

The September 2021 Arizona School Facilities Board (Board) performance audit and sunset review found that the Board had established processes for meeting some of its statutory responsibilities but had not inspected school district buildings, ensured the accuracy of some school facility square footage information, and consistently published a list of vacant and partially used school district buildings. Effective September 29, 2021, Laws 2021, Ch. 404, transferred the Board's statutory responsibilities to the Arizona Department of Administration (Department), resulting in the Board's termination. The law established a Division of School Facilities within the Department and transferred most of the Board's statutory responsibilities to this division. The law also established a School Facilities Oversight Board (Oversight Board) within the Department and transferred some of the Board's responsibilities to the Oversight Board, such as approving districts' enrollment projections for distributing NSF Fund monies to construct new school facilities. Therefore, the Department is responsible for addressing the audit recommendations. We made 11 recommendations to the Board and the Department's status in implementing the recommendations is as follows:

### Status of 11 recommendations

In process	7
In process in a different manner	1
Not yet applicable	1
<b>Not implemented</b>	<b>2</b>

We will conduct an 18-month followup with the Department on the status of the recommendations that have not yet been implemented.

## Finding 1: Board has not inspected school buildings as required by statute, limiting its ability to ensure student and staff health and safety and efficient use of State monies

1. The Board should ensure all school buildings are inspected as required by statute, by either conducting inspections, contracting for inspections, or certifying districts' self-inspections.

**Implementation in process**—The Department has developed a district self-inspection process and has begun working with some districts on their self-inspections. As of July 2022, 39 of 217 school districts had started, but not completed, the self-inspection process. The Department reported that it is in the process of drafting written policies and procedures for certifying districts' self-inspections.

2. The Board should develop and implement policies, procedures, and/or other written guidance for staff and contractors to follow when conducting school building inspections and/or certifying districts' self-inspections, and provide training on these policies, procedures, and/or written guidance to relevant staff and contractors.

**Implementation in process**—As indicated in the explanation for Recommendation 1, the Department has developed a district self-inspections process. This process includes some written guidance for district and Department staff, such as a self-inspection assessment form. However, the Department has not established the self-inspection process in policy and has not yet developed policies and procedures for certifying school district self-inspections and verifying or validating inspection information submitted by districts. Because these policies have not been developed, the Department has also not provided any training on them. We will further assess the Department's efforts to implement its self-inspection program during our 18-month followup (also see recommendations 3 and 4).

3. The Board should complete development of and implement written policies, procedures, and district guidance for its district self-inspection program, including processes for staff and contractors to verify or validate inspection information submitted by districts, which could be done using a risk-based or sampling approach. Once completed, the Board should provide training on these policies, procedures, and guidance to relevant staff, contractors, and districts.

**Implementation in process**—See explanation for Recommendation 2.

4. The Board should, once implemented, assess its district self-inspection program and the verification of district inspections to ensure it helps the Board meet its statutory requirements for inspecting districts, and make changes as needed.

**Not yet applicable**—The Department has not yet fully implemented its district self-inspection program or a process for verifying district self-inspections. Therefore, this recommendation is not yet applicable.

## **Finding 2: Inaccurate square footage information in Board’s database could result in excess spending of NSF Fund monies, inefficient spending on excess space, and inadequate space to accommodate student enrollment**

5. The Board should ensure the accuracy of district school building square footage and usage information in its database and develop and implement policies and procedures for doing so, including:
  - a. Reviewing and auditing school building square footage and usage information in its database for districts requesting NSF Fund monies.

**Implementation in process**—The Department has developed a process to review and verify the accuracy of new school building square footage and changes to existing building square footage before updating its database with this information. Additionally, the Department reported that its staff may identify square footage information that needs to be updated when conducting site visits and has a process for updating this information in its database. However, the Department has not established these processes in its policies and procedures for approving NSF fund monies. We will further assess the Department’s efforts to develop and implement these policies and procedures during our 18-month followup.

