

Arkansas Department of Education
Rules Governing the Arkansas Financial Accounting and Reporting System
and Annual Training Requirements

September 2007

1.00 Regulatory Authority

1.01 These rules are promulgated pursuant to Ark. Code Ann. §§ 6-11-105, 6-20-1805, 6-20-2004, 6-20-2104, 6-20-2202, 6-20-2207 and Act 1006 of the 86th Arkansas General Assembly.

2.00 Purpose

2.01 These rules shall be applied to all school districts, open enrollment charter schools, and education service cooperatives for the purposes of accounting and reporting revenues and expenditures and for providing required training.

3.00 Definitions

For purposes of these rules, the following terms shall be defined to mean:

- 3.01 Annual Financial Report and Budget (AFRB) – the annual electronically submitted report of the revenues and expenditures for the prior fiscal year and the budget of revenues and expenditures of school districts, open enrollment charter schools, and education service cooperatives filed with the Department by September 15 of each school year as required by Ark. Code Ann. § 6-20-2202.
- 3.02 Annual Record – AFRB.
- 3.03 Approved Budget – a budget that has received the required written notification from the Department that the budget presented was not identified as deficient as of February 15 of the current year.
- 3.04 APSCN – Arkansas Public School Computer Network
- 3.05 Arkansas Financial Accounting Handbook – the uniform chart of accounts and related codes which are established by the Department and incorporated into these rules as the “Arkansas Handbook, and used for accounting and financial reporting of all public schools, school districts, open enrollment charter schools, and education service cooperatives.
- 3.06 Athletic Expenditures – all direct and indirect expenses related to interschool athletic programs, prorated if necessary.

- 3.07 Budget – the annual budget of expenditures and receipts required in Ark. Const. Art. 14 § 3, and Ark. Code Ann. §§ 6-13-620 (7) and 6-20-2202. The budget is submitted on or before September 15 as part of the AFRB.
- 3.08 Budget Approval – required written notification from the Department that the budget presented was reviewed for compliance with the mandated requirements under Ark. Code Ann. § 6-20-2202.
- 3.09 Budget Review – the process of determining if the budget submitted meets the mandated expenditure requirements in effect for the appropriate year.
- 3.10 Deficient – a finding by the Department auditors that budget or financial accountability reports do not meet the requirements of state law or rules of the SBE.
- 3.11 Department – the Arkansas Department of Education.
- 3.12 Interschool Athletic Program – any athletic program which is organized primarily for the purpose of competing with other schools, public or private; or any athletic program which is subject to regulation by the Arkansas Activities Association.
- 3.13 Interschool Scholastic Activities – any interschool activity program that is outside the regular curriculum, excluding interschool athletic programs as defined by Ark. Code Ann. § 6-20-2002(3), which is organized primarily for the purpose of competing with other schools, public or private; or any program or activity, excluding interschool athletic programs as defined by Ark. Code Ann. § 6-20-2002(3), which is subject to regulation by the Arkansas Activities Association.
- 3.14 Interschool Scholastic Activity Expenditures – all direct and indirect expenses related to interschool scholastic activities, prorated if necessary.
- 3.15 Material Findings – a financial condition that jeopardizes the fiscal integrity of the school district.
- 3.16 SBE – the Arkansas State Board of Education.
- 3.17 Special Needs Categories – the state funding categories of Alternative Learning Environments, English Language Learners, National School Lunch Act funding, and Professional Development.
- 3.18 State Funds – all money derived from state revenues, specifically including but not limited to, distributions from the Department of Education Public School Fund Account and uniform rate of tax ad valorem property taxes distributed to a public school or school district.

- 3.19 Tier I & II Employees – those employees described as Tier I or Tier II employees in § 7 of this rule.
- 3.20 Tier I & Tier II Training – that training described as Tier I or Tier II training in § 7 of this rule.
- 3.21 Valid Comparisons – comparisons deemed to be relevant to the subject material in substance and scope.

