

Tier I Annual Update

Fiscal Year 2019



Tier I Training

- Required in A.C.A. § 6-20-2204
- See Rules Governing the Arkansas Financial Accounting and Reporting System and Annual Training Requirements (January 2017)
 - Section 10.0
 - At a minimum, two (2) persons per educational entity are required to attend an initial and annual Tier I training:
 - The school district superintendent or the education service cooperative director or the open-enrollment public charter school director; and
 - A person whose job responsibilities include preparing the budget or overall accounting responsibility.

Tier II Training

- Required in A.C.A. § 6-20-2204
- See Rules Governing the Arkansas Financial Accounting and Reporting System and Annual Training Requirements (January 2017)
 - Section 10.0
 - At a minimum, two hours of annual training for employees who are involved in the process of recording and/or reporting of financial transactions but:
 - Do not make decisions about selecting codes, or
 - Have a limited number of codes they can use
 - School district trainers are required to attend Tier I training
 - Training materials should be based on Tier I material and focused on the specific needs of school district employees.

FY19 State Funding Amounts

A.C.A. § 6-20-2305

- Foundation Funding \$6,781, (increase of \$68)
 - State foundation funding aid is disbursed in 12 installments beginning July 2018, ending June 2019
- Alternative learning environment funding \$4,640
- English language learners (ELL) funding \$338
 - Disbursement schedule for ELL could change
 - ELL coordinator will publish a Commissioner's Memo

FY19 State Funding Amounts cont., A.C.A. § 6-20-2305

- National school lunch state categorical funding (yearly transition = rate at former level up or down \$175)
 - \$1,576 if 90% and above
 - \$1,051 if at least 70% and less than 90%
 - \$526 if less than 70%
- Professional development funding rate is calculated in time for publication on first state aid notice each year
 - FY18 rate was \$26.05

FY19 State Funding Amounts

A.C.A. § 6-20-2309

- Enhanced transportation funding amounts provided in A.C.A. § 6-20-2309 for each of the 136 eligible districts
 - 2018-19 amounts same as 2017-18 (\$3 million budgeted)
 - Expenditure of revenue is **unrestricted**, but use fund/source of fund code 2222 and revenue code 31400 to allow for tracking of expenditures.
 - Funding amounts were determined by the legislature and the specific calculation method has not been released

FY19 State Funding Amounts NSL Matching Grant Program cont., A.C.A. § 6-20-2305

- NSL Matching Grants
 - \$4,300,000 set aside to be distributed on a dollar for dollar pro rata matching basis until funds are exhausted
 - For school district expenditures for evidence-based programs to improve the academic achievement of NSL students
 - Evidence-based programs are limited to:
 - Tutors as set out in A.C.A. § 6-20-2305(b)(4)(C)(i)(b)(4)
 - Before school academic programs and after-school academic programs, including transportation to and from the programs under in A.C.A. § 6-20-2305(b)(4)(C)(i)(b)(2)
 - Prekindergarten programs under in A.C.A. § 6-20-2305(b)(4)(C)(i)(b)(3)

FY19 State Funding Amounts NSL Matching Grant Program cont., A.C.A. § 6-20-2305

- Identified Program Codes:
 - Commissioner's Memo FIN-18-043
 - 004* NSLA, Before and After Academic Program
 - 005* NSLA, Pre-K
 - 006* NSLA, Tutors
 - 204* NSLA/SP ED, Before and After Academic Program
 - 205* NSLA/SP ED, Pre-K
 - 206* NSLA/SP ED, Tutors

FY19 State Funding Amounts NSL Matching Grant Program cont., A.C.A. § 6-20-2305

- Per ADE Rules Governing Distribution of Student Special Needs Funding and the Determination of Allowable Expenditures of Those Funds May 2016: In order for “Regular” NSL funds to be allowable:
 - Tutors must be able to demonstrate competency (as determined locally) in each area where instruction is provided.
 - Tutors must work under the supervision of highly qualified classroom teachers.
 - Providing research-based before and after-school academic programs, including transportation to and from the programs.
 - Providing research-based pre-kindergarten programs that meet the program standards as outlined in the Rules Governing the Arkansas Better Chance Program.

FY19 State Funding Amounts NSL Matching Grant Program cont., A.C.A. § 6-20-2305

- Meant to supplement, not replace, the districts' NSL spending.
- Calculation based on expenditures incurred from July 1, 2017 to June 30, 2018.
- Calculation method:
 - New fund and revenue code
282* 32382 NSL Match Grant
- Not calculated towards the 85% NSL expenditure requirements if properly coded.
- 2017-18 allocated amounts, see Commissioner's Memo to be published October 2018.
- Act 243 of 2018 appropriated \$4.3 million for the NSL Matching Grant program for 2018-2019.
- The Department will adopt rules to implement this program.

Open-Enrollment Public Charter School Funding A.C.A. § 6-23-501

- For the first year of operation, the first year operating under a new license, the first year adding a new campus, and in any year a grade is added at any campus:
 - Foundation funding for an open-enrollment public charter school will be based on current year three-quarter ADM from cycle 7. Until this is available:
 - First estimate uses current year July 1 enrollment
 - Second estimate uses current year quarter 1 ADM from cycle 3
 - Third estimate uses current year three-quarter ADM from cycle 6

Open-Enrollment Public Charter School Funding A.C.A. § 6-23-501, cont.

- For the first year of operation, the first year operating under a new license, the first year adding a new campus, and in any year a grade is added at any campus:
 - The national school lunch state categorical funding will be based on free or reduced-price meal eligibility as reported by October 1 of the current school year, certified by the Child Nutrition Unit
 - The professional development funding will be based on enrollment count as of July 1 of the current school year

Open-Enrollment Public Charter School Facilities Funding Aid Program A.C.A. § 6-23-908

- Act 243 of the 2018 fiscal session provides an appropriation of \$6.5 million for fiscal year 2018-2019 charter facilities funding aid
- Increased \$1.5 million over prior year
- For additional information regarding charter school facilities funding aid see Commissioner's Memo FIN-16-020 dated August 30, 2015

FY19 Student Growth Funding

A.C.A. § 6-20-2305

Calculation:

- FY19 student growth funding will compare:
 - FY18 quarter 4 ADM to FY17 3-quarter ADM from cycle 7
 - FY19 quarter 1 ADM from cycle 3 to FY18 3-quarter ADM
 - FY19 quarter 2 ADM from cycle 5 to FY18 3-quarter ADM
 - FY19 quarter 3 ADM from cycle 6 plus any changes to FY19 quarters 1 and 2 in cycle 6 to FY18 3-quarter ADM
- Changes made by the district in cycle 7 to ADM of quarters 1, 2, and 3 from cycle 6 may result in funding corrections
- Student growth funding calculations exclude increases resulting solely from consolidation or annexation

FY19 Student Growth Funding

A.C.A. § 6-20-2305, cont.

- If net revenues minus any recoupment under A.C.A. § 6-20-2305(a)(4)(B) plus miscellaneous funds calculated under A.C.A. § 6-20-2308(b)(1)(A) exceed the foundation funding amount, a school district will be eligible to receive the amount of student growth funding that exceeds net revenues minus any recoupment under A.C.A. § 6-20-2305(a)(4)(B) plus miscellaneous funds calculated under A.C.A. § 6-20-2308(b)(1)(A).

FY19 Student Growth Funding

A.C.A. § 6-20-2305, cont.

Comparison:

- An eligible school district will receive the higher funding category after comparing:
 - Student growth funding plus special needs isolated or small district funding minus excess net revenues plus calculated miscellaneous funds above foundation funding amount; to
 - Declining enrollment funding

FY19 Student Growth Funding

A.C.A. § 6-20-2305, cont.

Disbursement:

- In January 2019, after school district eligibility for special needs isolated or small district funding has been determined, expect disbursement of:
 - 100% of declining enrollment funding - if declining enrollment funding exceeds special needs isolated or small district funding plus partial year student growth funding (FY18 quarter 4 plus FY19 quarter 1) minus excess revenues above foundation funding amount; or
 - Partial year student growth funding (FY18 quarter 4 plus FY19 quarter 1) - if partial year student growth funding plus special needs isolated or small district funding minus excess revenues above foundation funding amount exceeds declining enrollment funding

FY19 Student Growth Funding

A.C.A § 6-20-2305, cont.

Additional information:

- **Student growth and declining enrollment are unrestricted funding categories, but expenditures are tracked for reporting to the legislature (no transfers out of these restricted codes)**
- ADE Rules Governing the Calculation Methods for Declining Enrollment and Student Growth Funding for Public School Districts dated October 2009 will be revised to reflect changes from Act 741 of 2017
- Drafting and approval of revised rules may change the outlined process

FY19 Minimum Salary Requirement

A.C.A. § 6-17-2403

- FY19 Minimum bachelor's degree salary is \$31,800
 - 44 districts must increase the minimum from FY18 to FY19
- FY19 Minimum master's degree salary is \$36,450
 - 73 districts must increase the minimum from FY18 to FY19

FY19 Classified Minimum Hourly Wage Commissioner's Memo FIN-18-044

- The FY19 minimum classified hourly rate for full-time employees is calculated at \$8.64, as required by A.C.A. § 6-17-2203.
 - See Commissioner's Memo FIN-18-044.
 - When issuing contracts use \$8.64.
 - Full-time employees is described in A.C.A. § 6-17-2202 as “any classified employee who works twenty (20) or more hours per week for the public school district”.

Alternative Methods of Instruction

A.C.A. § 6-10-127

Act 862 of 2017 allows a public school district and open-enrollment public charter school to develop a plan for alternative methods of instruction (AMI) to be used on days when the superintendent closes school due to exceptional or emergency circumstances.

- The Commissioner may grant up to the equivalent of ten (10) student attendance days.
- Districts must have an alternative instruction plan approved by the Department.
 - Plan shall demonstrate teaching and learning will not be negatively impacted.
- Exceptional or emergency circumstances include contagious disease outbreak, inclement weather, acts of God, or utility outage.
- See Commissioner's Memos LS-17-093 and LS-18-018.

Annual School Elections

A.C.A. § 6-14-102

- A.C.A. § 6-14-102 requires the annual school election shall be held in each school district of each state on the:
 - Date of the preferential primary election in even-numbered years and the date that would be designated as the preferential primary election in odd-numbered years if a general election was held in the odd-number year; or
 - First Tuesday following the first Monday in November of each year
 - By the first day of the filing period, the district shall notify the county clerk which election date it chooses

See Commissioner's Memo FIN-18-025 for additional guidance

Calendar Year 2019 Health Insurance Minimum Contribution Rate A.C.A. § 6-17-1117

- See Commissioner's Memo FIN-18-035 dated March 2018
- The minimum contribution rate shall increase annually by the same percentage as the fiscal year per-student foundation funding amount increases.
 - The minimum rate will be \$159.10 per month beginning January 1, 2019.
 - This includes the contribution rate increase of 1.01296% required by A.C.A. § 6-17-1117(a)
 - When establishing the local contribution rate, ensure the rate is evenly divisible (to the whole penny) by the number of pay periods per month to help prevent over or underpayments to Employee Benefits Division (EBD).

