

Tier I Annual Update

2016-2017



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 2012)*
 - Section 10.0
 - **(C) (i)** At a minimum, two (2) persons per educational entity are required to attend an initial and annual Tier I training:
 - (a)** The school district superintendent or the education service cooperative director or the open-enrollment public charter school director; and
 - (b)** A person whose job responsibilities include preparing the budget or overall accounting responsibility.

FY17 State Funding Amounts

A.C.A. §6-20-2305

- Foundation Funding \$6,646, increase of \$62
- ALE \$4,560, increase of \$89
- ELL \$331, increase of \$7
- NSL
 - 90% and above \$1,576, increase of \$14
 - At least 70% and less than 90% \$1,051, increase of \$9
 - Less than 70% \$526, increase of \$4
- These rates do not apply to adjustment due to transition
- PD rate will be released via Commissioner's Memo
 - FY16 was \$26.05

Rules Governing Student Special Needs Funding and the Determination of Allowable Expenditures of those Funds (May 2016)

- Rules include CEP funding calculations (Section 6.01)
 - CEP can be elected for district wide or school level or combination of schools
 - Current multiplier rate from USDA will be 1.6 x free and reduced count
 - All kids eat free and school districts cannot request free and reduced applications
 - NSL rate will be based on F & R counts from previous school year before electing to go on CEP
 - CEP election should not affect Title I allocations since that allocation is received from Feds based off census data
- Rules include Provision 2 Schools funding calculations
 - (Section 6.01)

FY17 Minimum Salary Requirement

A.C.A. §6-17-2403

- Act 1087 of 2015
- Minimum bachelor's degree salary is \$31,000
- Minimum master's degree salary is \$35,650

FY17 Classified Minimum Hourly Wage Commissioner's Memo FIN-16-052

- The minimum classified hourly rate is calculated at \$8.33, as required by A.C.A. §6-17-2203
- The Arkansas Minimum Wage Initiative set the state's minimum wage at \$8.50 per hour beginning January 1, 2017
- Schools may pay \$8.33 until December 31, 2016

FY17 Health Insurance Minimum Contribution Rate Commissioner's Memo FIN-16-049 A.C.A. §6-17-1117

- The minimum contribution rate shall increase annually by the same percentage as per student foundation funding
 - FY17 minimum rate will be \$155.93 per month beginning January 1, 2017
 - This includes the contribution rate increase of .9416768% required by Act 995 of 2015, Section 1 amending Ark. Code Ann. § 6-17-1117(a)

Affordable Care Act Employee Mandates

- 2016 due dates for calendar year 2015 Reporting
 - Form 1095-C were due to employees by March 31, 2016
 - Forms 1094-C and 1095-C were required to be filed with the IRS if filing on paper by May 31, 2016
 - Forms 1094-C and 1095-C are required to be filed with the IRS if filing electronically by June 30, 2016
- Tentative 2017 due dates for calendar year 2016 reporting
 - Form 1095-C due to employees by February 1, 2017
 - Forms 1094-C and 1095-C required to be filed with the IRS if filing on paper by February 28, 2017
 - Forms 1094-C and 1095-C required to be filed with the IRS if filing electronically by March 31, 2017

Affordable Care Act Employee Mandates

- Things to remember in 2017
 - New due dates are expected
 - “Good Faith Effort” first year enforcement is over
 - Lack of compliance equals penalties
- Learn more about the Affordable Care Act at www.IRS.gov/aca

Maintenance of Effort

Commissioner's Memo FIN-16-026

- Maintenance of effort requires local educational agencies to maintain their state and local expenditures at a specified level from one fiscal year to the next
- The maintenance of effort requirement under the Elementary & Secondary Education Act specifies that grantees maintain at least 90% of state and local expenditures from the previous fiscal year
- The Arkansas Department of Education Federal Grants Management Unit will calculate maintenance of effort for each district
- 2016-17 data will be pulled after October 1 for MOE

