

Arkansas Department of Education
Rules Governing Arkansas Educational Financial
Accounting and Reporting
June 14, 2004

1.00 Regulatory Authority

- 1.01 These rules shall be known as the Arkansas Department of Education Rules Governing Arkansas Educational Financial Accounting and Reporting.
- 1.02 These rules are enacted pursuant to the Arkansas State Board of Education's authority under A.C.A. §6-11-105, §6-20-1805, §6-20-2004 et. al., §6-20-2007, §6-20-2104 et. al., §6-20-2202 et. al., and Acts 40, 52, 61 of the Second Extraordinary Session of 2003.

2.00 Purpose

- 2.01 The purpose of these rules is to establish uniform budgeting, expenditure reporting, and training requirements for all public school districts and educational cooperatives.

3.00 Definitions

For purposes of this rule, the following terms shall mean:

- 3.01 Annual Record – The Annual Financial Report produced from the APSCN Cycle 1 submission, which includes the current year budget and revenue and expenditures from the prior fiscal year. Supplemental data required in addition to Annual Financial Report would not be included for purpose of sanctions and penalties.
- 3.02 Any person – a person with district-wide supervisory authority whose job responsibilities includes preparing the budget or recording expenditures.
- 3.03 APSCN – Arkansas Public School Computer Network
- 3.04 Financial Accounting Handbook – The financial coding and chart of accounts as required by A.C.A. §6-20-2203.
- 3.05 Arkansas Revisions – The Arkansas financial accounting system developed in compliance with the United States Department of Education, Office of Educational Research and Improvement's Financial Accounting: Classification and Standard Terminology for

Local and State School Systems and as required by A.C.A. §6-20-2203.

- 3.06 Athletic Expenditures – all direct and indirect expenses related to interschool athletic programs, prorated if necessary.
- 3.07 Budget Approval – Required written notification from the Department that the budget presented was reviewed for compliance with the mandated requirements under A.C.A. §6-20-2002.
- 3.08 Budget Review – the process of determining if the budget submitted meets the mandated expenditure requirements in effect for the appropriate year.
- 3.09 Financial Accountability Reports – a list of annual reports supporting the Department’s annual report and budget reviews submitted by July 1 of each year. Additional reports may be requested during the year, as allowed by law.
- 3.10 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.
- 3.11 Interschool scholastic activities - any interschool activity program that is outside the regular curriculum, excluding interschool athletic programs as defined by A.C.A. §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 A.C.A. §6-20-2002(3), which is subject to regulation by the Arkansas Activities Association.
- 3.12 Interschool scholastic activity expenditures - all direct and indirect expenses related to interschool scholastic activities, prorated if necessary.
- 3.13 Material Findings – a financial condition that jeopardizes the fiscal integrity of the school district.
- 3.14 Special needs categories – The funding categories of Alternative Learning Environments, English Language Learners, students qualified under the National School Lunch Act, and Professional Development.

- 3.15 State funds means all money derived from state revenues, specifically including but not limited to, distributions from the Department of Education Public School Fund Account and ad valorem property taxes distributed to a public school or school district.
- 3.16 Valid Comparisons – comparisons deemed to be relevant to the subject material in substance and scope.

4.00 Budget Report

- 4.01 Public school districts, open enrollment charter school, local educational agencies, and educational cooperative shall prepare an annual budget of revenues and expenditures that shall be filed with the Department of Education by September 1 of each year. The Department shall establish the required format.
- 4.02 The annual budget shall be approved by the board or governing authority of a public school, open enrollment charter school, local educational agency, or educational cooperative at a legally-held meeting prior to the September 1 filing deadline.
- 4.03 The annual budget shall be signed by the president of the board and the ex-officio financial secretary of each school district, charter school, local educational agency, or educational cooperative.
- 4.04 If the annual budget is not filed as required, then all warrants or checks issued after the September 1 deadline shall be declared invalid, and its ex officio financial surety shall be liable for any warrants or checks countersigned after the September 1 deadline.
- 4.05 The Department shall suspend distribution of all state funded grants and aids for which the district is eligible until the requirements of this act are met.
 - 4.05.1 Grants and aids include all categories of state funds distributed by the Department.
- 4.06 Annual budgets shall be reviewed by the Financial Accountability Unit to determine if all requirements of state laws and rules have been met.
 - 4.06.1 The budget review will include, but is not limited to:
 - 4.06.1.1 State revenues;
 - 4.06.1.2 Expenditure requirements related to student special needs funds;

