



**STATE OF ARIZONA
SCHOOL FACILITIES BOARD**

**Governor of Arizona
Douglas A. Ducey**

**Executive Director
Paul G. Bakalis, AIA, NCARB**

September 11, 2017

Ms. Debbie Davenport, CPA
Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Reference: Auditor General's Final Draft Sunset Audit
SFB Response

Dear Ms. Davenport:

Attached, please find the School Facilities Board response to the Auditor General's Draft Comments of the SFB Sunset audit.

The SFB acknowledges and supports the recommendations and comments of the Auditor General staff observations and want to thank you for your diligent work in identifying areas where the SFB Board and staff can improve processes that will make more perfect our work.

Please understand the SFB's appreciation for your final draft and know that the agency accepts the Auditor General's observations in the light with which they are intended knowing that the SFB will better serve as partner and advocate to the School Districts we hold in high regard as customers.

Our agency would like to thank the auditors for their thorough effort in understanding our processes, efforts, and challenges we face in advancing the mission of the SFB. It is important to emphasize that we generally agree with the findings and will put processes in place consistent with our funding to ensure the agency's long-term success.

Sincerely;

Paul G. Bakalis, AIA, NCARB
Executive Director
Arizona School Facilities Board
1700 West Washington Street, Suite 104
Phoenix, Arizona 85007

Finding 1:

Recommendation 1.1: The Legislature should consider revising A.R.S. §15-2032 to more clearly specify the eligibility criteria school district buildings must meet to be eligible for BRG funding, such as whether the school district building is open or closed, used for student instruction or other purposes, and/or may be needed to meet current or future student capacity.

Recommendation 1.2: 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 based on statutory requirements. The revised policy should indicate how a school district's use or planned use of a building will affect its eligibility for receiving BRG Fund monies.

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

Response explanation: SFB staff plans to work together with the Board and Assistant Attorney General to confirm statutory requirements and develop a checklist with which to consistently determine project eligibility.

Recommendation 1.3: The Board should develop and implement policies and procedures establishing an eligibility assessment and award process to help ensure it approves only eligible projects. These policies and procedures should address the following:

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

Response explanation: SFB staff plans to work together with the Board and Assistant Attorney General to confirm statutory requirements and develop a checklist with which to advise Districts of the requirements of eligibility which will be available to Districts on the SFB website as well as be a part of the funding award letter and terms and conditions.

Recommendation 1.3a: Identifying the information that needs to be submitted with project applications to allow the Board to assess compliance with all statutory eligibility criteria;

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

Response explanation: SFB staff plans to work together with the Board to identify information that ensures a complete and accurate BRG application. This may include the development of a checklist that is available on the SFB website as well as confirmed in the funding award letter and terms and conditions.

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Recommendation 1.3b: Including guidance to assist school districts in developing and submitting completed project applications with all required eligibility information and documentation;

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

Response explanation: SFB staff plans to work together with the Board to identify information that ensures a complete and accurate BRG application. This may include the development of a checklist that is available on the SFB website as well as confirmed in the funding award letter and terms and conditions.

Recommendation 1.3c: Requiring board staff to ensure that all the necessary eligibility information and documentation has been submitted. The Board should consider developing a tool, such as a checklist, to facilitate this review;

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

Response explanation: SFB staff plans to work together with the Board and Assistant Attorney General to confirm statutory requirements and develop a checklist with which to consistently determine project eligibility.

Recommendation 1.3d: Including guidance for reviewing and assessing compliance with eligibility criteria, such as the requirement for school districts to perform routine preventative maintenance and that proposed projects will address noncompliance with the minimum adequacy guidelines established by the Board;

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

Response explanation: SFB staff plans to work together with the Board to confirm statutory requirements and develop a checklist with which to consistently determine project eligibility as well as compliance with preventative maintenance.

Recommendation 1.3e: Ensuring that all eligibility criteria is assessed and applied appropriately and consistently. The Board should consider developing tools, such as decision matrices or checklists, to help guide assessments;

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

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Response explanation: SFB staff plans to work together with the Board to develop tools to ensure comply with statutory requirements such as a checklist with which to consistently assess and apply eligibility criteria.

Recommendation 1.3f: Documenting eligibility assessments consistently and with sufficient detail to ensure transparency and allow for supervisory review;

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

Response explanation: SFB staff plans to work together with the Board to develop tools to ensure comply with statutory requirements such as a checklist with which to ensure transparency and allow for supervisory review.