Required Data Submission for 2016-2017 Indirect Cost Rate

- Indirect Cost Rates
 - Closing FY16 districts will use the current rates posted in Commissioner's Memo FIN-16-036
- Indirect Cost Subaward Rates
 - Subawards require little to no administrative effort and have specific program objectives
 - Required each year to determine indirect cost rate at the beginning of each year
 - Rates are based on expenditures from the second preceding year
 - 2014-2015 expenditures and subawards used in 2016-2017 rates
 - See Commissioner's Memo FIN-16-038

Indirect Cost Rate

- Excessive Indirect Cost claimed is a top audit finding
- Finding usually due to using an old rate as a placeholder in the budget for indirect cost
 - An adjustment is required to insert that year's actual rate and change the budget accordingly
 - For FY17, ADE hopes to have actual indirect cost rates published before the start of the year for inclusion in the budget and thus eliminate the need for later adjustment
- Other cause of finding is district use of the wrong “base” in indirect cost calculation
 - Indirect costs should be charged against actual, qualifying expenditures (not budgeted amounts) using the correct rate for the year
 - For example, 2015-2016 expenditures should be multiplied by the 2015-2016 indirect cost rate to determine correct amount to be recouped from each federal fund

Federal Time Certification

- This is a top audit finding
- Districts should complete and retain periodic time certifications for employees paid with federal funds
- New Every Student Succeeds Act (ESSA) has different language on this requirement
 - Will be in effect in the future
 - Guidance has not yet been provided

Federal Reimbursements

Year End FY16 and Beginning of FY17

Commissioner's Memo FIN-16-047

- If a fund has a positive ending balance at the close of FY16, leave the balance in the federal fund for rollover as a “beginning balance” in FY17
- No payments will be processed in July or August for FY16 or FY17 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 FY17 in order to see the “negative revenue” in each fund in the Cognos report
- 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 FY16 payments and the first FY17 payments will be made from the district warehouse load on September 17, 2016

10% Variance in Federal Funds Budgets

Commissioner's Memo LS-16-023

- This is one of the top audit findings
- 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
 - Beginning with FY16, Special Education program audits will use this methodology
 - The “10% Variance” refers to when actual expenditures exceed budgeted expenditures

10% Variance in Federal Funds Budgets

Commissioner's Memo LS-16-023

- It is not considered a 'variance' when actual expenditures are less than budgeted expenditures
- District may make budget changes of up to 10% of the total budget amount without ADE approval
- For ESEA budgets, see EDGAR Section 80.30(ii)

Federal Funding Website

- <http://www.arkansased.gov/divisions/fiscal-and-administrative-services/lea-federal-funding>
 - Federal funding and fiscal issues
 - ESEA/ESSA
 - Includes:



The image shows a screenshot of a website menu titled "Federal Funding". The menu items are listed in a vertical column, each with a right-pointing arrow indicating a dropdown or further options. The items are: Allocations, Carryover (Allotment Balances), Federal Fund Statements, Federal Grant Management Procedures, Grant Award Letters, Indirect Cost, Maintenance of Effort, and Title I Comparability.

Federal Funding	
Allocations	▶
Carryover (Allotment Balances)	▶
Federal Fund Statements	▶
Federal Grant Management Procedures	▶
Grant Award Letters	▶
Indirect Cost	▶
Maintenance of Effort	▶
Title I Comparability	▶

Required Annual Reports 2015-2016

Commissioner's Memo RT-15-013

A.C.A. §6-20-2202(e)(1)

- 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
- Report is in Excel, so it can be sorted by Due Date, ADE Contact person, Division, etc.
- Commissioner's Memo is issued annually by July 1

Required Annual Reports

Arkansas Department of Education
2015-2016 Annual Reports
as Required by
A.C.A. § 6-20-2202(e)(1)

The following is a list of mandated reports for the 2015-2016 school year that districts must file with the Arkansas Department of Education (ADE). Under A.C.A. § 6-20-2202, if these reports are not submitted to the ADE in a timely manner, state aid could be withheld from the district.

