

Uniform System of Financial Records for Arizona School Districts (USFR) Compliance Questionnaire

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Instructions

Arizona Revised Statutes (A.R.S.) §15-271 requires the Arizona Auditor General to inform any school district failing to establish and maintain the requirements prescribed by the *Uniform System of Financial Records for Arizona School Districts* (USFR) that it has 90 days to correct the cited deficiencies. 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. To help the Arizona Auditor General determine whether a district has attained an acceptable degree of compliance with USFR requirements, the audit firm must complete this USFR Compliance Questionnaire (CQ).

A.R.S. §§15-213(F) and 15-914(G) require districts to have a systematic review of their purchasing practices and average daily membership (ADM), respectively, performed in conjunction with their annual or biennial financial audit to determine whether the district complied with the applicable State of Arizona procurement and student attendance laws and rules. Auditor completion of the Procurement and Student attendance reporting CQ sections constitutes the required systematic reviews.

Audit firms must gain an understanding of the district's internal controls and obtain and document sufficient, appropriate evidence annually to support each CQ response. These instructions, the CQ questions, and the required review procedures constitute the minimum audit standards for completing the CQ. Required review procedures are included in the "tooltip" next to applicable questions in the web-based auditor submission CQ. The Arizona Auditor General may reject CQs that are not prepared in compliance with the minimum audit standards.

- Audit documentation must describe the procedures performed, items reviewed, and the results of such procedures and reviews to support the auditor's CQ responses and related comments.
- Evidence may be obtained through test work, observation, examination, and client assertion. However, client assertion alone is not adequate evidence to support "Yes" responses on the CQ.
- The audit firm must determine the district reviewed documents and transactions and provided sufficient evidence of approval including manual or electronic signatures or initials and date of review.
- Audit firms must consider population size in determining the number of items to test (i.e., sample, scan, review, examine, or observe), and the items selected should be representative of the population. Therefore, testing 1 transaction, record, or item is not sufficient. The Credit cards and purchasing cards, Procurement, and Student attendance reporting CQ sections prescribe minimum sample sizes for specific questions. Population and samples sizes used for test work should be entered in the fields provided next to the applicable questions throughout the CQ.
- A "Yes" response indicates that the audit firm has determined that the district complied with the USFR for that question based on auditor obtained evidence. Several review procedures allow for auditors to determine whether the district implemented compensating controls when recommended USFR procedures could not be implemented due to limited staff size. When compensating controls are found, auditors should answer the question "Yes" and describe in the comments the compensating controls in place to meet the question's objective. However, the Arizona Auditor General makes the final determination of compliance with the USFR based on the evidence presented in the CQ, audit reports, audit documentation, and any other sources of information available.

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- A “No” response indicates the district did not comply with the USFR for that question. Audit firms must explain the district’s deficiency noted for all “No” responses in the comment box below the question. Deficiencies must be described in sufficient detail to enable the Arizona Auditor General to determine the nature and significance of the deficiency for: (a) assessing compliance with the USFR, (b) appropriately describing the deficiency in a report, and (c) testing compliance during a status review. The description should include the number of items tested and the number of exceptions noted, or dollar amount of the error, and any other relevant information that would provide context for the deficiency.

Cash and revenues questions apply to all the district’s cash and revenue, including food service, auxiliary operations, extracurricular activities fees tax credit, and student activities receipts and bank accounts. Comments for “No” responses to these questions should indicate the type of receipt or bank account to which the deficiency applies.

- An “N/A” response indicates the district did not have activity related to the USFR requirements for that question. The audit firm must explain all “N/A” responses in the comment box below the question, unless the reason for the N/A is obvious.

The questions in the CQ do not address all requirements of the USFR. If the audit firm is aware of noncompliance with a requirement of the USFR that is not addressed in the CQ, including the School District Procurement Rules and the Arizona Department of Education’s (ADE) membership and attendance guidelines, the audit firm should include the compliance findings in its reports issued in accordance with Governmental Auditing Standards and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, as applicable.

The audit firm must make the resulting audit documentation supporting the audit firm’s CQ responses and comments available on request for the Arizona Auditor General and the ADE’s review. To facilitate this review, the audit firm should include in the audit documentation a copy of the CQ with references to the audit procedures performed for each question.

Once the audit firm has completed, reviewed, and signed the CQ, it must submit it electronically to the Arizona Auditor General by following the instructions at the end of the web-based auditor submission CQ. Audit firms should print the file to PDF to create the CQ document to distribute to the district. As required by A.R.S. §15- 914(D), the district must submit the completed CQ with the audit reporting package to the district’s county school superintendent’s office and ADE.

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Governing board/management procedures–Arizona Revised Statutes (A.R.S.) §38-503		
Objective: To determine whether the governing board and District management have established and implemented certain procedures as required by statute.		
FY22 #	Question	Review procedure
GBMP01	The District held governing board meetings in accordance with A.R.S. §§38-431 through 38-431.09, and prepared and retained written minutes and/or recordings.	<p>Determine the District:</p> <ul style="list-style-type: none"> • Included a statement on its website describing where all public notices of their meetings were posted, including the physical and electronic locations, and gave additional public notice as is reasonable and practicable for all meetings and maintained documentation to support all meeting notices were posted on its website. A.R.S. §38-431.02(A)(2) • Posted public meeting notices and agendas at least 24 hours before the meeting. A.R.S. §38-431.02(C) and (G) • Made the minutes or a recording of a public meeting available for public inspection no later than 3 working days after the meeting except as otherwise specifically provided by statute. A.R.S. §38-431.01(D)
GBMP02	The District annually provided guidance to all governing board members and employees on what constitutes a substantial interest and that the conflict-of-interest statutes apply to all District governing board members and employees as a part of their employment. A.R.S. §§38-502 and 38-509	
GBMP03	The District annually obtained conflict-of-interest (COI) forms that adequately allowed governing board members and employees to fully disclose a conflict of interest in any contract, sale, purchase, or service, and prior to accepting the forms, management reviewed the information to ensure governing board members and employees properly completed the form and sufficiently disclosed the required information. A.R.S. §38-502	Scan the COI forms and management’s review of the forms to determine if information was adequately disclosed and considered for decision making.
GBMP04	The District maintained, for public inspection, a special file with all documents necessary to memorialize all conflict-of-interest disclosures. A.R.S. §38-509	Determine the file is available electronically or hard copy.
GBMP05	Employees or governing board members with reported conflicts, except as provided in A.R.S. §15-323, refrained from voting upon or otherwise participating in any manner in that purchase. A.R.S. §§38-502 and 38-503(B)	If a conflict was disclosed, determine if the governing board member or employee refrained from participating in any decision-making processes related to that conflict.
GBMP06	The District’s management notified the Arizona Auditor General and appropriately resolved all allegations of theft, fraud, or misuse of District monies and assets in a timely manner.	Determine management’s action to resolve all allegations of theft, fraud, or misuse of district monies or assets by inquiries of District staff, review of governing board minutes, search of local media coverage, and results of audit test work, including examining copies of the incident reports or communicating with investigative agencies for known allegations.

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		<ul style="list-style-type: none"> • If the audit firm determines that district management was aware of allegations but did not appropriately resolve them in a timely manner (e.g., no action was taken; actions were not documented; actions were delayed, inadequate, or inappropriate to the circumstances), the audit firm should answer the question “No.” This includes instances where an external investigation is underway for allegations but district management did not request the investigation, was not fully cooperating with the investigators, or was not otherwise attempting to resolve the allegations. • If the audit firm determines that district management was not aware of any allegations the question should be answered “N/A.” • If the audit firm finds evidence of theft, fraud, or misuse of district assets but does not find evidence that district management was aware of the possible theft, fraud, or misuse, the audit firm should report the incident to the Arizona Auditor General and answer this question “N/A.” • If the audit firm finds that the district appropriately resolved allegations of theft, fraud, or misuse and notified the Auditor General answer this question “Yes” and include a summary of the allegation and action taken by District management in the comments. • Also consider if the district’s internal controls failed to prevent or detect the theft, fraud, or misuse and include a deficiency in the USFR compliance area where the control failed.
GBMP07	The governing board established written personnel and payroll policies and approved employee contracts, wage agreements, salary and wage schedules, and any other agreed-upon terms of employment.	<p>Determine:</p> <ul style="list-style-type: none"> • Employee pay rate documentation or employment contracts were governing board approved. • District policies and employee pay rate forms or contracts documented all agreed-upon terms of employment, including the number of paid holidays provided to hourly employees, and the number of workdays, number of paid holidays, and the number of hours to be worked per day for contract employees.
GBMP08	The governing board appointed a student activities treasurer and, if applicable, assistant student activities treasurers. A.R.S. §15-1122	Review the governing board minutes to determine the required appointments were completed annually or as necessary for staff changes.
GBMP09	The governing board received monthly Student Activities Fund Reports of Cash Receipts, Disbursements, Transfers, and Cash Balances that were accurately prepared. A.R.S. §15-1123	Sample the Student Activities reports to determine if they were accurately prepared and presented monthly to the governing board.
GBMP10	The governing board approved student clubs’ and organizations’ fund-raising events. A.R.S. §15-1121 and AG Opinion I84-018	For the deposits sampled in CR11, determine the governing board gave prior approval for student activities events. Indicate in the comments any events that included raffles, bingo, or other forms of gambling, which are not legal events for student clubs.

