

East Valley Institute of Technology

Report 2 of 2

District has not developed and implemented comprehensive capital and strategic plans to ensure its spending for capital projects is efficient and does not negatively impact its career and technical education (CTE) programs, and that projects provide intended benefits

Performance Audit

June 2024
Report 24-209

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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June 29, 2024

Members of the Arizona Legislature

The Honorable Katie Hobbs, Governor

Governing Board
East Valley Institute of Technology

Dr. Chad Wilson, Superintendent
East Valley Institute of Technology

Transmitted herewith is a report of the Auditor General, *A Performance Audit of East Valley Institute of Technology—Report 2 of 2*, conducted pursuant to Arizona Revised Statutes §§15-393.01 and 41-1279.03. 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 District agrees with the finding and recommendations and plans to implement all recommendations. My Office will follow up with the District in 6 months to assess its progress in implementing the recommendations. I express my appreciation to Dr. Wilson and District staff for their cooperation and assistance throughout the audit.

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

East Valley Institute of Technology Report 2 of 2

District has not developed and implemented comprehensive capital and strategic plans to ensure its spending for capital projects is efficient and does not negatively impact its career and technical education (CTE) programs, and that projects provide intended benefits

Audit purpose

To evaluate the District's planning and procurement activities associated with recent construction projects on its central campuses.

Key findings

- Contrary to recommended practices, District lacked a comprehensive multiyear capital plan and a strategic planning process applicable to all capital projects.
- District risks not meeting the legislative intent to construct and furnish a 64-bed transitional housing facility for foster youth (HopeTech) within the \$10 million appropriated for the facility because it did not plan for all associated costs, including furnishing, prior to initiating and approving construction contracts.
- District has not planned for and determined the services it will offer to foster youth residing at HopeTech, the ongoing costs to operate the facility, or how it will pay for operations and maintenance.
- District risks not recouping about \$500,000 of the \$1.3 million it was approved to spend on renovations to a campus building for lease to a charter school operator because it did not evaluate whether the scope and cost of the project was appropriate for the amount it could reasonably expect to receive from the lease.
- District did not provide its governing board with the information necessary to evaluate approximately \$10.8 million in proposed construction spending for HopeTech and the building renovation project prior to approval.

Key recommendations

The District should:

- Develop and implement a formal multiyear capital plan for its central campuses that includes components such as capital needs, maintenance requirements, funding options, and operating budget impacts.
- Develop and implement a formal strategic planning process to ensure that issues such as CTE program needs, costs, benefits, time frames, resources, and potential fiscal impacts are addressed for new capital projects.
- Develop and implement a formal strategic plan for operating HopeTech that includes information about such things as services to be offered, operation and maintenance costs, funding sources, and potential impacts on CTE programs, and present this plan to its Board.
- Determine the current costs and benefits of the charter school lease and operations on its campus and identify future goals to help guide decisions about the lease going forward and present this information to its Board.



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The Arizona Auditor General has released the second in a series of 2 performance audit reports of the East Valley Institute of Technology (District). The first performance audit evaluated whether the District was meeting its statutory purposes to prepare students for high-need occupations, spending State monies appropriately, and following best practices.¹ This second performance audit focused on construction spending and the extent of the District's capital and strategic planning for recent projects. The spending review included determining whether the District properly procured construction services for 2 projects. Although our review of the District's construction spending did not identify procurement-related concerns for the 2 projects we reviewed, we did identify issues related to the District's lack of capital and strategic planning, which we discuss in this report.

The District is a career and technical education district (CTED) that offers career and technical education (CTE) courses to high school students living within its boundaries and adult students. The District operates programs at 3 central campuses—2 located in Mesa and 1 located in Apache Junction—where it offered 39 CTE programs in fiscal year 2022. The District's main campus comprises 65 acres and 26 buildings while its newer Power campus is an 18-acre site with 5 buildings. In total, the District's Mesa campuses comprise approximately 31 buildings and about 680,000 square feet of facility space. The District leases the facilities at its Apache Junction site from a member school district.