The Statewide Information System (SIS) data collected through APSCN is also required in order to produce other mandated reports. Specific data requirements are listed on the APSCN Web Site at <http://www.apskn.org>.

This list does not include any required vocational reports or reports required by any other agency.

Required Report Contacts and Submission Schedule

(E) =	Electronic Submission				
(NE) =	Not Electronic				
	Due Date	Data-Report Name	Contact	Telephone	Division
(E) =	4/15/2016	Report percentage of Community Eligibility Provision (CEP) Identified Student by School to ADE-CNU Due April 15	Patricia Winders	501-324-9502	Child Nutrition
(E) =	5/10/2016	Child Nutrition Claim for April Reimbursement	Dianna Sheppard	501-324-9502	Child Nutrition
(E) =	5/21/2016	Child Nutrition Agreement and Policy Statement	Karen Franklin	501-324-9502	Child Nutrition
(E) =	6/10/2016	Child Nutrition Claim for May Reimbursement	Dianna Sheppard	501-324-9502	Child Nutrition
(E) =	9/15/2015	Licensed Salary Schedules and Personnel Policies to be posted on district's website	Alisa Moore	501-682-5059	Fiscal & Administrative Services
(E) =	9/15/2015	Classified Salary Schedules and Personnel Policies to be posted on district's website	Alisa Moore	501-682-5059	Fiscal & Administrative Services
(NE) =	9/30/2015	AFRB Signature Page	Alisa Moore	501-682-5059	Fiscal & Administrative Services
(E) =	12/31/2015 if in fiscal distress 3/31/2016 unless extension approved up to 90 days	Districts are required to have an annual audit conducted each year. If a district elects to use a private CPA firm rather than Legislative Audit, the report is due within nine months of fiscal year end. If a district has been identified as being in fiscal distress, the report is due within six months of year-end. Audit report and working papers must be filed with ADE	Alisa Moore	501-682-5059	Fiscal & Administrative Services
	2/15/2016	Annual Statistical Report	Alisa Moore	501-682-5059	Fiscal & Administrative Services
(E) =	10/1/2015	Notice of Funds Transfer	Annette Pearson	501-683-1243	Central Administration
(E) =	10/1/2015	Declaration of Non-Participation (Only 7 schools this year)	Annette Pearson	501-683-1243	Central Administration
(E) =	11/1/2015	Title I Comparability Report	Annette Pearson	501-683-1243	Central Administration
(E) =	5/1/2016	Federal Notice of Funds Transfer-Last Date to Submit for 2015 -2016 School Year	Annette Pearson	501-683-1243	Central Administration

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

(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

District Waivers of Statutes and Rules

- Act 1240 of 2015/ A.C.A. §6-15-103
- The State Board of Education may grant the same waivers to a school district as granted to an open enrollment charter school
- District is eligible to apply for waivers if a student who resides in the district attends an open enrollment charter school
 - Includes students attending Arkansas Virtual Academy
- Additional Information available at:
 - Commissioners Memos LS-15-074 and LS-15-080
 - <http://www.arkansased.gov/divisions/learning-services/district-waiver-requests>
- Contact Mary Perry at 501.683.4800

FY15 Audits Top Findings

- Segregation of Duties – Internal Control
- Misstatements – Internal Control
- NO FINDINGS
- Allowable costs/cost principles
- Eligibility for free and/or reduced lunch errors CNU
- Lack of periodic time certifications for employees who work with a federal program
- Fixed Assets not recorded in inventory or could not be located
- Reporting/exceeded program budget federal variances (changes allowed up to 10% of total budget without ADE approval)
- Excessive Indirect Costs claimed – federal programs

