

Arizona State Schools for the Deaf and the Blind

ASDB provides sensory impaired students in the State with educational and support services and has processes for maintaining its campus schools' accreditation but has not developed a multi-year capital plan, impacting its ability to address its capital improvement needs, and it may be collecting more revenue than needed to administer its Itinerant Services Program

Performance Audit and
Sunset Review

September 2022
Report 22-109

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





The Arizona Auditor General's mission is to provide independent and impartial information and specific recommendations to improve the operations of State and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

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September 28, 2022

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Ms. Annette Reichman, Superintendent
Arizona State Schools for the Deaf and the Blind

Transmitted herewith is the Auditor General's report, *A Performance Audit and Sunset Review of the Arizona State Schools for the Deaf and the Blind*. This report is in response to a December 17, 2020, resolution of the Joint Legislative Audit Committee. The performance audit was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq. I am also transmitting within this report a copy of the Report Highlights to provide a quick summary for your convenience.

As outlined in its response, the Arizona State Schools for the Deaf and the Blind agrees with all the findings and plans to implement all the recommendations. My Office will follow up with the Arizona State Schools for the Deaf and the Blind in 6 months to assess its progress in implementing the recommendations.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

cc: Arizona State Schools for the Deaf and the Blind Board of Directors

Arizona State Schools for the Deaf and the Blind

ASDB provides sensory impaired students in the State with educational and support services and has processes for maintaining its campus schools' accreditation but has not developed a multi-year capital plan, impacting its ability to address its capital improvement needs, and it may be collecting more revenue than needed to administer its Itinerant Services Program

Audit purpose

To assess ASDB's processes for meeting its responsibility to educate students in Arizona with sensory impairments and determine whether ASDB developed a multi-year capital plan, evaluated the appropriateness of its Itinerant Services Program fees, and complied with State conflict-of-interest requirements, and to provide responses to the statutory sunset factors.

Key findings

ASDB:

- Was established in 1912 to educate students in Arizona with sensory impairments, such as a hearing and/or vision impairment, and provides sensory impaired students throughout the State with educational and support services through its 2 campus schools and Itinerant Services Program.
- Established policies and procedures for maintaining its campus schools' accreditation and for ensuring that its teachers meet State requirements for certification.
- Has identified millions of dollars in capital improvement needs, including buildings that are vacant, underutilized, or that present health and safety concerns, but has not developed a multi-year capital plan, hindering its ability to address these needs in a timely and cost-effective manner.
- May be collecting more revenue than necessary to administer the Itinerant Services Program.
- Does not use a consistent approach to assess its post-school outcomes (PSO) survey data, limiting the exchange of best practices between its campuses to improve transition services for students.
- Did not comply with 1 statutory conflict-of-interest requirement and had not fully aligned its conflict-of-interest process with recommended practices.

Key recommendations

ASDB should:

- Develop and implement a comprehensive, multi-year capital plan that assesses, identifies, and documents its capital needs.
- Develop and implement policies and procedures to periodically review the appropriateness of its Itinerant Services Program fees.
- Develop and implement policies and procedures for analyzing PSO surveys agency-wide.
- Develop and implement conflict-of-interest policies and procedures to help ensure it complies with State conflict-of-interest requirements and follows recommended practices.



TABLE OF CONTENTS

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| Introduction | 1 |
| Finding 1: ASDB has not developed and implemented a multi-year capital plan and projected capital budget, hindering its ability to address capital improvement needs in a timely and cost-effective manner | 8 |
| Best practices indicate that multi-year capital planning and budgeting, including developing capital planning policies, are important for maintaining capital assets | |
| ASDB has not developed a multi-year capital plan and budget, limiting its ability to effectively plan for, prioritize, and address its capital improvement needs, including buildings that are vacant, underutilized, or that present health and safety concerns | |
| ASDB delayed developing a multi-year capital plan and budget in fiscal year 2021 to focus on other priorities, and its policies do not include some capital planning recommended practices | |
| Recommendations | |
| Sunset factors | 12 |
| Summary of recommendations: Auditor General makes 8 recommendations to ASDB | 22 |
| Appendix A: Average ASDB teacher salary and other ASDB teacher measures | a-1 |
| Appendix B: ASDB operational and nonoperational spending | b-1 |
| Appendix C: Objectives, scope, and methodology | c-1 |
| ASDB response | |
| Figures | |
| 1 Map of ASDB's regional cooperatives as of August 2022 | 3 |
| 2 Process for ASDB to receive special education institutional voucher monies | 5 |
| Tables | |
| 1 Schedule of revenues, expenditures, and changes in fund balance Fiscal years 2020 through 2022 (Unaudited) | 6 |
| 2 Cooperative Services Fund revenues, expenditures, and fund balance Fiscal years 2020 through 2022 (Unaudited) | 14 |
| 3 Students served by ASDB programs in Arizona 2019-20 through 2021-22 School Years | 17 |



TABLE OF CONTENTS

| | | |
|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| 4 | Average teacher salary, average teacher pay from Classroom Site Fund, students per teacher, average years of teacher experience, and percentage of teachers in first 3 years As of August 2022 | a-1 |
| 5 | ASDB operational and nonoperational spending Fiscal year 2022 | b-1 |



The Arizona Auditor General has completed a performance audit and sunset review of the Arizona State Schools for the Deaf and the Blind (ASDB). This performance audit and sunset review determined whether ASDB developed and implemented a multi-year capital plan and projected budget, evaluated the appropriateness of its Itinerant Services Program fees, and complied with State conflict-of-interest requirements and aligned its conflict-of-interest processes with recommended practices, and provides responses to the statutory sunset factors.

Mission and Responsibilities

ASDB was established in 1912 to educate students in Arizona with sensory impairments, such as a hearing and/or vision impairment. In accordance with statute, ASDB provides educational programs for children and students with sensory impairments in the State from birth through 21 years of age so that they may become self-sustaining citizens (see textbox for ASDB's mission).¹

According to statute, ASDB is a local education agency, or an agency that maintains administrative control of primary and secondary schools.² As such, ASDB is responsible for the provision of general

and special education services for students enrolled in its campus-based schools, as well as its contracted preschool programs (see below for more information on ASDB's schools and programs). ASDB is also responsible for complying with the federal Individuals with Disabilities Education Act (IDEA), including providing a free and appropriate education that meets each student's individual education needs.³ ASDB receives specialized federal funding to meet these responsibilities, such as IDEA formula grants.⁴

Consistent with its statutory requirements and its mission, ASDB provides educational programs and other support services to Arizona children with sensory impairments through its schools and/or programs (see textbox, page 2, for information on the placement and evaluation process for determining if students should receive ASDB services, and Sunset Factor 3, pages 16 through 17, for more information on the number of students throughout the State ASDB's programs serve). Specifically, ASDB has the following schools and programs:

ASDB's mission—ASDB is committed to excellence and innovation in the education for all children, throughout Arizona, who are sensory impaired; leadership and service; collaboration with families, school districts, communities, and others; and partnerships with other agencies that will enable children who are sensory impaired to succeed now and in the future.

Source: ASDB's strategic plan for fiscal years 2021-2026 and Arizona Revised Statutes (A.R.S.) §15-1301(4).

¹ A.R.S. §§15-1302(B), A.R.S. 15-1343(A), and A.R.S. 15-1344(A).

² A.R.S. §15-1306.

³ The IDEA governs how states and public agencies provide early intervention, special education, and related services to eligible infants, toddlers, children, and youth with disabilities.

⁴ Formula grant programs are noncompetitive awards based on a predetermined formula. The Arizona Department of Education (ADE) receives IDEA formula grants from the U.S. Department of Education and distributes this funding to eligible local education agencies in the State, including to ASDB.

Placement and evaluation process

Statute requires that Arizona public school districts and charter schools arrange for the establishment of a placement and evaluation team for each sensory impaired student they enroll.^{1,2} If a placement team determines that a sensory impaired student may require ASDB's services, it contacts ASDB to conduct an evaluation of the student's sensory impairment to determine its severity and impact on the student's access to a free and appropriate education and whether the student can feasibly attend one of ASDB's campus-based programs.³ Based on this evaluation, the team can decide to enroll the student in one of ASDB's campus-based programs or to keep the student enrolled in their home school district or charter school and either receive services from ASDB's Itinerant Services Program or services provided by the school district or charter school.

¹ A.R.S. §§15-761, 15-766, and 15-1342.

² The placement and evaluation team includes the student's parent or legal guardian, special education professionals, and representatives from the public school district or charter school.

³ According to ASDB policy, students may be enrolled in a day program at an ASDB campus or a contracted preschool program if they live within a 50-mile radius of the respective campus; students who reside outside of a 30-mile radius from the Tucson campus such that the daily commute is impractical may be admitted to Tucson's residential program at the determination of ASDB's residential program team based on the student's educational needs. In addition to considering distance and travel, ASDB considers the student's minimal functional levels, such as the ability to perform basic daily living activities with minimal assistance, in admitting the student to the residential program.

Source: Auditor General staff summary of various sources, such as statute, ASDB policy, ASDB's website, and information provided by ASDB.

- **Tucson campus**—The Tucson campus serves enrolled students with hearing and/or vision impairments from preschool through grade 12. The Tucson campus includes both a day program and a residential program for its students, including elementary, middle, and high school buildings; residential halls; and a performing arts center.⁵ The Tucson campus offers classroom instruction using curriculum designed to comply with standards set by ADE and meet the needs of sensory impaired students, as well as educational and support services for its students, such as occupational and physical therapy, social skills training, braille, speech therapy, and American Sign Language (ASL).⁶ In addition, the Tucson campus provides transition services, which assist students to prepare for post-school activities, including individualized assistance for students and families preparing for postsecondary education and work, courses to help students learn job skills, programs for high school students to develop independent living skills, and access to career and technical education courses offered at local public schools and other locations throughout Pima County and the surrounding area.
- **Phoenix Day School for the Deaf (PDSD)**—PDSD serves enrolled hearing-impaired students in preschool through grade 12.⁷ PDSD offers classroom instruction using curriculum designed to comply with ADE standards and meet the needs of hearing-impaired students, and similar educational and support services as the Tucson campus, such as ASL and occupational and physical therapy. Similar to the Tucson campus, PDSD also offers transition services, including a course that focuses on the college application process and entering the job market, individualized assistance for students and families preparing for postsecondary education and work, courses to help students learn job skills, and programs for high school students to develop independent living skills, as well as access to career and technical education courses offered at local public schools and other locations throughout Maricopa County.

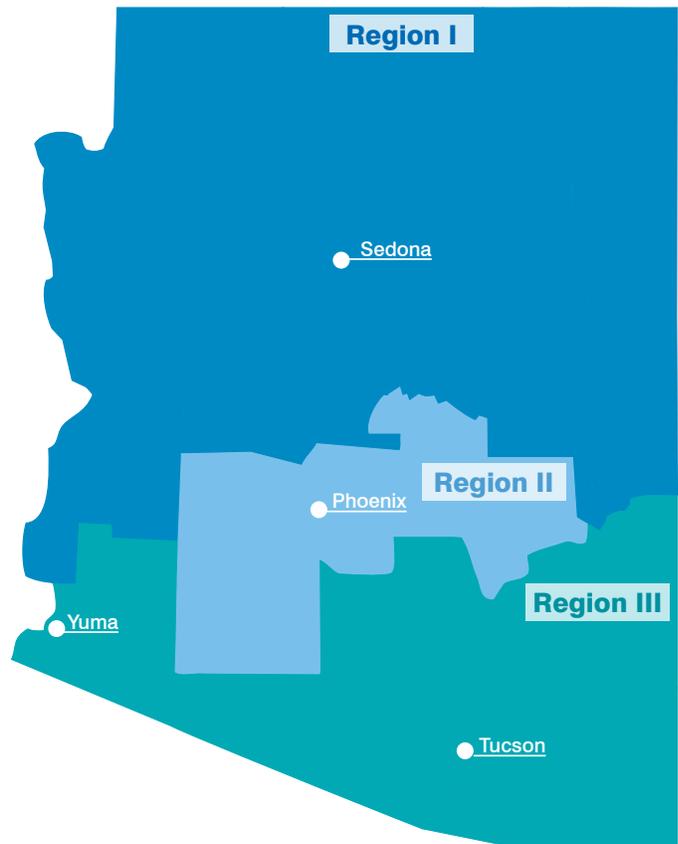
⁵ Students participating in the day program attend school during the day and then return home later in the afternoon. Students in the residential program live in on-campus dormitories, returning home when school is not in session.