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GBMP11	The governing board obtained voter approval to construct buildings and purchase or lease school sites, unless otherwise exempted by A.R.S. §15-342(25).	
Budgeting–USFR IV		
Objective: To determine whether the District’s budget preparation processes ensure that the District properly allocates the monies it receives, stays within those budgets, and accurately informs the public about the use of those monies.		
FY22 #	Question	Review procedure
BUD01	The budget included all funds as required by A.R.S. §15-905 and followed the form’s Budget— Submission and Publication Instructions .	If no, list the budget requirements that were not complied with.
BUD02	Total budgeted expenditures on the originally adopted budget for the Maintenance and Operation (M&O) and Unrestricted Capital Outlay Funds (UCO) were less than or equal to the budgeted amounts on the published proposed budget. A.R.S. §15-905(E)	
BUD03	Total budgeted expenditures on the originally adopted budget for the M&O Fund and UCO Fund were within the general budget limit and the unrestricted capital budget limit. If not, and ADE notified the District that the budget exceeded either limit, the District followed the requirements of A.R.S. §15-905(E).	Scan the District’s BUDG-25 Budget Verification letter and any subsequent information from ADE, and determine the District acted appropriately. N/A for districts whose BUDG-25 letter did not indicate a revision was required.
BUD04	The District completed its revised expenditure budget before May 15 and filed it electronically with the Superintendent of Public Instruction by May 18. A.R.S. §15-905(I)	
BUD05	The District reduced the budget by the prior year’s overexpenditure (or a portion of the prior year’s overexpenditure, as approved by the Superintendent of Public Instruction) or the District began the process to correct its prior year’s data that impacts state-aid and/or budget capacity. A.R.S. §§15-905(M) and 15-915	
Accounting records–USFR VI-B		
Objective: To determine whether the District accurately maintains accounting records to provide support for financial information. Test work should indicate the procedures performed to document what processes and controls the District has in place to reduce the risk of undiscovered errors that would affect the reliability of information reported to the public and oversight agencies, such as tracing detailed source documents to the District’s trial balance that agree to the financial statements.		
FY22 #	Question	Review procedure
AR01	The District coded transactions in accordance with the USFR Chart of Accounts.	For transactions auditors sample for test work from accounting records, expenditures, travel, credit cards, journal entries, property control, payroll, and Classroom Site Fund (CSF), determine transactions were coded properly.

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AR02	The District sequentially numbered journal entries and retained supporting documentation and evidence that journal entries were signed, dated, and approved by someone other than the preparer.	<ul style="list-style-type: none"> • Determine that the procedures used to initiate, authorize, record, and process journal entries in the general ledger were properly separated among the staff. If adequate separation was not possible due to the District's limited staff size, determine that adequate management review procedures were in place to compensate for employees performing incompatible functions. • Scan the journal entry report or otherwise determine the journal entries are sequentially numbered. • Sample adjusting journal entries to determine journal entries were properly supported and approved, signed, and dated by someone other than the preparer. • Indicate the total number of adjusting journal entries that were posted during the fiscal year in the field provided.
AR03	The District transferred monies only between funds listed in the USFR §III Chart of Accounts–Authorized Transfers.	<ul style="list-style-type: none"> • Sample transfers to determine they were allowable. Fund transfers-in should be coded under other financing sources object code 5200. Fund transfers-out should be coded under other financing uses object code 6930 or other financing uses object code 6910 when transferring to the Indirect Cost Fund. For each operating fund transfer-in, there should be a corresponding fund transfer-out. • Indicate in the comments if the District recorded an unauthorized transfer instead of making a journal entry to correct an accounting error. • Indicate the total number of transfers that were posted during the fiscal year in the field provided.
AR04	The District documented and dated a monthly review of financial transactions the county school superintendent (CSS) initiated (i.e., revenue or journal entries) for propriety and researched and resolved any differences.	
AR05	The District reconciled cash balances by fund monthly with the CSS or county treasurer's records, as applicable, and properly supported, documented, and dated the reconciliations.	<p>Determine:</p> <ul style="list-style-type: none"> • The District funds' cash balances were accurately reconciled to the CSS/county treasurer, as applicable, and any differences were researched, resolved, documented, and dated. • The reconciliations to the CSS/county treasurer were completed by someone other than the employee who prepared related deposits. <p>Accounting Responsibility Districts must reconcile their funds' cash balances directly with the county treasurer's records.</p>
AR06	The District reconciled revenues, expenditures, expenses, and cash balances (as applicable) by fund, program, function, and object code at least at fiscal year-end with the CSS, and the reconciliation was reviewed and properly supported.	<p>Determine reconciling differences were researched, resolved, documented, and dated.</p> <p>N/A for Accounting Responsibility Districts.</p>

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Cash and revenue–USFR VI-C, F, X-G and X-H

Objective: To determine whether the District maintained controls over cash transactions to safeguard monies, protect employees involved in handling monies from accusations of misuse, and reduce the risk of theft or loss. Test work for cash and revenue should document how the processes work, employees involved in those processes, and how the processes were verified.

FY22 #	Question	Review procedure
CR01	The District maintained only authorized bank accounts as listed in the USFR and did not have any inactive bank accounts.	<p>Discuss with the District and obtain bank statements for all bank accounts the District has access to and determine the District included the activity of all identified bank accounts in its accounting records.</p> <p>In the comments, list all bank accounts that are not authorized in the USFR or that are inactive, indicating the account name, June 30 balance, purpose, and active or inactive status.</p>
CR02	The District used an M&O Fund revolving bank account in accordance with A.R.S. §15-1101.	<p>Determine:</p> <ul style="list-style-type: none"> • The M&O Fund revolving bank account was established from the M&O Fund in an amount approved by the governing board and operated on an imprest basis. • All reimbursements for revolving bank account expenditures were made by June 30 so that expenditures were reported in the proper accounting period. • The expenditures were only for immediate cash outlay. • The District refrained from paying taxable travel reimbursements, salaries, and wages from the account.
CR03	The District used miscellaneous receipts clearing bank account(s) in accordance with A.R.S. §15-341(A)(20).	<p>Determine:</p> <ul style="list-style-type: none"> • Disbursements were made only by electronic payment or check payable to the county treasurer at least monthly. • The account was cleared at year-end to ensure revenues were recorded in the proper accounting period.
CR04	The District used a Food Service Fund clearing bank account(s) in accordance with USFR page X-F-5 and Arizona Attorney General Opinion I60-35.	<p>Determine:</p> <ul style="list-style-type: none"> • Disbursements were made only by electronic payment or check payable to the county treasurer at least monthly. • The account was cleared at year-end to ensure revenues were recorded in the proper accounting period.
CR05	The District used a Food Service Fund revolving bank account in accordance with A.R.S. §15-1154.	<p>Determine:</p> <ul style="list-style-type: none"> • The Food Service Fund revolving account was established from the Food Service Fund in an amount approved by the governing board that did not exceed \$500 and operated on an imprest basis. <p>All reimbursements for revolving bank account expenditures were made by June 30 so that expenditures were reported in the proper accounting period.</p>