4.00 AFRB and Arkansas Handbook

- 4.01 The AFRB shall be electronically submitted in the format required by the Department.
- 4.02 The Department shall establish the format of the AFRB by no later than August 1 of each year and the Department shall provide written notice via Commissioner’s Memo of the date the AFRB format is available for use by the public school districts, open enrollment charter schools, and education service cooperatives.
- 4.03 The AFRB shall be filed electronically with the Department by September 15 of each year.
 - 4.03.1 For purposes of compliance with these rules, the official date of filing with the Department shall be the date and time the AFRB is recorded as received by APSCN.
 - 4.03.2 The budget shall have been legally approved by the local board with governing authority of a school district, open enrollment charter school or education cooperative prior to filing with the Department.
 - 4.03.3 The order or resolution of the local board approving the budget shall be signed by the president of the local board and the ex-officio financial secretary (i.e. superintendent) of each school district, open enrollment charter school, or education cooperative. A copy of the board order or resolution with the signature page approving the budget shall be received by the Department on or before September 15 of each year.
 - 4.03.4 If the AFRB and the order or resolution approving the budget are not filed with the Department on or before September 15 and as required by these rules, then all warrants or checks issued by the school district, open enrollment charter school or education cooperative after September 15 shall be declared invalid, and the

ex-officio financial secretary and his or her surety shall be liable for any warrants or checks countersigned after the September 15 deadline.

4.03.5 If the AFRB and the order or resolution approving the budget are not filed with the Department on or before September 15 and as required by these rules, and provided the Department has met its reporting obligation required in Section 6.00 of these rules, the Department shall suspend distribution of all state funded grants and aids for which a school district, charters school or education cooperative is eligible until the reporting requirements of these rules, are met in full compliance.

4.03.5.1 Grants and aids include all categories of state funds distributed by the Department.

4.04 The Department shall establish and implement a uniform chart of accounts and related codes known as the Arkansas Financial Accounting Handbook (Arkansas Handbook) which shall be the uniform chart of accounts and codes utilized in reporting revenues and expenditures.

4.04.1 The Arkansas Handbook is hereby incorporated by reference into these rules. However, the Arkansas Handbook is exempt from the rule-making process and may be amended, revised or updated as provided in these rules or law.

4.04.2 The amendments, annual revisions, and financial accounting updates to the Arkansas Handbook shall be developed with representatives from the Arkansas Association of School Business Officials, the Education Service Cooperatives, and other school district officials as designated by the Department.

4.04.3 Prior to amending the Arkansas Handbook, the Department shall provide written notice via a Commissioner's Memo to the school districts, open enrollment charter schools and education cooperatives. Amendments, annual revisions, and financial accounting updates shall be effective on July 1 of the next fiscal year or 90 days from the date of the issuance of the Commissioner's Memo, whichever is later, unless:

4.04.3.1 The Commissioner declares that there is an emergency, at which time the change shall be effective immediately upon the date specified in the Commissioners Memo; or,

4.04.3.2 A new program or revenue source requires new accounting codes, at which time the change shall be

effective immediately upon the date specified in the Commissioner's Memo; or,

4.04.3.3 The change affects only a few school districts and the school districts have mutually agreed to make the change. The change shall be effective immediately upon the date specified in the Commissioner's Memo.

4.05 The Arkansas Handbook shall be the chart of accounts and codes utilized by school districts, open enrollment charter schools and education cooperatives in making the record of actual revenues and expenditures and the annual budget of revenues and expenditures required by these rules.

5.00 AFRB Review Requirements

5.01 Beginning in 2008-2009 school year, by February 15 of each year, the Financial Accountability Unit shall review the AFRB to determine if the financial records are deficient. Any error related to the coding and reporting of financial information that causes a material misstatement of financial information will be cause for determining a deficiency. A material misstatement occurs whenever the submitted data has more than a five percent (5%) variance from the correct data or when corrective action is not taken after the Department has sent written notification to a district, open-enrollment charter school or education service cooperative regarding specific errors discovered in the AFRB.

5.02 The AFRB review will include, but is not limited to:

- 5.02.1 State Revenues;
- 5.02.2 Student Special Needs Expenditures;
- 5.02.3 Total Expenditures;
- 5.02.4 Instructional Expenditures;
- 5.02.5 Extracurricular Expenditures;
- 5.02.6 Capital Expenditures;
- 5.02.7 Debt Service Expenditures;
- 5.02.8 Teacher Full Time Equivalency data;
- 5.02.9 Certified salary amounts;
- 5.02.10 Compliance with the Minimum Teacher Salary schedule;
- 5.02.11 Compliance with gifted and talented programs expenditure requirements in accordance with rules promulgated by the SBE;
- 5.02.12 Interschool Athletic Expenditures, including salaries with fringe benefits, travel, equipment, supplies and facilities maintenance;
- 5.02.13 Interschool Scholastic Expenditures, including salaries with fringe benefits, travel, equipment, supplies and facilities maintenance;
- 5.02.14 The district's Total Athletic Expenditures budgeted for interschool athletic programs that are to be paid from state funds;