Calendar Year 2019 Health Insurance Minimum Contribution Rate A.C.A. § 6-17-1117, cont.

- Noting exceptions shown below, a school district increasing the base salary for licensed personnel must increase its local contribution rate by the same percentage, effective for the health insurance plan year after the date of adoption of the revised salary schedule. Exceptions, if the school district:
 - Increases the base salary due to an increase in the minimum teacher compensation schedule under § 6-17-2403
 - Has a participation rate in the public school employees' health insurance of 75% or more of all eligible personnel
 - Has a local contribution rate of 125% or more of the minimum contribution rate required (calendar year 2019 $\$159.10 \times 125\% = \198.875)

Calendar Year 2019 Health Insurance Minimum Contribution Rate A.C.A. § 6-17-1117, cont.

Examples:

- Minimum contribution rate as of January 1, 2019 - \$159.10
- Local contribution rate as of July 1, 2018 - \$175
- Teacher base salary of \$35,000 increased to \$35,700
 - ($\$700 \text{ increase} / \$35,000 \text{ base salary} = 2\% \text{ increase}$)
- Local contribution rate $\$175 \times 1.02\% = \178.50 local contribution rate after increase of 2%

Assume the school district did not meet the exceptions to the law shown on the previous slide:

- Example A: For a change to the base salary adopted October 15, 2018, increase local contribution rate to \$178.50 on or before January 1, 2019
- Example B: For a change to the base salary adopted February 1, 2019, increase local contribution rate to \$178.50 on or before January 1, 2020

NSL Required Expenditures and Balances

A.C.A. § 6-20-2305(b)(4)(F)(i)

- See Rules Governing the Distribution of Student Special Needs Funding and the Determination of Allowable Expenditures of Those Funds (May 2016)
- Districts required to spend 85% of annual NSL funding
- If June 30, 2012 NSL Balance exceeded 15% of FY12 NSL funding, district is required to reduce the balance by a minimum of 10% per year until the balance is no more than 15% (SOF 281)
 - 5 districts are being monitored for compliance
- May request a one-year waiver due to “unusual and limited circumstances”

Categorical Balances

A.C.A. § 6-20-2305(e)(2)

- See Rules Governing the Distribution of Student Special Needs Funding and the Determination of Allowable Expenditures of Those Funds (May 2016)
- Requires that the balance of all categorical funds be no more than 20% of annual categorical funding
- If the balance exceeds 20%, the district is required to reduce the balance by a minimum of 10% per year until the balance is no more than 20%
 - Since FY12, 113 districts have been identified as exceeding 20% balance
 - As of FY18, 15 are being monitored for compliance with the 10% annual balance reduction
- No waiver of this requirement

Penalties due to NSL Expenditures and NSL & Categorical Balance Requirements

FY17

- 2 districts failed to meet the requirements
- Funds withheld \$63,118 from FY18 funding

Since FY12, 29 districts have paid a total of \$3,899,905 in penalties

Limitation on Fund Balances

A.C.A. § 6-20-2210

- Districts with a year end net legal balance that exceeds 20% of current year net legal balance revenues shall reduce the net legal balance to no more than 20% of current year net legal balance revenues within 5 years (Act 1105 of 2017)
 - Net legal balance is the combined balance for the teacher salary fund, the operating fund, and the debt service fund; minus the combined balance for categorical funds and escrow balance restricted for the retirement of federal qualified bonds
 - Net legal balance revenues are the revenues placed in the salary fund, the operating fund, and the debt service fund; minus revenues placed in the categorical funds and proceeds derived from federal qualified bonds

Limitation on Fund Balances

A.C.A. § 6-20-2210, cont.

- Net legal balance revenues do not include:
 - Bonds or other debt proceeds,
 - Loans,
 - Bonded debt refunding savings,
 - Consolidation and annexation funding,
 - Audit adjustments,
 - Proceeds from the sale or loss of district real or personal property,
 - Interfund transfers, or
 - Other nonrevenue financing sources defined in the Arkansas Financial Accounting Handbook.

Limitation on Fund Balances

A.C.A. § 6-20-2210, cont.

- Districts balances may be reduced by transferring funds into the building fund.
 - Funds transferred into the building fund must be used for construction, renovation, repair, or other planned expenditures.
- If the building fund expenditures are canceled, and transferring the funds back to the fund from which they came would increase the net legal balance to more than 20%, the district may spend the funds on:
 - Prekindergarten programs'
 - Remediation programs'
 - Career and technical education or workforce readiness programs, or
 - Any other program or for any other purpose allowed by law.

Limitation on Fund Balances

A.C.A. § 6-20-2210, cont.

- The ADE shall:
 - Monitor annually for compliance
 - Withhold state funding when the district fails to make the required reduction
 - The withholding amount shall be equal to the amount the district failed to reduce the balance
 - District may request the Commissioner grant a waiver of the withholding
 - Waiver must describe the unusual and limited circumstances for failure to reduce the balance
- June 30, 2018 balances will be the first balances reviewed for compliance after year-end close out
- A Commissioner's Memo will be published in June so that schools can review where they stand before close out
- Commissioner's Memo FIN-18-006 published with 2017-18 data to give schools idea of how balances would be reviewed when effective
- Commissioner's Memo RT-18-021 for coding requirements:
 - Balances (Act 1105 of 2017) required to be transferred to Fund 3200.
 - General building transfers to fund 3000
 - Review monthly on APSCN website at the following link:
 - <http://www.apscn.org/reports/hld/distinfo/distinfo.htm>
- ADE will publish Rules

Maintenance of Effort

- Maintenance of effort (MOE) requires local educational agencies to maintain their state and local expenditures at a specified level from one fiscal year to the next.
 - ESSA programs carry 90% MOE requirement
 - Calculated by Federal Finance Unit
 - FY18 data gathered after October 1
 - Notification posted to fms listserv and <http://www.arkansased.gov/divisions/fiscal-and-administrative-services/lea-federal-funding/maintenance-of-effort/>
- IDEA programs carry 100% MOE requirement
 - Calculated by Special Education Unit

Maintenance of Effort, cont.

- USDE may allow waiver for MOE if:
 - Exceptional or uncontrollable circumstances (natural disaster or change in organization structure) or
 - Precipitous decline in financial resources
- Waiver granted constitutes MOE met for that year
- New under ESSA: An SEA must reduce an LEA's allocation under a covered program if the LEA fails to maintain effort in a given fiscal year and also failed to maintain effort in one or more of the five immediately preceding fiscal years

Required Data Submission for Indirect Cost Rate

- Indirect Cost Rates
 - Rates based on expenditures from second preceding year (i.e. FY19 rates calculated from FY17 data)
 - Districts will use the FY18 rates (Commissioner's Memo FIN-18-013) to charge indirect costs for FY18
 - FY18 rate to qualifying FY18 expenditures in each fund.
 - Direct expenditures less capital outlay and subawards over \$25,000
- Subawards
 - Require little to no administrative effort and have specific program objectives
 - Reported to ADE Federal Finance at close of each fiscal year

Indirect Cost Rate, cont.

- Common audit finding:
 - Indirect costs should be charged against actual, qualifying expenditures (not budgeted amounts) using the correct rate for the year
 - Indirect costs must be included in budget, if being charged

Federal Time Certification

- Districts must demonstrate employee worked on specific grant program if he/she is paid with federal funds
- New Every Student Succeeds Act (ESSA) uses new language on this requirement:
 - “Time Distribution Record”
 - USDE has not provided new guidance on this topic

Federal Reimbursements

Year End FY18 and Beginning of FY19

Commissioner's Memo FIN-18-036

- If a fund has a positive ending balance at the close of FY18, leave the balance in the federal fund for rollover as a “beginning balance” in FY19
- No payments will be processed in July or August for FY18 or FY19 due to the many expenditure revisions districts have in federal funds during period 13
- ADE will require district “accruals” to be reversed in period 1 of FY19 in order to see the “negative revenue” in each fund in the Cognos report

Federal Reimbursements

Year End FY18 and Beginning of FY19

Commissioner's Memo FIN-18-036, cont.

- Do not receipt the revenue to the receivable account. Reverse the exact accrual entry which will reflect negative revenue in period 1 until the funds are received and receipted
- The final FY18 payments and the first FY19 payments will be made from the district warehouse load on September 15, 2018

School Level Expenditure Coding

- All location codes not included on the official LEA table or ADE assigned location codes will be interpreted as district-level locations and subject to all restrictions applied to location “000”
- The following function ranges require location level coding: 1000-1217|1219-1227|1229-1269|1271-1399|1500-2133|2135-2157|2159-2167|2169-2199|2220-2229|2294-2295|2297-2299|2400-2499. All expenditures in these function ranges must be coded to a valid school LEA location
 - *Function 2134 is allowed one nurse district-wide ‘000’
 - *Function 2170 with fund 6501 may use district-wide ‘000’ location, district-defined district wide location, or Valid LEA location
- Locations 698 and 699 will be invalid for FY19 and thus removed from the FY19 school district Arkansas Financial Accounting Handbook
- New function 1595 Targeted Assistance is required for fund 6501 beginning FY19
- ADE assigned location codes for neglected and delinquent facilities are valid and these alternative locations are allowable only with SOF 6501, and SOF 6510, all functions. These “alternative location codes” are published with federal fund allocations each year

School Level Expenditure Coding, cont.

- It is better for the districts, when feasible, to code expenditures to the applicable LEA(s) rather than the state having to allocate at the state level with the ADA % allocation method to all LEAs
- All “central/district-wide” expenditures will be allocated to valid LEAs in a “central/section” of the proposed draft reporting of PPE calculation per LEA to meet school level reporting requirements for FY 19
- The exception program for eFinance and cycles 1, 8, and 9, beginning FY 19, will validate all location required coding to the official LEA table
- It is recommended that the districts code to valid LEAs FY 18 to the extent possible, but the ‘change’ in this area is not required until FY 19

Federal Methodology FY19 Supplement not Supplant Commissioner's Memo COM-18-092

- ADE issued Commissioner's Memo COM-18-092 that explains the new methodology a district must use for allocating State and Local funds for compliance with the Federal Funds Title I supplement, not supplant requirement
- Two methodology examples provided by the USDOE. You can find guidance at: <https://www2.ed.gov/programs/titleiparta/legislation.html> and click on laws and guidance to find School Wide Programs – July, 2015 – ESEA Title I Schoolwide Guidance, Non-Regulatory Guidance
- A district may also develop their own methodology. They must be able to defend the methodology to their auditor if they do not use one of the two state suggested methodologies
- This requirement must be met for the 2018-19 school year. A district has until September 15, 2018 to upload their methodology into their Indistar Title I folder. Click here to view [COM-18-092](#)
- Each LEA shall demonstrate the methodology used to allocate State and Local funds to each Title I school if they were not a Title I school and not receiving Title I funds

10% Variance in Federal Funds Budgets

- The 10% Variance in federal funds budgets is based on the total budget for each function compared to the total actual expenditures for each function and the total budget for each object compared to the total actual expenditures for each object
 - The “10% Variance” refers to when actual expenditures exceed budgeted expenditures
 - Indirect cost total budgeted compared to amount charged can’t exceed 10% variance
 - Does not apply to categorical funds
- For ESSA budgets, see EDGAR Section 200.308

10% Variance in Federal Funds Budgets, cont.