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CR06	The District used an Auxiliary Operations Fund bank account in accordance with A.R.S. §15-1126.	<ul style="list-style-type: none"> • If used, determine petty cash funds were established from the Auxiliary Operations Fund in amounts approved by the governing board and operated on an imprest basis. • Determine Auxiliary Operations Fund bank account checks were signed by 2 employees designated by the governing board.
CR07	The Auxiliary Operations Fund bank or treasurer account deposits included all monies raised in connection with the activities of school bookstores and athletics. A.R.S. §15-1126	<p>Determine the Auxiliary Operations Fund included only monies raised in connection with school bookstores and athletics and:</p> <ul style="list-style-type: none"> • Prenumbered cash receipt forms or tickets were issued to document cash collected. • Daily cash collection summaries were prepared and reconciled to sales reports/tickets issued. • Cash was deposited intact daily, or at least weekly.
CR08	The extracurricular activities fees tax credit monies were included in the Auxiliary Operations Fund and/or separately accounted for in an Extracurricular Activities Fees Tax Credit Fund.	Determine extracurricular activities fees tax credit monies were deposited in the Auxiliary Operations bank account or Treasurer's account.
CR09	The District used the Auxiliary Operations Fund revolving bank account(s) in accordance with A.R.S. §15-1126.	<p>Determine:</p> <ul style="list-style-type: none"> • Auxiliary Operations Fund revolving bank accounts were established from the Auxiliary Operations Fund in amounts approved by the governing board and operated on an imprest basis. • All reimbursements for revolving bank account expenditures were made by June 30 so that expenditures were reported in the proper accounting period.
CR10	The District used the Student Activities Fund bank account(s) in accordance with A.R.S. §15-1122.	Determine Student Activities Fund bank account checks were signed by the student activities treasurer or assistant treasurer and 1 other person authorized by the governing board.
CR11	The Student Activities Fund monies were deposited in a bank or treasurer account designated as the Student Activities Fund account.	<p>Determine:</p> <ul style="list-style-type: none"> • Student Activities Fund deposits included only monies raised by student clubs and organizations. • Student Activities Fund deposits were properly supported by prepared reports that reconciled sales to cash collected at student activities events using: <ul style="list-style-type: none"> ○ documented tickets, ○ sequentially numbered cash receipts, ○ a cash register, or ○ a count of items on hand before and after a sale.

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CR12	The District used the Student Activities Fund revolving bank account in accordance with A.R.S. §15-1124.	<p>Determine:</p> <ul style="list-style-type: none"> • The Student Activities Fund revolving bank account was established from the M&O Fund in an amount approved by the governing board and operated on an imprest basis. • The revolving account monies were returned to the credit of the M&O Fund at fiscal year-end and all disbursements were appropriately accounted for in the Student Activities Fund.
CR13	The District used the federal payroll tax withholdings bank account in accordance with USFR page VI-H-6.	
CR14	The District used the State income tax withholdings bank account in accordance with A.R.S. §15-1222.	
CR15	The District used the employee insurance programs withholdings bank account(s) in accordance with A.R.S. §15-1223.	
CR16	The District used the payroll direct deposits clearing bank account in accordance with A.R.S. §15-1221.	Determine the account was used only for direct deposit payments to employees' banks, which would include amounts withheld for federal savings bond plans. This account should not accumulate monies and should be maintained at a \$0 balance when not processing payments.
CR17	The District used the electronic payments clearing bank account in accordance with A.R.S. §15-1221.	Determine the account was used only for making electronic payments to vendors, including the Arizona State Retirement System (ASRS). This account should not accumulate monies and should be maintained at a \$0 balance when not processing payments.
CR18	The District used the grants and gifts to teachers bank account in accordance with A.R.S. §15-1224.	
CR19	The District used the principals' supplies bank account(s) in accordance with A.R.S. §15-354.	
CR20	The use of debit cards was prohibited as a payment method associated with any District bank account.	List all bank accounts with debit cards and indicate total annual amount of activity.
CR21	The District paid bank charges from only the M&O Fund revolving bank account, Food Service Fund revolving bank account, Auxiliary Operations Fund bank account, and Auxiliary Operations Fund revolving bank account(s) or, if not, the bank charges were reimbursed from an appropriate District fund or bank account.	Sample bank statements to identify any bank charges and determine the charges were appropriate for the account or were reimbursed to the appropriate fund or bank account.

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CR22	The District separated responsibilities for cash-handling and recordkeeping among employees (i.e., receiving, depositing, and recording revenues), to safeguard monies.	If adequate separation was not possible due to the District's limited staff size, determine adequate management review procedures were in place for handling monies related to bookstores, auxiliary operations, food service, student activities, and miscellaneous receipts to compensate for employees performing incompatible functions. Determine cash received was safeguarded in a locked cash drawer, cash register, or other secure location immediately upon receipt, and access was limited to only those employees who required access.
CR23	The District supported deposits with issued receipts, cash receipt summary reports, mail logs, etc., and reconciled sales to amounts collected with summary reports or ticket logs.	Determine all sampled cash receipt types (i.e., miscellaneous, student activities, auxiliary operations, food service, etc.) were adequately supported. (See example cash receipt forms in USFR sections VI-F and X-F, G & H) The term "cash" includes currency on hand, such as petty cash funds and cash receipts not yet deposited; and negotiable instruments, such as drafts, checks, warrants, credit card transactions, and money orders.
CR24	The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal documentation.	Sample deposits and determine: <ul style="list-style-type: none"> • Cash received was deposited intact daily when significant, or at least weekly. • Monies deposited were accompanied by a deposit transmittal form or a treasurer's receipt. • Validated deposit slips or other evidence indicating the amount and date of deposit were retained for deposits in District bank accounts or with the county treasurer and were agreed to applicable bank deposit slips or other deposit transmittal documentation. Scan deposits to determine deposit slips are sequentially numbered.
CR25	The District's deposits with the county treasurer were reconciled.	Determine all validated treasurer's receipts or revenue posting reports were reconciled to the accounting records and to copies of deposit transmittals or treasurer's receipts.
CR26	The District retained supporting documentation for disbursements from bank accounts.	<ul style="list-style-type: none"> • Scan records and determine cash disbursements were made from bank accounts with sequentially numbered checks or electronic fund transfers. • Sample disbursements and determine supporting documentation was retained.
CR27	The District safeguarded unused checks.	<ul style="list-style-type: none"> • Determine unused checks were stored in a secure location and access to them limited to only authorized personnel who were not check signers. (Not applicable to revolving funds as the revolving fund custodian should maintain the checks.) • Scan unused check stock to determine the District refrained from presigning blank or incomplete checks and writing checks payable to cash or bearer.

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CR28	The District safeguarded signature stamps, signature plates, and electronic or digital signatures used for approving accounting transactions, checks, and other District documents to ensure that access was limited to only the employee whose signature they represented.	
CR29	All District bank accounts were reconciled monthly by an employee not involved with cash-handling or issuing checks, and reconciliations were reviewed, signed, and dated by an employee independent of the cash-handling process.	If adequate separation was not possible due to the District's limited staff size, determine that adequate management review procedures were in place to compensate for employees performing incompatible functions.
CR30	The District tracked and reconciled the number of meals sold to the total cash collected per day.	Determine the District used a method, such as prepayment accounts, student ID, or meal tickets to track the number of meals sold, reconciled meals sold to the total cash collected per day, and researched and resolved any cash overages and shortages.

Supplies inventory–USFR VI-D

Objective: To determine whether the District has controls in place to help physically safeguard and report inventories to prevent theft, overstocking, understocking, spoilage, and obsolescence.

FY22 #	Question	Review procedure
SI01	The District physically safeguarded supply inventories to prevent unauthorized use, theft, damage, and obsolescence and enable accurate financial reporting.	<p>Determine:</p> <ul style="list-style-type: none"> • The District's process for maintaining supply inventories, such as office supplies, food service supplies and food, auto parts, and fuel as applicable, was adequate to safeguard District resources. • If a perpetual inventory was maintained, supplies inventory records were investigated and adjusted to account for significant physical count differences when an actual physical inventory was performed. • Supplies inventory list(s) were maintained that included item and unit descriptions, purchase document numbers, quantities, unit costs, extended costs, page totals, and a grand total prepared at the end of each fiscal year for all supplies, including donated items.

Property control–USFR VI-E

Objective: To determine whether the District has effective controls to safeguard property from theft and misuse since significant resources are invested in acquiring and maintaining District property. Test work should be completed on a sample basis annually and documented to ensure that land, buildings, and equipment are properly valued, classified, and reported on the stewardship and capital assets lists.