- 5.02.15 Interschool scholastic activity expenditures to be paid from state funds;
 - 5.02.16 Expenditure of Federal funds, including school lunch reimbursement;
 - 5.02.17 Verification that fiscal year expenditures did not exceed legal revenues for the same fiscal year;
 - 5.02.18 Verification that proper financial records have been maintained in accordance with the Education Accounting and Reporting System and the Arkansas Handbook.
- 5.03 The Department shall notify in writing, via certified mail, the superintendent or director of the school districts, open enrollment charter schools or education service cooperatives whose financial records are found to be deficient.
- 5.03.1 The notification shall state the deficiency.
- 5.04 The school district, open enrollment charter school or education service cooperative will have thirty (30) days to respond to the Department's notification. The response may include, but is not limited to:
- 5.04.1 A proposed corrective action plan;
 - 5.04.2 A training schedule to educate all pertinent personnel; and
 - 5.04.3 A procedure to prevent a repeat of the deficiency.
- 5.05 The response shall not be considered a right of appeal.
- 5.06 If the review determines the financial records of any school district, open enrollment charter school or education service cooperative are deficient as defined in Section 5.01 or otherwise not properly maintained or submitted by the school district, open enrollment charter school, or education service cooperative or are not administered in accordance with state laws, SBE rules, or the Arkansas Handbook, then state-funded grants and/or aid that the district would be eligible to receive shall be withheld until the financial issues have been resolved.
- 5.07 The SBE may require the superintendent or director and board members explain and/or appear before the SBE to explain why the district is not complying with state laws or rules.
- 5.08 Upon written notice of approval by the Financial Accountability Unit, the Department shall file copies of the approved budget with the school district, open enrollment charter school, or education service cooperative, and the county treasurer.

- 5.09 It is the duty of the State to monitor school districts, open enrollment charter schools, or education service cooperatives financial records, Arkansas Comprehensive School Improvement Plan, or any other pertinent records, to ensure the following:
 - 5.09.1 District expenditures meet the minimum teacher salary schedule;
 - 5.09.2 District expenditures benefit students in special needs categories;
 - 5.09.3 District expenditures are used to improve the educational opportunity of each child;
 - 5.09.4 District expenditures are used to provide an equal opportunity for each child;
 - 5.09.5 District expenditures are used to meet the Standards of Accreditation;
 - 5.09.6 The District has provided the SBE and the Department with a report of the school district's total athletic expenditures paid from state funds for the previous year;
 - 5.09.7 The district has provided the SBE and the Department with a budget for the school district's total athletic expenditures to be paid from state funds for the upcoming year; and
 - 5.09.8 The district has provided the SBE and the Department with any additional information or documentation requested.
- 5.10 The Department shall have the authority to review, analyze and inspect the financial records of any school district, open enrollment charter school or education service cooperative in order to verify that a school district, open enrollment charter school or education service cooperative is correctly and accurately reporting revenues and expenditures.
- 5.11 The Department shall submit a report to the Governor, the Senate Interim Committee on Education, and the House Interim Committee on Education by February 15 of each year concerning public school and public school district expenditures required by law.

6.00 Required Reports

- 6.01 The Department shall publish by July 1 of each year, via Commissioner's Memo, a list of all required financial accountability reports with due dates.
- 6.02 The Department shall submit a written notice via certified mail on or before February 15 of each year to those school districts, open enrollment charter schools and education service cooperatives whose budget or financial reports are identified as deficient. Likewise, the Department will issue a Commissioner's Memo on or before February 15 of each year indicating which school districts, open enrollment charter schools or education service cooperatives budgets are identified as approved.

- 6.03 Each county clerk is required to provide to the Department an annual Abstract of Assessment by March 15 of each year.
 - 6.03.1 The treasurer of the state shall withhold the monthly distribution of county aid from any county that fails to provide the annual Abstract of Assessment by March 15 for each school district located wholly or in part in the county.
 - 6.03.2 The Department shall establish the required format for the Abstract of Assessment, to include:
 - 6.03.2.1 The previous calendar year's property assessment that will be used for ad valorem tax collections in the current year.
 - 6.03.2.2 The millage rates, which shall be listed by the type of millage, levied against that property assessment.
 - 6.03.2.3 In cases that administratively consolidated school districts do not have a unified millage rate, the county clerk shall submit the assessment data in a form specified by the Department.
 - 6.03.3 To consider a county in compliance with this filing requirement, the Department must receive all data no later than March 15 of each year.
- 6.04 The Department may withhold state aid from any school district, open enrollment charter school or education service cooperative that fails to file its budget or any other required report with the Department by the deadline established on the list of all required financial accountability reports, provided that the Department has met the deadline for providing information pertinent to meeting the deadlines.

