

The June 2019 Arizona School Facilities Board—Building Renewal Grant (BRG) Fund special audit found that the Board can better ensure timely project completion and payments to districts, Board member compliance with conflict-of-interest laws, and district compliance with State procurement requirements. The Board’s and districts’ status in implementing the recommendations is as follows:

## Status of 28 recommendations

Implemented:	12
Implementation in process:	5
<b>Not implemented:</b>	<b>11</b>

Effective September 29, 2021, Laws 2021, Ch. 404, transferred the Board’s statutory responsibilities to a newly established Division of School Facilities (Division) and School Facilities Oversight Board (Oversight Board) within the Arizona Department of Administration (ADOA), resulting in the Board’s termination (see Arizona Auditor General Report 21-112 for more information on the transfer of the Board’s responsibilities to ADOA). The law transferred most of the Board’s statutory responsibilities to the Division, including responsibilities for reviewing, awarding, and overseeing BRG Fund grant applications, awards, and projects, and assigned the Oversight Board responsibility for reviewing the Division’s policies and procedures for doing so. ADOA will be responsible for addressing any outstanding recommendations from our 2019 special audit, and we will conduct a 36-month followup with ADOA on the status of the recommendations that have not yet been implemented.

## Finding 1: Districts’ BRG project delays and Board’s lack of monitoring contribute to potential health and safety risks, increased State costs, and BRG Fund monies sitting idle for years

1. The Board should review all 628 open BRG projects to determine each BRG project’s current status, including determining whether a deficiency still exists and remains uncorrected, if the BRG project has received a construction project award, if construction has started, and if construction is complete, before canceling or closing these projects.

### Implemented at 24 months

2. The Board should establish processes consistent with State policy and supported by written policies and procedures, where appropriate, to:
  - a. Obtain and track each BRG project’s project-completion time frames.

**Implementation in process**—The Board has modified its online project application to require districts to submit a separate application for each project phase, including providing projected start and end dates for each phase. However, it has not established a process to monitor and track projects to ensure districts are meeting these time frames.

- b. Track each BRG project’s phase status and each phase’s start and end dates.

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

- c. Require districts to provide regular project status updates for open BRG projects.

**Implementation in process**—The Board modified its BRG project terms and conditions to require districts to provide quarterly status updates to the Board and implemented a process for districts to electronically submit these status updates through its new web-based grants management system, eCivis Subrecipient Manager (SRM). However, the Board has not developed a process to monitor whether districts submit status reports each quarter as required.

- d. Develop and implement management reports and other tools to systematically and regularly monitor each open BRG project's status and progress.

**Not implemented**—The Board has not developed management reports and other tools to systematically and regularly monitor each open BRG project's status and progress.

- 3. The Board should establish processes for using the data from its monitoring activities, supported by written policies and procedures, where appropriate, to:

- a. Work with districts to address any obstacles that prevent them from making progress and mitigate any health and safety impacts related to the continued existence of an uncorrected deficiency.

**Not implemented**—Because the Board has not developed the monitoring activities outlined in Recommendations 2a through 2d (see explanations for Recommendations 2a through 2d), the Board cannot (1) identify obstacles preventing districts from making progress and mitigating any health and safety impacts related to the continued existence of an uncorrected deficiency; (2) hold districts accountable for meeting their BRG project responsibilities; (3) proactively plan and request funding for future BRG projects; and (4) plan Board staff's workload based on the status of existing BRG projects.

- b. Hold districts accountable for meeting their BRG project responsibilities.

**Not implemented**—See explanation for Recommendation 3a.

- c. Proactively plan and request funding for future BRG projects. Before requesting a supplemental or increased appropriation, the Board should first review its management reports and make a written determination of how much committed money can be recommitted to other projects.

**Not implemented**—See explanation for Recommendation 3a.

- d. Plan Board staff's workload based on the status of its existing BRG projects.

**Not implemented**—See explanation for Recommendation 3a.

- 4. The Board should work with the Arizona Office of Grants and Federal Resources to obtain access to and implement the use of eCivis SRM for managing BRG projects. If the Board determines that it will continue devoting staff time and resources to modify its own IT systems to manage BRG projects, it should conduct and document the results of a cost-benefit analysis and justify the use of these resources rather than using the eCivis system.

**Implemented at 24 months**—The Board implemented the web-based grants management system, eCivis SRM, to manage BRG projects and project closeout.

## **Finding 2: Board should improve its use of IT systems to better ensure timely payments to districts and BRG project closures so unspent monies can be recommitted to other BRG projects**

- 5. The Board should modify its PayAppinator system to track and monitor the timeliness of open payment requests and rejected payment requests.

**Implementation in process**—The Board replaced its PayAppinator system with its new web-based grants management system, eCivis SRM, which includes a payment-tracking report that allows the Board to track the

timeliness of open/rejected payment requests. However, the Board has not ensured that all rejected payment requests are addressed in a timely manner. Specifically, as of February 2021, the Board had not followed up with districts for 3 of 9 rejected payment requests listed in its tracking report. These 3 payments requests had been rejected between 4 and 6 months prior to February 2021.