FY22 #	Question	Review procedure
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PC01	The District maintained a capital assets list that included all required information listed in the USFR for all land, land improvements, buildings, building improvements, and equipment with costs that exceed the District's adopted capitalization threshold.	<p>Determine:</p> <ul style="list-style-type: none"> • The capital assets list contained all the required information listed on USFR pages VI-E-3 and 4. • The District had a method to track depreciation information that conformed to Generally Accepted Accounting Principles for all depreciable capital assets. • Indicate in the comments the method/program the District used to maintain the capital assets list (i.e., Visions, Excel, etc.).
PC02	The District had security controls in place to help prevent theft, loss, unauthorized use, or damage to District property.	Determine security controls were in place based on physical observation of the District's premises.
PC03	The District recorded additions including financed assets on the capital assets list and reconciled capitalized acquisitions to capital expenditures at least annually.	Determine all capital acquisitions were added to the capital assets list (after all encumbrances had been included in the accounting records). The District should retain all related supporting documentation for the life of the asset.
PC04	The District's stewardship list for items costing at least \$1,000 but less than the District's capitalization threshold, including financed assets, included all required information.	<ul style="list-style-type: none"> • Determine the stewardship list contained all the required information listed on USFR page VI-E-4. • Indicate the method/program used to maintain the stewardship list (i.e., Visions, Excel, etc.).
PC05	The District's capital assets and stewardship items were identified as District property, properly tagged, and included on the corresponding list.	Sample 15 items (5 items from the stewardship list, 5 from the capital asset list, and 5 items from the premises), and determine if the identifying number affixed to each of these 15 items agrees to the information recorded on the corresponding list.
PC06	The District reconciled the current year's June 30 capital assets list to the previous year's June 30 list.	Determine that the capital assets list was updated for audit year acquisitions, transfers, or disposals.
PC07	The District performed a physical inventory of all equipment at least every 3 years and reconciled the inventory results to the stewardship and capital assets lists upon completion.	<p>Determine that a physical inventory of all equipment was completed and reconciled in the last 3 years and indicate the date the District's last physical inventory was performed and reconciled in the fields provided.</p> <ul style="list-style-type: none"> • If the inventory was completed during the audit year, determine the District developed physical inventory instructions and documented following those instructions. • If the inventory was completed during the audit year, determine an employee independent of capital asset purchasing, custodial, and recordkeeping responsibilities conducted the inventory or that adequate alternative review procedures were used to ensure the accuracy of the inventory.

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PC08	The governing board or authorized designee approved stewardship and capital asset items disposed of during the fiscal year, and the District removed the assets from the corresponding list and disposed of them in accordance with Arizona Administrative Code (A.A.C.) R7-2-1131.	<ul style="list-style-type: none"> • Determine the District prepared a request-for-authorization form to dispose of District property and the items identified for removal or disposal were removed from the capital assets or stewardship list (see example on USFR page VI-E-13). • Indicate the date(s) disposals were approved by the governing board or authorized designee in the field provided. USFR pages VI-E-7 and 8
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Expenditures–USFR VI-G

Objective: To determine whether the District has effective controls for expenditures in place to ensure expenditures are for an allowable District purpose. Test work should document processes and controls that demonstrate expenditure transactions are properly approved, are for an amount within budget capacity or available cash, and protect employees from allegations of misuse.

FY22 #	Question	Review procedure
EXP01	The District separated responsibilities for expenditure processing among employees (i.e., voucher preparation, recordkeeping, and authorization).	<ul style="list-style-type: none"> • Determine responsibilities were separated for expenditure processing among employees (i.e., voucher preparation, recordkeeping, and authorization). If adequate separation was not possible due to the District’s limited staff size, determine whether adequate management review procedures were in place to compensate for employees performing incompatible functions.
EXP02	The District monitored budget capacity in budget-controlled funds and cash balances in cash-controlled funds before approving purchase orders (PO) and authorizing expenditures, except as authorized in A.R.S. §§15-207, 15-304, 15-907, and 15-916.	<p>Determine the District had procedures to monitor budget/cash balances to prevent overexpenditures, such as:</p> <ul style="list-style-type: none"> • Encumbrance amounts are in place prior to releasing a PO. • POs were sequentially numbered. • Blanket POs include a definite time period and specific dollar limit. • POs are approved by authorized District personnel prior to issuance. • Scan the District’s ADE BUDG75 report for M&O and UCO Fund overexpenditures. <p>List all funds that exceeded budget/cash limit at year-end and the overexpenditure or cash deficit amount.</p>
EXP03	The District’s expenditures were made only for allowable District purposes, properly satisfied the specific purposes required for any restricted monies spent, and were adequately supported by documentation required by the USFR.	<ul style="list-style-type: none"> • Sample expenditures from a variety of District funds and determine the expenditures were allowable and supported by required documentation, such as receiving reports that documented the date of receipt, quantity received, and signature of the recipient for all goods and services received, vendor invoices, and purchase orders to determine prices and quantities were verified before payments were issued to vendors. • Determine invoices were stamped “paid” or otherwise marked to help prevent duplicate payments.

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EXP04	The District's extracurricular activities fees tax credit monies were expended only for eligible activities that qualified under A.R.S. §§43-1089.01 and 15-342(24).	Based on a sample of tax credit expenditures, determine tax credit monies were spent only on activities that qualified under A.R.S. §§43-1089.01 and 15-342(24) (see the Arizona Department of Revenue's website for guidance at https://azdor.gov/tax-credits/public-school-tax-credit).
EXP05	The District's Student Activities Fund disbursements and transfers of monies among student clubs were issued only when cash was available in the student club account and properly authorized by or on behalf of the student members of a particular club and documented in the club minutes.	Determine: <ul style="list-style-type: none"> • If any student club accounts had a negative cash balance. • Documentation to support that disbursements or transfers were authorized by or on behalf of the student club was maintained.
EXP06	The District's expenditures made through written quotes or competitively awarded contracts, including cooperative contracts, agreed to quoted amounts or contract pricing and terms.	For the sample of expenditures in EXP03 and payments related to the contracts awarded in PRO01 and PRO02, determine the amounts paid agreed to the contract or PO pricing and terms. If pricing did not agree, the district should have included an explanation on the documentation (e.g., on the PO or invoice) that included an authorized reason for the difference or what action was taken to remedy the difference.
EXP07	The District prepared an Advice of Encumbrance for levy funds based on the list of liabilities for goods or services received but not paid for by June 30, including payroll, and filed it with the CSS by July 18. A.R.S. §15-906 (Districts authorized by A.R.S. §15-914.01 to participate in the accounting responsibility program should perform the duties as described in A.R.S. §15-304.)	Scan documentation that supported the amounts on the Advice of Encumbrance and determine it was filed with the CSS as required.
EXP08	The District properly prepared the Career Technical Education District (CTED) Supplanting worksheet and adequately supported that monies received from a CTED were used only for career and technical education and to supplement, rather than supplant, the District's base year vocational education spending. A.R.S. §15-393	
EXP09	The District retained fully executed copies of each intergovernmental agreement (IGA) and payments for services were made or received, as applicable. A.R.S. §11-952	If the District was a fiscal agent, determine the IGA monies were maintained in the appropriate fund at the County Treasurer, and a monthly financial report of receipts and disbursements was provided to participants.

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Travel–USFR VI-I		
Objective: To determine whether the District implemented effective controls to ensure employees were traveling for District purposes and appropriately compensated.		
FY22 #	Question	Review procedure
TRA01	The District’s travel expenditures (lodging, meals, and incidentals) and mileage reimbursements were for District purposes and reimbursed within the maximum reimbursement amounts established by the Director of the Arizona Department of Administration and in accordance with governing-board-prescribed policies and procedures. Amounts were reimbursed and reported as a taxable employee benefit if no overnight stay or no substantial sleep/rest occurred.	<ul style="list-style-type: none"> • Sample travel expenditures to determine reimbursements were within allowable maximums and indicate the amount of any overpayments. • For any lodging reimbursements sampled, determine they were properly supported by receipts or conference brochures and rates were confirmed by the District prior to reimbursement.
Credit cards and purchasing cards (p-card)–USFR pages VI-G-15 through 20		
Objective: To determine whether the District has implemented effective controls over credit card and p-card purchases to help reduce the risk of misuse and unapproved or fraudulent transactions.		
FY22 #	Question	Review procedure
CPC01	The District used credit cards.	List the number and type of credit cards including store cards and fuel cards in the field provided.
CPC02	The District used p-cards.	List the number and type of p-cards in the field provided.
CPC03	The District ensured different employees were responsible for issuing cards; requesting, authorizing, and executing purchases; and payment processing.	
CPC04	The District issued and tracked possession of all District credit cards and trained employees who make credit card purchases or process transactions on the District’s policies and procedures.	<p>Determine:</p> <ul style="list-style-type: none"> • District maintained a complete list/log of card users to track card possession. • Cards were issued with defined dollar limits based on the card or transaction type. • Annual training and signed card user agreements were required and retained for all users that outlined card use policies and procedures, including possible disciplinary actions for misuse.
CPC05	The District recovered cards immediately from terminated employees.	Determine whether the District recovered cards from card users who had terminated employment with the District, if any, during the audit year.
CPC06	The District’s management periodically reviewed purchases for unauthorized vendors and purchases over approved limits and/or purchases that circumvent the procurement rules and District policies.	Determine District management documented periodic review of credit card purchases and vendor usage as a fraud risk prevention measure to confirm procurement rules and District policies were not circumvented.
CPC07	The District ensured someone other than a card user reconciled credit card and p-card supporting documentation and billing statements.	<ul style="list-style-type: none"> • Determine billing statements were mailed directly to the District office. • Scan reconciliations for statements selected in CPC08 for completeness/accuracy and determine they were completed by someone