Recommendation 1.3g: Requiring a documented assessment of project eligibility before the Executive Director approves project awards as authorized by board policy, and documenting these assessments;

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

Response explanation: SFB staff plans to work together with the Board to develop tools to ensure compliance with statutory requirements such as a checklist with which to ensure consistently assessing and applying eligibility criteria.

Recommendation 1.3h: Conducting and documenting supervisory reviews of project eligibility assessments and recommendations before providing recommendations to the Board; and

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

Response explanation: Currently the Liaisons, Executive Director, Deputy Director of Operations, and Deputy Director of Finance meet each Monday for the singular purpose to review BRG, EDC, New Schools and Adjacent Ways for compliance with statutory requirements. Each application is challenged for compliance with the statutes prior to inclusion in the SFB Board package along with recommendations for approval or denial. The board package includes indications of compliance with PM as well as references to the statute with which the facility is in non-compliance. The Board plans to develop a checklist to assist SFB staff in preparing Board agenda items to ensure all the necessary eligibility information and documentation has been submitted.

Recommendation 1.3i: Specifying the eligibility and project information that should be provided to the Board for each project application along with board staff's recommendation to help ensure that the Board has all the information it needs to make consistent and appropriate project award decisions.

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

Response explanation: SFB staff plans to work together with the Board and Assistant Attorney General to confirm statutory requirements and develop a checklist with which to consistently determine project eligibility.

Recommendation 1.4: The Board should work with its Assistant Attorney General to determine if the Board has the statutory authorization to allow board staff to deny projects. If the Board determines that it has this authority and then authorizes its staff to notify school districts that their projects do not meet eligibility criteria prior to board review and either deny the proposed projects or request that school districts withdraw the proposed projects, it should develop and implement policies and procedures directing this process. These policies and procedures should require the following:

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

Response explanation: SFB staff plans to work together with the Board and Assistant Attorney General to confirm statutory requirements and develop a checklist with which to consistently determine project eligibility. Develop a Board policy related to staff's interaction in determining eligibility.

Recommendation 1.4a: A documented basis for board staff's determination that a project is ineligible; and

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

Response explanation: SFB staff plans to work together with the Board and Assistant Attorney General to confirm statutory requirements and develop a checklist with which to consistently determine project eligibility.

Recommendation 1.4b: School district notification protocols, including procedures for clearly explaining the reasons for ineligibility and documenting the notifications.

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

Response explanation: SFB staff plans to work together with the Board and Assistant Attorney General to develop notification protocols to document ineligibility and notifications of same.

Recommendation 1.5: Once the Board has developed the recommended policies and procedures, it should train board staff to help ensure they are consistently followed.

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

Response explanation: The Board and SFB staff plans to have training sessions and develop materials so that policies and procedures are consistently followed.

Recommendation 1.6: The Board should work with its Assistant Attorney General to ensure that its policies and procedures are consistent with the Board's statutes.

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

Response explanation: SFB staff plans to work together with the Board and Assistant Attorney General to ensure that policies and procedures are consistent with the Board's statutes.

Finding 2:

Recommendation 2.1: The Board should develop and implement written policies and procedures for assessing school districts' capabilities to ensure the completion of projects. These policies and procedures should:

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

Response explanation: The Board and SFB staff plans to develop and implement written policies and procedures to assess school districts' capabilities to effectively plan, manage and oversee projects.

Recommendation 2.1a: Specify the information that school districts must submit to allow board staff to assess school districts' capabilities to effectively plan, manage, and oversee projects;

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

Response explanation: The Board and SFB staff plans to develop and implement written policies and procedures to assess school districts' capabilities to effectively plan, manage and oversee projects.

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Recommendation 2.1b: Include guidance directing board staff on how to assess school districts' capabilities to manage and oversee projects. This guidance should require board staff to consider factors such as the type of professional and technical management skills needed to accomplish the project, whether the school district already employs qualified personnel with these skills or needs to contract for professional and technical assistance, and the school district's ability to carry out the responsibilities of managing the project;

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

Response explanation: The Board and SFB staff plans to develop and implement written policies and procedures to assess school districts' capabilities to effectively plan, manage and oversee projects.