⁶ ADE is the administrative body that oversees the State's public schools and is responsible for ensuring that ASDB complies with federal and State education law, such as the provisions of IDEA and the requirements for teacher certification (see Sunset Factor 2, page 13, for more information on teacher certification requirements).

⁷ PDSD does not offer a residential program.

- Itinerant Services Program**—ASDB’s Itinerant Services Program provides sensory impaired students throughout the State with educational and support services, including specialized equipment and materials; virtual instruction; nonteaching services, such as low vision examinations; and other related services, such as educational interpreting. The Itinerant Services Program serves sensory impaired students who are enrolled in participating schools, which include public school district and charter schools, and other public educational programs, such as Bureau of Indian Affairs schools.⁸ The Itinerant Services Program consists of 3 regional cooperatives that offer services to students within their respective region (see Figure 1). Participating schools must enter into a cooperative agreement with ASDB to obtain services for their sensory impaired students (see pages 4 through 6 for more information on how participating schools pay ASDB for the Itinerant Services Program).
- Early Learning Program (ELP)**—ASDB’s ELP serves sensory impaired children from birth to age 5 in Arizona. Specifically, as required by statute, ASDB works with the Arizona Early Intervention Program (AzEIP) to provide home-based services to sensory impaired infants and toddlers, birth to age 3, across the State.⁹ Additionally, the ELP serves sensory impaired preschool students, age 3 to 5, enrolled at ASDB’s Tucson campus, as well as students enrolled at ASDB through campus-based preschool programs in the Phoenix metropolitan area. Specifically, ASDB runs preschool programs on its PSDS campus and at a satellite campus in San Tan Valley, and contracts with public nonprofit preschools, such as the Foundation for Blind Children (FBC) and the Desert Voices Oral Learning Center in the Phoenix metropolitan area.

Figure 1
Map of ASDB’s regional cooperatives as of August 2022



Source: Auditor General staff analysis of information provided by ASDB staff as of August 2022.

Staffing and Organization

ASDB’s Board of Directors (Board) is responsible for the governance of ASDB, including appointing ASDB’s Superintendent.¹⁰ As required by statute, the Board has 10 members including the Governor, who serves as a nonvoting ex officio member, and the State’s Superintendent of Public Instruction or the Superintendent’s designee, who is a voting member.¹¹ The Governor appoints the remaining members, who serve 3-year terms. The appointed members include:

⁸ If a student receives special education services from ASDB’s Itinerant Services Program, ASDB is not considered the local education agency for that student because the student remains enrolled at the participating school.

⁹ A.R.S. §41-2022. AzEIP is a State-wide system of early intervention programs and services administered by the Arizona Department of Economic Security for infants and toddlers, birth to age 3, with developmental delays.

¹⁰ A.R.S. §§15-1321(A) and 15-1325(A).

¹¹ A.R.S. §15-1321. As of June 7, 2022, the Board did not have any vacancies in its statutorily required membership.

- 1 member from the Commission for the Deaf and the Hard of Hearing.¹²
- 1 member from the Arizona Governor’s Council on Blindness and Visual Impairment.¹³
- 1 school district employee who works with their district’s program for sensory impaired pupils.
- 5 additional members. A.R.S. §15-1321 requires the Governor to give preference to people with experience and knowledge of sensory-impaired education for 3 of these positions.

As of May 1, 2022, ASDB had 501.72 filled full-time equivalent (FTE) positions and 113 vacancies.¹⁴ ASDB is organized into the following 3 divisions:

- **Education Programs (358.92 FTEs, 86 vacancies)**—Responsible for the agency’s educational programs, including onsite campus instruction, the Itinerant Services Program, and the ELP.
- **Agency Operations and Support Services (103.52 FTEs, 19 vacancies)**—Responsible for food services, transportation, facilities management, human resources, business services, and information technology (IT).
- **Agency Relations (39.28 FTEs, 8 vacancies)**—Responsible for policy and government relations, as well as agency communications, including web and digital media.

Revenues and expenditures

As shown in Table 1 on page 6, ASDB is estimated to receive approximately \$66.3 million in revenues in fiscal year 2022, primarily consisting of State General Fund appropriations, intergovernmental revenues, and Itinerant Services Program monies. Specifically, ASDB is estimated to receive approximately \$23.3 million from State General Fund appropriations and approximately \$20.4 million of intergovernmental revenues, including \$758,000 in federal pandemic aid. Additionally, ASDB is estimated to receive approximately \$20.3 million of revenue from its Itinerant Services Program in fiscal year 2022. ASDB’s Itinerant Services Program revenues consist of:

- **Intergovernmental and Itinerant Services Program monies received primarily from special education institutional vouchers**—ASDB’s intergovernmental and Itinerant Services Program revenues include special education institutional voucher monies received from ADE. According to statute, a special education institutional voucher is issued to State institutions, such as ASDB, to provide monies for the education of a student who requires institutional placement or who has been placed in a residential facility (see Figure 2 on page 5).¹⁵ ADE uses a statutory formula to annually determine voucher amounts, which are based on the student’s disability type or impairment. For example, in fiscal year 2022, a hearing impaired or visually impaired student’s annual voucher amount was approximately \$25,500, a multiple disabilities student’s annual voucher amount was approximately \$31,000, and a multiple disabilities with severe sensory impairment student’s annual voucher amount was approximately \$39,000. According to the cooperative agreement, if the Itinerant Services Program does not use all of a student’s voucher monies in a given school year, ASDB will reimburse the participating school up to \$1,500 (see Sunset Factor 2, pages 13 through 15, for more information on recommendations we made related to ASDB’s process for determining the reimbursement amount).¹⁶

¹² The Arizona Commission for the Deaf and Hard of Hearing acts as a bureau of information to the hearing impaired and to other State agencies, institutions, and other public or private community agencies and programs that serve hearing impaired persons.

¹³ The Arizona Governor’s Council on Blindness and Visual Impairment was established to ensure that the specialized needs of blind and visually impaired Arizonans are addressed effectively.

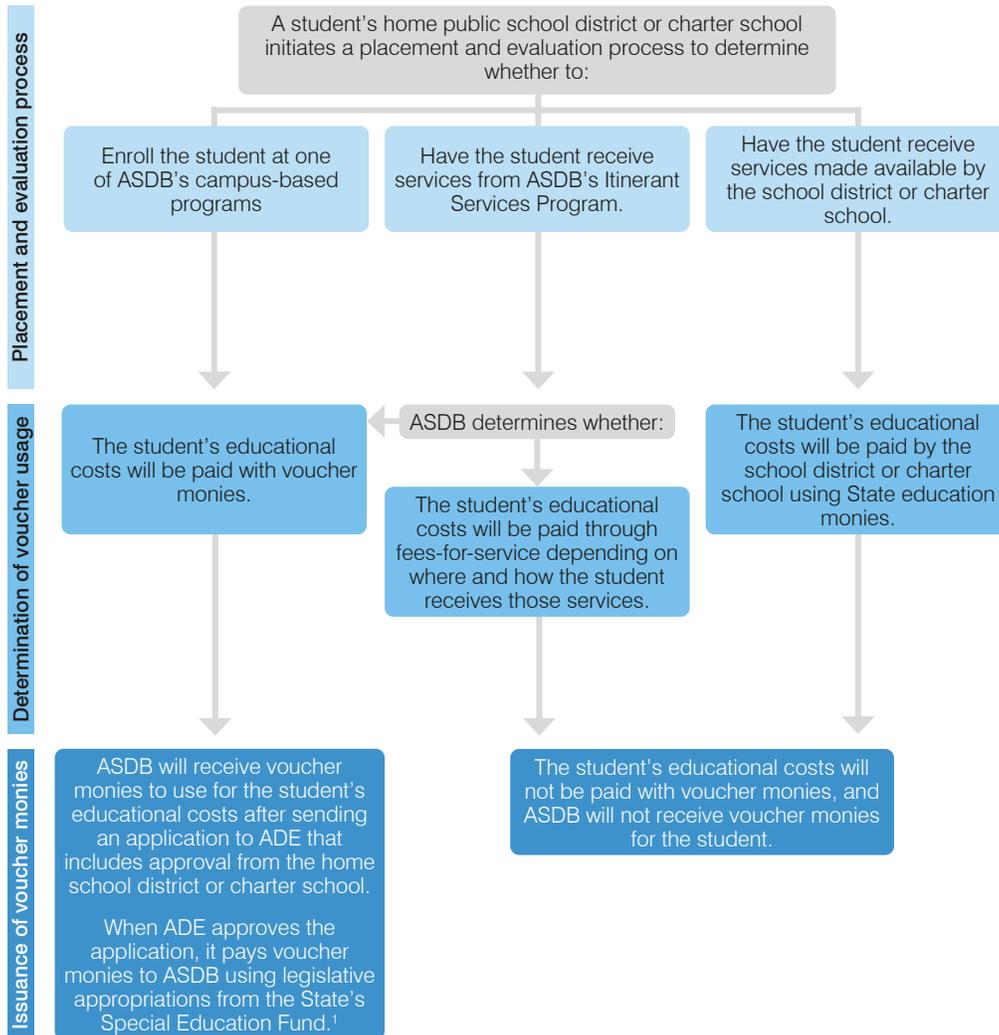
¹⁴ These vacancies comprise 38 teachers, 18 instructional assistants, 12 interpreters, 8 bus drivers, and 37 various other positions, such as support staff and chaperones.

¹⁵ A.R.S. §15-1204.

¹⁶ The reimbursement amount is prorated based on the school calendar of the participating school and the starting and ending dates of services provided to the student.

- Itinerant Services Program fee monies paid by participating schools**—In addition to receiving monies from special education institutional vouchers paid by ADE, the Itinerant Services Program also receives monies through fee-for-service payments made by a participating school when the school uses ASDB's Itinerant Services Program, but does not use a voucher to pay ASDB for those services. Fee-for-service rates are dependent upon various factors, such as the location, nature, duration, and extent of services. For example, ASDB charges a district or charter school \$5,769 per student annually for up to 1.5 hours of services per week, and up to \$23,650 for 10 to 15 hours of services weekly.¹⁷

Figure 2
Process for ASDB to receive special education institutional voucher monies



¹ The Special Education Fund provides monies for the education of students placed into a residential treatment center or receiving services through ASDB.

Source: Auditor General staff summary of A.R.S. §§15-766, 15-1182, 15-1201, 15-1202, 15-1205, and 15-1342, and information provided by ASDB and ADE.

¹⁷ Other educational programs, such as Bureau of Indian Affairs schools, have higher fees-for-service rates compared to public school districts and charter schools. For example, ASDB charges other educational programs \$7,499.80 per student for up to 1.5 hours of services per week, and up to \$30,745 for 10 to 15 hours of services weekly (see Sunset Factor 2, pages 13 through 15 for more information on recommendations we made related to ASDB charging higher Itinerant Services Program fees to some schools).

Additionally, all participating schools pay ASDB membership fees to participate in the Itinerant Services Program. Annual membership fees range from \$300 to \$1,050 per school depending on the size of the participating school and are intended to pay for supplementary services provided by ASDB, such as hearing assistive technology and translating texts into braille (see Sunset Factor 2, pages 13 through 15 for more information on Itinerant Services Program fees).

ASDB's expenditures and transfers are estimated to be approximately \$58.7 million in fiscal year 2022 (see Table 1). Most of ASDB's expenditures are for payroll and related benefits for ASDB staff, including teachers and other staff. See Appendix A, page a-1, for information on average teacher salary and other information for ASDB's campuses, and see Appendix B, pages b-1 and b-2, for more information on ASDB's classroom and nonclassroom spending by operational area.