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		who was not a card user.
CPC08	The District's card purchases were only for authorized District purposes, within the dollar limits authorized for the employee, and supported by valid receipts or transaction logs that clearly identify the employee making the purchase.	<ul style="list-style-type: none"> • Sample at least 3 monthly credit card/p-card statements in total (including store cards and fuel cards) from different cards/accounts if the District has more than 1 card/account) and scan the statements for unusual or inappropriate purchases, or purchases not made within the District's policies and procedures. • From the statements sampled above, select at least 5 individual transactions in total and review supporting documentation for the purchases. • Determine the District verified that goods that were prepaid, such as items purchased online, by phone, or fax, were received or disputed the charge as appropriate.
CPC09	The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.	Determine if there were any finance charges or late fees paid. Document the frequency and amounts of any finance charges and late fees in the comments.
Procurement–USFR VI-G and A.A.C. R7-2-1001 et seq		
Objective: To determine whether the District followed the School District Procurement Rules and USFR purchasing guidelines to promote fair and open competition among vendors that helps ensure the District is getting the best value for the public monies it spends.		
FY22 #	Question	Review procedure
PRO01	The District requested at least 3 written quotes for purchases costing at least \$10,000 but less than \$100,000 and followed the guidelines prescribed by the USFR.	<p>Auditors should examine expenditures under \$100,000 by vendor or like-items (vendor total list) and determine the District:</p> <ul style="list-style-type: none"> • Requested and obtained at least 3 written quotes (see USFR pages VI-G-9 & 10). • Retained the vendor name, person(s) contacted, telephone number, and price quotes or results of the request in a procurement file or with the related requisition form or purchase order. • If 3 written quotes were not obtained, the District documented the vendors contacted and their reasons for not providing quotes and retain this with the procurement file or related documents.

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PRO02	The District properly procured expenditures that individually or cumulatively totaled over \$100,000.	<p>Auditors should examine expenditures over \$100,000 by vendor or like-items (vendor total list) and discuss with the District the types of procurement performed for the items and solicitations issued during the year. Based on this analysis and discussion, determine the population for IFBs or RFPs (PRO04–14 and PRO21) and cooperative purchases (PRO18-20). Auditors should also consider the procurement for School Facilities Oversight Board projects, if any.</p> <p>If the District did not procure an expenditure or maintain documentation for the procurement, document that deficiency here. The remaining solicitations should be considered for test work below.</p>
PRO03	The District maintained a list of prospective bidders. R7-2-1023	<p>Determine:</p> <ul style="list-style-type: none"> • The District compiled and maintained a list of persons who requested to be added to the District’s list of prospective bidders. • The District furnished those bidders with notice of available bids for any applicable audit year solicitations.
PRO04	The District issued solicitations for invitation for bids (IFB) or request for proposals (RFP) during the fiscal year.	<ul style="list-style-type: none"> • Sample solicitations issued during the FY audited. If the District did not issue any solicitations during the year, answer this question “No” and questions PRO05–PRO16 will automatically populate as “N/A.” • Sample a specified number of procurements performed during the fiscal year based on the District’s ADM or determine whether a larger sample is needed: <1,000 ADM (5); 1,000-5,000 ADM (10); >5,000 ADM (15). • Of the total awarded contracts sampled, at least 40 percent must be for competitive sealed bids (IFB) and at least 40 percent must be for competitive sealed proposals (RFP), and as applicable, at least 1 awarded contract should be for traditional construction (design-bid-build), and at least 1 should be for qualified select bidders list, or construction-manager-at- risk, design-build, job-order-contracting (PRO11), and specified professional services (PRO15), as applicable. If the District acted as a lead district in a cooperative purchase, at least 2 of these contracts should be included in the sample (PRO21). • For all procurement questions, the audit firm must refer to the School District Procurement Rule(s) cited in the question to determine the District complied with the specific requirement(s). • If the response is “No,” indicate which specific requirement(s) were not complied with.
PRO05	The District published and, as applicable, provided other adequate notice of the issuance of solicitations. R7-2-1022, R7-2-1024(C) or R7-2-1042(C)	

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PRO06	The District issued solicitations at least 14 days before the time and date set for bid opening or the closing date and time for receipt of bids or proposals. R7-2-1024(A) or R7-2-1042(B)	Determine the District documented the specific reason in writing if a shorter time frame was deemed necessary.
PRO07	The District included all required content in the solicitation, as applicable. R7-2-1024(B) or R7-2-1042(A)	Determine the solicitation documentation, including the uniform general terms and conditions and special terms and conditions, contained all the required content. In addition, determine whether the District took necessary steps to ensure bidders/offerors did not violate A.R.S. §15-213(O). R7-2-1024(B)(1)(q) and R7-2-1042(A)(1)(l)
PRO08	The District recorded the time and date that sealed bids or proposals were received and stored bids or proposals unopened until the time and date set for opening. R7-2-1029 or R7-2-1045	
PRO09	If the District awarded multiple contracts, it established and followed procedures for the use and award of multiple contracts. R7-2-1031(D) and R7-2-1050(C)	<p>Determine the District:</p> <ul style="list-style-type: none"> • Included in the solicitation(s) notification that multiple contracts may be awarded, the District's basis for determining whether to award multiple contracts, and the criteria for selecting vendors for the multiple contracts. R7-2-1031(C) and R7-2-1050(B) • Documented the specific reason(s) that a single award was not advantageous to the District and retained documentation that supported the basis for a multiple award. R7-2-1031(D) and R7-2-1050(C) • Limited contract awards to the least number of suppliers necessary to meet the requirements of the District. R7-2-1031(D) and R7-2-1050(C)
PRO10	The District awarded contracts according to R7-2-1031, R7-2-1032, R7-2-1046(A)(1), or R7-2-1050 and retained documentation to support the award(s).	<p>Determine:</p> <ul style="list-style-type: none"> • For contracts where only 1 responsive bid or proposal was received, the District followed the requirements of R7-2-1032 or R7-2-1046(A)(1) and retained documentation for that determination. • For purchases made through an IFB, contracts were awarded to the lowest responsible and responsive bidders whose bids conformed to the requirements and evaluation criteria set forth in the IFB. R7-2-1031 • For purchases made through an RFP, contracts were awarded to the offerors determined to be the most advantageous, based on the factors set forth in the RFP, and documentation was retained for the determination. R7-2-1050
PRO11	If the District procured construction projects that used construction-manager-at-risk, design-build, job-order-contracting, or qualified select bidders lists to procure construction services, it complied with the requirements of R7-2-1100 through R7-2-1115.	

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PRO12	The District obtained signed procurement disclosure statements for all employees with job responsibilities related to each procurement and for all nonemployee consultants or technical advisors involved in each procurement process. R7-2-1008 and R7-2-1015	Determine the District did not compensate nonschool district employees who served on procurement advisory groups or evaluation committees, except for reimbursements allowed by the District's travel policy.
PRO13	The District prepared applicable written determinations as required throughout the procurement rules that specify the reasons for the determination and how the determination was made. R7-2-1004.	Determine for procurements sampled in PRO04, based on the type of procurement: <ul style="list-style-type: none"> • The District prepared any required determinations within the solicitation or maintained a copy of the determination in the procurement file. • The District followed its prescribed method and procedures to prepare written determinations when choosing to use a cooperative contract as required by R7-2-1004.
PRO14	The District followed A.R.S. §15-213 and R7-2-1093 for the use of multi-term contracts.	Determine: <ul style="list-style-type: none"> • The terms and conditions of renewal or extension, if any, were included in the IFB or RFP. A.R.S. §15-213(L) and R7-2-1093 • For materials or services and contracts for job-order-contracting construction services that were entered into for more than 5 years, the governing board determined in writing that a contract of longer duration would be advantageous to the District before the procurement solicitation was issued. A.R.S. §15-213(L) and R7-2-1093
PRO15	The District followed R7-2-1117 through R7-2-1123 for contracts for specified professional services.	
PRO16	The District's procurement files included the required information, as applicable. R7-2-1001(97)	Based on the procurement files tested in the questions above and if a response is "No," specifically indicate which document was not included in the file. Do not include items already cited on another question.
PRO17	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. A.R.S. §15-213(N) and R-7-2-1003	Determine training and guidance was provided to employees, their supervisors, and others who participate in the planning, recommending, selecting, or contracting for materials, services, goods, construction, or construction services of a school district or school purchasing cooperative.
PRO18	The District used only school district purchasing cooperatives contracts from cooperatives it was a member of or used only lead district contracts that it was listed as a member of in the solicitation or ensured its additional purchases would not have materially increased the volume stated in the original solicitation. R7-2-1191 through R7-2-1195	Determine the District: <ul style="list-style-type: none"> • Retained cooperative purchasing agreements on file for each cooperative or lead district it used. • Did not use a cooperative's or another district's contract for purchasing goods or services unless the District was a member or included in the original solicitation or the District determined its purchases would not have materially increased the estimated volume stated in the original solicitation.

