

## Arizona School Facilities Board

**CONCLUSION:** The Arizona School Facilities Board (Board) provides state monies to public school districts (school districts) for statutorily eligible new construction, renovation, and repair projects for school facilities, and is responsible for maintaining a database that contains an inventory of all school district buildings. We found that the Board should develop and implement a formal project eligibility assessment and award process to help ensure that it approves only eligible school district projects. In addition, the Legislature should consider a statutory revision and the Board should revise its policy to clarify project eligibility criteria. Further, the Board should take steps to ensure that the school district facility renovation and repair projects it approves are completed appropriately and in a timely manner. Finally, the Board should improve its information technology (IT) database management.

### Board provides monies for eligible school district projects

The Board administers three statutory funds—the New School Facilities (NSF) Fund, the Building Renewal Grant (BRG) Fund, and the Emergency Deficiencies Correction (EDC) Fund—that provide monies to school districts to assist with new construction, renovation, and repair projects for school facilities. Specifically, the Board distributes NSF Fund monies to help school districts build new school facilities or add space to existing facilities to accommodate student enrollment growth. However, the number of NSF Fund project awards and award amounts has decreased since fiscal year 2009 because the Legislature modified the NSF Fund eligibility requirements in fiscal year 2014, and school district enrollment growth has slowed compared to enrollment growth in other schools in the State, such as public charter schools.

Since fiscal year 2009, the Board has provided BRG Fund grants to help school districts complete facility renovation and repair projects for existing school facilities. The Board also distributes EDC Fund monies to help school districts address emergencies, as defined by statute. School districts must submit BRG Fund and EDC Fund project applications to the Board that include information demonstrating that projects meet statutory eligibility requirements. Board staff, called liaisons, work with school districts to assess this information and to oversee projects funded with monies from these funds. The Board also maintains a database containing an inventory of all school buildings owned by the State's school districts, and board staff use this information to determine the eligibility of school districts' BRG Fund project requests.

### Board should establish formal project assessment process to ensure only eligible projects receive monies

**Board lacked documentation to support project eligibility determinations—**Auditors reviewed a random sample of 30 of the 425 BRG Fund and all 7 EDC Fund projects the Board approved in fiscal year 2016 and found that all 37 projects lacked documentation demonstrating that these projects met statutory eligibility requirements. For example, the 30 BRG Fund projects reviewed did not have documentation demonstrating that the problem the proposed project was intended to address had caused the building or facility to fall below the minimum adequacy guidelines and that school districts had conducted preventative maintenance on the school facility. Similarly, the 7 EDC Fund projects did not include documentation demonstrating that the project met statutory eligibility criteria. Without adequate documentation, the Board cannot ensure that the projects it approved met eligibility requirements.

**Lack of clearly defined eligibility criteria has led to inconsistent board decisions—**Statutory criteria specify that a BRG Fund project must be for a building owned by a school district that is required to meet the minimum adequacy standards for student capacity. However, both statute and board policy do not specify whether a building must be currently in use as classroom space or whether the Board should consider a school district's current and planned future use of a building to determine BRG Fund eligibility. This has led to the Board inconsistently applying this criteria. Specifically, in November 2016, the Board approved a project award of more than \$100,000 for a BRG Fund project to address a rodent infestation at a school. The school district that owned the school had closed the school beginning in the 2010-2011 school year and had leased some of the school buildings to another entity. However, the project summary board staff prepared did not indicate that the school or any of the school buildings had been closed since the 2010-2011 school year, nor did it include any other information demonstrating the school district's current or planned future use of

the school buildings. Conversely, for a different project in fiscal year 2015, the Board determined that this same school did not meet the statutory criteria for BRG Fund projects because it was not being used for student capacity at the time. Instead, the Board approved this project as an EDC Fund project.

**Inadequate policies and procedures have led to inappropriate and inconsistent project eligibility assessment practices**—We found that without policies and procedures, the Board’s liaisons have inconsistently and inappropriately assessed project eligibility. For example, the liaisons have not always provided documented project eligibility information to the Board, applied inappropriate project cost criteria in some cases, and inconsistently assessed preventative maintenance requirements. Further, liaisons inappropriately asked school districts to withdraw projects prior to board review. However, the Board’s statutes and policies do not authorize them to do so.

### Recommendations

The Legislature should consider revising statute to more clearly specify the eligibility criteria for BRG Fund projects, such as whether the school district building is open or closed, and/or may be needed to meet current or future student capacity.

The Board should:

- Work with its Assistant Attorney General to revise its BRG Fund policy to more clearly specify project eligibility criteria for BRG funding and to determine if the Board has the statutory authorization to allow board staff to deny projects.
- Develop and implement policies and procedures establishing an eligibility assessment and award process to help ensure it approves only eligible projects.

## Board should develop processes to help ensure approved projects are completed successfully

Although the Board has established some controls for overseeing school district facility renovation and repair projects funded with BRG Fund and EDC Fund monies, it lacks processes to help ensure approved projects are completed successfully and in a timely manner and that school districts comply with project award terms and conditions. Specifically, the Board has not developed a process for assessing school districts’ capabilities to effectively ensure project completion. For example, the Board does not request school districts to report if they have a dedicated facilities manager who has experience managing construction projects, which could help the Board assess whether school districts’ staff ensure that projects are appropriately planned and completed. In addition, although the Board reviews school districts’ plans for completing projects—which the Board refers to as scopes of work—it lacks a formal process for establishing project scopes of work and completion time frames. Lastly, the Board has a standard project agreement outlining project award terms and conditions but has not established a process for overseeing projects to help ensure school districts comply with the project award terms and conditions.

### Recommendation

The Board should develop and implement written policies and procedures for assessing school districts’ capabilities to ensure the completion of projects, ensuring scopes of work provide project accountability, and overseeing school district compliance with project award terms and conditions agreements.

## Board should improve its information technology database management

The Board’s database has several security weaknesses that put its data at risk of loss or misuse. Auditors identified the following deficiencies: poor network user account management, poor database access controls, inadequate password controls, no review to detect inappropriate activity, inadequate firewall protection, and weak contingency planning. As of April 2017, the Board had taken steps to address some of these deficiencies by removing old user accounts, removing unnecessary connections to the Board’s computer systems, and beginning to work with the Arizona Department of Administration, Arizona Strategic Enterprise Technology Office (ASET), to transition the Board’s user account and password management to ASET.

### Recommendations

The Board should:

- Continue its efforts to address IT security weaknesses and align its IT policies and procedures with ASET standards and IT best practices by developing and implementing policies and procedures; and
- Develop and implement a disaster recovery and contingency plan.