FY15 Audits

Management Letters

- Contracting with business in which an employee has an interest without board resolution or ADE approval
- Clerical errors causing misstatements and over/under payroll payments
- Failure to obtain performance bonds for construction contracts or properly obtaining bids
- School not reconciling bank statements
- Employee theft/unaccounted activity funds
- Fixed Assets were not capitalized or could not be located
- 5% Salary Increase not approved by resolution
- Disaster Recovery Plan non-existent or inadequate
- Receipting money, cash handling

FY15 Audits

Expenditure Findings

- Expenditures that are non-allowed
- Expenditures over approved budget, both federal and state
- Clerical errors
- Miscoding

FY15 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

FY15 Audits Activity Funds

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

FY15 Audits

5% Salary Requirement Findings

- Did not approve by resolution
- Did not pick and approve all of the employees with a 5 % or more increase
- Compared the wrong years
- A.C.A. §6-13-635(b)(2)(C) requires the ADE to compile a list of the districts with this audit finding by October 1 of each year
 - The list is provided to the House and Senate committees on Education
 - The list is published via Commissioner's Memo

FY17 Budget Reviews

Items to be Reviewed

- GT Requirement
- Debt (proper coding)
- Revenues
- Expenditures
 - Fund Balances
 - Categorical Funds
- 9% M&O Requirement
- Food Service
- Capital Expenses
- Taxes
- Employee Benefits
- Transfers
- Will concentrate on expenditures, especially salaries and benefits

FY16 Budget Reviews

Top Findings

- Debt not properly budgeted
 - two districts did not budget debt at all
- GT or 9% M&O not budgeted to the expenditure requirement
- All state revenue not budgeted
- Carryover balances budgeted as revenue in categorical funding
- Matrix transfer not correct or not budgeted

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%
 - 11 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, 91 districts have been identified as exceeding 20% balance
 - As of FY16, 31 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

FY13

- 24 districts failed to meet the requirements
- Total funds withheld \$1,303,992

FY14

- 20 districts failed to meet the requirements
- Total funds withheld \$514,150

FY15

- 6 districts failed to meet the requirements
- Total funds withheld \$340,642

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
- Please contact Amy Woody at 501.682.4465 or Amy.Woody@Arkansas.gov

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.*

- All transactions involving a board member, administrator, or employee or any of those group's family members are subject to disclosure of conflicts of interest, school board review, and, where applicable, independent review and approval by the Commissioner
- There is an absolute prohibition on administrators contracting with their own district. In unusual circumstances an administrator's family member may contract with the district, with Commissioner approval regardless of dollar amount.
- Any vendor contracts/independent contracts worth \$10,000 or more must be reviewed by the Commissioner
- Any employment contracts (new hires) with board member's family that are worth more than \$5,000 must be reviewed by the Commissioner
- Any change to such employment contracts that result in a raise of more than \$2,500 must be reviewed by the Commissioner

Ethics Guidelines

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;