6. The Board should work with the Arizona Office of Grants and Federal Resources to obtain access to and implement the use of eCivis SRM for managing BRG project closeout. If the Board determines that it will continue devoting staff time and resources to modify the PayAppinator for managing BRG project closeout, it should conduct and document the results of a cost-benefit analysis and justify the use of these resources rather than using the eCivis system.

**Implemented at 24 months**—See explanation for Recommendation 4.

7. The Board should develop and implement processes, supported by written policies and procedures where appropriate, to:

- a. Address any problems that are potentially leading to payment requests not being paid within 30 days.

**Not implemented**—Although the Board has developed a process to track the timeliness of open/rejected payment requests, it has not developed policies and procedures for identifying and addressing problems that are potentially leading to payment requests not being paid within 30 days, such as the 3 rejected payment requests that were not addressed for between 4 and 6 months as previously discussed (see explanation for Recommendation 5).

- b. Regularly follow up with districts and provide assistance as needed to help ensure they resubmit rejected payment requests in a timely manner.

**Not implemented**—See explanation for Recommendation 5.

- c. Address any problems that are potentially leading to untimely project closeout.

**Implementation in process**—The Board has developed policies and procedures to assist districts in initiating closeout via eCivis SRM. However, because it has not established a process to monitor and track project time frames, it is unable to systematically identify projects that are not being completed and closed out in a timely manner (see Recommendation 2a).

### **Finding 3: Board members failed to disclose interests, and 1 Board member failed to refrain from participating in decisions related to those interests**

8. The Board should establish a process to allow Board members to fully disclose substantial interests in its public meetings as a reason for not participating in a meeting agenda item. These disclosures should be documented in the Board's meeting minutes, including the name of the person with an interest (i.e., Board member or Board member's relative), the interest's description, and the reason the Board member is refraining from voting or otherwise participating.

**Implemented at 24 months**

9. The Board should develop and implement a process to help Board members identify meeting agenda items involving their interests, such as notating Board meeting agendas and/or adding vendor names to the project summary, to identify agenda items for which Board members have conflicts based on the interests listed on their forms.

**Implemented at 24 months**

10. The Board should continue using its new, more comprehensive conflict-of-interest form.

**Implemented at 24 months**

11. The Board should develop and implement a process to ensure new Board members complete and file a conflict-of-interest form before they begin serving on the Board.

**Not implemented**—The Board has not ensured that new Board members submit conflict-of-interest forms before serving on the Board. Specifically, a new Board member participated in the Board’s March 3, 2021, public meeting but did not submit a conflict-of-interest form until 5 days after participating in that public meeting.

12. The Board should require all Board members and employees to complete conflict-of-interest forms at least annually and maintain these disclosures in a separate special file for public inspection.

**Implemented at 6 months**

#### **Finding 4: Board staff and vendor actions and Board procurement policy and guidance for districts could confuse districts, leading to decreased competition, potentially unfavorable pricing, and compliance issues**

13. The Board should develop a written policy, procedure, or other employment document that prohibits Board staff from requiring or recommending that districts use specific vendors for projects that receive Board monies.

**Not implemented**—In September 2020, the Board discussed potential changes to its internal procurement policy during its annual study session meeting, including (1) prohibiting Board staff from requiring or recommending that districts use specific vendors for projects that receive Board monies; (2) explicitly stating that districts are solely responsible for procuring, selecting, and contracting with vendors; and (3) requiring districts comply with all School District Procurement Rules and the USFR. However, as of May 2021, the Board had not revised its internal procurement policy to include these changes.

14. The Board should revise its policies for districts to explicitly state that districts are solely responsible for procuring, selecting, and contracting with vendors, and that Board staff are not authorized to select vendors or otherwise require or suggest that districts use specific vendors.

**Not implemented**—See explanation for Recommendation 13.

15. The Board should reassess and revise its procurement policy to ensure it does not mislead districts and is consistent with the School District Procurement Rules and the USFR and explicitly states that districts must comply with all requirements in the School District Procurement Rules and the USFR, such as the USFR’s requirement for considering cumulative purchases when determining the appropriate procurement method in addition to following the Board’s procurement policy.

**Not implemented**—See explanation for Recommendation 13.

16. The Board should revise its terms and conditions to:

- a. Change “procurement rules developed by the State Board of Education” to the “School District Procurement Rules adopted by the Arizona State Board of Education.”

**Implemented at 6 months**

- b. Add a reference to the USFR purchasing guidelines.

**Implemented at 6 months**

- c. Delete the reference to “Arizona Procurement Code.”

**Implemented at 6 months**

- d. Also require that district staff who are responsible for procuring and selecting vendors, such as the business manager or chief financial officer, sign the terms and conditions.

**Implemented at 24 months**

## **Finding 5: Districts did not always comply with School District Procurement Rules and USFR requirements**

17. The 8 sampled districts should comply with the procurement requirements established in the School District Procurement Rules and the USFR when procuring, selecting, and contracting with vendors for work on BRG projects, including documenting the district's reasoning for selecting vendors based on factors other than lowest price, complying with all requirements for using cooperative agreements, and overseeing procurement consultants.

**Implemented at 24 months**