- 4.06.1.3 Total Expenditures;
- 4.06.1.4 Instructional Expenditures;
- 4.06.1.5 Administrative Expenditures;
- 4.06.1.6 Extracurricular Expenditures;
- 4.06.1.7 Capital Expenditures;
- 4.06.1.8 Debt Service Expenditures;
- 4.06.1.9 Expenditures versus legal revenues;
- 4.06.1.10 Teacher Full Time Equivalency data;
- 4.06.1.11 Certified salary amounts;
- 4.06.1.12 Interschool athletic expenditures, including salaries with fringe benefits, travel, equipment, supplies, and facilities maintenance;
- 4.06.1.13 Interschool scholastic expenditures, including salaries with fringe benefits, travel, equipment, supplies, and facilities maintenance;
- 4.06.1.14 the district's total athletic expenditures budgeted for interschool athletic programs that are to be paid from state funds;
- 4.06.1.15 the interschool scholastic activity expenditures to be paid from state funds
- 4.06.1.16 Expenditure of Federal funds, including school lunch reimbursement

4.06.2 The Financial Accountability Unit will notify districts if any material findings were identified in the review.

4.07 The State Board may require the superintendent and board members appear before the State Board of Education to explain why the district is not complying with state laws or rules.

4.08 Upon approval by the Financial Accountability Unit, copies of the approved budget shall be filed with the school district, open enrollment charter school, educational cooperative, local educational agency, the county treasurer, and the Department of Education.

4.08.1 Approval shall indicate compliance with state laws and rules.

5.0 Expenditures and Revenues Annual Report

5.01 The ex officio financial secretary of each school district or open enrollment charter school or local educational agency or educational cooperative shall keep a record of daily expenditures and revenues. The annual record of revenues and expenditures shall be filed by September 1, of each year.

5.01.1 The annual record will be filed electronically via APSCN.

- 5.01.2 The date of filing recorded in the APSCN logs will be the official record or receipt for compliance purposes.
- 5.01.3 The annual record will comply with the chart of accounts and code specified in the Arkansas Financial Handbook.
- 5.02 The Financial Accountability Unit shall conduct a review to determine whether the financial records of any school district, open enrollment charter school, local educational agency, or educational cooperative are properly maintained or whether the school district, open enrollment charter school, local educational agency, or educational cooperative is administered in accordance with state laws or State Board of Education rules. If it is determined that a school district, open enrollment charter school, local educational agency, or educational cooperative is not in compliance, then grants and/or aid that the entity shall be eligible to receive would be withheld until the financial issues have been resolved.
 - 5.02.1 The Financial Accountability Unit will contact the district regarding concerns with material findings that emerge during the initial screening review of the budgets annual report.
 - 5.02.2 The district will be given an opportunity to explain, correct, or accept the findings determined by the analysis of the Financial Accountability Unit.
- 5.03 It is the duty of the State to monitor district financial records to ensure the following:
 - 5.03.1 District expenditures meet the minimum teacher salary schedule
 - 5.03.2 District expenditures benefit students in special needs categories
 - 5.03.3 District expenditures are used to improve the educational opportunity of each child
 - 5.03.4 District expenditures are used to provide an equal opportunity for each child
 - 5.03.5 District expenditures are used to meet the Standards of Accreditation
 - 5.03.6 The district has provided the state board and the department with a report of the school district's total athletic expenditures paid from state funds for the previous year
 - 5.03.7 The district has provided the state board and the department with a budget for the school district's total athletic expenditures to be paid from state funds for the upcoming year
 - 5.03.8 The district has provided the state board and the department with any additional information or documentation requested

- 5.04 If the review determines the financial records of any school district, open enrollment charter school, or educational cooperative is not properly maintained or that the school district, local educational agency, or educational cooperative are not administered in accordance with state laws or State Board of Education rules, then state-funded grants and/or aid that the district would be eligible to receive would be withheld until the financial issues have been resolved.
- 5.05 The State Board may require the superintendent and board members to explain why the district is not complying with state laws or rules.
- 5.06 The Division of Legislative Audit may assist the auditors of the Department upon request.
- 5.07 The Department may withhold state aid from any school district, open enrollment charter school, local educational agency, or educational cooperative that fails to file its budget or any required report, provided the Department has met all required deadlines for providing pertinent information to school districts and educational cooperatives.
- 5.08 The Department shall develop reports for each school district.
 - 5.08.1 The district report shall be transmitted to the Governor, the Senate Interim Committee on Education, and the House Interim Committee on Education.

6.0 Required Reports

- 6.01 The Department shall submit a list of all required financial accountability reports with due dates by July 1, of each year.
- 6.02 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 in a timely manner for each school district located wholly or in part in the county.
 - 6.02.1 The Department shall establish the required format for the abstract of assessment.
 - 6.02.2 To consider a county in compliance with this filing requirement, all data must be received by the Department.