As reported in our previous performance audit of the District issued in March 2024, at the end of fiscal year 2022, the District had accumulated a fund balance of \$71 million and indicated it planned to use these monies for expanding its campuses and remodeling facilities. In fiscal year 2022, construction-related spending comprised 32 percent of the District's total expenditures with the District spending more than \$27 million, which it primarily used for site improvements and to construct 2 new buildings on its Power campus. The District was also approved to spend approximately \$1.3 million renovating a building on its main campus for the purpose of leasing to a charter school operator, Heritage Academy, which opened Paul Revere Academy to students in July 2023.

Additionally, as of May 2024, the District was approved to spend more than \$9.5 million from a separate \$10 million legislative appropriation it received to construct and furnish a 64-bed transitional housing facility for foster youth on its main campus, which the District named HopeTech.² HopeTech's construction began in June 2023, and the District expects to complete and begin operating the facility in July 2024.

Photo 1 HopeTech



Source: Photo taken by Auditor General staff, May 2024.

¹ See Arizona Auditor General report 24-204 *East Valley Institute of Technology—Report 1 of 2*.

² Laws 2022, Ch. 313, §31.

To be eligible to reside at the facility, the appropriation requires that foster youth be between 17 and 21 years old and need stable housing as they work to earn a high school or high school equivalency diploma as well as an industry certification through a District CTE program. The appropriation also requires that the District's superintendent report on the number of foster youth who lived in the facility during the immediately preceding fiscal year and their progress toward earning diplomas and certifications. The reports are due by September 15 each year from 2025 through 2027 and are to be submitted to the Governor, the Secretary of State, the President of the Senate, the Speaker of the House of Representatives, and the directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting (OSPB).



District has not developed and implemented comprehensive capital and strategic plans to ensure it spends efficiently on capital projects and that projects provide intended benefits

District has not performed comprehensive capital and strategic planning as recommended

Contrary to recommended practices, the District has not developed a comprehensive, fiscally sustainable, multiyear capital plan to ensure that its existing and proposed facilities will meet students' training needs and are the best use of public monies. It also has not developed a strategic planning process to evaluate issues such as fiscal impact and funding sources and to evaluate the costs and benefits of pursuing various capital projects. Although our review found that the District conducted some limited planning activities related to specific projects or issues, it lacked comprehensive capital and strategic plans consistent with recommended practices. For example, at 1 of its campuses, the District performed a lifecycle analysis to help identify and plan for facility maintenance costs. Additionally, when it constructed new buildings for CTE programs on its Power campus, the District documented building plans, a feasibility study, and procurement information for those specific projects. While this level of planning is necessary to ensure individual construction projects are properly procured and managed, it does not take the place of comprehensive capital and strategic planning designed to guide long-term decision making.

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 governments, including school districts, and therefore require careful planning.³ GFOA recommends that governments, such as the District, prepare and adopt comprehensive multiyear capital plans to ensure effective management of capital assets so that the government can address the current and long-term needs of its constituents. According to the GFOA, prudent multiyear capital plans should identify and prioritize expected needs based on a strategic plan, establish projects' scopes and costs, provide details of estimated funding amounts from various sources, and project future operating and maintenance costs. Additionally, the GFOA indicates that a capital plan should cover a period of at least 5 years. As part of the capital planning process, GFOA recommends that organizations take into account their unique organizational characteristics, the services they provide, and how they are structured.⁴ The resulting multiyear comprehensive capital plan should be updated regularly to ensure the plan changes when local conditions change. According to GFOA, a properly prepared capital plan is essential to the future financial health of an entity and continued delivery of services to stakeholders.^{5,6}

³ GFOA. (2022). *Multiyear capital planning*. Retrieved 5/30/24 from <https://www.gfoa.org/materials/multi-year-capital-planning>. The GFOA is an association of over 20,000 public finance officials from all levels of government whose mission is to advance excellence in public finance.

⁴ GFOA. (2013). *Capital Planning Policies*. Retrieved 6/3/24 from <https://www.gfoa.org/materials/capital-planning-policies>.