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

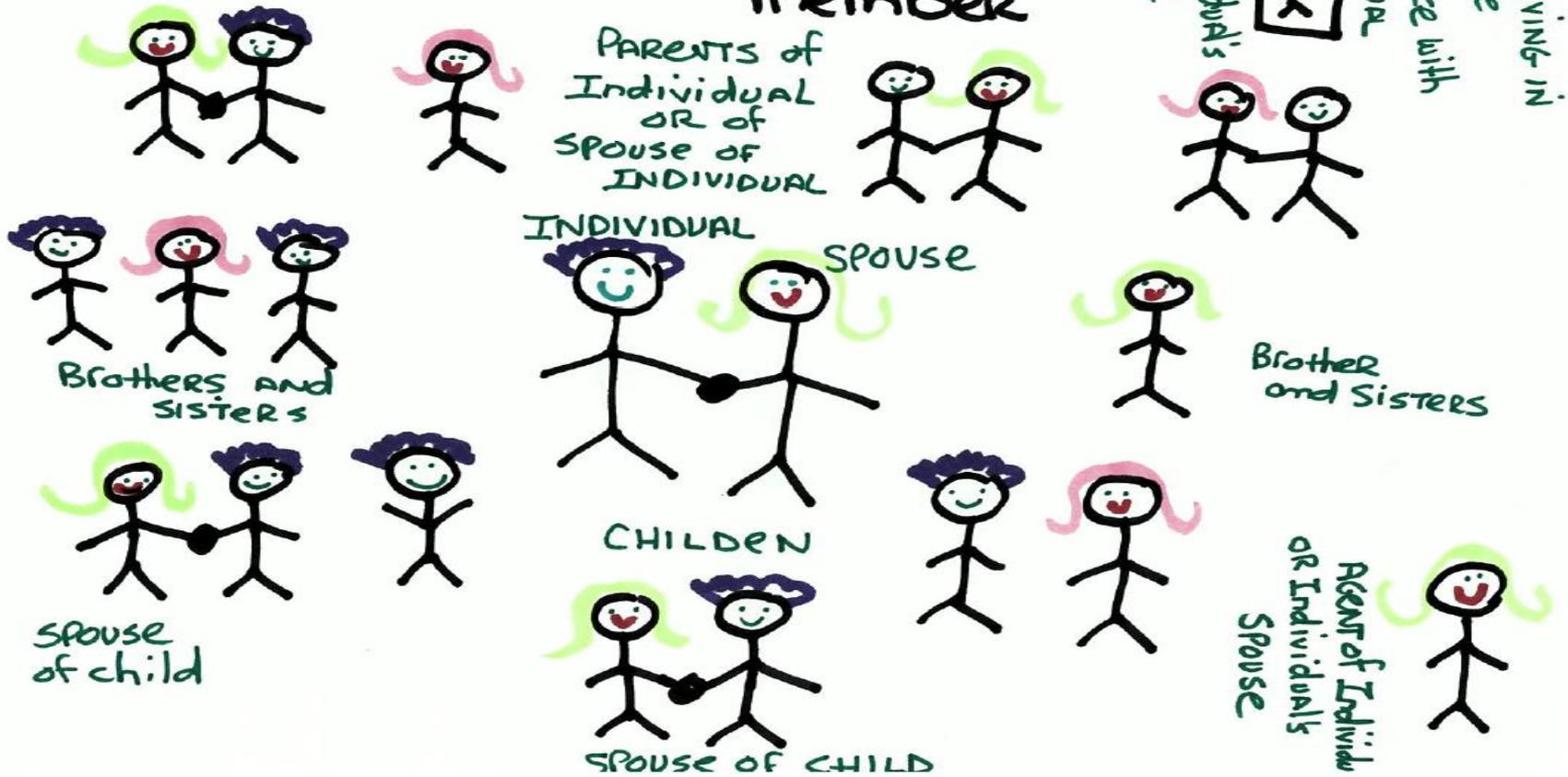
(F) Anyone living or residing in the same residence or household with the individual or in the same residence or household with the individual's spouse; or

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

Ethics Guidelines

Family or Family Member

"Family" and "Family member"



Bob Wright, a member of the local school board, owns Wright Way Towing. It is the only towing company in the school district's area. The district usually spends \$2,500 on towing each year

Can the school district contract with Wright Way Towing?

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.

Bob Wright, a member of the local school board, owns Wright Way Towing. It is the only towing company in the school district's area. The district usually spends \$2,500 on towing each year

Can the school district contract with Wright Way Towing?

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.

Wright Way Towing

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.

Bob Wright's son just graduated from college. The school district is looking to hire a high school STEM Coordinator for \$44,000. The son meets all job qualifications, as do two other candidates.

Can the district hire the son as the high school STEM 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 him.
3. Yes, if the Commissioner determines the situation presents unusual and limited circumstances and approves the employment contract.

Bob Wright's son just graduated from college. The school district is looking to hire a high school STEM Coordinator for \$44,000. The son meets all job qualifications, as do two other candidates.

Can the district hire the son as the high school STEM Coordinator?

3. Yes, if the Commissioner determines the situation presents unusual and limited circumstances and approved 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.