Table 1
Schedule of revenues, expenditures, and changes in fund balance
Fiscal years 2020 through 2022

(Unaudited)

| | 2020 (Actual) | 2021 (Actual) | 2022 (Estimate) |
|-------------------------------------------------------------|---------------------|---------------------|---------------------|
| Revenues | | | |
| State General Fund appropriations | \$23,590,236 | \$23,431,906 | \$23,284,447 |
| Intergovernmental | | | |
| State special education institutional vouchers ¹ | 13,110,741 | 11,847,676 | 13,597,926 |
| State Classroom Site Fund ² | 2,456,879 | 2,277,938 | 3,380,512 |
| Federal grants ³ | 2,132,847 | 1,883,615 | 2,683,709 |
| Federal pandemic aid ⁴ | | 1,203,385 | 758,367 |
| Other state | 620,775 | 241,313 | 0 |
| Itinerant Services Program ⁵ | | | |
| State special education institutional vouchers | 13,424,018 | 13,314,311 | 16,792,622 |
| District educational and support services fees | 3,549,759 | 3,586,148 | 3,479,851 |
| Other | | 63,676 | 34,769 |
| Rental income ⁶ | 699,386 | 714,821 | 944,612 |
| Medicaid reimbursements ⁷ | 722,469 | 458,089 | 996,611 |
| Investment income | 213,000 | 135,000 | 0 |
| Donations | 390,684 | 36,000 | 213,222 |
| Private grants ⁸ | 14,421 | 9,447 | (19,499) |
| Other ⁹ | 65,604 | 153,337 | 175,269 |
| Total revenues | 60,990,819 | 59,356,662 | 66,322,418 |
| Expenditures and transfers | | | |
| Payroll and related benefits | 43,595,420 | 45,210,400 | 42,784,939 |
| Professional and outside services ¹⁰ | 4,598,586 | 3,490,187 | 6,370,243 |
| Travel | 292,728 | 48,385 | 84,920 |
| Campus food service | 186,141 | 159,799 | 45,938 |
| Other operating ¹¹ | 6,109,696 | 5,976,894 | 6,704,262 |
| Capital and noncapital purchases ¹² | 3,116,032 | 2,484,080 | 1,634,873 |
| Transfers to State agencies ¹³ | 111,868 | 70,000 | 1,070,189 |
| Total expenditures and transfers | 58,010,471 | 57,439,745 | 58,695,364 |
| Net change in fund balance | 2,980,348 | 1,916,917 | 7,627,054 |
| Fund balance, beginning of year | 7,999,312 | 10,979,660 | 12,896,577 |
| Fund balance, end of year | \$10,979,660 | \$12,896,577 | \$20,523,631 |

Table 1 continued

- ¹ State special education institutional vouchers revenues were monies received from ADE for students enrolled at ASDB campuses.
- ² State Classroom Site Fund revenues were received from ADE's Classroom Site Fund. The Fund received monies from Proposition 301, a 2000 voter-approved initiative that increased the State's transaction privilege tax to provide additional funding for teacher compensation increases and other educational activities, and monies from the Permanent State School Fund expendable earnings pursuant to and defined in A.R.S. §37-521(B)(4).
- ³ ASDB received federal grants monies from the U.S. Department of Agriculture's National School Lunch and School Breakfast Programs, and various school-related federal grants from the U.S. Department of Education. For example, ASDB received monies from the Rehabilitation Services Administration's Vocational Rehabilitation Grants to States, Special Education – Grants to States, and Title 1 Grants to local education agencies programs in both fiscal years 2020 and 2021.
- ⁴ Federal pandemic aid intergovernmental revenues consisted of federal grants that were received to combat the effects of the COVID-19 pandemic and primarily comprised monies received from the U.S. Department of Education Stabilization Fund (ESF). The ESF was funded through various federal acts to pay for expenditures incurred to prevent, prepare for, and respond to the COVID-19 pandemic.
- ⁵ The Itinerant Services Program generated 2 primary revenue sources: (1) special education institutional voucher monies from ADE for some of the students it serves from participating schools and (2) revenues received directly from participating schools for services rendered by the Itinerant Services Program through the collection of membership fees and fees for services ASDB provides (see pages 4 through 6 for more information on Itinerant Services Program revenues). In addition, in fiscal years 2021 and 2022, the Itinerant Services Program also received monies related to the sale of assets that were previously purchased with the program's monies. See Sunset Factor 2, pages 13 to 15 for additional information on Itinerant Service Program fees.
- ⁶ Rental income is primarily from the land endowment earnings pursuant to A.R.S. §15-1304.
- ⁷ Medicaid reimbursements were monies ASDB received to pay for Medicaid covered services provided to eligible enrolled students.
- ⁸ In fiscal year 2022, ASDB reclassified some private grant revenues as donations, resulting in a negative balance for private grants.
- ⁹ Other revenues primarily consisted of E-rate credits received from a federal program that credits monies to nonprofit schools toward internet access and other related services.
- ¹⁰ Professional and outside services consisted of various services ASDB acquired such as therapy, medical, legal, and temporary agency services. For example, ASDB paid approximately \$1.9 million and \$1.5 million in fiscal years 2020 and 2021, respectively, to the Foundation for Blind Children for therapy and other services provided to children who qualified for birth to preschool services.
- ¹¹ Other operating expenditures consisted of various expenditures such as rent; utilities, including telecommunication; supplies, including automotive fuel; insurance; and repair and maintenance expenditures.
- ¹² Capital and noncapital purchases primarily consisted of various furniture, equipment, and software purchases, and building improvement costs such as fencing and flooring. Over half of ASDB's fiscal year 2020 and 2021 expenditures were for the purchase of new school buses and agency vehicles.
- ¹³ Transfers to other agencies consisted of transfers to the Arizona Department of Administration (ADOA) for interagency agreements related to building projects, such as providing a newly updated science lab for Tucson campus students.

Source: Auditor General staff analysis of the Arizona Financial Information System *Accounting Event Transaction File* and the State of Arizona *Annual Financial Report* for fiscal years 2020 and 2021, and Department-provided estimates for fiscal year 2022.



ASDB has not developed and implemented a multi-year capital plan and projected capital budget, hindering its ability to address capital improvement needs in a timely and cost-effective manner

Best practices indicate that multi-year capital planning and budgeting, including developing capital planning policies, are important for maintaining capital assets

According to the Government Finance Officers Association (GFOA), the procurement, construction, and maintenance of capital assets, such as buildings, infrastructure, and equipment, are critical activities for government agencies, and therefore require careful planning.¹⁸ In particular, developing and implementing a multi-year capital plan and projected capital budget can help ensure that public entities can effectively maintain their buildings (see textbox for key terms).

The GFOA recommends that government agencies, such as ASDB, prepare and adopt comprehensive multi-year capital plans to ensure effective management of capital assets so that they can address the current and long-term needs of their constituents. The multi-year capital plan should clearly identify capital needs, maintenance requirements, funding options, and operating budget impacts.

Once a government agency has adopted a multi-year capital plan, the GFOA also recommends that it should use the information in the multi-year capital plan to develop and implement a formal capital budget as part of its annual or bi-annual budget process to ensure proper planning, funding, and implementation of major projects.¹⁹ The budget should be directly linked to, and flow from, the multi-year capital plan. Additionally, GFOA indicates that government agencies should regularly update their capital planning and associated documentation to determine development or infrastructure needs as conditions change.²⁰

Key terms

Multi-year capital plan—A plan that covers a period of at least 3 years and clearly identifies capital and major equipment needs, maintenance requirements, funding options, and operating budget impacts to ensure the future financial health of a government entity as well as continued delivery of services to stakeholders.

Capital budget—A budget that is directly linked to the multi-year capital plan and plans, budgets, and tracks large financial obligations that may span 2 or more fiscal years.

Source: Auditor General staff review of GFOA. (2007). *Best practice: Incorporating a capital project budget in the budget process*. Chicago, IL; and GFOA, 2016.

¹⁸ GFOA. (2016). *Best practice: Multi-year capital planning*. Chicago, IL. Retrieved 6/1/22 from <https://www.gfoa.org/materials/multi-year-capital-planning>.

¹⁹ GFOA, 2007.

²⁰ GFOA. (2008). *Best practice: Master plans and capital improvement planning*. Chicago, IL. Retrieved 6/1/22 from <https://www.gfoa.org/materials/master-plans-and-capital-improvement-planning>.

To support capital planning goals, GFOA also recommends that government agencies develop and adopt capital planning policies that take into account their unique organizational characteristics, including the services they provide, how they are structured, and their external environment.²¹ Further, capital planning policies should include guidelines for multi-year capital asset renewal and replacement projects; promote sound, long-term operational and capital financing strategies; and provide a description of the role of the public and other stakeholders in the capital planning process. According to GFOA, effective capital planning policies can help a government agency ensure the sustainability of its infrastructure by establishing a process for addressing maintenance, replacement, and proper fixed asset accounting over the full life of capital assets.

ASDB has not developed a multi-year capital plan and budget, limiting its ability to effectively plan for, prioritize, and address its capital improvement needs, including buildings that are vacant, underutilized, or that present health and safety concerns

Despite having identified capital improvement needs that will require millions of dollars and potentially several years to address, ASDB has not yet developed and implemented a comprehensive, multi-year capital plan and budget, impacting its ability to plan for, prioritize, and address these needs. Although ASDB has taken some steps to identify and address its capital improvement needs, it has not used a coordinated and comprehensive approach that consistently accounts for all capital improvement needs, and long-term budget impacts based on those needs, and aligns with GFOA capital improvement planning recommendations. For example:

- ASDB has annually completed capital and building renewal project requests regarding its capital improvement needs, as required by the Arizona Department of Administration (ADOA) (see textbox for examples).²² However, these project requests require the agency to forecast its requested capital improvement projects for only 2 fiscal years, rather than a longer-term approach that would be incorporated as part of a comprehensive multi-year capital plan and budget. Additionally, although these project requests have generally prioritized some health and safety issues, such as placing additional lighting

Examples of identified capital improvement needs that may impact student and staff health and safety:

Both campuses

- Inability to meet county food safety regulations due to faulty/antiquated food service equipment.¹
- Security concerns due to inability to restrict campus access to 1 gate.¹
- Mold damage and asbestos in roofs.
- Antiquated HVAC units.
- Tripping hazards due to frayed and ripped carpeting repaired using duct tape.

Tucson campus

- Damaged sewer lines causing prolific and constant sewage backups throughout the campus.
- Inoperable windows due to mechanical failures and termite and weather damage.

PDSD

- Classroom bell and notification failures.¹
- Malfunctioning fire alarm control panel.

¹ The Legislature appropriated monies to ASDB for fiscal year 2023 to address faulty/antiquated food service equipment, inability to restrict campus access to 1 gate, and classroom bell and notification failures.

Source: Auditor General staff review of ASDB's fiscal year 2023 capital improvement requests to ADOA and Laws 2022, Ch. 218.

²¹ GFOA. (2013). *Best practice: Capital planning policies*. Chicago, IL. Retrieved 6/1/22 from <https://www.gfoa.org/materials/capital-planning-policies>.

²² A.R.S. §41-793 requires ASDB to submit an annual capital improvement plan to ADOA that includes a list of all capital and building renewal projects the agency seeks funding to undertake or continue in the next fiscal year.

on its Tucson campus to increase security and visibility near a bordering public park, they have not comprehensively addressed all of ASDB's capital improvement needs.

- Beginning in calendar year 2021, ASDB collected and reviewed internal capital improvement requests from its employees to help identify the condition of its buildings and other capital assets, such as areas where building maintenance had been deferred. Based on this review, ASDB determined that its campus buildings had developed several health and safety concerns that put students and staff at risk, such as antiquated playground equipment that did not meet Americans with Disabilities Act (ADA) guidelines on its Tucson campus and the lack of a sidewalk to the parking lot at PDS. ASDB estimated that it will cost approximately \$64.4 million to address all these identified concerns. Although this approach helped ASDB identify several capital improvement needs, it was not a formal, systematic, or comprehensive assessment intended to identify all capital improvement issues, the lifecycle for each capital asset, capital asset maintenance needs, and asset replacement schedules, as recommended by GFOA.
- In 2018, ASDB conducted an analysis of space utilization on its 2 campuses and determined that its Tucson campus is underutilized. In fact, ASDB reported it closed the Tucson campus high school building in May 2018 because it was underutilized. According to ASDB's calculations, as of September 2022, Tucson's middle school building, which houses both its middle and high school students, was 47 percent occupied, and its elementary school building was 31 percent occupied.²³ However, ASDB has not yet developed a long-term capital plan and budget that addresses its maintenance needs and future use of these buildings.