⁵ GFOA. (2008). *Master plans and capital improvement planning*. Retrieved 6/3/24 from <https://www.gfoa.org/materials/master-plans-and-capital-improvement-planning>.

⁶ GFOA, 2013.

In addition to capital planning, strategic planning helps ensure an entity meets its goals and statutory purposes. OSPB's *Strategic Planning for Continuous Improvement* outlines recommended practices for strategic planning, including calling for planning decisions to be grounded in fiscal reality to avoid creating unrealistic expectations.⁷ According to OSPB, entities should determine whether the resources required to implement desired courses of action are available and if not, determine how the resources will be obtained; evaluate the short- and long-term fiscal impacts of the course of action to be taken; and determine whether additional funding will be needed. Once the costs, benefits, constraints, time frames, and resources for each potential course of action have been identified and analyzed, the entity should decide which course of action to pursue. Successful strategic planning helps ensure that entities allocate resources effectively to meet goals and achieve meaningful results over time.

Without an ongoing, comprehensive capital and strategic planning (planning) process applicable to all capital projects, the District lacked important information about the current and future needs of its stakeholders and how to most effectively make use of its resources to meet those needs. This resulted in the issues discussed in the next section.

District's lack of capital and strategic planning could require it to use monies that would otherwise fund CTE programs to pay for HopeTech may result in unrecouped renovation costs, and limited the information available to decision makers

District risks not meeting legislative intent to construct and furnish HopeTech within the \$10 million appropriation

As discussed in the Introduction, page 1, in fiscal year 2023, the District received \$10 million to construct and furnish HopeTech. However, the District's lack of planning prior to beginning construction may hinder its ability to meet the legislative intent for the appropriation. District officials indicated that they had not prioritized planning because the legislative appropriation required the first report about HopeTech's residents and their educational attainment to be completed by September 15, 2025, and District officials felt time was limited to initiate and complete construction. The Legislature approved the appropriation in June 2022, and the District began seeking design-build construction services in October 2022. Although the appropriation established reporting deadlines, it did not establish a date for the facility's completion. Because the District was involved in the process of securing funding for HopeTech, it could have requested additional time to facilitate appropriate planning.

Legislative intent for \$10 million appropriation

To construct and furnish a 64-bed transitional housing unit for foster youth.

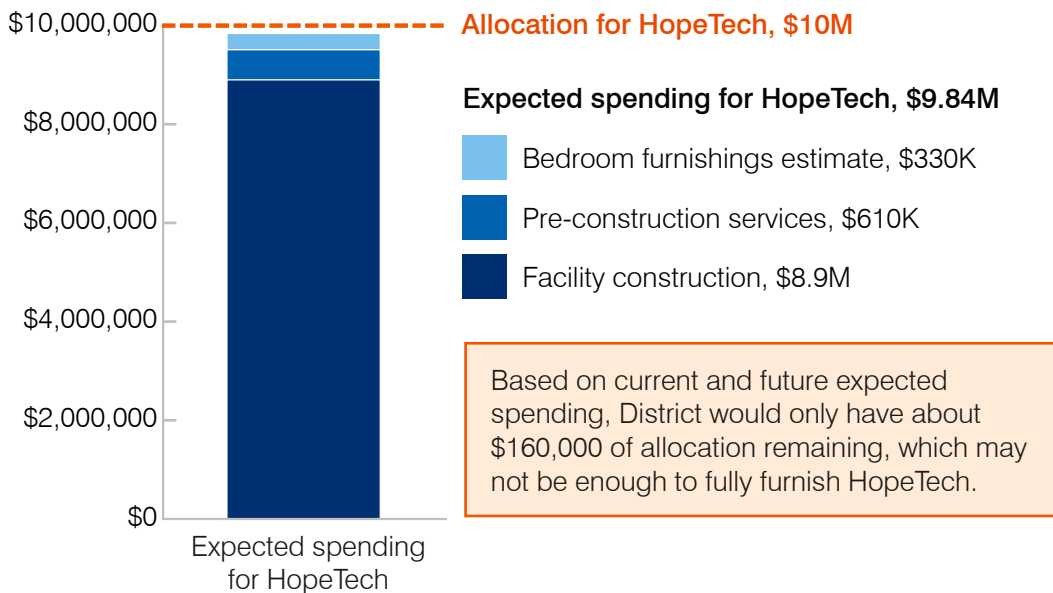
Source: Laws 2022, Ch. 313, §31.