7.00 Required Training

- 7.01 Any person with district-wide supervisory authority whose job responsibility includes preparing the budget or recording expenditures of a school, district, or educational cooperative shall obtain training necessary to demonstrate basic proficiency in the following content areas:
- (1) School laws of Arkansas.
 - (2) Laws and rules governing expenditures, fiscal accountability, and school finance.
 - (3) Ethics.
 - (4) Financial accounting and reporting of district and/or cooperative expenditures.
- 7.02 Compliance with the required training under section 7.03 will be effective December 31 of each year.
- 7.03 Any person with district-wide supervisory authority whose job responsibility includes preparing the budget or recording expenditures of a school, school district, open enrollment charter school, or educational cooperative shall obtain twelve (12) hours of the initial training necessary to demonstrate basic proficiency. Subsequent to the initial training, the person shall obtain two (2) hours of additional training to maintain proficiency.
- 7.03.1 This training will be completed in compliance with Section 7.16 of this Rule.
- 7.04 The training may be received from a higher education institution, the Department of Education, or a program provided for by Arkansas Association of School Business Officials or from another provider.
- 7.05 The training sessions may be held throughout the State, via distance learning, or from an online course.
- 7.06 All providers for training shall apply for and receive approval from the Department of Education prior to providing the training.
- 7.06.1 The provider shall submit a complete request for approval prior to the scheduled training.
- 7.06.2 The Department shall establish the request form.
- 7.06.3 The provider shall provide the Department with a list of persons attending the training sessions.
- 7.06.4 The Department administrative staff will review the request.

- 7.06.5 If additional information is requested, the provider will be responsible for providing an immediate response in order to gain approval in a timely manner.
- 7.06.6 Department staff will be allowed to attend all training sessions in order to monitor for quality and completeness.
 - 7.06.6.1 Department staff will not be required to pay to attend the training
- 7.07 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.
 - 7.07.1 The request for an extension must be sent by certified mail, return receipt requested.
 - 7.07.2 The request for an extension must be received by the Department prior to March 1.
 - 7.07.3 The Department shall establish a form to be used in requesting an extension.
 - 7.07.4 The request shall include a corrective action plan for obtaining the required training in a timely manner.
- 7.08 For each person failing to obtain the required training by March 1, the Department shall immediately notify the superintendent of the employing school district, open enrollment charter school, or the director of the education service cooperative.
 - 7.08.1 Notification will be by certified mail, return receipt requested.
 - 7.08.2 The Department will also notify the school board president.
- 7.09 The superintendent 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 or education service cooperative director.
 - 7.09.1 Notification will be by certified mail, return receipt requested.
- 7.10 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 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.
- 7.11 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.

- 7.11.1 The person shall submit the appropriate documentation of military service or illness to the Department.
 - 7.11.2 The documentation must be sent by certified mail, return receipt requested.
 - 7.11.3 The length of time of the extension will be determined on an individual basis at the discretion of the Department .
- 7.12 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.
- 7.13 A school district, open enrollment charter school, or education service cooperative board of directors is authorized to pay per diem and reimburse the expenses of a person required to obtain training under this section.
- 7.14 The expenses must be incurred in attending in-service workshops, conferences, and other courses of training and instruction necessary for completing the hours of instruction required under this section.
- 7.14.1 Payments may be made from funds belonging to the school district.
- 7.15 The State Board of Education shall modify the Standards for Accreditation of Arkansas Public Schools issued by the Department as may be required by this section.
- 7.16 The Department shall maintain records of instructional hours obtained by any individual covered under this section.
- 7.16.1 Each district shall provide a list of the names and positions of the persons covered by this rule to the Department by December 31 of each year.
 - 7.16.2 Separate lists will be provided for persons obtaining the initial training to demonstrate basic proficiency and for those obtaining additional hours.
 - 7.16.3 The trainer or the institution providing the training will provide verification of instructional hours.

- 7.16.4 The Department may publish a list identifying the persons required to receive training and the compliance status.
 - 7.16.5 Persons employed as of July 1 shall be required to obtain training by December 31 of that year.
 - 7.16.6 Persons employed after July 1 shall be required to obtain training by December 31 of the next year.
 - 7.16.7 Persons changing employment will have their training history accepted by the new employer.
- 7.17 Any school district or open enrollment charter school that does not follow the provisions of this subchapter shall be placed in fiscal distress.
- 7.18 Any education service cooperative that does not follow the provisions of this subchapter shall be sanctioned by the State Board of Education.

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 of Education as being in fiscal distress.
- 8.02 Any school district, or open enrollment charter school that is identified in fiscal distress by the Arkansas Department of Education is subject to having their charter removed or any and all sanctions permitted by law by the State Board of Education after receiving proper notice and an opportunity for a hearing.
- 8.03 Any education service cooperative that does not comply with and meet the requirements of these rules shall be sanctioned by the State Board of Education.