Without a comprehensive, multi-year capital plan and budget, ASDB cannot effectively and strategically plan and budget for, prioritize, and address the full extent of its capital improvement needs in a timely or cost-effective manner, which could impact its ability to continue to serve its students and meet their educational needs. For example, ASDB reported to ADOA in its 2023 capital improvement request that its Tucson campus is not meeting students' modern educational needs, such as having adequate classroom technology. However, absent a comprehensive, multi-year capital plan and budget that prioritizes all its capital needs, ASDB cannot demonstrate that this need is a higher priority than another capital need/expenditure. In addition, without a plan to address its unused and underutilized space, ASDB continues to spend money to maintain these buildings—monies that potentially could otherwise be spent to better ensure students' educational needs are being met. In fiscal year 2021 alone, ASDB estimated that it spent approximately \$320,000 to minimally maintain 6 vacant buildings, including its high school building, and approximately \$325,000 to maintain the underutilized educational buildings on its Tucson campus.²⁴

ASDB delayed developing a multi-year capital plan and budget in fiscal year 2021 to focus on other priorities, and its policies do not include some capital planning recommended practices

ASDB delayed developing a multi-year capital plan and budget to focus on other priorities—

According to ASDB staff, as part of its fiscal year 2021 strategic plan, it identified a goal to develop a multi-year, multi-phase capital plan because many of its Tucson campus buildings were reaching the end of their lifespan. However, ASDB reported that it delayed the implementation of this goal because of other pressing agency projects, such as a staffing evaluation and compensation restructuring. According to ASDB, it now plans to begin the first phase of its capital planning efforts by November 2022.

ASDB's facilities development policies align with some GFOA guidance but do not include GFOA's recommended practices to support multi-year capital planning efforts—

ASDB has some policies related to capital planning that align with some GFOA recommended practices, including

²³ ASDB reported it calculated its building occupancy according to the academic classroom space requirements outlined in Arizona Administrative Code R7-6-710.

²⁴ ASDB reported it calculated the maintenance costs for these vacant and underutilized buildings based on an estimated maintenance cost per square foot of \$7.75. According to ASDB, this estimated maintenance cost per square foot represents the Tucson campus' total facilities operating costs for fiscal year 2021 divided by the total square footage of the Tucson campus buildings.

soliciting stakeholder input and considering the unique characteristics of the agency by identifying building needs based on its students' educational needs, such as considering student enrollment numbers, teaching methods, and required educational equipment. However, its policies do not include requirements or guidelines related to GFOA recommended practices for creating and updating a multi-year capital plan and budget or for coordinating multi-year capital projects, including the promotion of long-term operational and capital financing strategies and regularly updating planning and associated documentation.

Recommendations

ASDB should:

1. Develop and implement a comprehensive, multi-year capital plan and projected capital budget that assesses, identifies, and documents its capital needs, consistent with GFOA best practices. The comprehensive, multi-year capital plan and projected capital budget should:
 - a. Cover a period of at least 3 years.
 - b. Identify and prioritize expected capital needs by creating a schedule for those needs based on each major capital asset's lifespan.
 - c. Determine the full extent of each project's scope, timing, and cost.
 - d. Develop financing strategies to implement projects and fund ongoing operating and maintenance costs.
 - e. Adopt a formal capital budget as part of ASDB's annual or biannual budget process that is directly linked to, and flows from, the multi-year capital plan.
2. Develop and/or update and implement multi-year capital planning policies and procedures that include the following:
 - a. Guidelines for creating and updating a multi-year capital plan and budget, and for coordinating multi-year capital projects, including the promotion of long-term operational and capital financing strategies.
 - b. Requirements for regularly updating planning and associated documentation to determine development or infrastructure needs as conditions change.

ASDB response: As outlined in its [response](#), ASDB agrees with the finding and will implement the recommendations.



Pursuant to A.R.S. §41-2954(D), the legislative committees of reference shall consider but not be limited to the following factors in determining the need for continuation or termination of ASDB. The sunset factor analysis includes additional findings and recommendations not discussed earlier in the report.

Sunset factor 1: The objective and purpose in establishing the agency and the extent to which the objective and purpose are met by private enterprises in other states.

ASDB was established in 1912 and its objective is to educate sensory impaired students in Arizona so that they may become self-sustaining citizens.²⁵ ASDB carries out its core functions of providing education and educational resources for sensory impaired students at the Phoenix and Tucson campuses, as well as through the ELP and Itinerant Services Program.

Similar to Arizona, most states have state-sponsored deaf and/or blind schools that serve sensory impaired students. Specifically, 42 states have state-sponsored schools for the deaf, which serve hearing impaired students, and 34 states have state-sponsored schools for the blind, which serve visually impaired students. States that do not have state-sponsored schools for the deaf and/or blind use various approaches to provide education to students who are sensory impaired, including through private enterprises. For example:

- Some states provide education to hearing and/or visually impaired students through nonprofit, private, and/or charter schools. For example, nonprofit organizations operate schools for the deaf and for the blind in Massachusetts and Pennsylvania.
- Similar to Arizona, some states offer itinerant services, early intervention, and home services for sensory impaired children. For example, Delaware provides educational support to children with visual impairments from birth through grade 12 through services in the home, as well as through itinerant services for kindergarten through grade 12 (K-12) students.

Sunset factor 2: The extent to which the agency has met its statutory objective and purpose and the efficiency with which it has operated.

ASDB has taken steps to help meet its statutory objective and purpose for some areas we reviewed. For example, ASDB:

- **Established policies and procedures for maintaining accreditation of its campus schools—** ASDB policy requires it to seek the highest accreditation status available by its accrediting agency. Both PDSD and the Tucson campus have been accredited since April 1986, and, as of June 2022, maintained the highest accreditation status for Pre-kindergarten/Preschool (PreK) through grade 12 from Cognia, a global nonprofit accrediting organization.²⁶ To maintain its accreditation status, ASDB must meet various performance standards, including the capacity of ASDB leadership to ensure its progress toward its stated objectives, the impact of teaching and learning on student achievement and success, and the use and distribution of resources, such as personnel and fiscal resources, to support ASDB's mission. Cognia reviews these performance standards every 6 years as part of the accreditation process. For example, Cognia assesses whether ASDB effectively achieves its stated objectives by reviewing ASDB's adherence

²⁵ A.R.S. §15-1302(B).

²⁶ Schools accredited by Cognia can either be in good, fair, or poor standing. As of June 2022, ASDB was accredited in good standing.

to a code of ethics; establishment and implementation of policies; implementation of staff supervision, evaluation, and other operational processes; and use of stakeholder feedback. Additionally, Cognia requires ASDB to participate in accreditation training and continuous improvement.

- **Established policies and procedures for maintaining teacher certification**—Consistent with State requirements, ASDB has developed and implemented policies and procedures that require its teachers to meet ADE’s requirements for teacher certification.²⁷ If a teacher does not have the required certification to be appropriately certified upon hire, ASDB places the teacher on a professional development plan, which is intended to help them achieve all certificate requirements.²⁸ To help ensure that the teacher is on track to complete their professional development plan, and to ultimately meet the requirements for teacher certification, ASDB’s Superintendent and the principal or program director annually review the teacher’s professional development plan. The plan is also reviewed as part of the teacher’s annual performance evaluation with their direct supervisor.

To determine whether ASDB had implemented its policies and procedures related to teacher certification, we reviewed the certification status of all ASDB campus-based teaching staff as of February 2022 and identified that 13 of ASDB’s 101 teachers did not yet hold the required teaching certificate for their teaching assignment. We also reviewed the professional development plans and/or other associated documents for those 13 teachers and found that ASDB ensured its teachers complied with ASDB policy and ADE requirements for teacher certification, including by annually reviewing the teachers’ professional development plans and by ensuring that teachers secure an alternate ADE certification that authorizes them to teach while working toward the required certification for their position.²⁹

- **Complied with State requirements for employee travel expenditures**—Our 2013 procedural review of ASDB identified more than \$9,000 of noncompliant travel costs ASDB incurred between July 1, 2010 and March 31, 2013.³⁰ Therefore, we reviewed 25 travel-related transactions from fiscal years 2020 through 2022 and found that ASDB complied with *State of Arizona Accounting Manual* (SAAM) requirements related to employee travel expenditures.³¹ Specifically, we reviewed random samples of 10 of 1,607 employee travel card and central travel account transactions made from July 1, 2019 through March 31, 2022, and 15 of 2,909 transactions related to travel recorded in AFIS from July 1, 2019 to March 31, 2022, including employee payroll reimbursements, and did not identify any noncompliant or unsupported travel expenditures.

We also identified some areas where ASDB could enhance or improve its processes to better meet its statutory objective and purpose. Specifically, ASDB:

- **May be collecting more revenue than necessary to administer the Itinerant Services Program**—A.R.S. §15-1304(E) requires the Department to administer the Cooperative Services Fund consisting of fee monies paid by schools that participate in the Itinerant Services Program and special education

²⁷ According to A.R.S. §15-203(A)(14), the State Board of Education is responsible for supervising and controlling the certifications for teachers in the State and to prescribe rules for certification. ADE requires ASDB to employ appropriately certified teachers who meet the State requirements for teacher certification, including any requirements for certification obtained through alternate routes to certification. ADE considers teachers to be appropriately certified if the teacher holds the required teaching certificate for their teaching assignment, including the required endorsement, which is an attachment to a teaching certificate that provides additional authorization to the holder and approved area, which is a subject area denoted on the teaching certificate, such as Art, Biology, Drama, English, or Music.

²⁸ According to ASDB policy, teachers who do not hold the required teaching certificate for their teaching assignment are placed on professional development plans for up to 3 years but may be granted extensions by ASDB’s Superintendent.

²⁹ Two of the teachers held an Alternative Teaching Certificate, which is valid for 2 years and may be extended yearly for no more than 2 consecutive years, for a total of 4 years; 6 of the teachers held an Emergency Teaching Certificate, which is valid for 1 school year and may not be issued more than 3 times to an individual; and 5 of the teachers held a Standard Professional Teaching Certificate, which is valid for 12 years unless otherwise specified and does not have a prescribed limit for the number of times it can be renewed, but were placed on professional development plans to meet additional certification requirements for their teaching positions.

³⁰ See Arizona Auditor General report *Arizona State Schools for the Deaf and Blind—Procedural Review, as of March 31, 2013*.

³¹ The SAAM contains the State’s accounting policies and procedures and is published by ADOA’s General Accounting Office in accordance with statute.

institutional voucher monies from ADE for students receiving services from the Itinerant Services Program whose placement and evaluation team have determined that the student’s educational costs will be paid with voucher monies (see Introduction, page 5, for more information). However, the Cooperative Services Fund’s revenues may be more than necessary to administer the Itinerant Services Program. Specifically, as shown in Table 2, the Cooperative Services Fund’s year-end balance is estimated to more than triple from approximately \$3 million in fiscal year 2020 to more than \$9.4 million in fiscal year 2022.

Table 2
Cooperative Services Fund revenues, expenditures, and fund balance
Fiscal years 2020 through 2022
(Unaudited)

| | 2020 (actual) | 2021 (actual) | 2022 (estimate) |
|---------------------------------------------------------------------------|------------------|------------------|--------------------|
| Total net revenues¹ | \$16,974,613.33 | \$16,964,134.37 | \$20,307,242.00 |
| Total expenditures and transfers, including voucher reimbursements | 15,533,276.53 | 15,575,192.33 | 15,260,794.64 |
| Fund balance, end of year | 3,028,427.72 | 4,417,369.76 | 9,463,817.12 |

¹ For fiscal years 2021 and 2022, the Cooperative Services Fund received \$63,676 and \$34,769, respectively, in revenues related to the sale of assets that were previously purchased with the Itinerant Services Program’s monies. These amounts are included in the total net revenues for fiscal years 2021 and 2022.

Source: Auditor General staff analysis of the State of Arizona *Annual Financial Report* for fiscal years 2020 through 2021 and information provided by ASDB for fiscal year 2022.