7.00 Required Training

- 7.01 The Department shall establish two (2) tiers of required training.
 - 7.01.1 Both tiers of required training shall apply to public school districts, open enrollment charter schools and education service cooperatives.
 - 7.01.2 A minimum of two (2) persons per educational entity are required to attend an Initial and an Annual Tier I Training. The two persons shall include:
 - 7.01.2.1 The district superintendent or the education service cooperative director or the open enrollment charter school director; and

- 7.01.2.2 A person whose job responsibilities include preparing the budget or overall accounting responsibility.
- 7.02 The two (2) persons per educational entity required to attend shall each obtain twelve (12) hours of Initial Training and instruction necessary to demonstrate basic proficiency as determined by the Department, including but not limited to:
 - 7.02.1 School laws of Arkansas;
 - 7.02.2 Laws and rules governing expenditures, fiscal accountability, and school finance;
 - 7.02.3 Ethics; and
 - 7.02.4 Financial accounting and reporting of schools, school district, open enrollment-charter schools, and education service cooperatives.
- 7.03 After obtaining the Initial Training, the two (2) persons required to attend shall obtain four (4) hours of Tier I annual training and instruction in order to maintain basic proficiency in the topics described in Section 7.02 of these rules.
 - 7.03.1 The two (2) persons per educational entity are required to attend the training under Section 7.01 by December 31 of each year.
 - 7.03.1.1 The training may be provided by a higher education institution, the Department, the Arkansas Association of School Business Officials or from another provider.
 - 7.03.1.2 The training sessions may be held throughout the State, via distance learning, or from an online course.
 - 7.03.1.3 All providers for training shall apply for and receive approval from the Department prior to providing the training.
 - 7.03.1.3.1 The provider shall submit a complete request for approval prior to the scheduled training.
 - 7.03.1.3.2 The Department shall establish the request form.
 - 7.03.1.3.3 The provider shall provide the Department with a list of persons who attended the training sessions.
 - 7.03.1.3.4 The Department's administrative staff will review the request.
 - 7.03.1.3.5 If additional information is requested, the provider will be responsible for providing an immediate response in order to gain approval in a timely manner.

- 7.03.1.3.6 Department staff will be allowed to attend all training sessions in order to monitor for quality and completeness.
 - 7.03.1.3.6.1 Department staff will not be required to pay to attend the training
- 7.03.2 Persons failing to obtain required training by the end of the calendar year and failing to receive training by March 1 of the following calendar year without filing a request for an extension shall be sanctioned by the State.
 - 7.03.2.1 The request for an extension must be sent to the Department by certified mail, return receipt requested.
 - 7.03.2.2 The request for an extension must be received by the Department prior to March 1.
 - 7.03.2.3 The Department shall establish a form to be used in requesting an extension.
 - 7.03.2.4 The request shall include a corrective action plan for obtaining the required training in a timely manner.
 - 7.03.2.4.1 For each person failing to obtain the required training by March 1, the Department shall immediately notify the superintendent or director of the employing school district, open enrollment charter school, or education service cooperative.
 - 7.03.2.4.2 Notification will be sent by certified mail, return receipt requested.
 - 7.03.2.4.3 The Department will also notify the school board president.
- 7.03.3 The superintendent of the school district, director of the open enrollment charter school, or education service cooperative director shall notify the person who failed to receive the required training, and the person shall be unable to continue in his or her position from the date of receipt of notification by the superintendent of the school district, director of the open enrollment charter school, or education service cooperative director.
 - 7.03.3.1 Notification will be by certified mail, return receipt requested.
 - 7.03.3.2 Any person receiving notice that he or she shall be unable to continue in his or her position solely because of his or her failure to obtain the required training may request a hearing before the SBE prior to his or her permanent dismissal.