As of May 2024, the District had committed more than \$9.5 million to HopeTech's construction, leaving approximately \$490,000 from the \$10 million appropriation to fully furnish and complete the facility. However, the District had not gathered any information about how much money would be necessary to equip the facility for residential use before entering construction contracts and indicated that it had expected to use any remaining monies after construction costs as its budget for furnishing the facility. After construction was nearly complete, the District obtained a quote from 1 vendor indicating that it would cost approximately \$330,000 to supply 64 beds, desks, and other furniture for HopeTech's 48 bedrooms. Based on that quote, approximately \$160,000 would remain from the appropriation to furnish common areas, including living rooms and the office space for the facility (see Figure 1, page 5). As of April 2024, the District had not determined what additional furnishings were necessary nor what they would cost.

⁷ OSPB. (2023). *Strategic planning for continuous improvement: State agency handbook*. Retrieved 4/9/2024 from https://www.azospb.gov/documents/pdf/Strategic_Planning_for_Continuous_Improvement_Jan2023.pdf.

The District indicated that for fiscal year 2025, HopeTech’s first year of operation, it plans to operate the facility at a limited capacity of 16 residents, and it has started accepting applications from potential residents.⁸ As a result, District officials indicated that they plan to furnish only 12 bedrooms with 16 beds and associated common spaces before opening the facility in July 2024. As of May 2024, the District appears to have sufficient monies from the appropriation to furnish the facility to operate at a limited capacity, but the District may need to find additional monies to furnish HopeTech for 64 foster youth as the Legislature intended. If the District had developed a comprehensive capital and strategic plan and included HopeTech as part of these plans, it could have determined whether the construction design needed to be modified or if other changes were necessary to ensure it could meet the legislative intent for its \$10 million appropriation.

Figure 1
District expects to spend \$9.84 million of its \$10 million allocation to build and partially furnish HopeTech but had not evaluated whether facility could be fully furnished with remaining monies
Fiscal year 2024



Source: Auditor General staff analysis of spending data provided by District officials.

District has not planned for HopeTech’s ongoing operational costs, services, and funding sources—The District’s lack of planning may have also contributed to its failure to identify the services HopeTech would offer residents, and its ongoing operations costs and funding sources. Specifically, the District anticipates opening HopeTech to residents for the 2024-2025 school year. However, as of April 2024, the District had not determined what services it would offer to foster youth living at HopeTech, had not estimated HopeTech’s first-year operating costs, and had not identified the funding sources to pay for HopeTech’s ongoing operations. In preparation for opening HopeTech, the District hired a full-time foster youth director in February 2023. It has also identified an additional 4 staff positions, such as custodians and safety personnel, who will split their time between HopeTech and other District duties once HopeTech opens. Other operating expenses include maintenance and utilities costs, as well as any additional costs for services provided to foster youth. For example, although the District is not required to provide services to residents to teach skills such as budgeting, cooking, cleaning, and career planning, it has indicated that it plans to potentially provide support for foster youth in these areas.

⁸ As of April 2024, 19 foster youth had applied to reside at HopeTech and receive technical training from the District.