Three years later, Bob Wright is still on the board. His son's students just won a regional STEM award.

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

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

Three years later, Bob Wright is still on the board. His son's students just won a regional STEM award.

Can the district promote the son to district-wide STEM Coordinator for an increase in salary of \$8,000 per year?

2. Yes, with 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.

Bullseye 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 Bullseye Archery Range. The school district wants to contract with Bullseye Archery Range for a total of \$1,750 per year.

Can School District 1 contract with Bullseye 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.

Bullseye 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 Bullseye Archery Range. The school district wants to contract with Bullseye Archery Range for a total of \$1,750 per year.

Can School District 1 contract with Bullseye 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. §6-24-106 Administrators (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.

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?

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.

Sunshine Screen Printing Company

Can the district contract with Sunshine Screen Printing Company?

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.

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.

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

Best Practices

- 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?
 - Include a copy of the bid
 - Include a copy of the board policy
- Commissioner approval is for 2 years. All approvals are set to expire on June 30
 - Be Smart! Submit requests early in the fiscal year
 - Submit requests in batches to better manage the requests
- Law increased the threshold for Commissioner approval from \$5,000 to \$10,000
 - Be Smart! Use the \$10,000 at the local level
 - Only request Commissioner approval if the contract will equal or exceed \$10,000

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 in Finance for all employees with no student count
 - **Cycles 2 and 6**
- Experience Category – Status
 - 0-Classified Staff
 - 1-Beginning Teacher
 - 2-Transfer from Another School District
 - 3-Did not Teacher here last Year
 - 4-Taught in this District Last Year
 - **Cycles 1, 2, 6, 8, & 9**

APSCN Financial Cycle Reporting

Most Common Errors

- 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**
- Employee Health Insurance
 - Update only
 - **Cycles 1 and 9**
- Salary Schedules/Range/Step
 - Only pulls salary schedule on employees not in X or S Pay Group
 - **Cycle 1**
- Must Build Page 3637 prior to June 30
 - **Cycle 8**

APSCN Financial Cycle Reporting Most Common Errors

- 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 if list of employees who attended Tier II Training is maintained in district office
 - If the Tier II Trainer is NOT an employee of the district that the reporting of the SSN is NOT required
 - Leave blank in the cycle table, it will not give an error.
 - **Cycle 7**

ACSIP shall include a General Description of Categorical Funds A.C.A. §6-15-426(f)(2)

- The “general description” should include the purpose and program evaluation
 - Include the approximate amount budgeted in APSCN for each categorical fund
 - Describe the use of the funds in a narrative description
 - How the district will evaluate the effectiveness of the expenditures
 - Purpose for which intervention was selected to accomplish
- All allowable expenditures of categorical funds are listed in the *Rules Governing the Distribution of Student Special Needs Funding and the Determination of Allowable Expenditures of Those Funds (May 2016)*

ACSIP shall include a General Description of Categorical Funds A.C.A. §6-15-426(f)(2)

- Audit will use the general description in ACSIP and the budget amounts in ASPCN.
 - The general description must align to the actual APSCN expenditures.
 - ACSIP is an approximate amount and does not have to equal the ASPCN expenditure

ACSIP

General Description

Professional Development Example

Professional Development Funds will be used to develop and strengthen the use of a structured curriculum. Coaches and instructional facilitators will collaborate to vertically and horizontally align the curriculum.