- 7.03.4 If the person fails to obtain all required training by December 31 following the March 1 extension deadline, this failure shall constitute one (1) citation against the school district, or the open enrollment charter school, as measured by the Standards for Accreditation of Arkansas Public Schools issued by the Department or an admonishment to the education service cooperative by the Department.
- 7.03.5 If the person is unable to obtain the required training because of military service or illness as verified by a written sworn statement of the person's attending physician, the Department shall grant an extension permitting the person additional time to obtain the required training.
 - 7.03.5.1 The person shall submit the appropriate documentation of military service or illness to the Department.
 - 7.03.5.2 The documentation must be sent by certified mail, return receipt requested.
 - 7.03.5.3 The length of time of the extension will be determined on an individual basis at the discretion of the Department.
 - 7.03.5.4 The issuance of an extension shall not constitute a citation against the school district as measured by the Standards for Accreditation of Arkansas Public Schools issued by the Department or the education service cooperative and shall not operate to remove the person from his or her job.
- 7.03.6 The SBE shall modify the Standards for Accreditation of Arkansas Public Schools issued by the Department as may be required by this section.
- 7.03.7 The Department shall maintain records of instructional hours of Tier I Training obtained by any individual covered under this section.
 - 7.03.7.1 Each district shall provide a list of the names and positions of the persons covered by these rules, to the Department by December 31 of each year. The information shall be provided in a format approved by the Department.
 - 7.03.7.2 Separate lists will be provided for persons obtaining the initial training to demonstrate basic proficiency and for those obtaining additional hours.

- 7.03.7.3 The trainer or the institution providing the training will provide verification of instructional hours.
 - 7.03.7.4 The Department may publish a list identifying the persons required to receive training and the compliance status.
 - 7.03.7.5 Persons employed as of July 1 shall be required to obtain training by December 31 of that year.
 - 7.03.7.6 Persons employed after July 1 shall be required to obtain training by December 31 of the next year.
 - 7.03.7.7 Persons changing employment will have their training history accepted by the new employer.
- 7.03.8 Any school district or open enrollment charter school that does not follow the provisions of this subchapter shall be placed in fiscal distress.
- 7.03.9 Any education service cooperative that does not follow the provisions of this subchapter shall be sanctioned by the SBE.
- 7.04 Tier II training shall include, but is not limited to, employees who make decisions about selecting codes or who have a limited number of codes that they can use.
- 7.04.1 Tier II training shall be developed by the Department in cooperation with representatives from the Arkansas Association of School Administrators, the Arkansas Association of School Business Officials, the Arkansas Education Association, the Legislative Joint Auditing Committee and education service cooperatives.
- 7.04.1.1 The training shall be annual and shall be four (4) hours.
 - 7.04.1.2 Districts shall be responsible for providing the training to these employees.
 - 7.04.1.3 District trainers are required to attend Initial and annual Tier I training.
 - 7.04.1.4 Each district, open enrollment charter school or education service cooperative shall maintain files and records indicating all employees required to obtain and who have completed Tier II training.
 - 7.04.1.5 Each district superintendent, open enrollment charter school director or education service cooperative director shall provide the Department an assurance statement regarding the completion of Tier II training by the required individuals by the end of the fiscal year.

8.00 Sanctions

- 8.01 Any school district or open enrollment charter school that does not comply with and meet the requirements of these rules, shall, after receiving notice as required by law, be identified by the Department as being in fiscal distress.
- 8.01.1 Any school district or open enrollment charter school that is identified in fiscal distress by the Department is subject to having their charter removed or any and all sanctions permitted by law by the SBE after receiving proper notice and an opportunity for a hearing.
- 8.02 Any education service cooperative that does not comply with and meet the requirements of these rules shall be sanctioned by the SBE.
- 8.03 Any licensed classroom teacher or administrator of a school, school district, open enrollment charter school or education service cooperative that provides false expenditure information may have his or her license placed on probation, suspended or revoked pursuant to procedures utilized in accord with Ark. Code Ann. § 6-17-410.
- 8.04 Persons failing to obtain required training by December 31 of the calendar year and who fails to cure any training deficiency by March 1 of the following year without filing a request for extension of time and after receiving proper notice shall be unable to continue in his or her position of employment effective on the date of receipt of notification from the superintendent of the school district, open enrollment charter school or education service cooperative.
- 8.05 If a person fails to obtain all required training by December 31, this failure shall constitute one (1) citation against the school district, the open enrollment charter school or an admonishment to the education service cooperative.
- 8.06 Beginning in 2008-2009 school year, any school district that submits erroneous data to the Arkansas Department of Education that causes a material misstatement of any student or financial information shall receive a citation. A material misstatement is one in which the submitted data has more than a five percent variance from the correct data. If a material misstatement occurs for two consecutive years, the school district shall receive a probationary violation in the district's Standards for Accreditation report issued by the Arkansas Department of Education.