response to our finding and related recommendation, and have concluded that the corrective actions identified are sufficient to address all audit issues.

We wish to acknowledge the cooperation extended to us during the audit by MSD

and its willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The signature is written in a cursive style with a prominent initial "G".

Gregory A. Hook, CPA
Legislative Auditor

Background Information

Agency Responsibilities

The Maryland School for the Deaf (MSD) provides a comprehensive educational program for school-age deaf students. MSD only charges tuition to non-State residents. MSD also provides a family education/early intervention program, through cooperative agreements with local health departments, that involves working with young deaf children and their families in the development of early language skills. MSD, with campuses located in Frederick and Columbia, is governed by a 19-member Board of Trustees appointed by the Governor. According to State records, as of June 2018, 508 students were enrolled in MSD, and expenditures totaled approximately \$35 million during fiscal year 2018.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the two findings contained in our preceding audit report dated December 11, 2015. We determined that MSD satisfactorily addressed these findings.

Findings and Recommendations

Procurements

Finding 1

MSD did not comply with the State procurement regulations when procuring certain sign language interpreting services.

Analysis

MSD did not comply with State procurement regulations by routinely procuring services for sign language interpreting without publicly soliciting competitive bids, publishing solicitations or awards on *eMaryland Marketplace (eMM)*, and obtaining control agency approval, as required. Instead, MSD's executive department obtained this service from 10 vendors and 23 individuals on an "as-needed basis" without involvement from MSD's procurement department. According to State records, during calendar years from 2016 to 2018, MSD's expenditures for sign language interpreting services that were not properly procured totaled \$426,200.

MSD is required to provide sign language interpreting services for meetings with parents and guardians of students and other meetings with staff and the public. MSD's executive department personnel advised us that these vendors and individuals were selected based on their qualifications and experience working with them. When sign language interpreting services were needed (which could be scheduled within a short period of time), MSD personnel advised us that they typically contacted several of these individuals via email and selected the first one to respond. If none of the individuals responded timely, MSD would directly contact one of the vendors.

Although each time MSD used sign language interpreting services, the individual payments were generally less than \$5,000, we found that during calendar years 2016 through 2018, three individuals were collectively paid \$177,400 and the one vendor was paid \$127,100. At times, the annual amounts paid exceeded the threshold for competitive sealed bidding required by State procurement regulations and review and approval from the Department of Budget and Management (DBM).¹ Since bids were not obtained, there was a lack of assurance that MSD obtained these services at the best value. Furthermore, for these four sign language interpreting service contracts the hourly rates varied from \$58 to \$80 and the contracts did not contain a not-to-exceed maximum value or estimated value.

According to State procurement regulations, procurements exceeding \$5,000 require responsive bids from at least two vendors and must have written contracts that include a contract maximum value or estimated value. State procurement regulations further require contracts valued in excess of \$15,000 to be awarded through a formal written competitive bidding process with publication of the solicitation on *eMM*. Furthermore, competitively bid service contracts valued over \$50,000 require the approval of DBM and the publication of the contract award on *eMM*.

Recommendation 1

We recommend that MSD comply with State procurement regulations when contracting for sign language interpreting services.

¹ Prior to October 2017, the threshold for competitive sealed bidding required by State procurement regulations was \$25,000.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Maryland School for the Deaf (MSD) for the period beginning March 31, 2015 and ending November 29, 2018. The audit was conducted 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.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine MSD's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included procurements and disbursements, cash receipts, payroll, corporate purchasing cards, and equipment. We also determined the status of the findings in our preceding audit report.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of MSD's operations, and tests of transactions. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data), as well as from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

MSD's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records; effectiveness and efficiency of operations, including safeguarding of assets; and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes a finding relating to conditions that we consider to be significant instances of noncompliance with applicable laws, rules, or regulations. Our audit did not disclose any significant deficiencies in the design or operation of internal control that could adversely affect MSD's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Other less significant findings were communicated to MSD that did not warrant inclusion in this report.

MSD's response to our finding and recommendation is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise MSD regarding the results of our review of its response.

APPENDIX

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Established 1973

August 30, 2019

Mr. Gregory A. Hook
Office of Legislative Audits
Department of Legislative Services
301 West Preston Street, Room 1202
Baltimore, MD 21201

Dear Mr. Gregory:

Enclosed please find the Agency Response Form to the findings of the legislative audit of the Maryland School for the Deaf. If you have any questions, please do not hesitate to contact Ann Miller, CFO/COO, at ann.miller@msd.edu or me at james.tucker@msd.edu.

Sincerely,

James E. Tucker
Superintendent

Enc.

Cc: Ann Miller

Maryland School for the Deaf

Agency Response Form

Procurements

Finding 1
MSD did not comply with the State procurement regulations when procuring certain sign language interpreting services.

We recommend that MSD comply with State procurement regulations when contracting for sign language interpreting services.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	<p>While the analysis may appear to be factually accurate, the analysis fails to take into consideration the fact that MSD is legally required to provide interpreters for IEP meetings, parent meetings, staff meetings, etc. Dates and times for these meetings are often changed with very short time to procure interpreting services. This short time period makes the normal bidding process difficult. The analysis also fails to recognize that the interpreting industry in the State of Maryland continues to be unregulated. That is, interpreters with little or no training in interpreting continue to interpret for pay throughout the state. Unskilled interpreters have put Deaf and Hard of Hearing individuals at great risk in legal, medical, workplace, and educational venues.</p>		
Recommendation 1	Agree	Estimated Completion Date:	1/1/2020
Please provide details of corrective action or explain disagreement.	<p>MSD procurement department will work through eMaryland Marketplace to establish a list of interpreters/interpreting agencies and the rates to be charged. MSD will work with DBM for approval of interpreting contracts that exceed \$50,000. In addition, MSD will work with DBM to develop not-to-exceed contract values. MSD will work with DBM to develop a system for right of first refusal for any interpreters/interpreting agencies that MSD determines are substandard and put the State of Maryland at risk for litigation and members of MSD Community at risk for harm. Finally, should the above procedures prove to leave MSD at risk for litigation due to repeated failure to provide interpreters for legal meetings, MSD will work through DBM to solve this problem.</p> <p>At no time during the bidding process for interpreting services, will MSD deny providing interpreting services to any students, parents or staff due to the process not being complete or approved</p>		

AUDIT TEAM

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