1. PD funds will be used to attend local, state, and national conferences
2. Consultants will provide profession assistance in the development of curriculum
3. Conference registrations, hotel, meals, and travel will be included
4. Onsite PD will be facilitated
5. Substitute costs included

Professional Services	2223 2213 000 000 00	63*-65*	\$24,000
Supplies & Materials	2223 2213 000 000 00	66*	\$ 8,000
Dues & Fees	2223 2213 000 000 00	68*	\$ 2,500

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

Bidding

- Bid threshold for purchase of commodities is \$10,000
 - 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
 - Open Market purchases may be made when the price is less than \$10,000
 - 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)]

Bidding

- 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;
- 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

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:
<http://www.dfa.arkansas.gov/offices/procurement/contracts/Pages/default.aspx>
 - Benefits include convenience, volume purchase advantages, reduces administrative costs and time
 - New school buses are now included in the OSP contacts

Cooperative Purchasing

- 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. §22-9-201 *et seq.*

- For projects with an estimated cost of \$20,000 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
- The ADE Facilities Manual has been updated. Districts considering projects are encouraged to consult the Manual prior to beginning the project

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
- District pays use tax if an employee, acting as an agent of the district, purchases an item from an out-of-state vendor and requests reimbursement

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

Edgar 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
- Edgar 200.313 is included in the Appendix

Public School Procurement New Federal Guidelines

- Apply if item is being purchased with federal funds
- The effective date for the new federal Uniform Grants Guidance (UGG) was July 1, 2015
- 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 200.317 – 326)

- Micro-purchases under \$3,500 must use cost comparison to ensure a reasonable and fair cost
 - Requires distributing purchases among qualified suppliers to the extent practicable
- Small purchases from \$3,501 - \$149,999 require price quotations from at least two qualified sources
 - Maintain documentation

Federal Procurement Procedures (2 CFR 200.317 – 326)

- Purchases of \$150,000 and greater require formal bidding procedures
 - Maintain documentation
- Districts/charters must maintain records to document rationale for:
 - Method of Procurement
 - Selection of vendor/contract
 - Reason for selection and/ or rejection
 - Basis for purchase price

Department of Labor Fair Labor Standard's Act Overtime Pay

- Raised the FLSA overtime salary threshold from \$23,660 to \$47,476 (or \$913/week)
 - Last change was in 2004
- Existing job duty requirements have not changed
- Exemptions for executive, administrative, professional, computer, and outside sales have not changed
- Automatically increase the salary threshold every three years starting in 2020 to keep up with inflation costs
 - January 1, 2020 would reflect the first increase, to \$51,000
- Effective date is Thursday, December 1, 2016

Overtime Pay

- Teachers will continue to be exempt from the overtime rule since they fit into the "creative professional" exemption category
 - Creative Professional's primary duty must be the performance of work requiring invention, imagination, originality, or talent
- K-12 employees that will potentially be affected by the new salary threshold include aides, paraprofessionals, maintenance workers, school bus drivers, cafeteria workers, custodians, some clerks and secretaries, and other professionals that don't fit into the "learned professional," "administrative," and "executive" exemptions.
- The new overtime rule doesn't change the current language for exemptions or duties tests, so reference the exemptions and duties tests for guidance when trying to determine exempt/non-exempt status

Department of Labor

Fair Labor Standard's Act

Independent Contractor v. Employee

In determining whether the person providing service is an employee or an independent contractor, all information that provides evidence of the degree of control and independence must be considered:

- Behavioral: Does the company control or have the right to control what the worker does and how the worker does his or her job?
 - How does worker receive work assignments?
 - Who is worker required to contact if problems or complaints arise?
 - If substitutes are needed, who hires them?
 - Who pays for substitutes?

Independent Contractor v. Employee

- Financial: Are the business aspects of the worker's job controlled by the payer?
 - 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?
- 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?

Independent Contractor v. Employee

Employee if:

- the Employer determines what will be done and how it will be done
- the Employer has the legal right to determine the details of how the services will be performed

Independent Contractor if:

- They are a business owner or contractor who provides services to other businesses

See Appendix for IRS Form SS-8 and IRS 20 Factor Test

Other information is available at:

<https://www.irs.gov/businesses/small-businesses-self-employed/independent-contractor-self-employed-or-employee>