- Before closing the fiscal year, an amendment may be needed for the 10% variance rule
- Pull a COGNOS Expenditure Comparison Report to check for the 10%
- <http://www.Arkansas.gov/divisions/learning-services/special-education/funding-finance/finance-training-material>

10% Variance in Federal Funds Budgets, cont.

Example

Total Budget Amount = \$331,595

- Calculate 10% of Total Budget = \$33,159 ($\$331,595 \times 10\%$)
- Compare each function total actual expenditure to each function budgeted expenditure
- If the function line variance is greater than 10% of total

Fund	Fund Description	Func.	Function Description	Budgeted Amount	Actual Amount	Variance Budget to Actual
6501	ESEA Title I	1511	Before/After School Programs	11,175	6,759	4,416
	Regular - Comp Education CFDA 84.010	1550	Early Childhood Education	67,146	49,263	17,883
		1591	Title I Schoolwide Instruction	181,771	146,249	35,522
		2130	Health Services	29,045	23,630	5,415
		2324	State and Federal Relations	35,458	37,883	(2,425)
		5500	Indirect Costs	7,000	8,501	(1,501)
Total (Fund ID)				331,595	272,285	59,310

10% Variance in Federal Funds Budgets, cont.

Example

Example:

- Function 2324 Variance = **(\$2,425)**
 - The function expenditure is in compliance because the line expenditure variance is less than 10% (\$33,159)

Fund	Fund Description	Func.	Function Description	Budgeted Amount	Actual Amount	Variance Budget to Actual
6501	ESEA Title I Regular - Comp Education CFDA 84.010	1511	Before/After School Programs	11,175	6,759	4,416
		1550	Early Childhood Education	67,146	49,263	17,883
		1591	Title I Schoolwide Instruction	181,771	146,249	35,522
		2130	Health Services	29,045	23,630	5,415
		2324	State and Federal Relations	35,458	37,883	(2,425)
		5500	Indirect Costs	7,000	8,501	(1,501)
Total (Fund ID)				331,595	272,285	59,310

10% Variance in Federal Funds Budgets, cont. Example

Example:

Function 1591 Variance = \$35,522

- Function 1591 is in compliance because actual expenditures are less than budgeted expenditures

Fund	Fund Description	Func.	Function Description	Budgeted Amount	Actual Amount	Variance Budget to Actual
6501	ESEA Title I Regular - Comp Education CFDA 84.010	1511	Before/After School Programs	11,175	6,759	4,416
		1550	Early Childhood Education	67,146	49,263	17,883
		1591	Title I Schoolwide Instruction	181,771	146,249	35,522
		2130	Health Services	29,045	23,630	5,415
		2324	State and Federal Relations	35,458	37,883	(2,425)
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10% Variance in Federal Funds Budgets, cont.

EDGAR section 200.308 (e) states:

(e) The Federal awarding agency may, at its option, restrict the transfer of funds among direct cost categories or programs, functions and activities for Federal awards in which the federal share of the project exceeds the Simplified Acquisition Threshold and the cumulative amount of such transfers exceeds or is expected to exceed 10 percent (10%) of the total budget as last approved by the Federal awarding agency. The Federal awarding agency cannot permit a transfer that would cause any Federal appropriation to be used for purposes other than those consistent with the appropriation

Federal Funding Website

- <http://www.arkansased.gov/divisions/fiscal-and-administrative-services/lea-federal-funding>
 - Federal funding and fiscal issues:
 - Allocations
 - Carryover
 - Grant Award Letters
 - Indirect Cost Information/Forms
 - Maintenance of Effort
 - Title I Comparability
 - Federal Fund Statements (new!)

Discretionary Grants

- New discretionary grant procedures effective 07/01/2017
- Require an application process
- Mid-year and end-of-year financial and performance reporting required
- Maximum initial funding up to 50%
- Grant funds must be spent by September 30th
- Any funds remaining after September 30th must be returned to ADE
- Examples: Computer Science Specialists, Computer Science Professional Development, Distance Learning Grants, Technology Grants, APPEL Site Grants, Novice Teacher Mentoring, Superintendent Mentoring, School Based Health Centers, Medicaid in The Schools (MITS), Migrant Education Grants, etc.

Required Annual Reports

A.C.A. § 6-20-2202(e)

- ADE is required to submit a list of all required financial accountability reports annually
- List includes all reports submitted electronically
- List includes the due date and the ADE Contact Person
- ADE is authorized by A.C.A. § 6-20-2202(e)(1) to withhold state aid from school districts that fail to file budgets and other required reports in a timely manner
- Commissioner's Memo is issued annually by July 1
- RT-17-031 for required 2017-2018 reports

Required Annual Reports A.C.A. § 6-20-2202(e), cont.

- View the electronic calendar of due dates at the link below:

https://calendar.google.com/calendar/embed?src=swaec.org_brfdl8h2hl9ud5acemr27a7jtc%40group.calendar.google.com&ctz=America/Chicago

EBD

Penalties for Late Payments

A.C.A. § 21-5-415

Nonpayment of premiums and failure to file reports by agency or school district

(a)(1) If any participating state agency or school district does not remit insurance premiums and required monthly reports to the Employee Benefits Division of the Department of Finance and Administration by the last calendar day of each billing month, the division shall impose a penalty of two dollars (\$2.00) per insured member or one hundred dollars (\$100), whichever is greater

(3) Penalties are payable to the division and shall be delivered to the division no later than the last calendar day of the month following invoicing

EBD

Penalties for Late Payments

A.C.A. § 21-5-415, cont.

(4) If payment is not delivered to the division by the due date, the following collection methods may be used:

(A) (i) The Chief Fiscal Officer of the State may cause the amount sought to be transferred to the division from:

(a) Funds the state agency or school district has on deposit with the Treasurer of State; or

(b) Any funds the state agency or school district is due from the state

EBD Contact Information and Focus on Customer Service

- General phone number 501.682.9656
- Toll free phone number 877.815.1017, #1 for member services
- Email Ask.EBD@dfa.Arkansas.gov
- Updated Benefits Administration Manual available at <https://my.ARBenefits.org> > Forms & Publications> Public Schools>School Insurance Representatives> Forms> Benefits Administration Manual
- New portal for individual members to see information on their plan, to upload documentation, see alerts for communications with EBD. Available at <https://my.ARBenefits.org> >Forms & Publications>Member Portal Guide

FY17 Audits 10 Top Findings

1. **No Findings – Two years in a row!!**
2. Segregation of Duties – Internal Control
3. Allowable Costs/Cost Principles
4. Reporting – exceeding Program Budget Federal Variances beyond 10%
5. Eligibility for free and/or reduced lunch errors (CNU)
6. Misstatement – Internal Control
7. Special Tests and Provisions
8. Misappropriation of Funds (Eligibility of Title I Funds regarding ranking of schools)
9. Procurement and Suspension and Debarment
10. Compliance

FY17 Audits Top Findings

- Examples of misstatements:
 - Over/understatements of accounts receivable, accounts payable
 - Not recording deposit with paying agent
 - Not recording federal revenue
 - Not properly recording facilities expense or construction service expense
 - Under/over stating principal and interest expense and fees

FY17 Audits

Corrective Action Plans

- To ensure compliance with federal and state requirements, the corrective action plan (CAP) shall include the following elements:
 - Each statement must be individually addressed (use reference numbers assigned by the auditor)
 - Include the contact person responsible for the CAP
 - Provide a detailed planned corrective action
 - Provide an anticipated completion date for the planned corrective action
 - Reasons for disagreement with audit findings, if applicable

FY17 Audits

Corrective Action Plans, cont.

- Uniform guidance requires that the auditee (school entities) to include more detailed reasons for any recurring findings in the CAP
- The corrective action plan must be prepared by the school entity and not the auditor
- The CAP shall be received within thirty (30) days of filing with the Federal Audit Clearinghouse (FAC)
- Commissioner's Memo FIN-18-028 (includes template to assist with CAP)

FY17 Management Response Letters Federal Audit Findings

- 2CFR 200.521 requires that the pass-through entity provide a management decision for federal audit findings
- FY17 audits – receive a management response letter
- Letters will indicate required action from the LEA/ESC

FY17 Audits

Management Letters

- Using funds in conflict with “public purpose”
- Receipt reconciliation discrepancies in relation to activity funds
- Payroll errors (over/under paying employees, not adhering to contract for employees, leave discrepancies)
- Failure to get performance bonds
- Violation of § 6-24-105 and/or 6-24-107
- Lack of documentation/internal control
- Clerical errors
- Unaccounted for activity funds
- Bank reconciliation discrepancies
- Unequal distribution of a non-recurring salary payment
- Providing documentation for audit processing
- Failure to obtain bids
- Non posting of school board minutes on website

FY17 Audits Activity Funds

- Funds not accounted for:
 - Possible theft
 - No receipt book or receipt numbers missing
- Lack of documentation
- Items purchased from an activity fund that is not the intended purpose of the fund
- Items paid for through activity funds – non allowable
- Major findings continue with activity funds

FY17 Audits

Activity Funds, cont.

- Things to remember with activity funds:
- They are district funds.
- All rules still apply:
 - Receipts
 - Invoices
 - No cashing employee checks
 - Fixed assets are still owned by the district
 - Purchasing and bid rules apply
 - Checks made out to the district and never cashed
 - Follow district procedures and policies
 - Internal Controls
- The source and purpose of the fund determines the uses and rules of the fund

FY17 Audits

Activity Funds, cont.

