

Arizona School Facilities Board Building Renewal Grant Fund

CONCLUSION: The Board administers the BRG Fund to help public school districts (districts) complete school facility renovation and repair projects (BRG projects). The Board has established processes for approving BRG projects and distributing BRG Fund monies and has improved some of these processes. Improvements include more timely distributing BRG Fund monies for some projects, closing several BRG projects and making available unspent monies for other BRG projects, and adopting several new policies to guide districts and vendors on BRG project scope-of-work development. However, we found that the Board lacks processes for monitoring BRG project progress to help ensure districts timely complete BRG projects and it should improve the use of its information technology (IT) systems to help ensure all payments to districts are timely. We also found that most Board members failed to fully disclose interests related to Board decisions. Finally, we found that Board staff and vendor actions and Board procurement policies could confuse districts and lead to compliance issues with State procurement requirements, and some districts we reviewed did not always comply with these requirements.

Districts' BRG project delays and Board's lack of monitoring contribute to potential health and safety risks, increased State costs, and BRG Fund monies sitting idle for years

Although the Board closed 171 BRG projects between July 2018 and January 2019 and made approximately \$1.6 million in unspent BRG Fund monies available for other BRG projects, we identified 628 BRG projects that had been open for 12 months or longer, including 154 BRG projects with potentially uncorrected deficiencies and 474 BRG projects with more than \$49 million in unspent project award monies. These projects were intended to address facility deficiencies such as the adequacy of fire alarms and structural soundness of buildings that, if left uncorrected, could impact students' and teachers' health and safety or worsen over time, potentially leading to other costly problems.

Recommendations

The Board should:

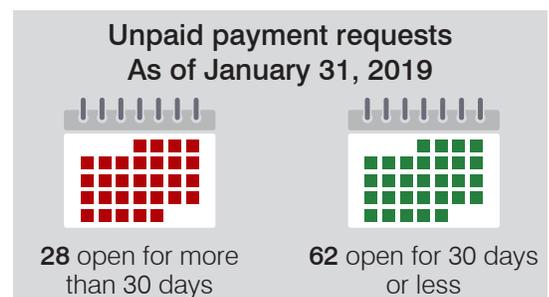
- Review all 628 open projects to determine their current status and the appropriate action to take.
- Establish processes consistent with State policy for monitoring BRG project progress and assisting districts in addressing issues that could delay project completion.

Board should improve its use of IT systems to ensure all payments to districts are timely

In January 2018, the Board implemented an online system—called the PayAppinator—to facilitate paying districts' requests to receive distributions of BRG Fund monies. We found that using the PayAppinator has helped the Board improve its timeliness for paying some payment requests. Statute requires districts to pay their vendors within 30 days of receiving an invoice, but the Board did not pay all requests it received from districts using the PayAppinator within 30 days, which would help districts comply with the statutory requirement.

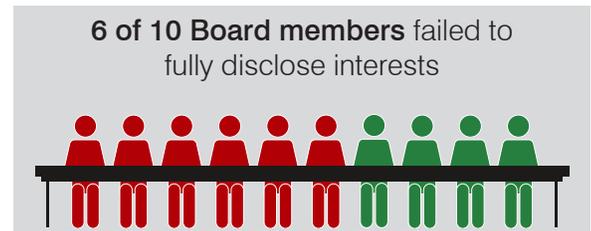
Recommendation

The Board should modify its PayAppinator system to track and monitor the timeliness of all payment requests.



Board members failed to disclose interests, and 1 Board member failed to refrain from participating in decisions related to those interests

Arizona law requires public officers and employees to disclose and refrain from participating in decisions related to interests that might influence or affect their official conduct. We found that 6 Board members did not fully disclose why they refrained from discussing and voting on Board decisions in Board meetings held between June 2018 and February 2019. In addition, the Board's vice-chair improperly participated in decisions related to 3 BRG projects that involved his son's company. State law and Board policy clearly require Board members and staff to fully disclose interests and file disclosure forms, but the Board lacks processes to help ensure its members comply with these requirements.



Recommendations

The Board should establish processes to:

- Allow Board members to fully disclose substantial interests in its public meetings.
- Help Board members identify meeting agenda items involving their interests.
- Ensure new Board members complete and file a conflict-of-interest form before they begin serving on the Board.

Board staff and vendor actions and Board policies and guidance for districts could confuse districts, leading to decreased competition, potentially unfavorable pricing, and compliance issues

Districts are responsible for procuring, selecting, and contracting with vendors for BRG projects and, when doing so, must comply with the School District Procurement Rules adopted by the Arizona State Board of Education, the *Uniform System of Financial Records for Arizona School Districts* (USFR), and the Board's procurement policy. We reviewed a sample of 10 districts' BRG project vendor procurement and selection for 36 BRG projects and found that 4 of these districts did not procure and/or select vendors for BRG projects. Instead, district staff reported they believed the Board and/or Board staff had procured and/or selected the vendors. For example, a written quote a vendor provided to 1 district indicated that a Board staff member requested that the vendor provide the district with a quote. We also found indications that Board staff may have selected or referred BRG project vendors to districts in the past. Although, Board staff reported they do not require and/or suggest that districts use specific vendors, the Board lacks a policy or procedure prohibiting this. The Board's BRG project policies for districts do not explicitly state that districts are solely responsible for BRG project procurement. Finally, the Board's procurement policy and other guidance are unclear in several areas and could mislead districts, potentially resulting in noncompliance with the School District Procurement Rules and the USFR.

Recommendation

The Board should develop and implement policies that prohibit Board staff from requiring and recommending that districts use specific vendors and help ensure districts understand their procurement responsibilities, and it should modify its procurement policy and other guidance to ensure they do not mislead districts and are consistent with the School District Procurement Rules and the USFR.

Districts did not always comply with procurement requirements

Eight of the 10 sampled districts we reviewed did not fully comply with the School District Procurement Rules or the USFR for BRG projects. Three districts failed to follow requirements for using cooperative purchasing agreements and may have paid higher prices for vendor services. We also found numerous errors in procurement documents prepared by district-hired consultants, indicating these districts did not provide adequate oversight of the consultants.

Recommendation

The 8 sampled districts should comply with procurement requirements established in the School District Procurement Rules and the USFR, including providing oversight of procurement consultants.