



Introduction to USFR Compliance Questionnaire

— March 2021

In addition to requirements of annual audits and federal compliance regulations, Arizona school districts are required to adhere to state compliance requirements as defined in the Uniform System of Financial Records (USFR). The USFR has been developed by the Office of the Auditor General and the Arizona Department of Education pursuant to Arizona Revised Statutes (A.R.S.) §15-271. The requirements of the USFR are based on the Arizona Constitution, Arizona Revised Statutes, Arizona Attorney General Opinions, the Codification of Governmental Accounting and Financial Reporting Standards, and other federal and state guidance.

The USFR prescribes the minimum internal control policies and procedures to be used by Arizona school districts for accounting, financial reporting, budgeting, attendance reporting, and various other compliance requirements. As part of the financial statement audit, Arizona school districts are required to have a USFR compliance questionnaire completed by an audit firm and submitted to the Office of the Arizona Auditor General. The USFR compliance questionnaire is a 31-page questionnaire broken out into 18 sections and has over 100 questions. The sections of the compliance questionnaire are listed below:

Governing Board/Management	Expenditures	Financial Reporting
Budgeting	Travel	Student Attendance Reporting
Accounting Records	Credit Cards & Purchasing Cards	Information Technology
Cash and Revenues	Procurement	Transportation Support
Supplies Inventory	Classroom Site Fund	Records Management
Property Control	Payroll	General Long-term Debt

Sections within the USFR are revised periodically for changes in laws, regulations, and accounting pronouncements that cover school district accounting, financial reporting, and compliance with state and federal laws. This, in turn, changes the USFR compliance questionnaire and what audit requirements your auditors will be looking at as part of their required procedures. The following is a brief look at the changes from the previous year so can ensure compliance with these requirements going forward.

GBMP03 and GBMP04: Conflict-of-Interest

Districts must annually obtain conflict-of-interest (COI) forms from all employees and memorialize those with conflicts in a separate file. It is key that COI forms go out to ALL employees. Auditors will review the COI forms and management’s review of the forms to determine if information was adequately disclosed and considered for decision-making. They will also ensure that the file is maintained and available electronically or as a hard copy.

PRO17: Procurement

This new question reviews whether the district provided training and guidance related to restrictions on soliciting, accepting, or agreeing to accept any personal gift or benefit with a value of \$300 or more. Auditors will be determining whether the most pertinent employees (those who supervise other employees or participate in the planning, recommending, selecting or contracting for materials, services, goods, construction, or construction services of a school district or school purchasing cooperative) received this training and guidance.

PAY07: Payroll

Districts must have valid fingerprint clearance cards on file for all required personnel and a method in place to identify employees whose cards were going to expire. Although this has always been a requirement, auditors will now be looking for fingerprint clearance cards, which they may not have specifically asked for in the past.

FR06 and FR07: Financial Reporting

This new question asks whether districts include average teacher salary on their website, as well as a copy of or a link to the district's page from the most recent Auditor General's District Spending Report. These two items should be added to your district's website if they are not currently included.

Districts must submit the School District Employee Report (SDER) to the Arizona Department of Education, and it must be accurate and timely. Auditors are now required to review the submission of the SDER reports as well as the supporting schedules. To receive a "yes" on this question, auditors must find that the district filed the SDER report with the Arizona Department of Education by October 15 and corrections were made within the February 1 to March 1 deadline.

IT06: Information Technology

Districts must schedule and perform backup-control procedures for all critical systems at least annually to ensure uninterrupted operations and minimal loss of data. Auditors must now determine if the system backup procedures included a test of the backup reliability and integrity; that backup copies were stored in separate facilities or in a fire-rated container; and that backups were scheduled for a defined time or period.

Before audits begin in the fall, the Office of the Arizona Auditor General will issue any changes to the USFR compliance questionnaire. By taking the time to review any changes, you can reduce the risk of receiving a deficiency on your upcoming audit. More information on the USFR and the related compliance questionnaire can be found on the Arizona Auditor General's website at: <https://www.azauditor.gov/reports-publications/school-districts/manuals-memorandums>

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