- Revenues for activity can include such revenue as the following:
 - Fundraising activities
 - Gate receipts, vending machine proceeds, student fees
- Expenditures approved by the student organization and its sponsor can include such expenditures as the following:
 - Supplies and equipment used by the organization
 - Travel/transportation expenses for the organization
 - Items purchased for resale/fundraising activities
 - Cash donations or purchases to benefit school or programs (i.e., field trips, athletics, band uniforms, book fairs)

FY19 Budget Reviews

Items to be Reviewed

- GT Requirement
- Debt (proper coding)
- Revenues
- Expenditures
 - Fund Balances (including ACT 1105)
 - Categorical Funds
- Will concentrate on expenditures, especially salaries and benefits
- Will verify that E-rate is budgeted (Object Code 65331)
- Will review that matrix transfer is budgeted appropriately (Object Code 69321) and (Object 69322)
- Act 1105 of 2017 – 20% Legal Balance review
- 9% M&O Requirement
- Food Service
- Capital Expenses
- Taxes
- Employee Benefits
- Transfers

FY18 Budget Reviews

Top Findings

- Debt not properly budgeted
 - Budget all debt including installment contracts and lease purchase debt that is being paid from operating funds
 - Please be sure to budget the most current principal and interest due for the year from the schedule provided by your lender
 - Always use the FINAL amortization schedule
- GT or 9% M&O not budgeted to the expenditure requirement

FY18 Budget Reviews Top Findings, cont.

- All state revenue not budgeted (i.e., Declining Enrollment, Professional Development, Alternative Learning Environment, Bonded Debt Assistance)
- Tax revenue budgeted the same as prior year
- Carryover balances budgeted as revenue in categorical funding
- Matrix transfer not budgeted correctly:
 - School districts transfer from 2001 to 2000
 - Charter schools transfer from 2001 to 2200
 - Transfer should match the requirement. You will receive an error from APSCN if unequal
- Food service revenue and expenditures not budgeted

Internal Control

Internal control is a process effected by those charged with governance, management, and other personnel designed to provide reasonable assurance about the achievement of and entity's objectives with regard to:

- Reliability of financial reporting,
- Effectiveness and efficiency of School operations, and
- Compliance with applicable laws and regulations.

Internal Control, cont.

- Public trust in our financial systems and profession depends on keeping high standards of conduct among those who handle financial affairs
- Without basic trust in our government, economy, currency, and business practices, the system would collapse
- Any system can breakdown due to misunderstandings, mistakes in judgement, careless errors, distraction, or fatigue
- Internal control is not going through the motions. It is only as effective as the people who are responsible for its functioning

Internal Control, cont.

- Does not provide absolute assurance.
- Limitations of internal controls:
 - Collusion – two or more employees committing fraud together
 - Management override – Administration and School Board
 - External events beyond the organizations control – tornado issues, Federal requirements; federal dollars, discretionary grants, etc.
 - Bad judgements or decisions – too many responsibilities with one person or lack of experience or training
 - You can't discuss fraud without talking about internal control. Fraud occurs because of a breakdown in internal controls or not adhering to the controls in place

The Green Book Internal Control

- The Green Book framework emphasizes five components of internal control and 17 principles that must be present in an effective system of internal control
- The seventeen principles are listed under the five components of internal control
 - Available at: <http://www.gao.gov/assets/670/665712.pdf>

The Green Book

5 Components of Internal Control



COSO PYRAMID



COSO CUBE

The Green Book

5 Components of Internal Control, cont.

1. Control Environment

- The foundation for effective internal control, providing discipline and structure
- Sets the tone of an organization influencing the control consciousness of its people

2. Risk Assessment

- Assesses the risks facing the entity as it seeks to achieve its objectives – know your risks – “cash”

The Green Book

5 Components of Internal Control, cont.

Questions to ask when considering risk:

- What could go wrong and prevent us from achieving our goals?
- What could keep us from meeting an objective(s)?
- What could impact our reputation?
- What types/kinds of frauds could occur?
- What significant changes are in the works?
Internal? External?

The Green Book

5 Components of Internal Control, cont.

3. Control Activities

- The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system
- The policies and procedures and the things we do to ensure we prevent or detect such as verification, reconciliation, review, authorization, and training
- Examples of control activities:
 - Top level review of activities
 - Controls over information processing
 - Physical control over vulnerable assets – review inventory
 - Establishment and review of performance measures and indicators
 - Segregation of duties

The Green Book

5 Components of Internal Control, cont.

- Examples control activities, cont.:
 - Proper execution of transactions
 - Accurately and timely recording of transactions
 - Access restrictions to and accountability for resources and records
 - Appropriate documentation of transactions and internal control

4. Information and Communication

- The quality information management and personnel communicate and use to support the internal control system. Information should be complete, accurate, and valid
“Train your staff”

The Green Book

5 Components of Internal Control, cont.

5. Monitoring

- Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audit and other reviews
- Monitoring Activities:
 - Establishment of a baseline
 - IC system monitoring
 - Reporting of issues
 - Evaluation of issues & results
 - Corrective actions
 - Internal audits – “review what you are doing”

The Green Book

5 Components of Internal Control, cont.

- Examples of what do you monitor, review, verify:
 - Purchases are being made according to district policy?
 - Activity funds are being handled correctly?
 - Payroll is correct?
 - Bank reconciliation is completed monthly and is balanced?
 - Cash account is correct?

Finding on Segregation of Duties:

- Not necessarily a finding for small districts
- Implement Compensating Controls
 - Have someone monitor, review, verify the work.
 - Write the controls

The Green Book

5 Components of Internal Control, cont.

Remember: Internal controls will only work if you actually use them and use them correctly. They must be in place and functioning!

- A top repeat audit finding
- Audit will be looking for documentation that the Standards for Internal Control have been implemented
- Districts should have procedures for internal controls and it is important these are documented, and tested
- Controls are activities that monitor, review, verify
 - Do not confuse Controls with Processes
 - Processes are how you do something
 - Controls are how you monitor, review, and verify the process was done

Rules Governing Ethical Guidelines and Prohibitions for Educational Administrators, Employees, Board Members and other Parties (March 2016)

Generally, A.C.A. § 6-24-101 *et seq.*

- Board members may contract with the District only when there are unusual and limited circumstances and the local school board approves it. If the contract is worth at least \$10,000 it must be approved by the Commissioner
- A District may hire a Board member's family member only when there are unusual and limited circumstances and the local school board approves it. If the contract is worth more than \$5,000 it must be approved by the Commissioner
- A District may promote or give a raise to a Board member's family member if the school board approves it. If the contract increases compensation by more than \$2,500 it must be approved by the Commissioner

Rules Governing Ethical Guidelines and Prohibitions for Educational Administrators, Employees, Board Members and other Parties (March 2016), cont.

- An administrator may not contract with the district
- The district may not enter into a contract if an administrator has an interest in the contract
- Any administrator may contract with a public educational entity other than the one employing him/her if the local school board approves it and there are unusual and limited circumstances. Regardless of the dollar amount, the contract must be approved by the Commissioner
- The district may contract with an administrator's family member if there are unusual and limited circumstances and the local school board approves it. Regardless of the dollar amount, the contract must be approved by the Commissioner

Rules Governing Ethical Guidelines and Prohibitions for Educational Administrators, Employees, Board Members and other Parties (March 2016), cont.

- If the district wishes to hire an administrator's family member to be employed as a disbursing officer of the district, the contract must be forwarded to the Commissioner for approval. Before issuing the approval or denial, the Commissioner must request Arkansas Legislative Audit to review the internal controls present
- The district may contract with a former administrator if the administrator has been separated from the district for at least one year

Rules Governing Ethical Guidelines and Prohibitions for Educational Administrators, Employees, Board Members and other Parties (March 2016), cont.

- A district may contract with an employee if the local school board approves and there are unusual and unlimited circumstances. If the contract is worth at least \$10,000 it must be approved by the Commissioner
- A district may contract with the spouse or relative of an employee without Commissioner approval
- There are no prohibitions on hiring employees' family members as employees

Ethical Guidelines Definitions

A.C.A. § 6-24-102

(8) "Directly" or "directly interested" means receiving compensation or other benefits personally or to an individual's household from the person, business, or entity contracting with the public educational entity;

(12) "Family" or "family members" means:

(A) An individual's spouse;

(B) Children of the individual or children of the individual's spouse;

(C) The spouse of a child of the individual or the spouse of a child of the individual's spouse;

(D) Parents of the individual or parents of the individual's spouse;

Ethical Guidelines Definitions, A.C.A. § 6-24-102, cont.

(12) "Family" or "family members" means:

(E) Brothers and sisters of the individual or brothers and sisters of the individual's spouse;

(F) Anyone living or residing in the same residence or household with the individual or in the same residence or household with the individual's spouse; or

(G) Anyone acting or serving as an agent of the individual or as an agent of the individual's spouse;

Ethical Guidelines

Best Practices

- Annually, have all board members, administrators, and employees read and sign disclosure forms
 - They should list both conflicts and potential conflicts.
 - See Form A, Notification Letter
 - See Form B, Contract Disclosure Form
 - Keep these forms in the district audit file
- Have a formal action to approve the Board Resolution
 - See Form C, Resolution
- The threshold for Commissioner approval is \$10,000 in most cases.
 - Every contract involving an administrator conflict must be approved by the Commissioner, regardless of amount.
 - If a district is seeking to hire a board member's family member, Commissioner approval is required if the contract is worth more than \$5,000. If the district wishes to promote (or give a raise to) a board member's family member, Commissioner approval is needed if it results in an increase greater than \$2,500.

Ethical Guidelines

Best Practices, cont.

- Provide a cover letter with the request for Commissioner approval
 - Clearly explain the limited and unusual circumstances
 - E.g. Is there a limited number of local providers? Are services being offered at a discount?
 - Be specific and include as much information as possible
 - Write legibly please and make sure all forms are entirely filled out
 - Include a copy of the bid
 - Include a copy of the board policy
- Commissioner approval is for 2 years
 - Submit requests early in the fiscal year
 - Submit requests in batches to better manage the requests

Ethical Guidelines Examples

Robert Jones, a member of the local school board, owns Jones Auto Repair Shop. It is the only auto repair company in the school district's area. The district usually spends \$2,500 on auto repairs each year.

Can the school district contract with Jones Auto Repair?

1. Yes, as long as the local school board determines the contract is in the best interest of the district and the Commissioner approves the contract.
2. Yes, under unusual and limited circumstances and as long as the local school board determines the contract is in the best interest of the district.
3. No, because the a board member is prohibited from contracting with the school district that they serve.

Ethical Guidelines Examples

Robert Jones, a member of the local school board, owns Jones Auto Repair Shop. It is the only auto repair company in the school district's area. The district usually spends \$2,500 on auto repairs each year.

Can the school district contract with Jones Auto Repair?

2. Yes, under unusual and limited circumstances and as long as the local school board determines the contract is in the best interest of the district.

Ethical Guidelines Examples

Jones Auto Repair

A.C.A. §6-24-105(a) Except as otherwise provided, it is a breach of the ethical standards for a board member to contract with the educational entity the member serves if the board member has knowledge that he or she is directly or indirectly interested in the contract.

("Directly Interested" means receiving compensation or other benefits personally or to an individual's household from the person, business, or entity contracting with the public educational entity)

(c) Exceptions (1)Board Approval. (A)(i)In unusual and limited circumstances, a public educational entity's board may approve a contract, but not an employment contract, between the public educational entity and the board member or the member's family if the board determines that the contract is in the best interest of the public educational entity.