District officials indicated that they intend to pay HopeTech's ongoing operating costs by charging residents rent and seeking financial support from outside entities if rental revenues do not fully cover HopeTech's operating costs. Because the District intends to operate HopeTech at a limited capacity for at least the first year of its operation, expected rental revenues will be insufficient to cover HopeTech's anticipated operating costs. Specifically, for fiscal year 2025, HopeTech rents could potentially generate about \$96,000 in revenue, or \$8,000 monthly, because the District capped HopeTech's monthly rents at \$500 for each of the 16 residents it planned to approve to live at HopeTech. However, the foster youth director's salary and benefits costs alone exceed the anticipated rental revenue, and there will be additional personnel and operating costs once HopeTech opens. Therefore, the District will need to identify additional monies to pay for HopeTech's ongoing operations. The District indicated it planned to seek donations from community partners to pay for some of these costs, though officials acknowledged the possibility that the District would not receive any donor funding. As of April 2024, the District had not yet secured any donations from community partners or determined what additional sources of new funding might be available from entities or agencies such as the U.S. Department of Housing and Urban Development. Without securing donations, grants, or other outside revenue sources to help support HopeTech, the District may need to use monies that it could have used for other District priorities such as expanding or enhancing its central and satellite CTE programs, consistent with its statutory purpose. As noted above, engaging in comprehensive capital and strategic planning before HopeTech's construction could have helped the District determine the services to be offered, establish a budget, and identify and secure the revenue sources for HopeTech's ongoing operations.

\$1.3 million renovation project may impact monies available for CTE and may not provide intended benefits—In fiscal year 2023, the District was approved to spend more than \$1.3 million renovating a campus building for the purpose of leasing the space to a charter school operator (see Photo 2, page 6).⁹ However, similar to the issues described above, because the District did not plan for the renovation consistent with recommended practices and therefore had not adequately evaluated the project's costs and benefits, the renovation costs may impact monies available for other District purposes. As noted above, OSPB recommends that prior to initiating projects, entities consider fiscal impacts as well as the benefits they expect to attain. However, District officials indicated that they had not considered it necessary to conduct formal planning for the renovation because alternative uses for the building may have also required the space to be remodeled and the changes made to accommodate the charter school could also serve District CTE programs.

Photo 2 **Renovated building on the District's main campus housing a charter school**



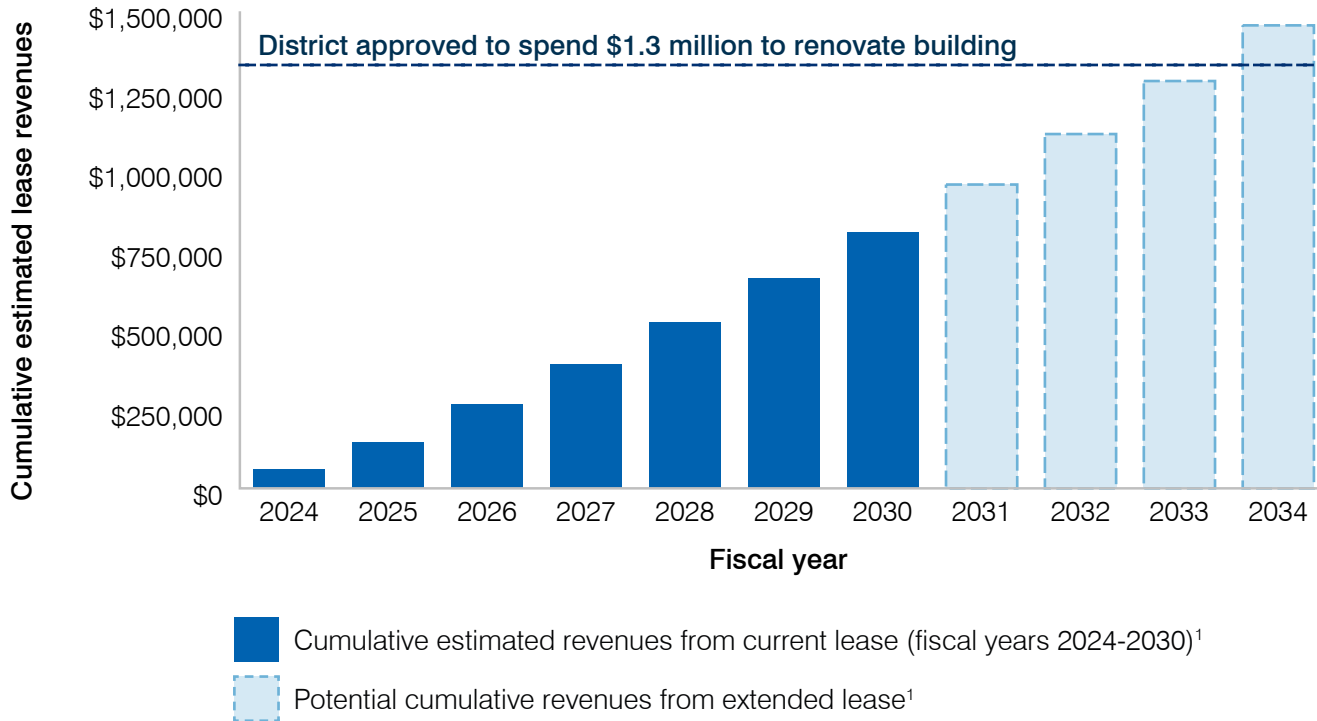
Source: Photo taken by Auditor General staff, May 2024.