Recommendation 2.1c: Specify the guidance that the Board will provide to school districts, such as through its application forms, to help ensure that all school districts submit required personnel resource and scope of work information to the Board; and

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

Response explanation: SFB staff plans to develop policies and procedures to determine what information the districts need to include so that the Board can assess personnel resources, scopes of work, and determine completion timelines.

Recommendation 2.1d: Specify the information that school districts must include in proposed scopes of work, including project time frames, to provide the Board with the information it needs to assess project scopes of work and hold school districts accountable for ensuring the appropriate and timely completion of projects.

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

Response explanation: SFB staff plans to recommend policies and procedures to determine what information the districts need to include so that the Board can assess personnel resources, scopes of work, and determine completion timelines. As a part of the project checklist, the SFB staff assesses and recommends the completion timeline.

Recommendation 2.2: The Board should develop and implement written policies and procedures for overseeing school district compliance with project award terms and conditions agreements. The policies and procedures should:

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

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Response explanation: The SFB staff and Board plan to work together to develop policies and procedures that documents school district compliance with project award terms and conditions.

Recommendation 2.2a: Establish the oversight activities board staff should perform to ensure school district compliance with the project award terms and conditions including conducting site visits, periodically reviewing status reports, and reviewing change orders.

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

Response explanation: The SFB staff and Board plan to work together to develop policies and procedures that documents school district compliance with project award terms and conditions.

Recommendation 2.2b: Include guidance directing board staff on how to carry out the oversight activities established by the Board, such as specifying the frequency of oversight activities, under what conditions they should be performed, and how to document the performance of those activities; and

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

Response explanation: The SFB staff and Board plan to create policies, procedures, and a checklist that will assist the Staff and Executive Director in ensuring district compliance with project terms and conditions to document activities in the weekly review meetings.

Recommendation 2.2c: Establish a supervisory review process, including using a checklist, to ensure that board staff are consistently and appropriately overseeing school district compliance with the project award terms and conditions.

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

Response explanation: The SFB staff and Board plan to work together to develop policies and procedures that documents school district compliance with project award terms and conditions.

Finding 3:

Recommendation 3.1: The Board should continue its efforts to address weaknesses related to poor network user account management and inadequate password controls.

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

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Response explanation: The SFB has contracted with ADOA/ASET to migrate Active Directory (User Account) management to ADOA/ASET staff via our Evergreen ISA agreement (see attached). Doing so has brought the SFB into compliance with all the concerns of this recommendation.

Recommendation 3.2: The Board should align its IT policies and procedures with ASET standards and IT best practices by developing and implementing policies and procedures for:

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

Response explanation: In alignment with recommendation 3.1, since ADOA/ASET is managing user accounts on behalf of the SFB. This recommendation, including subparts, has been addressed in this agreement.

Recommendation 3.2a: Limiting the number of consecutive invalid logon attempts before an account is locked;

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

Response explanation: In alignment with recommendation 3.1, since ADOA/ASET is managing user accounts on behalf of the SFB. This recommendation, including subparts, has been addressed in this agreement.

Recommendation 3.2b: Requiring a staff member's user accounts to be deleted when he/she leaves board employment;

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

Response explanation: The SFB staff will develop a procedure for terminating an account when a staff member leaves employment.

Recommendation 3.2c: Conducting periodic, comprehensive reviews of all existing employee access accounts to ensure that users' network and system access is needed and compatible with job responsibilities;

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

Response explanation: In alignment with recommendation 3.1, since ADOA/ASET is managing user accounts on behalf of the SFB. This recommendation, including subparts, has been addressed in this agreement.

Recommendation 3.2d: Requiring passwords to be at least eight characters long, complex, changed every 90 days, and to expire after a predetermined amount of time; and

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

Response explanation: In alignment with recommendation 3.1, since ADOA/ASET is managing user accounts on behalf of the SFB. This recommendation, including subparts, has been addressed in this agreement.

Recommendation 3.2e: Requiring that IT system activity logs and other agency information be periodically reviewed and analyzed for inappropriate use.

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

Response explanation: In alignment with recommendation 3.1, since ADOA/ASET is managing user accounts on behalf of the SFB. This recommendation, including subparts, has been addressed in this agreement.

