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April 24, 2024

Lindsey Perry
Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Director Perry:

Please find the School Facilities Oversight Board (SFOB) response to the Auditor General's Sunset Audit Report.

The SFOB would like to thank the auditors for their thorough effort to understand our processes, efforts, and challenges we face in advancing the mission of the board. It is important to emphasize that we generally agree with the findings and will put processes in place to continuously improve our operations and service to Arizona students. The SFOB staff have provided the attached response to your recommendations.

Sincerely,

A handwritten signature in blue ink that reads "C Wyckoff".

Carmen Wyckoff
Chairman
School Facilities Oversight Board

Sunset Factor 2: The Board's effectiveness and efficiency in fulfilling its key statutory objectives and purposes.

Recommendation 1: The Board should revise its process for evaluating and revising districts' enrollment projections to require its contractor to provide it with multiple enrollment projections, such as best-case, expected, and worst-case scenarios, based on a model with different assumptions.

Board response: The finding of the Auditor General is not agreed to, and the recommendation will not be implemented.

Response explanation: The Board contracts with the ASU Center for Urban Innovation to calculate ADM projections according to A.R.S. 41-5741 D.1. Division staff uses that data to determine when ADM is projected to exceed student capacity, and by how many students. This provides the Board with a standardized mechanism and process for analyzing relevant data to inform decisions on district eligibility for additional capacity requested through the Division's capital planning process.

The projections the Division prepares in partnership with ASU and presented to the Board are intended to be the "expected" scenario based on the information available at the time.

The current model is dynamic and includes multiple assumptions to generate projections that span a range of eight years. For example, the student yield factor (the number of students each new housing unit generates) is calculated at a district level by dividing the number of new students by new housing units from the prior year. This district-specific capture rate is adjusted annually and applied to current housing unit data to project ADM. Additionally, the model uses year-over-year actual births per district for estimating the number of public school children entering the model each year.

Given the data variability in the outlying years, the margin of error in the projections becomes more pronounced each year of the eight-year analysis timeframe. The latter half of the eight-year timeframe is typically the range of years that determines the size of an awarded project. Increasing the margin of error in those years by providing alternative scenarios would increase the potential for a project to be oversized or under-sized.

At the direction of the Board, in November 2023, Division staff did a crosswalk of the actual FY23 ADM reported by the Arizona Department of Education and found the Board-approved projections for FY23 were within 3% of realized actuals. By statistical standards, this is considered within a reasonable margin of error.

Recommendation 2: The Board should develop and implement a process for assessing the accuracy of its enrollment projections, including policies and procedures, to:

Recommendation 2a: Annually compare the difference between contractor and district self-reported enrollment projections to the actual ADM for NSF Fund requests submitted in the prior fiscal year, including reviewing current and historical differences in the accuracy of the projections over several years, such as 5 years.

Board response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: We will continue to evaluate projection accuracy as we did in 2023.

Recommendation 2b: Work with its contractor to identify reasons for substantial differences in projected and actual enrollments, and to adjust its projection model, as applicable.

Board response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: As we did in 2023, we will continue to review the accuracy and robustness of our model and make adjustments as necessary and appropriate.

Recommendation 2c: Present a summary of the differences in the projected and actual enrollments annually in an open meeting.

Board response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: As we did in 2023, we will continue to present an analysis and review of the model annually at an open meeting.

Recommendation 3: The Board should develop written procedures or other written guidance for implementing its policy related to square footage reductions based on buildings' end of useful life to include:

Recommendation 3a: Standard assessment tools that must be used when performing end-of-useful-life assessments.

Board response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: The Division will develop procedures to implement the process stated in the policy by June 2024. Tools and resources will be developed in order to meet the deadlines outlined in the End of Useful Life Assessment Policy.

Recommendation 3b: Required training that must be completed to qualify to conduct end-of-useful-life assessments, such as specific courses that must be completed or training certifications that must be obtained, including the frequency of the training and when the training needs to be updated.

Board response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: Procedures outlining training requirements will be developed in order to meet the deadlines outlined in the End of Useful Life Assessment Policy.

Recommendation 3c: A process for determining whether Division staff, Department General Services Division staff, Division contractors, or a combination thereof should perform an end-of-useful-life assessment.

Board response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented

Response explanation: The Division is in the process of determining the level of demand for End of Useful Life Assessments. The deadline for districts to apply for the assessments has ended on April 10, 2024. The Division has determined that demand exceeds the capabilities of staff to address all assessments, and plans to make recommendations to the Board to allow the Division to contract for these assessment services at the May 1 Board meeting.

Recommendation 3d: Roles and responsibilities for reviewing assessment results and making recommendations to the Board.

Board response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Recommendation 3e: Guidance for Board members and Division staff on how to weigh and consider each end-of-useful-life assessment criterion to make an overall determination on whether buildings are at the end of their useful life, such as creating a decision matrix.

Board response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Sunset Factor 3: The extent to which the Board's key statutory objectives and purposes duplicate the objectives and purposes of other governmental agencies or private enterprises.

Recommendation 4: The Board should work with the Legislature to clarify and/or revise the inspection requirements in A.R.S. §41-5702(F).

Board response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Sunset Factor 5: The extent to which the Board has provided appropriate public access to records, meetings, and rulemaking, including soliciting public input in making rules and decisions.

Recommendation 5: The Board should update its public notice disclosure statement, including the physical posting location of meeting notices, and post the notices accordingly.

Board response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: The Board will update the public notice disclosure statement to align with the current Board information on the website and meeting information distributed to the public.

Sunset Factor 8: The extent to which the Board has established safeguards against possible conflicts of interest.

Recommendation 6: The Board should comply with its conflict-of-interest policy by ensuring its members submit a conflict-of-interest disclosure form annually that includes a signature from the Department's designee and a remediation form for any disclosed conflicts of interest.

Board response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: The ADOA Conflict of Interest standard work will be used.