Internal Control

- The Government Accountability Office (GAO) has issued an updated “Standards for Internal Control,” commonly referred to as the “Green Book”
- OMB was not able to update the Internal Control guidance with the publication of the Uniform Grants Guidance (UGG) release so auditors will look to the Green Book and the Committee of Sponsoring Organizations (COSO) for compliance on internal control until OMB can update Part 6 dealing with internal control
- COSO has issued a new framework to help districts design and implement internal control

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
- The “Green Book” is an 86 page document
 - Included in the Appendix as a .pdf
 - Available at: <http://www.gao.gov/assets/670/665712.pdf>
- The five Components and 17 Principals are summarized in the Green Book on pages 7-9

The Green Book

5 Components

Control Environment

- The foundation for an internal control system
- Provides discipline and structure to help an entity achieve its objectives

Risk Assessment

- Assesses the risks facing the entity as it seeks to achieve its objectives
- Assessment provides the basis for developing appropriate risk responses

The Green Book

5 Components

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

Information and Communication

- The quality information management and personnel communicate and use to support the internal control system

Monitoring

- Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audit and other reviews

The Green Book

Five Components and 17 Principals

Figure 3: The Five Components and 17 Principles of Internal Control

Control Environment

1. The oversight body and management should demonstrate a commitment to integrity and ethical values.
2. The oversight body should oversee the entity's internal control system.
3. Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.
4. Management should demonstrate a commitment to recruit, develop, and retain competent individuals.
5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.

Risk Assessment

6. Management should define objectives clearly to enable the identification of risks and define risk tolerances.
7. Management should identify, analyze, and respond to risks related to achieving the defined objectives.
8. Management should consider the potential for fraud when identifying, analyzing, and responding to risks.
9. Management should identify, analyze, and respond to significant changes that could impact the internal control system.

Control Activities

10. Management should design control activities to achieve objectives and respond to risks.
11. Management should design the entity's information system and related control activities to achieve objectives and respond to risks.
12. Management should implement control activities through policies.

Information and Communication

13. Management should use quality information to achieve the entity's objectives.
14. Management should internally communicate the necessary quality information to achieve the entity's objectives.
15. Management should externally communicate the necessary quality information to achieve the entity's objectives.

Monitoring

16. Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.
17. Management should remediate identified internal control deficiencies on a timely basis.

Internal Control

- A top repeat audit finding
- Audit will be looking for documentation that the Standards for Internal Control have been implemented
- Districts are already doing many of the activities of internal control, but should write the activities down
- 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, verify the process was done

Internal Control

- 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

ADE Fourth Annual Data Conference Commissioner's Memo RT-16-026

The Best Decisions begin with Good Data

July 25 – 26, 2016

Hot Springs Convention Center

Registration closes July 11

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)
 - 1-800-435-7989

Resources

- ADE Data Center - <http://adedata.arkansas.gov>
- Special Education - <http://arksped.k12.ar.us/>
- Child Nutrition - <http://www.arkansased.gov/divisions/human-resources-educator-effectiveness-and-licensure/child-nutrition-unit>
- Academic Facilities and Transportation
 - <http://arkansasfacilities.arkansas.gov/>
- Arkansas Division of Legislative Audit
 - <http://www.arklegaudit.gov/>

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 - Kathleen Crain at 501-682-1297
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- Questions regarding transportation expenditure of funds
 - Mike Simmons at 501-682-4261
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- Questions regarding state LEA funding and loans and bonds
 - Cindy Hollowell at 501-682-4484
 - Cindy.Hollowell@Arkansas.gov
- Questions regarding fiscal services and support
 - Cindy Smith at 501-683-5288
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- Questions regarding financial audits, budgets, duplicate enrollments, property assessments and millage:
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- Questions regarding federal programs
 - Annette Pearson at 501-683-1243
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 - Kristy Hobson at 501-682-0116
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- Questions regarding special education
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- Questions regarding child nutrition:
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- Questions regarding NSL and categorical fund balances
 - Patty Martin at 501-682-1114
 - Patricia.Martin@arkansas.gov
- Other questions
 - Mr. Greg Rogers at 501-682-1269
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