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PRO19	The District performed due diligence to support the use of each cooperative or lead district contract the District made purchases from during the audit period.	<ul style="list-style-type: none"> • Indicate the name of each cooperative or lead district used. • Determine the District's due diligence process ensured that the cooperative complied with the School District Procurement Rules.
PRO20	The District prepared written determinations for any specified professional services, construction, construction services, or materials purchased through a school purchasing cooperative, including how the determination was made. R7-2-1004	Determine the District followed its prescribed method and procedures to prepare written determinations when choosing to use a cooperative contract as required by R7-2-1004.
PRO21	The District, when acting as a lead district in a procurement, followed the procurement procedures required for competitive sealed bidding or competitive sealed proposals, as applicable, and considered the total estimated volume of purchases for all public procurement units identified in the solicitation. R7-2-1011	<p>Determine the District:</p> <ul style="list-style-type: none"> • Followed the procurement procedures required for IFBs or RFPs, as applicable. • Identified the total estimated volume of purchases for all public procurement units in the solicitation. R7-2-1011 • Sample at least 2 contracts issued as lead district, if any, and indicate in the comments the number of contracts the District procured as a lead district in the field provided.
PRO22	For all emergency procurements, the District retained a written statement documenting the basis for the emergency, the selection of the particular contractor, and why the price paid was reasonable, and this statement was signed by the individual authorized to initiate emergency procurements. R7-2-1055 and R7-2-1056	
PRO23	The District's governing board approved all sole-source procurements before any purchases were made, and the written determinations were retained in the procurement files. R7-2-1053 and R7-2-1086	Determine the governing board minutes include written determinations for all sole source procurements prior to making a purchase or entering a contract, include the specific reasons for a vendor being determined sole source as well as the dollar amount of purchase.
PRO24	For any purchase of services from governing board members or goods or services from District employees, regardless of the expenditure amount, the District followed the School District Procurement Rules, except as authorized by A.R.S. §15-323.	<p>Based on discussion with the District and scan of the vendor totals list, identify any purchases from governing board members or employees and determine if the purchases were completed appropriately. A.R.S. §38-503(C)</p> <p>See exceptions in A.R.S. §15-323(B) and (C).</p>
PRO25	The District followed the School District Procurement Rules for purchases of any supplies, materials, and equipment from governing board members if the purchase exceeded \$100,000 or followed the guidelines for written quotes if below the threshold. A.R.S. §38-503(C)	Based on discussion with the District and scan of the vendor totals list, identify any purchases from governing board members or employees and determine if the purchases were completed appropriately.
PRO26	For purchases the District made from General Services Administration (GSA) schedules 70-IT and 84-Law Enforcement, the governing board first authorized the contracts in writing. A.R.S. §15-213(K) and R7-2-1196(C)	Determine the governing board minutes included written approval for purchases from a GSA contract.

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Classroom Site Fund–A.R.S. §15-977		
Objective: To determine whether the District appropriately spent these State sales tax revenues for teacher pay and programs to support students, such as class size reduction, dropout prevention, and tutoring, as allowed by law.		
FY22 #	Question	Review procedure
CSF01	The District's Classroom Site Fund (CSF) expenditures did not exceed its Classroom Site Fund Budget Limit (CSFBL).	
CSF02	The District adopted a performance-based compensation system for at least a portion of its CSF monies and ensured CSF expenditures were made only for allowable purposes listed in A.R.S. §15-977 (see CSF FAQs).	
CSF03	The District's CSF monies were used to supplement, rather than supplant, existing funding from all other sources (see CSF FAQ 3).	
Payroll–USFR VI-H		
Objective: To determine whether the District has implemented effective controls to reduce the risks associated with payroll expenditures by documenting evidence of review, verification, and approval to ensure employees are appropriately compensated.		
FY22 #	Question	Review procedure
PAY01	The District's payroll-processing responsibilities (i.e., adding new employees, adjusting pay, payroll preparation, payroll authorization, and warrant distribution) were separated among employees.	<ul style="list-style-type: none"> • Determine the District separated payroll-processing responsibilities (i.e., adding new employees, adjusting pay, payroll preparation, payroll authorization, and warrant distribution) among employees. • If separating payroll processing was not possible due to the District's limited staff size, determine if adequate management review procedures were in place to compensate for employees performing incompatible functions.
PAY02	The District established a delayed payroll system for hourly employees that did not delay payments more than 7 business days during its normal 2-week payroll processing cycle and allowed adequate time for payroll adjustments to be made, if needed, between the end of the pay period and the payment date.	Determine the payroll system allowed processing time for any payroll adjustments to be made between the end of the pay period and the payment date and did not delay payments more than 7 business days during its normal 2-week payroll processing cycle.
PAY03	The District required employees' contracts or personnel/payroll action forms to document the employees' election for prorated compensation.	For a sample of employees who elected to have their pay prorated, determine they completed prorated compensation elections before beginning work and the election was not changed after work had begun.
PAY04	The District ensured any adjustments to pay for employees who received prorated wage payments during the year were based on each employee's official rate of pay.	For a sample of employees who received a pay adjustment during the year, determine the District used the employees' official rate of pay to calculate the pay adjustment.

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PAY05	The District ensured hourly employees were not paid for more than the actual hours worked to date.	<ul style="list-style-type: none"> • Determine the District had a procedure in place to review employee hours worked to identify any overpayments at any point throughout the year. • Sample hourly employee payroll payments to determine employees were not paid for more than the actual hours worked to date.
PAY06	The District's individual personnel files included all appropriate supporting documentation, as listed on USFR pages VI-H-2 through 4.	For a sample of employee files, determine the files contained all the required documents. If not, determine the District had a plan to obtain the required documents.
PAY07	The District ensured that valid fingerprint clearance cards were on file for all required personnel and a method to identify employees whose cards were going to expire was in place. A.R.S. §§15-512, 15-342 and 41-1750(G)	<ul style="list-style-type: none"> • Determine the District had a method to obtain and track employees' fingerprint clearance cards and other credentials and monitor expiration dates. • Based on the sample in #PAY06 or based on scan of the District's list of employees requiring fingerprint clearance cards, determine the District maintained valid fingerprint clearance cards for required personnel.
PAY08	The District enrolled employees who met the ASRS membership criteria, withheld employee contributions, and in a timely manner remitted employee and District contributions in accordance with the ASRS Employer Manual.	
PAY09	The District accurately calculated and in a timely manner remitted the alternative contribution rate payments to ASRS for all applicable positions filled by ASRS retirees https://www.azasrs.gov/content/alternate-contribution-rate .	For a sample of ASRS retirees employed determine the ACR was accurately calculated and remitted in a timely manner.
PAY10	The District calculated the accrual and use of vacation, sick leave, and compensatory time for all employees in accordance with District accrual rates for specified years of service, maximum amounts to be accrued, and disposition of accrued time upon separation of employment following District policies.	Determine the District had a system in place (computer-based program or spreadsheet) to track employee leave balances for accrual and use of leave and determine accuracy of that system.
PAY11	Attendance records were prepared for each pay period for each employee subject to the Fair Labor Standards Act (FLSA) and were approved by the employee and the employee's supervisor.	Sample employees subject to FLSA and determine timesheets included the proper approvals.

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PAY12	The District's payroll was properly reviewed and approved before processing and distribution to employees.	<p>Sample prepayroll registers or payroll registers to determine they were supported by authorized notifications of:</p> <ul style="list-style-type: none"> • Employment. • Terminations. • Pay rate changes. • Withholding and voluntary deduction authorization forms. • Documentation of additional duty pay rate or hours and evidence work was performed. • Work attendance/leave records. • Determine all supporting documents were reviewed and approved before final completion and warrants and direct deposit amounts were reviewed prior to distribution to employees. • Indicate the amount of any over/under payments identified.
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Financial reporting—USFR VII

Objective: To determine whether the District properly prepared its financial reports, including its Annual Financial Report (AFR), for the audit year to provide legislative and oversight bodies, investors and creditors, and the public a transparent view of the District's financial position and operational results.