(2)Independent Approval. (A)(i)If it appears the total transactions or contracts with the board member or a family member for a fiscal year total, or will total, ten thousand dollars (\$10,000) or more, the superintendent or other chief administrator of the public educational entity shall forward the written resolution along with all relevant data to the commissioner for independent review and approval.

Ethical Guidelines Examples

Robert Jones' daughter just graduated from college. The school district is looking to hire a high school technology coordinator for \$35,000. The daughter meets all job qualifications, as do two other candidates.

Can the district hire the daughter as the high school technology Coordinator?

1. Yes, with local board approval.
2. Yes, if the local board determines the situation presents unusual and limited circumstances, the local board may hire her.
3. Yes, if the local board reviews and approves based on unusual and limited circumstances and sends to the Commissioner to determine if the situation presents unusual and limited circumstances and approves the employment contract.

Ethical Guidelines Examples

Robert Jones' daughter just graduated from college. The school district is looking to hire a high school technology coordinator for \$35,000. The daughter meets all job qualifications, as do two other candidates.

Can the district hire the daughter as the high school technology coordinator?

3. Yes, if the local board reviews and approves based on unusual and limited circumstances and sends to the Commissioner to determine if the situation presents unusual and limited circumstances and approves the employment contract.

A.C.A. §6-24-105 (b) Employment of Family Members (1)(A)(i) A board member's family may not be initially employed by the public educational entity the member serves during the member's tenure of service on the local board for compensation in excess of \$5,000 unless the Commissioner issues a letter of exemption and approved the employment contract based on unusual and limited circumstances.

(ii)The determination of unusual and limited circumstances shall be at the sole discretion of the commissioner and may be further defined by rule of the State Board of Education.

Ethical Guidelines Examples

Three years later, Robert Jones is still on the board. His daughter's students just won a regional technology award.

Can the district promote the daughter to a newly created position of district-wide technology coordinator for an increase in salary of \$8,000 per year?

1. Yes, the Superintendent can approve the promotion.
2. Yes, with local board approval and prior approval from the Commissioner.

Ethical Guidelines Examples

Three years later, Robert Jones is still on the board. His daughter's students just won a regional technology award.

Can the district promote the daughter to a newly created position of district-wide technology coordinator for an increase in salary of \$8,000 per year?

2. Yes, with local board approval and prior approval from the Commissioner.

A.C.A. §6-24-105(b)(2)(B) Excluding any renewal of a contract under A.C.A. §6-17-1506 any change in the terms or conditions of an employment contract, a promotion, or a change in employment status for a family member of a school district board member employed by a public educational entity that will result in an increase in compensation of more than two thousand five hundred dollars (\$2,500) must be approved in writing by the commissioner before any change in the terms or conditions of the employment contract or promotion or changes in employment status are effective, valid, or enforceable.

Ethical Guidelines Examples

River Valley Archery Range is the only archery range within 100 miles of School District 1. The Assistant Superintendent for Facilities at School District 1 and his wife own River Valley Archery Range. The school district wants to contract with River Valley Archery Range for a total of \$1,750 per year.

Can School District 1 contract with River Valley Archery Range?

1. Yes, as long as the local school board and Commissioner approve the contract.
2. Yes, with only local board approval because the contact is less than \$10,000
3. No, because the Assistant Superintendent is prohibited from contracting with the school district that employs him and there are no exceptions.

Ethical Guidelines Examples

River Valley Archery Range is the only archery range within 100 miles of School District 1. The Assistant Superintendent for Facilities at School District 1 and his wife own River Valley Archery Range. The school district wants to contract with River Valley Archery Range for a total of \$1,750 per year.

Can School District 1 contract with River Valley Archery Range?

3. No, because the Assistant Superintendent is prohibited from contracting with the school district that employs him and there are no exceptions.

A.C.A. §6-24-106Administrators(a)General Prohibition(1)Except as otherwise provided, it is a breach of the ethical standards of this chapter for an administrator to contract with the public educational entity employing him or her if the administrator has knowledge that he or she is directly or indirectly interested in the contract.

Ethical Guidelines Examples

Sunshine Screen Printing Company

A fifth grade teacher's husband owns Sunshine Screen Printing Company. The district that employs her is going to purchase \$12,000 worth of t-shirts for all students with a perfect attendance record.

Can the district contract with Sunshine Screen Printing Company if the teacher does not have a direct interest?

1. Yes, because she does not have a Direct Interest in the company.
2. No, because there are other screen printing companies in town so this would not be usual and limited circumstances.
3. Yes, if the local board determines there are limited and unusual circumstances and that it is in the best interest of the district to do business with the company and the Commissioner approves the local board action.

Ethical Guidelines Examples

Sunshine Screen Printing Company

Can the district contract with Sunshine Screen Printing Company?

1. Yes, because she does not have a direct interest in the company.

A.C.A. §6-24-107. Employees. (a) General Provision. Except as otherwise provided, it is a breach of the ethical standards of this chapter for an employee to contract with the public educational entity employing him or her if the employee has knowledge that he or she is directly interested in the contract. (b) Exceptions.

(1) Approval by Board. (A) In unusual and limited circumstances, a public educational entity's board may approve a contract between the public educational entity and an employee if the board determines that the contract is in the best interest of the public educational entity. (2) Independent Approval. (A) (i) If it appears that the total transactions with an employee for a fiscal year total, or will total, ten thousand dollars (\$10,000) or more, the superintendent or other chief administrator of the public educational entity shall forward the written resolution along with all relevant data to the Commissioner of Education for independent review and approval.

Registration of Short Term Debt

A.C.A. § 6-20-402

- Postdated warrants, lease-purchase agreements, and installment contracts must be registered with the district treasurer and ADE on forms provided or approved by ADE
- If a district pre-pays a registered short-term debt or deviates from the registered amortization schedule on file with the ADE, the district should notify the ADE in writing or by email, of the early pay-off or provide the revised amortization schedule
- For registration forms and instructions, please contact Amy Woody at 501.682.4465 or Amy.Woody@Arkansas.gov

State Revolving Loan Program

A.C.A. § 6-20-801 et. seq.

- The Revolving Loan Program, administered by ADE, provides a borrowing alternative for districts/education service cooperatives
- Broad range of eligible purposes including purchase of site, school bus, equipment; renovation and new construction of facilities
- School districts may borrow maximum of \$500,000; education service cooperatives up to ½ of annual grant (\$204,309 for FY19)
- Current interest rate is 4.95%, maximum term 10 years with semi-annual payments
- Loan approvals through State Board of Education (every other month beginning with February SBE meeting)
- For applications, timelines, instructions, please contact Amy Woody at 501.682.4465 or Amy.Woody@Arkansas.gov

Notification of Current Indebtedness

A.C.A. § 6-20-402

- Upon incurring current indebtedness, the school district shall notify the ADE of the indebtedness, on forms provided by the department, showing the:
 - Payee and any assignee;
 - School district;
 - Purpose of the indebtedness;
 - Amount borrowed and interest rate of indebtedness; and
 - Amortization schedule showing installment, if applicable
- For notification forms and instructions, please contact Cynthia Smith at 501.683.5288 or cynthia.smith@arkansas.gov
- Fiscal Services and Support will post form on ADE website

School District Current Indebtedness

Notification Form

Pursuant to Arkansas Code Annotated § 6-20-402 (d)

NOTE: Current indebtedness is not registered with or tracked by the Loans and Bonds Unit of the ADE

Date:

School District Name:

LEA Number:

Superintendent Name and Email Address:

Business Manager Name:

Business Manager Email Address:

Business Manager Phone Number:

Is the school district identified or classified in fiscal distress, in academic or facilities districts, in early in intervention, or does the school district have prior-year 3-quarter ADM below 350?

Please provide the following information regarding the current indebtedness:

Purpose

Name and address of lender

Amount of debt (original and outstanding)

Interest rate

Payment due date and payment amount

Maturity date

Source of funds for repayment

Additional information (is this a line of credit, is there a balloon payment, has a payment already been made, etc.?)

Please provide copies of these:

1. Copy of executed correct indebtedness contract
2. Amortization schedule, if applicable
3. Authorization to withhold state aid, if applicable
4. Additional documents, as needed

Superintendent Signature **Date** **School Board President Signature** **Date**

Email scanned copies of related forms and supporting documents (i.e. amortization schedule, authorization to withhold state aid, executed contract) to:

Cynthia (Cindy) Smith, Coordinator, Fiscal Services and Support

Cynthia.smith@arkansas.gov

For additional information, refer to Arkansas Code Annotated § 6-20-402 and Act 741 of 2017, Section 4 (attached).

If you have any questions, please contact the Fiscal Services and Support office at 501-683-5288

APSCN Financial Cycle Reporting Most Common Errors

- Bank Reconciliation Build Error
 - Enter Bank Reconciliation in cycle prior to Build
 - Cycles 1 thru 9
- Job Assignment
 - Assignment code required for all employees with no student count in eSchool
 - Beginning teachers must have zero years experience

APSCN Financial Cycle Reporting Most Common Errors, cont.

- Experience Category Status
 - 0-Classified Staff
 - 1-Beginning Teacher
 - 2-Transfer from Another School District
 - 3-Did not teach here last Year
 - 4-Taught in this District Last Year
 - Cycles 1, 2, 6, 8, & 9
- State Reporting ID is blank
 - State ID numbers load every day from Triand after 4pm for all employees not in group S or X
 - Cycles 1 thru 9

APSCN Financial Cycle Reporting Most Common Errors, cont.

- Employee Health Insurance
 - District Match in District Table
 - Update only in Cycles 1 and 9
- Salary Schedules/Range/Step
 - Salary schedule on employees not in X or S Pay Group.
 - Cycle 1
- Build Salaries and FTE (formerly Page 3637) prior to June 30
 - If build is done after June 30 and the budget unit on the pay rates has changed from the previous reporting year, the program cannot calculate FTE
 - Cycle 8

APSCN Financial Cycle Reporting Most Common Errors, cont.

- Error Message: Total Salary Fund Mismatch from Page 3637
 - Salary on 3637 is not equal to ledger expenditures for 61000-61999
 - Example Fund1 Expenditures \$92,287,209.94, Salary \$92,287,209.30
 - Cause could be JE to salary after submission on Cycle 8
 - Cycle 9

APSCN Financial Cycle Reporting Most Common Errors, cont.

- Act 61 Tier II
 - List Tier II Trainer(s) who had Tier I training and trained district employees
 - Date Tier II trainer attended Tier I training
 - Answer question Y or N: Is list of employees who attended Tier II Training maintained in district office?
 - If the Tier II Trainer is NOT an employee of the district SSN is NOT required
 - Leave blank in the cycle table, it will not give an error
 - Cycle 7

APSCN Financial Reporting Bank Reconciliation Report, cont.