We identified 2 factors that may be contributing to the Cooperative Services Fund’s increasing end-of-year fund balances. Specifically:

- **ASDB’s fees may not be commensurate with instructional and support services costs—**
ASDB has established both general membership fees and fees for specific instructional services that participating schools must pay for students whose educational costs are paid for through a fee-for-service model (see Introduction, pages 5 and 6 for more information).³² In July 2019, ASDB increased all its Itinerant Services Program fees by 10 percent and cited rising education costs in prior years as the reason for the increase. However, ASDB was unable to provide documentation supporting how it determined the amount of the increase. For example, although ASDB’s program expenditures increased each year from fiscal year 2016 to fiscal year 2018, the yearly increase was less than 10 percent. Similarly, ASDB was unable to provide documentation supporting how it determined that other educational programs, such as Bureau of Indian Affairs schools, pay higher fee rates compared to public school districts and charter schools. Government fee-setting standards and guidance state that user fees should be based on the costs of providing a service and reviewed periodically to ensure they are based on these costs.³³ Additionally, ASDB lacks policies and procedures for periodically evaluating the appropriateness of its fees to help ensure they are commensurate with the costs of its services.

³² ASDB’s fee and voucher reimbursement amounts are outlined in its 5-year agreements with participating schools. Because these agreements are made with participating schools on an individual basis, the agreements state that fees-for-service may change at unexpected intervals and that ASDB shall provide a participating school with timely notice of any changes to the fee schedule prior to billing at the new rate.

³³ We reviewed fee-setting guidelines from the Arizona State Agency Fee Commission, the Government Finance Officers Association, the Mississippi Joint Legislative Committee on Performance Evaluation and Expenditure Review, and the U.S. Government Accountability Office (see Appendix A, page a-X, for more information).

- **Voucher reimbursement amounts to participating schools may not be commensurate with unexpended voucher monies**—According to ASDB’s agreements with participating schools, if ASDB’s costs for providing Itinerant Services Program services to a student whose educational costs will be paid with voucher monies are less than the amount of the voucher monies it received from ADE, ASDB will pay the participating school a voucher reimbursement using Cooperative Services Fund monies. Specifically, ASDB’s agreements with participating schools state that ASDB will reimburse participating schools up to \$1,500 for each vouchered student. However, ASDB was unable to explain why or how it determined this maximum voucher reimbursement amount, such as conducting an analysis that determined the amount of unexpended monies per student is generally less than \$1,500. As a result, ASDB may be reimbursing some participating schools less than the amount of their students’ unexpended voucher monies. Additionally, according to ASDB staff, ASDB has reimbursed all participating schools the full \$1,500 for each of their students whose costs are paid by voucher monies, regardless of its costs for the services it provided to the student or the amount of voucher monies it received for the student. As a result, ASDB may be reimbursing some participating schools more than the amount of their students’ unexpended voucher monies. Further, ASDB lacks policies and procedures for periodically evaluating the appropriateness of its voucher reimbursement amounts to help ensure they are commensurate with the costs of its services.

- **Does not use a consistent approach to assess its post-school outcomes (PSO) survey data**—ASDB annually conducts PSO surveys of former students with disabilities who attended its on-campus schools at least 1 year after these students exit high school (see textbox). According to ADE, local education agencies, including ASDB, can use the data obtained from PSO surveys to help improve the transition services provided to their students (see Introduction, page 2, for more information on transition services). ADE also developed a PSO data-based action planning template to help Arizona’s local education agencies analyze PSO survey data and to make improvements to their transition services by identifying predictors of post-school success, such as career development and student skills, and by developing action planning steps to improve transition services.

PSO survey—A survey used to assess former ASDB students’ level of engagement in higher education, competitive employment, other postsecondary education or training, and other employment within their first year after leaving high school.

Source: ADE. (2021). *Arizona’s post-school outcomes survey*. Phoenix, AZ. Retrieved 7/20/2022 from https://www.azed.gov/sites/default/files/2021/06/PSO%20Survey_2021_Fillable%20%28English%29%20acc.pdf.

Although ASDB reported analyzing its PSO survey data to make improvements to its campus transition services, ASDB had not developed and implemented a consistent or coordinated approach. Instead, the Tucson campus and PDSB independently analyzed PSO survey data to make improvements to their respective transition services. Additionally, ASDB had not used or adopted ADE’s planning template nor developed policies and procedures for analyzing PSO survey data. According to best practices developed by the United States Government Accountability Office, policies and procedures are important to help ensure that agencies perform their program responsibilities correctly and consistently.³⁴ ASDB staff reported that the lack of a collaborative and standardized approach in developing and implementing improvements may limit the exchange of best practices between the 2 campuses to improve the transition services ASDB provides to students.

Recommendations

ASDB should:

3. Develop and implement policies and procedures to periodically review the appropriateness of its Itinerant Services Program fees and voucher reimbursement amount, including analyzing the costs of its processes and the services it provides, comparing these costs to the associated fees, and determining the appropriate fees and reimbursement amounts, and revise its fees and reimbursement amounts accordingly.

³⁴ U.S. Government Accountability Office (GAO). (2014). *Standards for internal control in the federal government*. Washington, DC. Retrieved 7/15/22 from <https://www.gao.gov/assets/gao-14-704g.pdf>.

4. Develop and implement policies and procedures for analyzing PSO surveys agency-wide, including using ADE's PSO data-based action planning template to help it identify predictors of post-school success and to develop standardized action planning steps for improving transition services.

ASDB response: As outlined in its [response](#), ASDB agrees with the findings and will implement the recommendations.

Sunset factor 3: The extent to which the agency serves the entire State rather than specific interests.

ASDB serves the entire State by providing educational programs and support services to over 2,100 sensory impaired students from birth to grade 12 throughout the State. Specifically, as of October 2021, ASDB:³⁵

- **Provides K-12 campus-based services in Tucson and Phoenix**—ASDB's Tucson campus served approximately 75 day-program students from the Tucson area and approximately 35 residential program students from 11 of the State's 15 counties. PDSB served approximately 243 day-program students from the metropolitan Phoenix area (see Table 3 for more information on the number of students served by ASDB across the State).
- **Works with participating schools to serve sensory impaired children throughout the State**—As discussed in the Introduction, ASDB's Itinerant Services Program's 3 regional cooperatives cover the entire State and served approximately 1,118 students (see Introduction, Figure 1, page 3 for a map of the Itinerant Services Program's regional cooperatives). As of April 2022, ASDB reported having cooperative agreements to provide itinerant services with 143 public school districts, 54 public charter schools, and 9 Bureau of Indian Affairs, Navajo, and/or other tribal schools.
- **Provides home- and site-based services to support early childhood development**—ASDB served approximately 547 sensory impaired children ages birth to 3 years old and their families State-wide through home visits and virtual teleconferences, in cooperation with AzEIP. Additionally, ASDB provided campus-based preschool programs to approximately 98 sensory impaired students in the Phoenix metropolitan area and on ASDB's Tucson campus; these programs provide individual and small group instruction to sensory impaired students.

However, we found that ASDB did not comply with 1 statutory conflict-of-interest requirement and had not fully aligned its conflict-of-interest process with recommended practices, increasing the risk that employees and Board members did not disclose substantial interests that might influence or affect their official conduct. Specifically:

- **ASDB lacked a special disclosure file required by statute**—Statute requires public officers and employees of public agencies to avoid conflicts of interest that might influence or affect their official conduct.³⁶ These laws require employees and public officers, such as Board members, to disclose substantial financial or decision-making interests and then refrain from participating in matters related to the disclosed interests. In addition, A.R.S. §38-509 requires public agencies to maintain a special file of all documents necessary to memorialize all disclosures of substantial interest and to make this file available for public inspection. Although ASDB complied with most statutory requirements we reviewed, ASDB did not have a special disclosure file to store employees' or Board members' disclosures of substantial interest for public inspection, as required by statute.
- **ASDB had not fully aligned its conflict-of-interest process with recommended practices**—In response to conflict-of-interest noncompliance and violations investigated in the course of our work, such as employees/public officers failing to disclose substantial interests and participating in matters related

³⁵ ASDB collects October enrollment data to submit to the State's Office of Strategic Planning and Budgeting and Joint Legislative Budget Committee, and most recently did so in October 2021. As a local education agency, ASDB is also required to annually submit some of this October enrollment data to ADE.

³⁶ A.R.S. §38-503.

Table 3
Students served by ASDB programs in Arizona
2019-20 through 2021-22 school years

| Programs | | 2019-20 School Year | 2020-21 School Year | 2021-22 School Year |
|-------------------------------|---------------------------------------------|------------------------|------------------------|------------------------|
| Campus-based K-12 Programs | Tucson Campus | 147 | 112 | 110 |
| | PDSB | 306 | 257 | 243 |
| | Total Campus-based K-12 Program Students | 453 | 369 | 353 |
| Early Learning Program | Birth to 3 Program | 442 | 520 | 547 |
| | Preschool Programs | 49 | 107 | 98 |
| | Total Early Learning Program Students | 491 | 627 | 645 |
| Itinerant Services Program | Voucher Students | 524 | 510 | 574 |
| | Fee-for-service Students | 590 | 565 | 544 |
| | Total Itinerant Students | 1,114 | 1,075 | 1,118 |

Source: ASDB’s October enrollment reports for the 2019-20, 2020-21, and 2021-22 school years.

to these interests, we have recommended several practices and actions to various school districts, State agencies, and other public entities.³⁷ Our recommendations are based on guidelines developed by public agencies to manage conflicts of interest in government and are designed to help ensure compliance with State conflict-of-interest requirements by reminding employees/public officers of the importance of complying with the State’s conflict-of-interest laws.³⁸ Specifically, conflict-of-interest recommended practices indicate that all public agency employees and public officers complete a disclosure form annually. Recommended practices also indicate that the form include a field for the individual to provide an “affirmative no,” if applicable. These recommended practices also indicate that agencies develop a formal remediation process to help ensure that identified conflicts are appropriately addressed.

However, ASDB did not fully align its conflict-of-interest processes with recommended practices. For example, ASDB did not require its employees or Board members to annually complete a disclosure form or annually remind them to complete a disclosure form when their circumstances change. Additionally, ASDB had not developed a formal remediation process or provided periodic training to ensure that identified conflicts are appropriately addressed. Finally, ASDB’s conflict-of-interest disclosure forms did not include an “affirmative no” statement requiring employees and Board members to attest that they do not have any potential conflicts of interest.

³⁷ See, for example, Arizona Auditor General Reports 21-402 *Higley Unified School District—Criminal Indictment—Conspiracy, Procurement Fraud, Fraudulent Schemes, Misuse of Public Monies, False Return, and Conflict of Interest*; 19-105 *Arizona School Facilities Board—Building Renewal Grant Fund*; and 17-405 *Pine-Strawberry Water Improvement District—Theft and misuse of public monies*.

³⁸ Recommended practices we reviewed included: Organization for Economic Cooperation and Development (OECD). (2022). *Recommendation of the Council on OECD guidelines for managing conflicts of interest in the public service*. Paris, France. Retrieved 8/22/2022 from <https://legalinstruments.oecd.org/public/doc/130/130.en.pdf>; Ethics & Compliance Initiative (ECI). (2016). *Conflicts of interest: An ECI benchmarking group resource*. Arlington, VA. Retrieved 2/23/2022 from <https://www.ethics.org/knowledge-center/conflicts-of-interest-report/>; and Controller and Auditor General of New Zealand (2020). *Managing conflicts of interest: A guide for the public sector*. Wellington, New Zealand. Retrieved 2/23/2022 from <https://oag.parliament.nz/2020/conflicts/docs/conflicts-of-interest.pdf>.

ASDB had not developed comprehensive conflict-of-interest policies and procedures, which contributed to ASDB's noncompliance with 1 statutory requirement and not fully aligning its conflict-of-interest processes with recommended practices. For example, although ASDB had developed some conflict-of-interest policies and procedures, such as policies that address conflicts of interest as they relate to outside employment, they did not include the requirement to maintain employees' disclosures of substantial interests in a special disclosure file or the recommended practices mentioned previously, such as annually reminding employees and Board members to update their disclosure forms when their circumstances change.