When seeking approval from its Board for the renovation project, District officials indicated they anticipated recouping the renovation costs through the lease with a charter school operator. However, the District did not conduct formal planning or analysis to ensure that the amount of lease revenue the District could reasonably expect was factored into the project's scope and budget. As a result, the District is unlikely to fully recover the monies it spent on renovations. Specifically, as shown in Figure 2, page 7, the District's lease with the charter

⁹ The Board approved a total construction contract for over \$1.6 million. However, just under \$320,000 of the contract was for costs associated with general maintenance such as roofing repairs and fan coil unit replacement, while approximately \$1,320,000 of the contract was approved to renovate the building to accommodate the charter school operator.

school operator includes an initial 7-year lease term that runs through fiscal year 2030. Over that time, the lease would generate revenues totaling \$804,000, which is about \$500,000 less than the District was approved to spend on the renovations in fiscal year 2023. If the District and the charter school operator agree to extend the lease beyond the initial 7-year term, lease payments would increase by 5 percent annually, at which rate the the District would not recover the total amount approved for the renovation until an additional 4 years later, in fiscal year 2034.

Figure 2
\$1.3 million in approved renovation costs would not be recaptured from its lease to a charter school operator unless it is extended to fiscal year 2034
Fiscal years 2024 through 2034



¹ The District’s lease with the charter school operator increases lease payments annually, starting at \$60,000 in 2024 and increasing to an estimated \$175,033 in 2034. Either the District or the charter school operator can cancel the lease before 2030.

Source: Auditor General staff analysis of charter school lease.

These revenue projections do not account for other potential financial impacts to the District. For example, they do not account for any portion of the lease payments compensating the District for the charter school operator’s ongoing use of its facility.¹⁰ Additionally, the projections assume that the lease payments continue for the full lease term, which is not guaranteed because the lease allows either the District or the charter school operator to terminate the agreement at any time with proper notice. Although the District indicated that the charter school lease may generate additional monies for the District by requiring students to enroll in its CTE programs, the District lacked information about the financial impact of the expected additional enrollment. Such an analysis would require determining the number of charter school students eligible for funding, whether the

¹⁰ The lease stipulates that the charter school operator is responsible for all permits, costs, charges, obligations, assessments, insurance, repairs, and expenses relating to the use of the facilities and for reimbursing the District for operating costs such as utilities, housekeeping, and other maintenance costs.

students were new or had previously been enrolled in a District CTE program, and whether the District's costs would increase to provide services to these students. Additionally, although the District indicated multiple times during the audit that it had conducted such an analysis, it could not provide support demonstrating it had done so. Any monies that the District does not recover from the lease agreement are not available to purchase equipment and upgrade facilities for its CTE programs.

Additionally, the District did not take steps to ensure that the lease would provide other anticipated benefits. For instance, although District officials said that they leased space to the charter school operator to provide support for foster youth attending the District's central programs, and they believed that the charter school would offer preferential enrollment to foster youth, the May 2023 signed lease agreement between the District and the charter school operator does not mention foster youth or any goals for foster youth enrollment. Instead, it specifies only that all charter school students in grades 10 through 12 must enroll in a CTE program at the District's main campus.