Recommendation 3.3: The Board should develop and implement a disaster recovery and contingency plan. The plan should address how the Board will recover its database and maintain essential mission and business functions if a disruption or failure occurred. Additionally, the plan should require board data to be backed up periodically using a board-defined cycle that is based on the criticality of its business processes. Further, the Board should periodically test and update its disaster recovery and contingency plan as needed and should validate the integrity of the backup data.

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

Response explanation: The SFB staff is currently working on developing the COOP plan with DEMA. To that end, the SFB's Chief Information Officer continues to attend COOP Plan training classes. Regular Bi-Monthly meetings have been established for the six months starting in late August to address the concerns of recommendation 3.3. SFB staff has set an internal deadline of January 31, 2018 to have a COOP Plan in place to address disaster recovery concerns based on a risk analysis of the agencies essential functions.

Recommendation 3.4: To help ensure all future IT systems are developed and maintained in line with IT standards and best practices, the Board should develop and implement a formal SDLC methodology. This methodology should outline the phases involved in an information system development project from the initiation phase through the system's sunset.

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

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Response explanation: The SFB will continue to strive for best practices using a formalized IT systems SDLC methodology. Development of systems necessary to facilitate the work of the SFB will continue to be a high priority. The effort to develop and implement a formal SDLC methodology requires additional IT resources and funding of this is a part of the FY19 budget request.

Sunset Factors:

Recommendation 1: Continue to take steps to determine how it will meet its statutory requirements to conduct school building inspections, develop and implement policies and procedures for conducting and documenting inspections of school districts, and train staff accordingly.

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

Response explanation: SFB staff is currently working toward identifying third-party professional services to assist in conducting and documenting inspections of school districts consistent with its statutory requirements.

Recommendation 2: Follow its policy for prioritizing BRG Fund requests according to statute and develop and implement a procedure for doing so.

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

Response explanation: The SFB staff together with the Board plans to create a checklist in order to determine whether or not a project meets statutory prioritization and revise the template to provide this information to the Board.

Recommendation 3: Develop and implement policies and procedures for ensuring the accuracy and completeness of building inventory information in its database. The policies and procedures should require that the Board:

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

Response explanation: SFB staff plans to review and update existing policies and procedures related to ensuring the accuracy and completeness of the building inventory.

Recommendation 3a: Send an annual notice to school districts reminding them of their statutory responsibility to submit updated facility information. Further, the Board should formalize in its policies and procedures its current practice of requiring school districts to submit updated facility information to the Board prior to receiving any BRG Fund monies; and

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

Response explanation: The SFB staff plans to work with the Board to formalize this process which already takes place, but is undocumented.

Recommendation 3b: Reflect unapproved building changes in its database. For example, when the Board becomes aware that a school district has made an unapproved change to its buildings, the Board should reflect the change in its database to ensure that it accurately reflects the school district's facility inventory, but also indicate it as an unapproved change.

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

Response explanation: SFB staff plans to develop and implement a method to document the status of changes to individual buildings and to accurately classify those changes in the building inventory.

Recommendation 4: Modify its database to allow staff to accurately classify the status of individual buildings, such as whether school buildings are open or closed; and develop and implement a procedure to ensure that board staff accurately classify the status of individual school district buildings in the database.

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

Response explanation: SFB staff plans to develop and implement a method to document the status of changes to individual buildings and to accurately classify those changes in the building inventory.

Recommendation 5: Update its records retention schedule to include its current programs and records.

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

Response explanation: SFB staff plans to update its records retention schedule to include its current programs and records.

Recommendation 6: Develop and implement a process for helping to ensure school districts are aware of the services that the Board provides and monies that are available for facility construction, renovation, and repair projects. This process should specify the type and frequency of communications with school district officials and include developing and maintaining an updated list of responsible school district officials.

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

Response explanation: The SFB staff and the Board plans to develop a process that documents the outreach and messaging that informs and empowers the Districts' understanding of the funding sources, the requirements for funding, and the process of applying. Further, the SFB plans to make this information available on our website.

Recommendation 7: Ensure that board meeting minutes are available within 3 business days of each board meeting to comply with the State's open meeting law.

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

Response explanation: The SFB plans to determine how it will make meeting minutes or audio recordings available within the prescribed timeframe.

Recommendation 8: Notify its website users of potential inaccuracies in the school building inventory database information that is available on its website.

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

Response explanation: The SFB plans to provide this information on our website.