- b. Establishing steps for staff, contractors, and districts to review and verify school building square footage and usage information in the Board’s database when they conduct statutorily required school building inspections.

**Implementation in process**—The Department has developed a form for districts to complete when they perform self-inspections that allows district staff to submit school building square footage and usage information to the Department for review. However, the Department has not established in its policies and procedures a process for reviewing and verifying the building square footage and usage information in its database against the self-inspection building square footage and usage information it receives.

## **Sunset Factor 2: The extent to which the Board has met its statutory objective and purpose and the efficiency with which it has operated.**

6. The Board should annually publish a list of vacant and partially used school buildings that are owned by districts or the State and that may be suitable for the operation of a school, as required by statute, and develop and implement policies and procedures for creating and publishing the report.

**Implementation in process**—The Department published the 2022 vacant space report on its website in September 2022, which includes information on vacant and partially used school buildings that are owned by districts and the State that may be suitable for the operation of a school. However, although the Department has developed a document that generally describes how Department staff can generate the vacant space report,

this document is not part of the Department's official policies and procedures and does not include the needed information and requirements that would ensure continued compliance with statutory requirements, such as when the report should be published and the staff responsible for doing so.

7. The Board should work with stakeholders and the Legislature to identify statutory changes to help improve districts' compliance with statutory requirements to submit vacant space information to the Board and then work with the Legislature to pursue any needed statutory changes.

**Implementation in process in a different manner**—The Department reported that it does not plan to work with stakeholders and the Legislature to identify or pursue statutory changes and that statutes regarding the submission of vacant space information to the Department are not within its purview. However, the Department has taken some steps to help improve district compliance with the requirement to submit vacant space information. Specifically, the Department conducted 3 virtual trainings with districts between June and August 2022 that included information on submitting vacant space information to the Department, and Department records indicate that 132 individuals accepted invitations to attend these trainings. We will further assess the Department's efforts to help improve districts' compliance with statutory requirements to submit vacant space information during our 18-month followup.

8. The Board should revise its process for evaluating and revising districts' enrollment projections to require its model to include multiple assumptions about the long-term effects of extraordinary circumstances, such as the COVID-19 pandemic, on student enrollment to provide a range of enrollment projections for future years.

**Not implemented**—The Department has not revised its process for evaluating and revising districts' enrollment projections. Specifically, the Department's fiscal year 2022 methodology for evaluating and revising districts' enrollment projections for future years did not provide a range of estimates based on different assumptions about the long-term effects of any extraordinary circumstances, such as the COVID-19 pandemic.

9. The Board should follow its process to evaluate revised enrollment projections for the 5 districts approved for NSF Fund monies in fiscal year 2021 prior to distributing monies to pay for construction. If revised enrollment projections indicate that a district needs less additional space than originally determined or no longer needs additional space, the Board should revise the amount of funding it will provide for construction or decline to fund the project, as appropriate.

**Implementation in process**—The Oversight Board reviewed revised enrollment projections for 3 of 5 districts approved for NSF Fund monies in fiscal year 2021 and did not change its previously approved funding amounts for these 3 districts based on its review of the enrollment projections. The Department reported that the remaining 2 districts had yet to complete the design phase of their NSF projects, which needs to be completed prior to the Oversight Board reviewing and considering revised enrollment projections. Additionally, Laws 2021, Ch. 404, §70, modified the statutory funding formula for NSF Fund monies and these modifications are applicable to these 5 districts.

### **Sunset Factor 3: The extent to which the Board serves the entire State rather than specific interests.**

10. The Board should revise its conflict-of-interest policy to require Board employees to annually submit conflict-of-interest disclosure forms and, pursuant to the revised policy, ensure all employees and Board members annually submit conflict-of-interest disclosure forms.

**Not implemented**—As previously discussed, the Board's responsibilities were transferred to the Department. As such, the Board no longer has employees. However, as of July 2022, the Department could not provide signed conflict-of-interest disclosure statements for Oversight Board members.