Board did not receive information needed to ensure adequate oversight—Because the District had not developed comprehensive capital and strategic planning processes that would have required it to plan for these 2 projects, it lacked information necessary to support its recommendations to the Board and to allow the Board to provide adequate oversight as required by Arizona Revised Statutes (A.R.S.) §15-393(A). As noted above, for other projects more directly related to its provision of CTE programs, the District has provided project-specific planning information to the Board to facilitate oversight. For example, for the recent construction on the Power campus, the District presented the Board with building plans, a feasibility study, and the pros and cons of various procurement methods. Additionally, the Board discussed the project during 23 Board meetings and 2 Board study sessions, and District administration provided detailed project costs with explanations in Board packets.

In contrast, when requesting Board approval for construction contracts for HopeTech, the District provided brief summaries relating mainly to construction costs. Our review of Board minutes and packets for an 8-month period found that the District did not include information relating to the cost for furnishing HopeTech, services to be provided to HopeTech residents, or estimates for and funding sources to be used to pay for HopeTech's ongoing operations (see Table 1, page 9). Further, when Board members asked questions about risks to the District and specific costs, District administration did not directly address their questions at the time nor in subsequent meetings. We spoke with 2 Board members in July and October 2023, respectively, and both members indicated that although they had not been provided with an analysis showing the long-term impacts of HopeTech on District finances, they had no concerns about the District's ability to operate the facility. However, 1 of these members stated that they had assumed that the District had conducted a fiscal analysis before beginning construction of the project. Despite lacking key information, the Board approved the District to spend over \$9.5 million in construction costs for HopeTech.

Additionally, when seeking approval for the \$1.3 million campus building renovation for lease to a charter school operator, the District provided Board members with a 1-page summary of construction expenses. As previously discussed, the District told the Board at a public meeting that the construction costs would be recouped from the lease agreement, which ultimately is incorrect as the District would have an estimated \$500,000 in unrecouped costs even if the charter school operator fulfilled the entire 7-year lease term. Even so, the Board did not receive any supporting documentation that would help members evaluate the costs relative to the lease revenues, how District officials supported that the \$1.3 million in costs would be recouped, or how the project would impact the District. As a result, the Board lacked critical information it needed to ensure that the \$1.3 million renovation it approved was an appropriate use of the public monies the District receives to provide CTE programs.

Table 1

**Board was provided with limited information about the HopeTech project before approving more than \$9.5 million in construction contracts
Fiscal year 2023**

| Topic | Date | Board action | Information provided to the Board |
|---------------------------|------------|---|--|
| Initial planning | 10/24/2022 | No action taken. | No documentation was provided in the Board packet, but District administration shared a PowerPoint presentation showing a potential design for the project, which was different from the final design it selected. |
| Vendor selection | 12/12/2022 | Voted to enter contract negotiations for pre-construction services. | One-page summary recommending the Board approve entering into contract negotiations with Chasse Building Team. |
| Pre-construction services | 3/13/2023 | Voted to approve contract for pre-construction services. | Five-page proposal from Chasse Building Team showing fees for various pre-construction services totaling over \$610,000. |
| Construction contract | 6/12/2023 | Voted to approve construction contract. | One-page contract for construction of the project by Chasse Building Team totaling over \$8.9 million. |

Source: Auditor General staff analysis of Board packets and meeting minutes from fiscal year 2023.

Recommendations

The District should:

1. Develop and implement a formal multiyear capital plan for its central campuses that includes components such as capital needs, maintenance requirements, funding options, and operating budget impacts.
2. Develop and implement a formal strategic planning process to ensure that issues such as CTE program needs, costs, benefits, time frames, resources, and potential fiscal impacts are addressed for new capital projects.
3. Develop and implement a formal strategic plan for operating HopeTech that includes information such as the District’s goals for HopeTech, services to be offered, projections for ongoing operating and maintenance costs, how the facility will be funded, and how the District’s funding choices may impact CTE programs.
4. Present the strategic plan for HopeTech to its Board.
5. Determine the current costs and benefits of the charter school lease and operations on its campus and identify future goals to help guide decisions about the lease going forward.
6. Present its analysis and goals for the charter school lease and operations to its Board.