Recommendations

ASDB should:

5. Develop and implement conflict-of-interest policies and procedures to help ensure it complies with State conflict-of-interest requirements and follows recommended practices, including:
 - a. Requiring all employees and Board members to complete a conflict-of-interest disclosure form upon hire/appointment, and reminding them at least annually to update their form when their circumstances change, including attesting that no conflicts exist, if applicable, consistent with State requirements and recommended practices.
 - b. Storing all substantial interest disclosures in a special file available for public inspection, as required by statute.
 - c. Establishing a process to review and remediate disclosed conflicts, consistent with recommended practices.
6. Provide periodic training on its conflict-of-interest requirements, process, and form, including providing training to all employees and Board members on how the State's conflict-of-interest requirements relate to their unique program, function, or responsibilities.

ASDB response: As outlined in its [response](#), ASDB agrees with the finding and will implement the recommendations.

Sunset factor 4: The extent to which rules adopted by the agency are consistent with the legislative mandate.

A.R.S. §41-1005(E) exempts ASDB from following the statutorily required rule-making process and ASDB has not adopted any rules.

Sunset factor 5: The extent to which the agency has encouraged input from the public before adopting its rules and the extent to which it has informed the public as to its actions and their expected impact on the public.

Although ASDB is exempt from the rule-making process and has not adopted any rules, A.R.S. §41-1005(E) requires ASDB's Board of Directors to adopt policies for the Board and the schools under its jurisdiction and to provide, as appropriate under the circumstances, for notice of and opportunity for comment on the policies proposed for adoption. We reviewed 3 policy changes that ASDB initiated between July 2021 through January 2022, and found that ASDB provided notice of and opportunities for public input by including proposed policy changes on its Board meeting agendas and website when the changes were first reviewed by the Board, as well as when a recommendation for approval was proposed in subsequent meetings. Additionally, ASDB allowed the public to provide comments during the meetings or submit comments through email or on its website prior to the Board voting on proposed policy changes.³⁹

We also attended 3 ASDB Board of Directors meetings between November 2021 and March 2022 and found that ASDB complied with the open meeting law requirements we reviewed. For example, ASDB posted meeting

³⁹ The Board did not receive input regarding the 3 policy changes we reviewed.

notices and agendas at least 24 hours in advance and made a recording of each meeting available for public inspection within 3 working days after the meeting, in accordance with statute.⁴⁰

Sunset factor 6: The extent to which the agency has been able to investigate and resolve complaints that are within its jurisdiction and the ability of the agency to timely investigate and resolve complaints within its jurisdiction.

Although ASDB is not a regulatory agency, ASDB policy requires it to investigate and resolve complaints from its staff, parents, students, and the public.⁴¹ ASDB has developed policies and procedures for investigating and resolving complaints from staff, students, parents, and the public, but not all its policies include time frames for investigating and resolving external complaints. For example, ASDB's policy for public complaints about ASDB staff, including teachers, requires a minimum of 5 working days for the staff member to reply to a submitted complaint; however, it does not provide an overall time frame for the resolution of the complaint.

Additionally, although ASDB has developed a process to document and record internal staff complaints to address personnel issues, such as unprofessional conduct and work performance, ASDB has not developed a similar process to document and record complaints from parents, students, and the public. As a result, ASDB was unable to report how many complaints it received from parents, students, and the public over the past 3 years.

Further, ASDB's website does not include readily available information explaining ASDB's complaint-handling processes, including how to file a complaint and when and how complainants should expect a response to and/or resolution of the complaint. According to the National State Auditors Association, an agency should make information available on its website so members of the public will know that the complaint-handling process exists and how to use it, such as a description of the agency's complaint-handling process and complaint forms.⁴² Although ASDB's website provides a link to its policy manual, which includes procedures for filing complaints from external parties, the policy manual is hosted on a separate website that is not searchable from ASDB's homepage. Additionally, although ASDB's PSDS website offers a downloadable handbook that includes some information to help students and parents file complaints, its Tucson campus' handbook is not available on its website, which could impact external parties' ability to understand the process for filing a complaint related to the Tucson campus. Agencies similar to ASDB in other states, such as Idaho and Florida, provide webpages with complaint-handling information readily available, including policy guidelines and contact persons available to help parents, students, and the public submit complaints and to understand the complaint-handling process.

Recommendations

ASDB should:

7. Develop and implement policies and procedures for tracking all complaints throughout the complaint resolution process, including establishing time frames for investigating and resolving all complaints.
8. Make complaint-handling information readily available on its website, including a description of ASDB's complaint-handling process and forms.

ASDB response: As outlined in its [response](#), ASDB agrees with the finding and will implement the recommendations.

⁴⁰ A.R.S. §§38-431.01(D) and 38-431.02(C) and (G).

⁴¹ ASDB can receive complaints by phone, email, and various forms submitted to ASDB's human resources staff, the Superintendent, or the Board.

⁴² National State Auditors Association (NSAA). (2004). *Carrying out a state regulatory program: A National State Auditors Association best practices document*. Lexington, KY. Retrieved 5/18/22 from https://www.nasact.org/files/News_and_Publications/White_Papers_Reports/NSAA%20Best%20Practices%20Documents/2004_Carrying_Out_a_State_Regulatory_Program.pdf.

Sunset factor 7: The extent to which the Attorney General or any other applicable agency of State government has the authority to prosecute actions under the enabling legislation.

According to A.R.S. §41-192, the Attorney General serves as ASDB's legal advisor and provides legal services as ASDB requires. ASDB has also received approval from the Attorney General to contract for private legal services for purposes that are limited in scope and duration, such as assisting with policy development.

Sunset factor 8: The extent to which the agency has addressed deficiencies in its enabling statutes that prevent it from fulfilling its statutory mandate.

According to ASDB, statutory changes enacted by Laws 2022, Ch. 155, addressed deficiencies in its enabling statutes to clarify ASDB's responsibilities pertaining to its enrolled students as a local education agency by:

- Revising A.R.S. §15-1306 to state that ASDB is responsible for the provision of a free and appropriate public education for students who are enrolled in a campus-based program of ASDB.
- Revising A.R.S. §15-1342 to state that if ASDB is no longer considered the most appropriate learning environment for an enrolled student, the home school district or charter school the student previously attended, or plans to attend, shall enroll that student. This revision also modified ASDB's responsibilities for establishing a placement and evaluation team for each sensory impaired student enrolled at ASDB, including its responsibility to include a representative from the child's home school district or charter school when establishing that team.

Sunset factor 9: The extent to which changes are necessary in the laws of the agency to adequately comply with the factors listed in this sunset law.

We did not identify any additional statutory changes necessary to comply with the factors listed in this sunset law.

Sunset factor 10: The extent to which the termination of the agency would significantly affect the public health, safety, or welfare.

Terminating ASDB would significantly impact the health and welfare of sensory impaired students and their families in Arizona if its responsibilities were not transferred to another entity. ASDB provides educational programs and support services to students and children, including children ages birth to 3 years old, preschool children, and K-12 students through age 21. According to ASDB, these educational programs and support services can be expensive, and it can be difficult to hire and retain skilled educators for the sensory impaired, particularly in rural parts of the State. In addition, ASDB works with AzEIP to serve sensory impaired infants and toddlers and their families. Further, ASDB is responsible for providing a free, appropriate public education to all children with disabilities to help ensure the State's compliance with IDEA, which governs how states provide early intervention, special education, and related services to children with disabilities from birth through age 21.

Sunset factor 11: The extent to which the level of regulation exercised by the agency compares to other states and is appropriate and whether less or more stringent levels of regulation would be appropriate.

This factor does not apply because ASDB is not a regulatory agency.

Sunset factor 12: The extent to which the agency has used private contractors in the performance of its duties as compared to other states and how more effective use of private contractors could be accomplished.

ASDB uses private contractors for various services related to its statutory responsibilities. For example, ASDB contracts to provide preschool services to blind/visually impaired children and to deaf/hard of hearing children. Additionally, ASDB uses contractors to provide various other services for the students it serves, including bus transportation; occupational, physical, and speech therapy; technology infrastructure and software licensing; safety inspections; psychological assessment services and supportive counseling for students; nursing; and

interpreting and closed captioning services. Further, ASDB has contracted for private legal services, in addition to using legal services provided by the Arizona Attorney General

We compared ASDB's use of private contractors to schools for the deaf and the blind in Idaho, Utah, Virginia, and Florida and found that, in general, ASDB uses contractors to a similar or greater extent than the other 4 states. For example, these 4 states reported using private contractors for the following functions:

- Similar to Arizona, Idaho and Virginia both reported employing contractors for occupational and/or physical therapy; Virginia reported using private contractors for psychological assessment services and supportive counseling for students; Utah reported using private contractors for unfilled nursing positions; and Florida reported employing private contractors for bus transportation, technology infrastructure and software licensing, and safety inspections. Florida also reported using private contractors for professional services, such as attorneys.
- Unlike ASDB, none of these 4 states reported using private contractors for preschool services.
- Utah reported using private contractors for subject matter professionals when educating on a topic outside of its normal curriculum. Although ASDB has not contracted for subject matter professionals, it reported that it has used external parties, such as public school districts or ADE, to provide these services on a consulting basis that have not warranted establishing a contractual agreement.

We did not identify any additional areas where ASDB should consider using private contractors.



SUMMARY OF RECOMMENDATIONS

Auditor General makes 8 recommendations to ASDB

ASDB should:

1. Develop and implement a comprehensive, multi-year capital plan and projected capital budget that assesses, identifies, and documents its capital needs, consistent with GFOA best practices. The comprehensive, multi-year capital plan and projected capital budget should:
 - a. Cover a period of at least 3 years.
 - b. Identify and prioritize expected capital needs by creating a schedule for those needs based on each major capital asset's lifespan.
 - c. Determine the full extent of each project's scope, timing, and cost.
 - d. Develop financing strategies to implement projects and fund ongoing operating and maintenance costs.
 - e. Adopt a formal capital budget as part of ASDB's annual or biannual budget process that is directly linked to, and flows from, the multi-year capital plan (see Finding 1, pages 8 through 11, for more information).
2. Develop and/or update and implement multi-year capital planning policies and procedures that include the following:
 - a. Guidelines for creating and updating a multi-year capital plan and budget, and for coordinating multi-year capital projects, including the promotion of long-term operational and capital financing strategies.
 - b. Requirements for regularly updating planning and associated documentation to determine development or infrastructure needs as conditions change (see Finding 1, pages 8 through 11, for more information).
3. Develop and implement policies and procedures to periodically review the appropriateness of its Itinerant Services Program fees and voucher reimbursement amount, including analyzing the costs of its processes and the services it provides, comparing these costs to the associated fees, and determining the appropriate fees and reimbursement amounts, and revise its fees and reimbursement amounts accordingly (see Sunset Factor 2, pages 12 through 16, for more information).
4. Develop and implement policies and procedures for analyzing PSO surveys agency-wide, including using ADE's PSO data-based action planning template to help it identify predictors of post-school success and to develop standardized action planning steps for improving transition services (see Sunset Factor 2, pages 12 through 16, for more information).
5. Develop and implement conflict-of-interest policies and procedures to help ensure it complies with State conflict-of-interest requirements and follows recommended practices, including:
 - a. Requiring all employees and Board members to complete a conflict-of-interest disclosure form upon hire/appointment, and reminding them at least annually to update their form when their circumstances

change, including attesting that no conflicts exist, if applicable, consistent with State requirements and recommended practices.

- b. Storing all substantial interest disclosures in a special file available for public inspection, as required by statute.
 - c. Establishing a process to review and remediate disclosed conflicts, consistent with recommended practices (see Sunset Factor 3, pages 16 through 18, for more information).
6. Provide periodic training on its conflict-of-interest requirements, process, and form, including providing training to all employees and Board members on how the State's conflict-of-interest requirements relate to their unique program, function, or responsibilities (see Sunset Factor 3, pages 16 through 18, for more information).
 7. Develop and implement policies and procedures for tracking all complaints throughout the complaint resolution process, including establishing time frames for investigating and resolving all complaints (see Sunset Factor 6, page 19, for more information).
 8. Make complaint-handling information readily available on its website, including a description of ASDB's complaint-handling process and forms (see Sunset Factor 6, page 19, for more information).