FY22 #	Question	Review procedure
FR01	Budgeted expenditures reported on the AFR agreed with the District's most recently revised adopted expenditure budget.	
FR02	The District reported revenue and expenditure amounts on the AFR that agreed with the District's accounting records and applicable supporting documentation.	Determine the District did not post transactions or adjusting entries to its accounting records after using its accounting data to populate the AFR. Audit firms may forgo writing a deficiency for rounding errors.
FR03	The District prepared the AFR and AFR summary (if one was prepared) with all information as required by A.R.S. §15-904 and followed the AFR— Review, Submission, and Publication Instructions .	
FR04	The District properly prepared the Food Service page of the AFR and reported expenditures from the M&O Fund 001 and Capital Fund 610 that agreed with the District's accounting records.	Determine reported amounts were properly coded and agreed to the District's accounting records, including the State match.
FR05	Detailed source documents were traceable to the District's trial balance that was used to prepare the financial statements.	
FR06	The District's website included its average teacher salary information required by A.R.S. §15-903(E) and a copy of or a link to the District's page from the most recent Arizona Auditor General District Spending Report.	

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FR07	The District submitted the School District Employee Report (SDER) to ADE, and it was accurate and timely. A.R.S. §15-941 and School Finance Reports Arizona Department of Education (azed.gov)	Determine: <ul style="list-style-type: none"> • The District had a process to prepare and submit the SDER. • Scan the SDER and compare with payroll reports to determine full-time equivalents and salaries were accurately reported. • The District filed the SDER report with ADE by October 15 and corrections were made within the February 1 to March 1 deadline.
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Student attendance reporting–ADE’s School Finance External Guidelines

Objective: To determine whether the District has implemented effective controls to report accurate student membership and attendance information to ADE to reduce the risk that the District received an inappropriate amount of State aid and/or local property taxes.

FY22 #	Question	Review procedure
SAR01	The District’s calendar ensured school was in session for the required days and offered students the required instructional hours per grade level, including Arizona Online Instruction (AOI) Programs as prescribed in A.R.S. §§15-808(J)(1), 15-901(A)(1), 15-901.07, and 15-901.08.	Determine the District’s calendar and bell schedule(s) met instructional hour requirements.
SAR02	If the District had an early (pre-) kindergarten program, the District calculated and submitted membership information for early (pre-) kindergarten students’ attendance records for this program only for students with disabilities. A.R.S. §15-901(A)(1)(a)(i) and USFR Memorandum No. 175	Sample at least 3 student attendance records. (If a student in the sample was in a virtual day, the auditors should ensure the student was counted based on the instructional time model [ITM]).
SAR03	The District appropriately tracked and reported student membership and absences. A.R.S. §15-901	Sample number of attendance records shown in parentheses based on District’s ADM: <ul style="list-style-type: none"> • For elementary & junior high - <1,000 ADM (5); 1,000-5,000 ADM (10); >5,000 ADM (15). • For high school, CTED or AOI - <1,000 ADM (3); 1,000-5,000 ADM (5); >5,000 ADM (7). (If a student in the sample was in a virtual day, the auditors should ensure the student was counted based on the ITM.)
SAR04	The District prorated high school students’ membership if enrolled in less than 4 subjects.	<ul style="list-style-type: none"> • Sample number of attendance records shown in parentheses based on District’s ADM: • For high school - <1,000 ADM (3); 1,000-5,000 ADM (5); >5,000 ADM (7).
SAR05	The District was a CTED or CTED member.	If yes, for questions SAR 07 through 11, sample number of students shown in parentheses based on District’s ADM for high school, CTED, or AOI - <1,000 ADM (3); 1,000-5,000 ADM (5); >5,000 ADM (7).

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SAR06	The District had an AOI program. A.R.S. §15-808	If yes, for SAR 12, for Districts offering an AOI Program, based upon sample of () AOI students' attendance records for 4 weeks: (ADE's SF-0003-AOI Participation). Sample number of students' records shown in parentheses based on the District's ADM - <1,000 ADM (3); 1,000-5,000 ADM (5); >5,000 ADM (7).
SAR07	For students enrolled in a program provided by a CTED in a facility the District owned or operated (satellite programs), the District reported the actual enrollment for only the District classes the student was enrolled in at the District's school (excluding CTED program classes) under the District's CTDS number.	Sample number of students shown in parentheses based on ADM for high school, CTED, or AOI - <1,000 ADM (3); 1,000-5,000 ADM (5); >5,000 ADM (7)
SAR08	For students enrolled in a program the CTED provided in a facility the District owned or operated (satellite programs), the District calculated student absences in accordance with ADE's methods based on the number of District classes the student was enrolled in and attended at the District's school (excluding CTED satellite program classes).	Sample number of students shown in parentheses based on ADM for high school, CTED, or AOI - <1,000 ADM (3); 1,000-5,000 ADM (5); >5,000 ADM (7)
SAR09	For CTED satellite programs, the CTED reported actual student enrollment data for only the CTED program classes the student was enrolled in at that member district's satellite location (excluding school district classes). A.R.S. §15-393(O)	Sample number of students shown in parentheses based on ADM for high school, CTED, or AOI - <1,000 ADM (3); 1,000-5,000 ADM (5); >5,000 ADM (7). Total membership claimed for the school district and the CTED satellite locations for each student should not exceed 1.25.
SAR10	For CTEDs that meet for at least 150 minutes (not including any breaks) per class period on a CTED central campus, the CTED reported the membership as 0.75. A.R.S. §15-393(Q)	Sample number of students shown in parentheses based on ADM for CTED - <1,000 ADM (3); 1,000-5,000 ADM (5); >5,000 ADM (7) for students enrolled in a CTED course provided at a qualifying centralized or leased centralized campus.
SAR11	For students enrolled in both District and in CTED central program courses, the sum of the ADM was no more than 1.75 and the amount claimed by either entity was no more than 1.0. A.R.S. §15-393(Q)	Sample number of students shown in parentheses based on ADM for high school - <1,000 ADM (3); 1,000-5,000 ADM (5); >5,000 ADM (7).
SAR12	The District maintained appropriate documentation and accurately reported students enrolled in its AOI program, including redetermining the actual full time equivalent (FTE) for each student enrolled in an AOI program following a student's withdrawal or after the end of the school year. A.R.S. §15-808	Sample number of students' records shown in parentheses based on the District's ADM - <1,000 ADM (3); 1,000-5,000 ADM (5); >5,000 ADM (7) and determine the District maintained the students' intended FTE Enrollment Statement and guardian-approved or District computer-generated daily log describing the amount of time spent by the student on academic tasks that agreed to the hours reported to ADE.
SAR13	The District ensured the student's name in the student management system matched the name on the legal document on file. A.R.S. §15-828(D)	For questions 13-19, sample the number of entries and withdrawals shown in parentheses based on District's ADM - <1,000 ADM (5); 1,000- 5,000 ADM (10); >5,000 ADM (15).
SAR14	The entry date in the computerized attendance system agreed to the entry form and was entered into the attendance system within 5 working days after the actual date of the student's enrollment. A.R.S. §15-828	

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SAR15	The student membership begins on the first day of actual attendance or, for continuing/pre-enrolled students, the first day that classroom instruction was offered, provided that the students actually attend within the first 10 days of school. ADE's External Guideline GE-17	
SAR16	The District obtained and maintained verifiable documentation of Arizona residency for enrolled students, including students in its AOI program. A.R.S. §15-802(B)(1) and ADE's Updated Residency Guidelines	Determine A.R.S. §15-802(B)(1) and ADE's Updated Residency Guidelines were complied with, except as noted in A.R.S. §15-828(I).
SAR17	The District reported student withdrawal dates to ADE within 5 working days and maintained documentation that supported the date of data entry.	<p>"Day of withdrawal" for determining timely data entry means:</p> <ol style="list-style-type: none"> the later of the student's withdrawal date or the day the District was notified the student will not be returning; or the 10th day of unexcused absence for students withdrawn for having 10 consecutive unexcused absences.
SAR18	The District prepared and retained the Official Notice of Pupil Withdrawal form for each withdrawal, and the forms were signed by a District administrator. A.R.S. §15-827	
SAR19	The District counted students withdrawn for having 10 consecutive unexcused absences in membership only through the last day of actual attendance or excused absence. A.R.S. §15-901(A)(1)	
SAR20	The District uploaded membership and absence information to ADE that agreed to the District's computerized system records for the first 100 days of school. A.R.S. §15-901	Determine the District submitted the AzEDS ADM15 or ABSATT10 reports, as applicable to ADE electronically at least once every 20 school days for membership information and at least once every 60 days for absence information through the last day of instruction. For an AOI program, sample year-end attendance information.
SAR21	The District excluded nonresident students from the District's student count and State aid calculations and charged tuition as applicable. A.R.S. §15-823(G) and (L)	Discuss with the District their process to identify nonresident students.
SAR22	The District reported students who completed all high school requirements with the applicable graduation code and used the appropriate year-end status code for all other students.	For a sample of all students, determine graduation and year-end codes were correct based on ADE's Graduation, Dropout, and Persistence Rate Technical Manual and/or ADE's Withdrawal Codes Cheat Sheet .
SAR23	For students participating in distance learning, the District followed attendance procedures defined in a governing-board-adopted ITM.	<p>Determine the District followed the ITM it submitted to ADE via the ITM submission link.</p> <p>Students selected for test work should be tested based upon the ITM that was effective for that time period. ITM template and FAQ</p>