Cycle Bank Reconciliation report(s)

- See page 44 of the Statewide Information System (SIS) Handbook 2018-2019

Bank Statement Balance – *This entered amount is the ending cash balance according to the bank statement being reconciled.*

<u>Cycle</u>	<u>Cycle Deadline</u>	<u>Accounting Period</u>	<u>Month End of Accounting Period</u>
Cycle 1	Sept 30	Period 1	July 31
Cycle 2	Oct 15	Period 2	August 31
Cycle 3	Nov 15	Period 3	September 30
Cycle 4	Dec 15	Period 4	October 31
Cycle 5	Feb 15	Period 5	November 30
Cycle 5	Feb 15	Period 6	December 31
Cycle 6	Apr 15	Period 7	January 31
Cycle 6	Apr 15	Period 8	February 28
Cycle 7	June 15	Period 9	March 31
Cycle 7	June 15	Period 10	April 30
Cycle 8	July 31	Period 11	May 31
Cycle 9	Aug 31	Period 12	June 30

“All Districts, Charters and Education Service Cooperatives are to submit bank reconciliations for every cycle.”

APSCN Financial Reporting Bank Reconciliation Report, cont.

Information included in the Bank Reconciliation report

- See page 44 of the Statewide Information System (SIS) Handbook 2018-2019.

Deposits In Transit – <i>This entered amount is the money which is in transit to the bank since the closing date of the bank statement</i>
Outstanding Checks – <i>This pulled amount from database is the total amount of checks that have not been presented to the bank for payment.</i>
Adjusted Bank Balance – <i>The bank balance calculated from the bank statement (BC0040) plus the deposits in transit (BC0050) less the outstanding checks (BC0060).</i>
Computer Cash Balance – <i>The general ledger cash accounts total (cash account range: 01010 – 01029, 01070 – 01079).</i>
Bank Account Variance – <i>The difference between the adjusted bank balance (BC0070) less the computer cash balance (BC0080).</i>
Reconciled By – <i>Staff employee who reconciled bank statement.</i>
Date Reconciled – <i>Date staff employee reconciled bank statement.</i>
Date Reviewed By Superintendent – <i>Date superintendent reviewed reconciled bank statement.</i>



APSCN Financial Reporting Bank Reconciliation Report, cont.

The district's Bank Reconciliation Report is published each month to the ASPCN website:

- APSCN.org>Reports>Cycle Reports>Bank Reconciliations

FY	CYCLE	PERIOD	LEA	DISTRICT	Bank Statement	Deposits in Transit	Outstanding Checks	Adjusted Bank Balance	Computer Cash Balance	Bank Account Variance
18	6	7		SCHOOL DISTRICT 1	5,136,638.31	0.00	55,456.96	5,081,181.35	5,081,181.35	0.00
18	6	7		SCHOOL DISTRICT 2	5,846,447.59	536.50	119,403.86	5,727,580.23	5,727,580.23	0.00
18	6	7		SCHOOL DISTRICT 3	6,360,223.08	0.00	257,281.79	6,102,941.29	6,102,941.29	0.00
18	6	7		SCHOOL DISTRICT 4	3,642,362.01	4,830.04	165,443.30	3,481,748.75	3,481,792.75	(44.00)
18	6	7		SCHOOL DISTRICT 5	35,887,485.30	0.00	1,383,913.76	34,503,571.54	34,505,591.36	(2,019.82)
18	6	7		SCHOOL DISTRICT 6	4,757,032.18	0.00	265,716.45	4,491,315.73	4,491,314.93	0.80
18	6	7		SCHOOL DISTRICT 7	5,747,380.51	579.25	9,718.92	5,738,240.84	5,738,404.09	(163.25)
18	6	7		SCHOOL DISTRICT 8	73,517,432.70	0.00	571,447.39	72,945,985.31	72,945,985.31	0.00
18	6	7		SCHOOL DISTRICT 9	303,644.89	0.00	91,565.49	212,079.40	132,377.74	79,701.66
18	6	7		SCHOOL DISTRICT 10	4,325,243.24	0.00	1,329,042.00	2,996,201.24	2,996,201.24	0.00
18	6	7		SCHOOL DISTRICT 11	1,585,793.78	0.00	66,830.39	1,518,963.39	1,472,006.12	46,957.27

APSCN Financial Reporting Bank Reconciliation Report, cont.

Beginning in Cycle 1 of FY19, the Bank Reconciliation form will include the following verification:

LEA: 0000000 COUNTY: ARKANSAS DISTRICT: SCHOOL DISTRICT SCHOOL:	BANK RECONCILIATION SCHOOL YEAR: 2018 - 2019	PAGE: 1 RPT503 - SIS CERTIFIED CYCLE: 1 RUN: 5/30/2017 2:54:21 PM
Finance Period: 1		
1.	BANK STATEMENT BALANCE	\$3,777,752.61
2.	PLUS DEPOSITS IN TRANSIT	\$00.00
3.	LESS OUTSTANDING BALANCE	\$239,564.56
4.	ADJUSTED BANK BALANCE	\$3,538,188.05
5.	LESS COMPUTER CASH BALANCE	\$3,538,188.05
6.	VARIANCE (Should be 0.00)	\$0.00
THIS CYCLE BANK RECONCILIATION REPORT HAS BEEN REVIEWED AND VERIFIED BY:		
Reconciled by Printed Name	"Reconciled by" Signature	Date of Signature
Superintendent Printed Name	Superintendent Signature	Date of Signature
Variance Explanation		
Deposits in Transit Explanation (List eFinance Receipt Numbers)		

APSCN Financial Reporting Bank Reconciliation Report, cont.

All cycle certifications, including bank reconciliations, will be scanned and emailed to:

- apscn.SIScertifications@Arkansas.gov

APSCN Financial Reporting Bank Variance Report

The district's Bank Variance data is published each month to the ASPCN website:

- APSCN.org>Reports>Cycle Reports>Cycle Bank Rec Variance

FY	CYCLE	PERIOD	LEA	DISTRICT	Bank Statement	Deposits in Transit	Outstanding Checks	Adjusted Bank Balance	Computer Cash Balance	Bank Account Variance
18	6	7		SCHOOL DISTRICT 1	5,136,638.31	0.00	55,456.96	5,081,181.35	5,081,181.35	0.00
18	6	7		SCHOOL DISTRICT 2	5,846,447.59	536.50	119,403.86	5,727,580.23	5,727,580.23	0.00
18	6	7		SCHOOL DISTRICT 3	6,360,223.08	0.00	257,281.79	6,102,941.29	6,102,941.29	0.00
18	6	7		SCHOOL DISTRICT 4	3,642,362.01	4,830.04	165,443.30	3,481,748.75	3,481,792.75	(44.00)
18	6	7		SCHOOL DISTRICT 5	35,887,485.30	0.00	1,383,913.76	34,503,571.54	34,505,591.36	(2,019.82)
18	6	7		SCHOOL DISTRICT 6	4,757,032.18	0.00	265,716.45	4,491,315.73	4,491,314.93	0.80
18	6	7		SCHOOL DISTRICT 7	5,747,380.51	579.25	9,718.92	5,738,240.84	5,738,404.09	(163.25)
18	6	7		SCHOOL DISTRICT 8	73,517,432.70	0.00	571,447.39	72,945,985.31	72,945,985.31	0.00
18	6	7		SCHOOL DISTRICT 9	303,644.89	0.00	91,565.49	212,079.40	132,377.74	79,701.66
18	6	7		SCHOOL DISTRICT 10	4,325,243.24	0.00	1,329,042.00	2,996,201.24	2,996,201.24	0.00
18	6	7		SCHOOL DISTRICT 11	1,585,793.78	0.00	66,830.39	1,518,963.39	1,472,006.12	46,957.27

APSCN Financial Reporting

Cycle Bank Rec Variance Report

FY 16-17

Arkansas Department of Education														
Arkansas Public School Computer Network														
235 Districts, 15 Coops, and 24 Open Enrollment Charters for a total of 274 records.														
Bank Reconciliation, July 2016 - June 2017 Variance Report														
FY	LEA	District	Account Var Period 1	AUG Bank Account Var Period 2	SEP Bank Account Var Period 3	OCT Bank Account Var Period 4	NOV Bank Account Var Period 5	DEC Bank Account Var Period 6	JAN Bank Account Var Period 7	FEB Bank Account Var Period 8	MAR Bank Account Var Period 9	APR Bank Account Var Period 10	MAY Bank Account Var Period 11	JUN Bank Account Var Period 12
17		DISTRICT NAME	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
17		DISTRICT NAME	(966.26)	(2,680.00)	(3,118.34)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
17		DISTRICT NAME	0.00	(20.00)	(20.00)	(20.00)	(20.00)	0.00	134,355.17	0.00	0.00	0.00	1.60	54,540.86
17		DISTRICT NAME	0.00	0.00	0.00	(27.72)	46.98	0.00	0.00	(0.63)	0.00	0.00	0.00	(254.60)
17		DISTRICT NAME	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
17		DISTRICT NAME	0.18	0.00	(93.07)	10.00	0.00	0.00	0.00	(108.17)	990.60	0.72	(330.00)	39,682.06
17		DISTRICT NAME	0.00	0.00	0.00	0.00	(46.15)	0.00	0.00	(3,116.09)	(8,741.90)	0.00	0.00	0.00
17		DISTRICT NAME	470,401.14	(963.80)	(333,333.00)	(1,042,620.15)	(906,602.48)	(212,569.23)	(1,015,555.47)	(610,416.16)	0.00	0.00	(190,975.32)	4,991,166.50
17		DISTRICT NAME	0.00	0.00	0.00	0.00	0.00	0.00	(120.00)	274.20	0.00	0.00	14,091.30	0.01
17		DISTRICT NAME	40,098.90	40,098.90	40,098.90	0.00	0.00	(1,432.26)	0.00	0.00	0.00	0.00	0.00	0.00
17		DISTRICT NAME	710,594.55	24,581.87	9,544.64	9,530.99	161,874.55	(6,405.09)	(6,985.35)	(7,088.92)	0.00	23.29	(957.49)	(151.46)
17		DISTRICT NAME	(341,709.23)	(2,958.96)	109,744.10	(530.66)	(755.30)	0.05	0.05	(69.26)	0.00	0.00	(847.32)	(38,940.53)
17		DISTRICT NAME	0.00	(3,705.24)	(2,574.83)	(1,574.83)	(574.85)	(1,263.50)	(263.50)	(10.12)	0.00	380.15	0.00	0.00
17		DISTRICT NAME	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
17		DISTRICT NAME	(68,004.92)	71,584.86	(300.00)	(300.00)	(300.00)	(300.00)	(553.55)	(300.00)	(300.00)	(300.00)	(100.00)	96,804.11
17		DISTRICT NAME	40,211.32	0.00	(149,207.86)	0.00	0.00	(57,044.89)	0.00	(1,523.05)	0.00	(3,354.82)	0.00	118,920.30
17		DISTRICT NAME	0.00	(60,740.80)	0.00	245.59	75.59	(19,871.00)	(1,424.68)	(1,427.52)	0.00	0.00	0.00	10,840.73
17		DISTRICT NAME	0.00	0.00	0.00	0.00	0.00	0.00	72,752.18	(596,912.33)	(1,306,283.81)	912,488.74	989,921.12	(382,886.77)

APSCN Financial Reporting Certification of Accuracy of Database Security Administration

- The APSCN Security Audit requires ASPCN verification of all district security users
- Audit requires verification of payroll records for all users in eFinance Security for validation of current employment
- Employee Number and Email address are required in security screen fields for Arkansas Security Audit
- Districts must provide documentation for non payroll eFinance security users in the form of a copy of contract or email to validate users other than State users
 - A copy of an annual contract or quarterly statement is acceptable documentation

APSCN Financial Reporting Certification of Accuracy of Database Security Administration, cont.