Average ASDB teacher salary and other ASDB teacher measures

Table 4

Average teacher salary, average teacher pay from Classroom Site Fund, students per teacher, average years of teacher experience, and percentage of teachers in first 3 years¹ As of August 2022

| ASDB teacher measure | Amount/percentage |
|--------------------------------------------------|-------------------|
| Average teacher salary | \$57,599 |
| Average teacher pay from Classroom Site Fund | \$3,951 |
| Students per teacher | 10.8 |
| Average years of teacher experience ² | 12.6 |
| Percentage of teachers in first 3 years | 21% |

¹ We did not identify publicly available comparative information for schools for the deaf and the blind in other states that included each of these measures.

² Average years of teacher experience was calculated with years of experience capped at 20.

Source: Auditor General staff analysis of teacher information provided by ASDB.

ASDB operational and nonoperational spending

Table 5
ASDB operational and nonoperational spending¹
Fiscal year 2022

| | Phoenix Day School for the Deaf | Tucson Campus | Itinerant Services | Birth-to-3 (ELP) | Preschool (ELP) | State-wide ³ | Total |
|-----------------------------------------|---------------------------------------|---------------------|-----------------------|---------------------|--------------------|-------------------------|---------------------|
| Operational spending² | | | | | | | |
| Classroom spending | | | | | | | |
| Instruction ⁴ | \$4,241,439 | \$3,710,212 | \$8,967,341 | \$3,028,794 | \$2,991,508 | - | \$22,939,294 |
| Student support ⁵ | 2,789,106 | 3,547,580 | 4,474,299 | 220,652 | 123,722 | - | 11,155,359 |
| Instruction support ⁶ | 141,431 | 122,841 | 27,134 | 151 | 73,715 | 342,056 | 707,327 |
| Nonclassroom spending | | | | | | | |
| Administration ⁷ | 608,019 | 462,548 | 785,080 | 126,193 | 164,113 | 5,811,652 | 7,957,605 |
| Plant operations ⁸ | 1,745,903 | 2,648,434 | - | - | - | - | 4,394,338 |
| Food services ⁹ | 274,710 | 154,881 | - | - | - | - | 429,591 |
| Transportation ¹⁰ | 2,232,336 | 1,576,526 | 149,799 | 17,370 | 17,253 | 8,287 | 4,001,569 |
| State-wide deaf & blind programs | - | - | - | - | - | 2,445,502 | 2,445,502 |
| Subtotal operational spending | 12,032,945 | 12,223,022 | 14,403,653 | 3,393,159 | 3,370,311 | 8,607,496 | 54,030,586 |
| Nonoperational spending | | | | | | | |
| Land and buildings | - | - | 505,916 | - | - | - | 505,916 |
| Equipment | 140,588 | 252,910 | 343,270 | - | 3,843 | 543,747 | 1,284,358 |
| Subtotal nonoperational spending | 140,588 | 252,910 | 849,187 | - | 3,843 | 543,747 | 1,790,275 |
| Total spending | \$12,173,533 | \$12,475,933 | \$15,252,839 | \$3,393,159 | \$3,374,154 | \$9,151,243 | \$55,820,860 |

¹ As a State agency, ASDB is not required to follow the *Uniform System of Financial Records for Arizona School Districts* (USFR) and does not always identify spending by category consistent with Arizona school districts' account classifications. The USFR was developed by the Arizona Auditor General and ADE, and prescribes the minimum internal control policies and procedures to be used by Arizona school districts for accounting, financial reporting, and various other compliance requirements. Because ASDB does not follow the USFR and the specialized nature of the services ASDB provides, ASDB's spending information is not comparable to the spending information for Arizona public school districts reported in our *Arizona School District Spending* report. Additionally, we did not identify publicly available comparative spending information for schools for the deaf and the blind in other states.

² Operational spending includes costs ASDB incurred for its day-to-day operations but does not include costs to acquire capital assets, such as purchasing or leasing land, buildings, and equipment.

³ State-wide spending includes costs that cannot be tied to a specific campus or program, such as spending on agency support staff and operations.

⁴ Instruction spending includes teacher and other instructional staff salaries and benefits, travel, supplies, equipment, and related services.

Table 5 continued

- ⁵ Student support spending includes therapy and other support staff salaries and benefits, travel, supplies, equipment, and related services for activities that assess and improve student well-being.
- ⁶ Instruction support spending includes teacher and other instructional staff salaries and benefits, travel, supplies, equipment, and related services for activities dealing directly with the students.
- ⁷ Administration spending includes salaries and benefits for directors, principals, assistant principals, administrative assistants, and other staff who perform accounting, payroll, purchasing, warehousing, printing, human resource activities, and administrative technology services; and other costs related to these services.
- ⁸ Plant operations spending includes staff salaries and benefits and related costs to keep facilities and equipment operational, including costs for heating, cooling, lighting, and property insurance. Plant operations spending also includes the cost to operate a dormitory at the Tucson campus.
- ⁹ Food services spending includes staff salaries and benefits, supplies, and costs for contracted food services.
- ¹⁰ Transportation spending includes salaries and benefits for transportation staff and contracted transportation services, as well as costs for maintaining buses and transporting students to and from school and school activities.

Source: Auditor General staff summary of the Arizona Financial Information System *Accounting Event Transaction File* and ASDB-provided information for fiscal year 2022.

Objectives, scope, and methodology

The Arizona Auditor General has conducted a performance audit and sunset review of ASDB pursuant to a December 17, 2020, resolution of the Joint Legislative Audit Committee. This audit was conducted as part of the sunset review process prescribed in A.R.S. §41-2951.

We used various methods to review the issues in this performance audit and sunset review. These methods included interviewing ASDB staff, and reviewing ASDB's statutes, policies and procedures, and website. In addition, we used the following specific methods to meet the audit objectives:

- To determine whether ASDB developed and implemented a multi-year capital plan and projected capital budget, we reviewed ASDB's capital planning documents, including its internal capital improvement requests and fiscal year 2021 maintenance costs. We also reviewed information related to ASDB's capital and building renewal project requests to ADOA, including statutory requirements, information from ADOA's website and building inventory, and ASDB's fiscal year 2023 annual capital improvement request to ADOA. In addition, we determined ASDB's educational space capacity utilization using ASDB's October 2021 student enrollment report data and building capacity guidance in statute and rule from the Arizona School Facilities Oversight Board. We also reviewed GFOA best practices for the procurement, construction, and maintenance of capital assets.⁴³
- To determine whether ASDB developed policies and procedures for maintaining the accreditation of its schools, we compared ASDB's accreditation policies to Cognia's website. Specifically, we reviewed Cognia's accreditation registry to confirm ASDB's accreditation status and we reviewed Cognia's Performance Standards for Schools, Accreditation and Certification Policies and Procedures, and its Quality Standards for Early Learning Schools.
- To determine whether ASDB had implemented its policies and procedures related to teacher certification, we compared ASDB's certification policies to ADE requirements, which are outlined in the Arizona State Board of Education's rules, and interviewed ADE officials regarding ADE's teacher certification requirements. Additionally, we reviewed ASDB's documentation on the certification status of its 101 campus-based teachers, as well as additional documentation regarding 13 campus-based teachers who did not meet the certification requirements for their teaching position. Finally, we reviewed the professional development plans for a judgmental sample of 5 of these 13 teachers to further assess compliance with ADE requirements and ASDB policy regarding teacher certification.
- To assess ASDB's compliance with SAAM travel expenditure requirements, we reviewed a sample of 10 of 1,607 transactions from ASDB's employee travel cards and central travel account from July 1, 2019 to March 31, 2022. Additionally, we reviewed a sample of 15 of 2,909 cash disbursement transactions related to travel, including payroll reimbursements, recorded in AFIS from July 1, 2019 to March 31, 2022

⁴³ Best practices we reviewed included: GFOA. (2016). *Best practice: Multi-year capital planning*. Chicago, IL. Retrieved 6/1/22 from <https://www.gfoa.org/materials/multi-year-capital-planning>; GFOA. (2013). *Best practice: Capital planning policies*. Chicago, IL. Retrieved 6/1/22 from <https://www.gfoa.org/materials/capital-planning-policies>; GFOA. (2008). *Best practice: Master plans and capital improvement planning*. Chicago, IL. Retrieved 6/1/22 from <https://www.gfoa.org/materials/master-plans-and-capital-improvement-planning>; and GFOA. (2007). *Best practice: Incorporating a capital project budget in the budget process*. Chicago, IL.

- To determine whether ASDB had evaluated the appropriateness of its Itinerant Services Program fees and voucher reimbursement amount, we reviewed ASDB's 5-year agreements with participating schools and ASDB's fee-setting documentation. We also compiled and analyzed unaudited information from the State of Arizona *Annual Financial Report* for fiscal years 2020 and 2021 and ASDB-provided financial information for fiscal year 2022. Finally, we reviewed fee-setting standards and guidance developed by government and professional organizations.⁴⁴
- To determine whether ASDB used its PSO surveys to help develop and implement on-campus transition services, we reviewed ASDB's PSO survey data from calendar years 2018 through 2021, and ASDB documentation regarding the transition services offered at both ASDB campus schools. Additionally, we reviewed documentation from ADE, including its PSO survey template and its planning template. We also reviewed literature from the United States Government Accountability Office.⁴⁵
- To obtain information for the Introduction, we reviewed ASDB-prepared information related to staffing and Board member appointments. In addition, we reviewed federal IDEA law and grant information and recent statutory changes related to A.R.S. §15-1306. Finally, we compiled and analyzed unaudited information from the Arizona Financial Information System *Accounting Event Transaction File* and the State of Arizona *Annual Financial Report* for fiscal years 2020 through 2022, and ASDB-provided budget information for fiscal year 2022.
- To obtain additional information for the Sunset Factors, we assessed ASDB's compliance with its Board policies regarding public input for proposed policy adoptions for 3 policy changes initiated by ASDB between July 2021 and January 2022, and various provisions of the State's open meeting law for 3 ASDB Board meetings between November 2021 and March 2022. Additionally, to assess ASDB's compliance with the State's conflict-of-interest requirements and alignment with recommended practices, we reviewed statutes, recommended practices, ADOA's *State Personnel System Employee Handbook*, chapter 8 of the *Arizona Agency Handbook*, and ASDB's conflict-of-interest disclosure forms.⁴⁶ In addition, to assess ASDB's complaint-handling processes, we reviewed documentation provided by ASDB on internal staff complaints and its complaint-handling policies for staff, parents, students, and the public; and literature from the National State Auditors Association related to recommended practices for making complaint-handling information available to the public.⁴⁷ Finally, we selected and contacted schools for the deaf and the blind in 4 states—Idaho, Utah, Virginia, and Florida—and reviewed their use of private contractors as well as their website information regarding complaint handling.⁴⁸

⁴⁴ We reviewed the following fee-setting best practices: Arizona State Agency Fee Commission. (2012). *Arizona State Agency Fee Commission report*. Phoenix, AZ; GAO. (2008). *Federal user fees: A design guide*. Washington, DC. Retrieved 3/15/2022 from <https://www.gao.gov/assets/gao-08-386sp.pdf>; Michel, R.G. (2004). *Cost analysis and activity-based costing for government*. Chicago, IL: GFOA; and Mississippi Joint Legislative Committee on Performance Evaluation and Expenditure Review. (2002). *State agency fees: FY 2001 collections and potential new fee revenues*. Jackson, MS. Retrieved 3/15/2022 from <https://www.peer.ms.gov/reports/rpt442.pdf>.

⁴⁵ GAO. (2014). *Standards for internal control in the federal government*. Washington, DC. Retrieved 7/15/22 from <https://www.gao.gov/assets/gao-14-704g.pdf>.

⁴⁶ Recommended practices we reviewed included: Organization for Economic Cooperation and Development. (2022). *Recommendation of the Council on OECD guidelines for managing conflicts of interest in the public service*. Paris, France. Retrieved 8/22/2022 from <https://legalinstruments.oecd.org/public/doc/130/130.en.pdf>; Ethics & Compliance Initiative. (2016). *Conflicts of interest: An ECI benchmarking group resource*. Arlington, VA. Retrieved 2/22/2022 from <https://www.ethics.org/knowledge-center/conflicts-of-interest-report/>; and Controller and Auditor General of New Zealand. (2020). *Managing conflicts of interest: A guide for the public sector*. Wellington, New Zealand. Retrieved 2/22/2022 from <https://oag.parliament.nz/2020/conflicts/docs/conflicts-of-interest.pdf>.