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



SUMMARY OF RECOMMENDATIONS

Auditor General makes 6 recommendations to the District

The District should:

1. Develop and implement a formal multiyear capital plan for its central campuses that includes components such as capital needs, maintenance requirements, funding options, and operating budget impacts.
2. Develop and implement a formal strategic planning process to ensure that issues such as CTE program needs, costs, benefits, time frames, resources, and potential fiscal impacts are addressed for new capital projects.
3. Develop and implement a formal strategic plan for operating HopeTech that includes information such as the District's goals for HopeTech, services to be offered, projections for ongoing operating and maintenance costs, how the facility will be funded, and how the District's funding choices may impact CTE programs.
4. Present the strategic plan for HopeTech to its Board.
5. Determine the current costs and benefits of the charter school lease and operations on its campus and identify future goals to help guide decisions about the lease going forward.
6. Present its analysis and goals for the charter school lease and operations to its Board.

Objectives, scope, and methodology

We have conducted this performance audit of the District pursuant to A.R.S. §§15-393.01 and 41-1279.03(A) (9). This audit focused on the District's efficiency and effectiveness in its construction spending and planning for capital projects primarily in fiscal years 2022 and 2023. We used various methods to review the specific objectives and issues in this performance audit. These methods included reviewing CTE statutes, interviewing District staff, and reviewing District documentation. We also used the following specific methods to meet the audit objectives:

- To assess the District's capital and strategic planning processes, we reviewed District-provided documentation related to the District's planning activities, and interviewed District staff and 2 of 9 Board members. We also reviewed strategic planning and capital planning recommended practices, as well as Board agendas, minutes, packets, and recorded meetings for selected meetings occurring between October 2022 and June 2023. We also reviewed the District's lease with the charter school operator.
- To assess the District's procurement processes and documentation for initiating construction projects, we judgmentally selected and reviewed 2 projects, 1 at the District's Power campus and 1 at the main campus. We reviewed detailed procurement packets to determine whether the District retained required documentation and complied with certain procurement requirements for each project type. Additionally, we judgmentally selected and interviewed 6 of 258 construction or subcontracting firms that were notified of or opened the District's request for bids for the HopeTech facility.

Our work on internal controls included reviewing relevant policies and procedures, statutes, and recommended practices and, where applicable, testing compliance and/or alignment with these requirements and recommended practices. We reported our conclusions on the applicable internal controls in Finding 1.

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 performance audit 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 the District's Board members, superintendent, and staff for their cooperation and assistance throughout the audit.

DISTRICT RESPONSE

June 28, 2024

Lindsey A. Perry, CPA, CFE
Arizona Auditor General
2910 N 44th St, Ste 410
Phoenix, AZ 85018

Dear Ms. Perry:

Thank you for your engagement in the auditing of the East Valley Institute of Technology for the past 18 months.

We accept this second report's singular finding and will implement the recommendations.

Thank you for supporting our mission to "Change lives by loving our students and serving our communities," including our taxpayers.

Sincerely,

Dr. Chad Wilson, Superintendent
East Valley Institute of Technology

Finding 1: District has not developed and implemented comprehensive capital and strategic plans to ensure it spends efficiently on capital projects and that projects provide intended benefits

Recommendation 1: The District should develop and implement a formal multiyear capital plan for its central campuses that includes components such as capital needs, maintenance requirements, funding options, and operating budget impacts.

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

Recommendation 2: The District should develop and implement a formal strategic planning process to ensure that issues such as CTE program needs, costs, benefits, time frames, resources, and potential fiscal impacts are addressed for new capital projects.

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

Recommendation 3: The District should develop and implement a formal strategic plan for operating HopeTech that includes information such as the District's goals for HopeTech, services to be offered, projections for ongoing operating and maintenance costs, how the facility will be funded, and how the District's funding choices may impact CTE programs.

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

Recommendation 4: The District should present the strategic plan for HopeTech to its Board.

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

Recommendation 5: The District should determine the current costs and benefits of the charter school lease and operations on its campus and identify future goals to help guide decisions about the lease going forward.

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

Recommendation 6: The District should present its analysis and goals for the charter school lease and operations to its Board.

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