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Information technology (IT)–USFR IX		
Objective: To determine whether the District adopted an information technology (IT) security framework that aligned with credible industry standards and implemented controls that provide reasonable assurance that its data is accurate and reliable and protected from unintended exposure and consequences. Test work should determine that the District adopted a framework and controls were operating to protect District and student data.		
FY22 #	Question	Review procedure
IT01	The District maintained adequate separation of duties in its IT systems that prevented 1 employee from completing a transaction without additional review and approval procedures.	<ul style="list-style-type: none"> Scan the District user system access reports and determine the District adequately separated responsibilities among staff for administration, authorization, and operational responsibilities within the separate business systems (i.e., financial accounting system, student attendance system, student payment systems, network, and website) and limited employee access to only those business functions or software necessary to perform their job function. If this was not possible due to the District’s limited staff size, determine adequate management review procedures were in place. If there were incompatible duties or employees with superuser access, indicate in the comments what systems employees had inappropriate access to and what, if any, steps were taken to mitigate the risks of unauthorized changes.
IT02	The District reviewed and documented any system or software changes implemented.	Scan the District’s procedures and documentation to confirm any modifications to system hardware or software were authorized by a supervisor and were appropriate.
IT03	The District assessed security risks for its systems and data and provided employees annual security awareness training.	<p>Determine the District:</p> <ul style="list-style-type: none"> Assessed the risks to District systems and data and implemented procedures to prevent and detect technology-related threats, such as risks to its systems, network, and data through email, internet use, VPN, wireless access, and mobile devices. Provided employees security awareness training at least annually that addressed prevention and detection of technology-related threats (i.e., phone and email phishing, website and ransomware attacks, and data breaches), and detailed instructions regarding how to prevent, identify, and report suspected security risks and incidents.
IT04	The District immediately and appropriately modified terminated or transferred employees’ or vendors’ access to all District systems.	<ul style="list-style-type: none"> Determine the District has a documented process for modifying or removing user access from all systems (e.g., financial accounting system, student information system, District’s network, etc.). Scan the current list of vendors and transferred or terminated employees and determine that access to District systems had been appropriately modified or removed.
IT05	The District’s system software and hardware was physically protected from unauthorized access, theft, and environmental hazards.	Determine the District has physical access controls over sensitive areas such as server rooms or communication closets.

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IT06	The District scheduled and performed data backup-control procedures for all critical systems at least daily, or more frequently, to ensure uninterrupted operations and minimal loss of data.	Determine system backup procedures included: <ul style="list-style-type: none"> • Test of backup reliability and integrity. • Backup copies were stored in separate facilities or fire-rated container. • Backups were scheduled for a defined time/period.
IT07	The District routinely completed software and application updates and patches when they became available.	Determine the District's process and documentation that software (including anti-virus, anti-spyware, and anti-malware software) and applications were updated, and patches were completed timely. In addition, determine systems are up to date to protect the integrity and reliability of the District's data (i.e., web-based applications, accounting, student attendance, and payroll systems).
IT08	The District had vendor contracts or data-sharing agreements in place with any 3rd parties accessing or hosting District data that addressed controls to support security and processing integrity, and backup procedures if applicable, before data was accessed/shared.	Determine the District's vendor contracts or data-sharing agreements had appropriate security, processing, and backup controls in place. In addition, determine the District appropriately reviewed data accessed or processed by vendors or 3rd parties for propriety.
IT09	The District ensured changes to data in business (i.e., employee information, pay rates) and IT (i.e., user roles, access rights) systems were approved by an authorized individual prior to processing changes.	Determine changes to data were reviewed and approved by a designated employee to ensure the validity, completeness, and accuracy of processed data, and if issues were noted, corrective action was taken.
IT10	The District enforced data security policies related to passwords and user authentication that aligned with credible industry standards.	Determine the District: <ul style="list-style-type: none"> • Followed a password policy that required strong passwords, screen locks, repeated failed sign-on attempt lockouts, and prohibited sharing of user IDs and passwords along with more modern controls to authenticate user identities. • Required multifactor authentication for at least all employees with remote access or administrative access to critical IT systems. See IT FAQ 17. If any critical IT systems are not capable of implementing multifactor authentication, determine the District had compensating controls in place to adequately secure those IT systems and related data.
IT11	The District's IT systems generated electronic audit trail reports or change logs with information about electronic transactions that the District reviewed or analyzed regularly to determine transactions' propriety.	If a District IT system does not provide an electronic audit trail function, determine the District documented a process that allowed it to audit transactions.
IT12	The District monitored and reviewed IT system-generated incident or error reports to identify security threats or other unusual activity and addressed noted issues.	Determine the District had procedures to investigate and respond to activities identified in the audit event/trail function such as repeat failed logons, or failed access attempts related to information systems; administrative privilege usage, employee credential usage, or third-party credential usage; or suspicious network activity.

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IT13	The District had recovery and contingency planning documents in place to restore or resume system services in case of disruption or failure that were reviewed and tested at least annually.	<p>Determine:</p> <ul style="list-style-type: none"> The District had planning documents that included the date and method the District used to review the plan (i.e., tabletop discussion, system test, or other method). The plan was tested at least annually to ensure employees understand their responsibilities, identify internal and external vulnerabilities, and take action to update equipment or remedy any issues identified since the last review. <p>(If the District used a third-party vendor for IT support, the District should still have a District-level plan to activate the recovery or contingency plan that is tested at least annually.)</p>
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Transportation support–ADE’s SF-0002 Transportation Guidelines

Objective: To determine whether the District has implemented effective controls for its transportation program to ensure it properly reports its transportation miles and student riders to ADE, which helps to ensure the District receives the appropriate amount of State aid.

FY22 #	Question	Review procedure
TS01	The District accurately calculated and maintained documentation for miles and students reported on the Transportation Route Report submitted to ADE. A.R.S. §15-922	<p>Based on ADE’s Transportation Guidelines, determine the District accurately reported the number of miles.</p> <ul style="list-style-type: none"> Determine the students transported were eligible for transport. Indicate in the comments any net under/overstatement of miles and/or students reported and whether the over/understatement impacted the District’s funding.

Records management–USFR X-E

Objective: To determine whether the District has implemented effective controls to properly protect and maintain its records, including student and employee data, and that its records were disposed of securely and in accordance with established time frames.

FY22 #	Question	Review procedure
RM01	The District established and followed policies and procedures to properly protect, maintain, and dispose of personally identifiable information and confidential records, such as student and employee information and social security numbers.	Determine the District’s records were properly protected, maintained, and disposed of in accordance with the General Retention Schedules for Education K-12 published by the Arizona State Library, Archives and Public Records. Retention Schedules Arizona State Library (azlibrary.gov)

General long-term debt–Arizona Revised Statutes Title 15, Chapter 9, Article 7

Objective: To determine whether the District is following the laws related to bonds to ensure voters are informed and the District complies with the bond covenants.

FY22 #	Question	Review procedure
GLTD01	The District calculated and issued any bonds in accordance with Arizona Revised Statutes and the Arizona Constitution. A.R.S. §15-1021	

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GLTD02	The District expended bond proceeds only for voter-authorized purposes and not for items with useful lives less than the average life of the bonds issued or 5 years. A.R.S. §15-1021(F)	Sample expenditures made from bond proceeds to determine if expenditures were appropriate and meet the useful life definition.
GLTD03	If the District had outstanding bonded indebtedness and a balance remained in the Bond Building Fund after the acquisition or construction of facilities for which the bonds were issued, the governing board transferred the remaining balance to the Debt Service Fund. Otherwise, if the District had no outstanding bonded indebtedness and a balance remained in the Bond Building Fund after the acquisition or construction of facilities for which the bonds were issued, the governing board used the remaining balance to reduce taxes. A.R.S. §15-1024(B)	
GLTD04	The District credited interest or other money earned from investing bond proceeds to the Debt Service Fund unless the voters authorized the interest to be credited to the Bond Building Fund or federal laws or rules require the interest to be used for capital expenditures. A.R.S. §15-1024(C)	