- Certification of Accuracy of Database Security Administration form will be part of Cycle 1 submission
- District should complete the form, scan it, and email it to: apscn.SIScertifications@Arkansas.gov

APSCN Financial Reporting Vendor Name Changes

Changing Vendor Names in existing vendor records is an audit red flag for potential fraud. Be mindful of necessary changes.

- Please follow these guidelines :
 - Never change a vendor name from a company name to an individual name
 - Do not blank out or *** or *** DO NOT USE *** in a vendor name
 - Inactivate the vendor in eFinance
 - Minor changes to correct spelling errors are acceptable
 - If you are changing the complete name, inactivate the vendor and set up a new vendor

APSCN Financial Reporting Vendor Name Changes, cont.

- Never delete a vendor
- Train all users who have access to vendor records, OR update security resources so that only one user can change vendor records and verify that user knows the best practice for any and all vendor records

Arkansas Public School Procurement Bidding

A.C.A. § 6-21-301 *et seq.*

- The board of directors of each school district shall prescribe the method of soliciting bids and may adopt other rules governing the procurement of commodities.
 - May allow bidding for multiple years (copiers, maintenance, custodial, banking, etc.)
 - May include procedure for review, renewal, and terminating a contract
 - May include a clause that allows termination if a future school board fails to budget funds for the contract

State Bidding

A.C.A. § 6-21-301 et seq., cont.

- The bid threshold for purchase of commodities in A.C.A. § 6-21-304 is \$20,000
- Annually on July 1, the Commissioner of Education shall adjust the purchase price amounts by the percentage change in the Consumer Price Index
- Effective July 1, 2018, the threshold is adjusted to \$20,500, a change of 2.5%, per Act 1124 of 2017. See Commissioner's Memo FIN-18-047
- Commodities means all supplies, goods, material, equipment, machinery, facilities, personal property, and services, other than personal and professional services purchased for or on behalf of the school district
- Commodities shall be procured by soliciting bids, provided the purchasing official may reject all bids and may purchase the commodity by negotiating a contract

State Bidding

A.C.A. § 6-21-301 et seq., cont.

- Open Market purchases may be made when the price is less than \$20,500
- Do not parcel or split any item or items with the intent or purpose to enable the purchase to be made under a less restrictive procedure
- Do not impose specifications that unreasonably restrict Competition
- Notify in writing all prospective bidders who have asked to be notified of bids
- Provide adequate time for a response
- Include a response form [see A.C.A. §6-21-304(a)(4)(A)]

State Bidding

A.C.A. § 6-21-301 *et seq.*, cont.

- Exemptions from Bidding requirements
 - In an instance of unforeseen and unavoidable emergency
 - Attach a statement to the purchase order describing the emergency
- Commodities available only from the federal government
- Utility services, the rates for which are subject to regulation by a state agency or a federal regulatory agency

State Bidding

A.C.A. § 6-21-301 *et seq.*, cont.

- Commodities available only from a single source
 - However, the purchasing official must determine in writing that it is not practicable to use other than the required or designated commodity or service, and a copy of this statement shall be attached to the purchase order.
 - Statement should explain why the commodity is needed, how it was determined there was no competition for the purchase, why the service or product is unique, what the district would do if the product was no longer available, and any other pertinent considerations.

State Bidding

A.C.A. § 6-21-301 *et seq.*, cont.

Act 442 of 2017 amended A.C.A. § 6-21-307

- School districts may purchase a new motor vehicle from a motor vehicle dealer licensed under the Arkansas Motor Vehicle Commission if the purchase price does not exceed the fleet price awarded by the Office of State Procurement and in effect at the time the school district submits the purchase order for the same make and model motor vehicle.

Arkansas Procurement Law

Small Procurement

A.C.A. § 19-11-201 et seq.

- With school purchasing threshold changing, if school policy is to follow “state procurement” law you might consider amending policy to state, “the school will follow state procurement procedures **except** where they conflict with Title 6”
- “Small Procurement” means a procurement not exceeding a purchase price of \$20,000
 - Small procurements may be procured without seeking competitive bids
- A.C.A. § 19-11-203 defines Commodities as: all property, including, but not limited to, equipment, printing, stationery, supplies, and insurance, but excluding leases on real property, real property, or a permanent interest in real property, exempt commodities and services, and capital improvements

Arkansas Procurement Law Contracts

A.C.A. §§ 19-11-229 and 19-11-234

- Contracts exceeding an estimated purchase price of \$75,000 shall be awarded by competitive bidding
- Contracts in which the purchase price exceeds \$20,000 and is less than or equal to \$75,000 may be awarded by use of competitive bidding

Arkansas Procurement Law

Contracts, cont.

- A.C.A. § 19-11-203 defines Contracts as all types of state agreements, regardless of what they may be called, for the purchase of commodities and services and for the disposal of surplus commodities and services not otherwise exempt; awards and notices of award, contracts of a fixed-price, cost, cost-plus-a-fixed-fee, or incentive type, contracts providing for the issuance of job or task orders, leases, letter contracts, and purchase orders

Public School Procurement Cooperative Purchasing A.C.A. § 19-11-249

- Public schools are allowed to purchase off the statewide contracts:
 - Utilizing state purchasing is a way for school districts, charters, and ESCs to ensure the cost is fair and reasonable.
 - Office of State Procurement (OSP) manages the statewide contracts
 - They operate under different laws and rules than school districts
 - Can provide assistance in purchasing off the listed contacts
 - State contracts list:
<https://www.dfa.arkansas.gov/procurement/state-contracts/>

Public School Procurement Cooperative Purchasing A.C.A. § 19-11-249

- Benefits include convenience, volume purchase advantages, reduces administrative costs and time
- New school buses are included in the OSP contacts
- An Arkansas governmental entity may utilize a purchasing agreement established by another governmental entity or established cooperative that has issued, reviewed, and awarded a contract to a supplier where all the procurement laws of Arkansas were followed
 - Examples:
 - The Interlocal Purchasing System (TIPS)
 - Texas - Arkansas Purchasing System (TAPS)

Public School Procurement

Procurement of Professional Services

A.C.A. § 19-11-801

- Competitive bidding shall not be used for the procurement of legal, financial advisory, architectural, engineering, construction management, and land surveying professional consultant services
- A public school may elect to not use competitive bidding for other professional services with a two-thirds (2/3) vote of the board
- Construction management means a project delivery method based on an agreement in which a public school acquires a series of services that include, but are not limited to, design review, scheduling, cost control, value engineering, constructability evaluation, preparation and coordination of bid packages, and construction administration

Public School Procurement Construction, Maintenance, and Capital Improvement Projects A.C.A. § 22-9-202

- For projects with an estimated cost of \$35,000 or more, the laws of the state of Arkansas contain specific requirements including advertising, sealed bids, timelines for awarding bids, bid bond, performance bonds, contractor licenses, and engineer and architect licenses

Public School Procurement Purchase of Used School Buses A.C.A. § 6-21-306

- The purchase of used school buses is not subject to competitive bidding:
 - A school bus is considered “used” two years after the date of issuance of the manufacturer’s certificate of origin

Public School Procurement Sales and Use Tax

- Districts are only exempt from paying taxes on items that are exempted by law
- District pays use tax on items purchased from out of state vendor that does not charge tax on the invoice
- Districts pay use tax for any transaction for which it was invoiced

Sales Tax Exemptions

- School buses sold to Arkansas school districts (A.C.A. §26-52-410)
- Motor vehicles sold to Arkansas school districts (A.C.A. §26-52-410)
- Food, food ingredients, or prepared food sold in a school cafeteria or lunch room operated primarily for pupils and teaches (A.C.A. §26-52-401)
- Gasoline and diesel fuel purchased by a school district
- Sales of tickets for admission to athletic events and interscholastic activities at public and private schools (A.C.A. §26-52-412)
- Sales of sheet music, handheld calculators, electronic software, maps, globes, art supplies, manipulatives, and charts for classroom use (A.C.A. §26-52-437)
- Video tapes, DVDs, films, or cassettes used as part of a course of study (A.C.A. §26-52-437)
- Textbooks, library books, and other instructional materials are exempt if purchased by a school district (A.C.A. §26-52-437)

Sales Tax Non-Exempt

- Act 511 of 2013 removed “digital resources” from the definition of “instructional materials” in A.C.A. § 6-21-403
- It is the opinion of DFA that all computers, tablets, iPads, and similar items will be considered taxable purchases by a school district

Inventory Purchased with Federal Funds

2 CFR 200.313

- Use the equipment for the authorized purposes of the project until funding for the project ceases, or until the property is no longer needed for the purposes of the project.
- Use and dispose of the property in accordance with federal Guidance.
- A state must use, manage and dispose of equipment acquired under a Federal award in accordance with state laws and procedures.
- 2 CFR 200.313 is available at: https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=da2e9dbd99a5f777a6ef449371435d71&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1313

Public School Procurement Federal Guidelines

- Apply if item is being purchased with federal funds
- UGG sets audit requirement at \$750,000 cumulative expenditures from federal funds
- All federal expenditures must be allowable, reasonable, and essential to the success of the federal program

Federal Procurement Procedures (2 CFR 200.67 and .320)

- Micro-purchases must use cost comparison to ensure a reasonable and fair cost.
 - Under \$3,500
 - Not required to solicit competitive quotations
 - Requires distributing purchases among qualified suppliers to the extent practicable
 - See Commissioner's Memo COM-18-036
 - See 2 CFR 200.67 and 200.320
- Small purchases are simple and informal, securing services, or supplies
 - from \$3,501 - \$149,999 require price quotations from at least two qualified sources
 - Maintain documentation
 - See 2 CFR 200.320

Federal Procurement Procedures (2 CFR 200.317 – .326)

- Purchases of \$150,000 and greater require formal bidding procedures
 - Sealed Bids
 - Requires a complete description
 - Has to be two or more bids
 - Fixed price contract
 - Competitive proposal
 - Must be publicized
 - Solicited from adequate number of qualified sources.
 - LEA must have a written method technical evaluations and selecting recipients
 - Contract awarded to most advantageous for program
 - Single Source