⁴⁷ National State Auditors Association. (2004). *Carrying out a state regulatory program: A National State Auditors Association best practices document*. Lexington, KY. Retrieved 5/12/22 from https://www.nasact.org/files/News_and_Publications/White_Papers_Reports/NSAA%20Best%20Practices%20Documents/2004_Carrying_Out_a_State_Regulatory_Program.pdf.

⁴⁸ We selected these 4 states because they provide educational and support services to both hearing and visually impaired students through residential, day, and itinerant programs, similar to ASDB. Additionally, Florida's school for the deaf and blind was 1 of 59 schools Cognia recognized as a "School of Distinction" of the more than 1,200 schools it reviewed in the 2021-22 school year. Cognia introduced that recognition for the 2020-21 school year for schools that demonstrate excellence and a commitment to its learners through high-quality instruction, consistent organizational effectiveness, and continuous improvement of its programs. As of August 2022, ASDB's most recent accreditation review occurred in 2018 before Cognia established the "School of Distinction" recognition.

Our work on internal controls included reviewing ASDB's policies and procedures for ensuring compliance with State statute, ADE requirements, and best practices, and, where applicable, testing its compliance with these requirements and practices. Additionally, we reviewed ASDB's documentation regarding the certification of its teaching staff for ensuring that it hired, developed, and evaluated qualified teaching staff. We reported our conclusions on these internal controls in Finding 1 and the Sunset Factors (see Finding 1, pages 8 through 11, and the Sunset Factors, pages 12 through 21).

We selected our audit samples to provide sufficient evidence to support our findings, conclusions, and recommendations. Unless otherwise noted, the results of our testing using these samples were not intended to be projected to the entire population.

We conducted this sunset review and performance audit of ASDB in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We express our appreciation to ASDB's Superintendent, Board, and staff for their cooperation and assistance throughout the audit.

ASDB RESPONSE



"We are committed to respect,
support, and the well-being of all"

Annette Reichman, Superintendent
Douglas A. Ducey, Governor

Arizona State Schools for the Deaf and the Blind

September 23, 2022

Lindsay Perry, CPA, CFE
Auditor General
2910 N 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Perry:

Attached to this letter is the Arizona State Schools for the Deaf and the Blind's (ASDB) final response to the revised final auditor general report draft. We understand that our final response will be included within the published report. Our response addresses each recommendation in the revised final report draft and includes additional comments as appropriate.

I want to express my appreciation to Mr. Marc Owen and his team for the courteous guidance they have provided to the ASDB leadership team through this process.

Please let us know if there are additional items, we need to complete/submit.

Sincerely,

Annette Reichman
Superintendent

cc. Marc Owen, Performance Audit Manager (mowen@azauditor.gov)

Finding 1: ASDB has not developed and implemented a multi-year capital plan and projected capital budget, hindering its ability to address capital improvement needs in a timely and cost-effective manner

Recommendation 1: ASDB should develop and implement a comprehensive, multi-year capital plan and projected capital budget that assesses, identifies, and documents its capital needs, consistent with GFOA best practices. The comprehensive, multi-year capital plan and projected capital budget should:

Recommendation 1a: Cover a period of at least 3 years.

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

Response explanation: ASDB will implement a master facility plan that establishes a framework for orderly growth/consolidation and development of capital improvements on ASDB campuses. It will be responsive to ASDB's current and projected needs and sufficiently flexible to accommodate changes that can be expected to occur. Utilizing the agency strategic plan it will align the agency's campuses and leased space to meet the programmatic requirements agency-wide. This multi-year plan will cover more than 3 years and will assess, identify and document all capital needs consistent with GFOA best practices." The Master Facility Plan will consist of 5 sections.

1. Educational Programs - Review what programs will be continued into the future or suspended and explore new programs that can be implemented to better serve our student population.
2. Current Facilities - In conjunction with the Demographic Study and the Educational Programs, evaluate potential buildings to renovate, demolish, and construct new buildings. This will encompass a 3-year period or more in order to effectively plan based on GFOA best practices.
3. Demographic Study - Review demographic studies and incorporate it into the planning process. Using informative data ASDB shall address underutilized facilities in order to determine future capital plans.
4. Implementation Plan - With the assistance of an architectural design firm design the required infrastructure for renovation, demolition, and new construction. Work with various parties to establish funding and support.
5. Evaluation Plan - Based on the initial planning process in conjunction with the ASDB Board establish new policies and procedures to ensure that ASDB has adopted the continuous improvement plan for Master Facility Planning.

ASDB's Master Facility Plan shall cover a 3 to 5-year period in order to sufficiently plan for antiquated building systems as well as new systems based on demographic changes. This will be addressed in sections 2 and 4 of the master facility plan.

Recommendation 1b: Identify and prioritize expected capital needs by creating a schedule for those needs based on each major capital asset's lifespan.

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

Response explanation: ASDB shall address this in the Master Facility Plan in sections 1, 2, 3 and 4. The Master Facility Plan will utilize demographic information (Section 3) in

conjunction with educational programs (Section 1) to identify and prioritize capital needs by creating schedules for replacement based on the asset's lifespan (Section 2). This will then drive an implementation plan (Section 4) to address each of those capital assets.

Recommendation 1c: Determine the full extent of each project's scope, timing, and cost.

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

Response explanation: The implementation plan (Section 4) of the Master Facility Plan shall address the project's scope, timing, and cost. This will be produced by an architectural firm in rough order of magnitude. The rough order of magnitude will be incorporated into the capital requests and fiscal planning.

Recommendation 1d: Develop financing strategies to implement projects and fund ongoing operating and maintenance costs.

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

Response explanation: The implementation plan (Section 4) of the Master Facility Plan shall address financing strategies to implement the projects and fund ongoing maintenance and operating costs. In addition, by utilizing the demographic information and projections, ASDB will better understand and prioritize the implementation plan to address vacant and underutilized buildings.

Recommendation 1e: Adopt a formal capital budget as part of ASDB's annual or biannual budget process that is directly linked to, and flows from, the multi-year capital plan.

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

Response explanation: The Evaluation section (Section 5) of the Master Facility Plan will address the adoption of new policies and procedures regarding long-range facility/capital planning. The adoption of a formal capital budget as part of the annual or biannual budget process. This will be done in conjunction with ADOA's CIP/Building Renewal process, ASDB's Capital Review Committee Budget and other financial budgeting practices/funds.

Recommendation 2: ASDB should develop and/or update and implement multi-year capital planning policies and procedures that include the following:

Recommendation 2a: Guidelines for creating and updating a multi-year capital plan and budget, and for coordinating multi-year capital projects, including the promotion of long-term operational and capital financing strategies.

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

Response explanation: ASDB shall utilize the Master Facility Plan to address this finding. The Implementation and Evaluation sections (Sections 4 and 5) will take the plan and implement it into our multi-year capital planning process. Section 5 will address the creation

of new standards, policies, and procedures.

Sections 4 and 5 will address the guidelines regarding the implementation and promotion of long-term operational and capital financing strategies.

Recommendation 2b: Requirements for regularly updating planning and associated documentation to determine development or infrastructure needs as conditions change.

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

Response explanation: Section 5 will address this by implementing new board policies that require regular updating of the Master Facility Plan and ensuring that it is flexible in nature to change with new data and information.

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

Recommendation 3: ASDB should develop and implement policies and procedures to periodically review the appropriateness of its Itinerant Services Program fees and voucher reimbursement amount, including analyzing the costs of its processes and the services it provides, comparing these costs to the associated fees, and determining the appropriate fees and reimbursement amounts, and revise its fees and reimbursement amounts accordingly.

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

Response explanation: ASDB will develop and implement written fiscal policies and procedures to periodically assess the operational efficiency of the Itinerant Services Program to ensure that revenues align with operating costs. The assessment will include conducting a thorough analysis of revenues, operating costs, and future operational needs to ensure the Itinerant Services Program fund balances do not exceed reasonable thresholds. A structured approach for the assessment will also include, but not be limited to:

- evaluating the various types of services provided, how those services are being delivered, and the rationale for providing them;
- identifying a provision of the correct amount of funding for these services which includes having a consistent and standardized mechanism of determining the funding for each student, i.e. fee-for-service or institutional voucher; and,
- in a cost-effective way, ensuring that the costs of providing services to students are being covered by assessing operations, tracking costs, and developing a methodology for evaluating and updating the appropriateness of fees and voucher reimbursement amounts.

Recommendation 4: ASDB should develop and implement policies and procedures for analyzing PSO surveys agency-wide, including using ADE's PSO data-based action planning template to help it identify predictors of post- school success and to develop standardized action planning steps for improving transition services.

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

Response explanation: ASDB will use the ADE PSO data-based action planning template to analyze survey data to improve transition services for the Phoenix and Tucson campus. ASDB will form a committee to meet annually to review and analyze these data; the outcomes will inform the focus for programmatic adjustments/changes.

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

Recommendation 5: ASDB should develop and implement conflict-of-interest policies and procedures to help ensure it complies with State conflict-of-interest requirements and follows recommended practices, including:

Recommendation 5a: Requiring all employees and Board members to complete a conflict-of-interest disclosure form upon hire/appointment, and reminding them at least annually to update their form when their circumstances change, including attesting that no conflicts exist, if applicable, consistent with State requirements and recommended practices.

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

Response explanation: ASDB will fully align its conflict of interest policies and processes with Arizona Revised Statutes and recommended practices that requires all its staff and Board members to complete a conflict-of-interest disclosure form upon hire or appointment, and annually thereafter. The policy and processes shall also include an annual reminder them to complete a disclosure form when their circumstances change. The required form shall also include a field for the individual to provide an “affirmative no,” which ensures that employees and Board members attest that they do not have any potential conflicts of interest. The policy shall also include a formal remediation process to help ensure that identified conflicts are appropriately addressed, and note that ASDB shall provide periodic training to ensure that identified conflicts are appropriately addressed.

Recommendation 5b: Storing all substantial interest disclosures in a special file available for public inspection, as required by statute.

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

Response explanation: ASDB shall ensure compliance with A.R.S. §38-509, which requires public agencies to maintain a special file of all documents necessary to memorialize all disclosures of substantial interest, and make this file available for public inspection.

Recommendation 5c: Establishing a process to review and remediate disclosed conflicts, consistent with recommended practices.

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

Response explanation: When a staff member or board member experiences a conflict of interest, they may resolve the situation by choosing to either: abandon one of the conflicting roles, or recuse themselves from the relevant decision-making process. A form has been developed to capture conflicts of interest/secondary employment. This form will be required to be completed annually through our LINQ Forms website. This form will be routed for approvals and recommendations based on the staff member/board member responses.

Recommendation 6: ASDB should provide periodic training on its conflict-of-interest requirements, process, and form, including providing training to all employees and Board members on how the State's conflict-of-interest requirements relate to their unique program, function, or responsibilities.

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

Response explanation: ASDB will provide a conflict-of-interest training on an annual basis. This training will be published in our safe schools' platform for staff members and Board members to complete each July. The training will include the requirements, process, and form completion.

Sunset Factor 6: The extent to which the agency has been able to investigate and resolve complaints that are within its jurisdiction and the ability of the agency to timely investigate and resolve complaints within its jurisdiction.

Recommendation 7: ASDB should develop and implement policies and procedures for tracking all complaints throughout the complaint resolution process, including establishing time frames for investigating and resolving all complaints.

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

Response explanation: ASDB will ensure all complaint policies include time frames for investigating and resolving complaints from staff, students, parents, and the public. We will implement procedures to track complaints from students, parents, and the public of which will be done by the Assistant Superintendent and/or Superintendent.

Recommendation 8: ASDB should make complaint handling information readily available on its website, including a description of ASDB's complaint-handling process and forms.

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

Response explanation: ASDB's website shall be revised to include readily available information explaining ASDB's complaint-handling processes, including how to file a complaint; when and how complainants should expect a response to and/or resolution of the complaint; and provide contact information for persons available to help parents, students, and the public submit complaints and to understand the complaint-handling process. This information will be made readily available on the main ASDB website and its subsites. Additionally, the material will be indexed and searchable. Prior to publishing the

material, we will seek for specific verbiage from the ASDB Director of Policy and Government Relations.