Federal Procurement Procedures (2 CFR 200.317 – .326)

- Maintain records to document rationale for:
 - Method of Procurement
 - Selection of vendor/contract
 - Reason for selection and/or rejection
 - Basis for purchase price
- ADE recommends that LEAs follow state procurement procedures on bids and quotes

Federal Procurement Standards (2 CFR 200.318 – .326)

- 200.318 – General procurement standards
- 200.319 – Competition
- 200.320 – Methods of procurement to be followed
- 200.321 – Contracting with small and minority businesses, women’s business enterprises, and labor surplus area firms
- 200.322 – Procurement of recovered materials
- 200.323 – Contract cost and price
- 200.324 – Federal awarding agency or pass-through entity review
- 200.325 – Bonding requirements
- 200.326 – Contract provisions

Federal Procurement Standards Resources

- 2 CFR 200.67 Micro Purchases is available at: https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=da2e9dbd99a5f777a6ef449371435d71&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_167
- 2 CFR 200.67 Small Purchases is available at: https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=da2e9dbd99a5f777a6ef449371435d71&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_167
- 2 CFR 200.317 - 326 is available at: https://www.ecfr.gov/cgi-bin/retrieveECFR?gp&SID=da2e9dbd99a5f777a6ef449371435d71&mc=true&n=pt2.1.200&r=PART&ty=HTML&se2.1.200_167

Advisory Committee on Public School Academic Facilities Comprehensive Review required by A.C.A. § 6-21-113

By July 31, 2018, The Advisory Committee shall conduct a comprehensive review and provide a report to the Commission for Academic Facilities and Transportation, including an analysis of:

- Current and long-term viability of the Academic Facilities Partnership program.
- Efficacy of the academic facilities wealth index.
- Project ranking and prioritization process of the Academic Facilities Partnership program.

Advisory Committee on Public School Academic Facilities Comprehensive Review required by A.C.A. 6-21-113

- Academic Facilities Master Plan Program and Academic Facilities Partnership program funding cycles.
- Enrollment projections.
- Cost factors.
- Rules governing academic facilities program.
- Degree of public school district compliance with required statewide computerized maintenance management systems usage.
- Report currently being drafted.

Arkansas Teacher Retirement System

A.C.A. § 24-7-406

Adjustment to the Employee Contribution Rate

- Allows the ATRS Board to set the member contribution rate at no less than 6% and may increase the member contribution rate to maintain actuarial soundness.
- Board has set effective July 1, 2019, a rate of 6.25%.
- July 1, 2020 - the rate will increase a 1/4% to 6.5%.
- Limited to a maximum employee contribution rate of 7%.

Arkansas Teacher Retirement System

A.C.A. §§ 24-7-202 and 24-7-506

Surcharge for Embedded Employees

- A district that outsources a normal daily operational service may choose whether to make outsourced employees become members of ATRS or to pay a surcharge on the outsourced employees salaries.
- If the district chooses to pay a surcharge, the surcharge shall be:
 - Five-tenths of one percent during FY18.
 - One percent during FY19.
 - Two percent during FY20.
 - Three percent during FY21.
 - An amount not to exceed four percent thereafter.

Arkansas Teacher Retirement System

A.C.A. §§ 24-7-202 and 24-7-506

Surcharge for Embedded Employees

Coding examples for a district who pays the surcharge:

- ATRS Benefit on Cafeteria (Food Service) Contracted Salaries:
 - 8000–3120-000-000-00 62321
- ATRS Benefit on Maintenance & Operation Contracted Salaries:
 - 2000 or 2001–2600-000-000-00 62321

Arkansas Teacher Retirement System

A.C.A. §§ 24-7-702 and 24-7-401

Employer Contribution Rate per §24-7-401.

- The ATRS Board may modify the employer contribution rate by no more than .25% per fiscal year provided the System has a greater than 18 year amortization period to pay unfunded liabilities without a contribution rate of more than 14%.
- Board has set effective July 1, 2019, a rate of 14.25%.
- July 1, 2020 - the rate will increase a 1/4% to 14.5%.
- Limited to a maximum employer contribution rate of 15%.

**DON'T
FORGET TO**



Things to Remember - Checklist

- Board should review and approve 5% salary increases per §6-13-635.
 - Run report September, approve at October Board meeting.
- The State Board of Education may grant the same waivers to a school district as granted to an open enrollment charter school §6-15-103.
 - District is eligible to apply for waivers if a student who resides in the district attends an open enrollment charter school.
 - Additional Information available at:
 - Commissioners Memos LS-16-041, LS-15-074 and LS-15-080
 - <http://www.arkansased.gov/divisions/learning-services/district-waiver-requests>
- Contact Kelly McLaughlin at 501.683.5312.

Things to Remember – Checklist, cont.

- § 6-20-2503 – expenditure restriction was removed on refunding savings by allowing savings realized from the refunding of bonds issued and outstanding as of January 1, 2005 to be expended by school districts for any legitimate school or school district purpose.
- § 6-18-210 – Act 867 of 2017 Repealed the requirement for students in grades 9-12 to attend a full day of school and they are not required to attend a minimum of 350 minutes of planned instruction time each day as a requirement for graduation.
- § 6-10-126 - A superintendent may delay the start time or release early a school or schools in the school district due to the following emergency circumstances: inclement weather, contagious disease outbreak, or utility outage.

Things to Remember – Checklist, cont.

- A.C.A. § 6-10-129 - Allows a public school district to submit by electronic means any signatures required when submitting reports or data and other information to the Arkansas Department of Education (ADE) and the Arkansas Department of Career Education
- Unused leave pay for “separating” employees must be coded separately from annual unused leave as mandated by the feds for indirect cost calculations. See Commissioner’s Memo FIN-15-100.

Things to Remember – Checklist, cont.

- Independent contractor vs employee:
 - Degree of Control and independence.
 - Does the school control or have the right to control what the worker does?
 - Who does the worker contact if problems?
 - What supplies, equipment, and property are provided by the worker and by the firm?
 - Does the worker lease equipment, space, or a facility?
 - What expenses are incurred by the worker?
 - Whom does the customer pay?

Independent Contractor v. Employee

- Types of Relationship:
 - What benefits are available to the worker (pensions, insurance, paid holidays, ...)?
 - Can the relationship be terminated by either party?
 - Are there any agreements prohibiting competition between the worker and firm?
 - How does the firm represent the worker to its customers?

Things to Remember – Checklist, cont.

- Journal entries to salary will not be allowed. Do not do a payroll redistribution until you are sure it is final. You should start trying to verify salaries in early June. If you have issues at the end of FY18, call in a help ticket to APSCN FMS for assistance and direction.
- § 6-15-2914 - Beginning May 1, 2018 and annually every May 1, a public school shall submit to its school district a school-level improvement plan for approval by the public school district and public school district board of directors for implementation the following school year.
- Coding is very important and key to accuracy of reporting data!

Things to Remember – Checklist, cont.

- A.C.A. § 6-17-2207 was amended by Act 938 of 2017 which repealed the requirement that a public school or school district provide a duty-free lunch period for full-time non-exempt classified employees.
- Reverts to “old rule”.
- Two breaks for classified employees working more than 20 hours in a week.

**ADE Sixth Annual
Data & Reporting Conference
in conjunction with Technologies
Information Conference for
Administrative Leadership (TICAL)
Commissioner's Memo RT-18-029**

“Strong Data, Strong Schools”

July 19 and 20, 2018

**Hot Springs Convention Center
(Hot Springs)**

Registration March 20 - July 6

ADE First Annual Summit

NEW FOR 2019

Goal of conference is to have something for everyone in the district with an integrated approach of all systems and supports

June 18 - 21, 2019

Hot Springs Convention Center & Embassy Suites
Hotel
(Hot Springs)

Resources

- ADE Web Site - <http://www.arkansased.gov>
 - Commissioner's Memos
 - Publications and Reports
 - Rules
- APSCN Web Site – <http://www.apscn.org>
- FMS Listserv –
 - <http://lists.state.ar.us/mailman/listinfo/fms>
- SMS Listserv –
 - http://lists.state.ar.us/mailman/listinfo/tac_hac
- APSCN Field Support
 - On-site, phone, email support M-F, 8:00 a.m.-4:30 p.m. or 7:30 a.m.-4:00 p.m.APSCN Help Desk
- 501.682.4357 (682-HELP)

Resources

- ADE Data Center - <http://adedata.arkansas.gov>
- My School Info - <https://myschoolinfo.arkansas.gov/>
- Child Nutrition -
<http://www.arkansased.gov/divisions/child-nutrition-unit>
 - Procurement regulations and audit requirements
<http://www.arkansased.gov/divisions/child-nutrition-unit/regulations-and-policy>
 - Procurement information and guidance
<http://www.arkansased.gov/divisions/child-nutrition-unit/procurement>

Resources

- Academic Facilities and Transportation - <http://arkansasfacilities.arkansas.gov/>
- Arkansas Legislative Audit - <http://www.arklegaudit.gov/>

ADE Contacts

- Questions regarding financial coding
 - Kathleen Crain at 501.682.4887
 - Kathleen.Crain@arkansas.gov
- Questions regarding transportation expenditure of funds
 - Jerry Owens, 501.682.4261
 - Jerry.Owens@arkansas.gov
- Questions regarding state LEA funding and loans and bonds
 - Cindy Hollowell at 501.682.4484 (out of order)
 - Cindy.Hollowell@arkansas.gov
- Questions regarding fiscal services and support
 - Cindy Smith at 501.683.5288
 - Cynthia.Smith@arkansas.gov

ADE Contacts

- Questions regarding financial audits, budgets, duplicate enrollments, property assessments and millage:
 - Alisa Moore at 501.682.5059
 - Alisa.Moore@arkansas.gov
- Questions regarding federal funding:
 - Amy Thomas at 501.682.3636
 - Amy.Thomas@arkansas.gov
 - Kristy Hobson at 501.682.0116
 - Kristy.Hobson@arkansas.gov
 - Bonnie Casey at 501.682.4482
 - Bonnie.Casey@arkansas.gov
- Questions regarding federal funding & discretionary grants
 - Traci Boyd at 501.682.3456
 - Traci.Boyd@Arkansas.gov

ADE Contacts

- Questions regarding special education
 - Lisa Tyler at 501.682.4221
 - Lisa.Tyler@arkansas.gov
- Questions regarding child nutrition:
 - Suzanne Davidson at 501.324.9502
 - Suzanne.Davidson@arkansas.gov
- Questions regarding NSL and categorical fund balances
 - Cynthia Smith at 501-683-5288
 - Cynthia.smith@arkansas.gov
- Other questions
 - Mr. Greg Rogers
 - Greg.Rogers@arkansas.gov

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