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STATE OF ARKANSAS

DEPARTMENT OF FINANCE AND ADMINISTRATION

OFFICE OF ACCOUNTING

FINANCIAL MANAGEMENT GUIDE

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STATE OF ARKANSAS
ACCOUNTING AND BUDGETARY PROCEDURES

STATE OF ARKANSAS
FINANCIAL MANAGEMENT GUIDE

INTRODUCTION

The purpose of the Financial Management Guide, hereafter referred to as "Guide" is to provide adequate internal control and accountability over financial and administrative affairs of Arkansas State Government. The Guide also provides assistance to agencies in gathering and maintaining information needed for management decision-making and all financial reporting. The policies and procedures in this Guide are the minimum requirements that State agencies must meet. An agency may adopt additional policies and procedures in greater detail, or use additional or alternative supporting documentation, as long as the agency meets the required minimum standards.

The Director of the Department of Finance and Administration, hereinafter referred to as "Director", is required by the General Accounting and Budgetary Procedures Law (ACE §19-1-207) to exercise supervision over the general accounting system of the State and of State agencies. The Director also serves as the Chief Fiscal Officer of the State.

The Director of the Department of Finance and Administration is authorized to promulgate rules and regulations necessary to discharge the duties of the Department of Finance and Administration by Arkansas Code Annotated (ACA) §19-1-208. In addition, the DFA Director is required under ACA §19-1-209 (a) to publish such regulations issued by him for compliance with the State's Accounting and Budgetary Procedures Law. This requirement is met by publishing the "Financial Management Guide". The Guide resides on the Department of Finance and Administration's (DFA) web site at http://www.state.ar.us/dfa/accounting/index.html and is also available in printed form upon request. Requests for printed copies of the Guide may be made in the form of an e-mail to the DFA Office of Accounting (DFA-OA) at acctuser@dfa.state.ar.us or by writing to the Office of Accounting at P.O. Box 3278, Little Rock, AR 72203.

The Department of Finance and Administration, Office of Accounting (DFA-OA) is charged with ensuring that the accounting functions of the State's Financial Management System are conducted in a manner consistent with Arkansas Law. The primary statutory responsibilities, functions, and authority of the Office of Accounting are contained in the State General Accounting and Budgetary Procedures Law (ACA Title 19, Chapter 4), the State Revenue Stabilization Law (ACA Title 19, Chapter 5.), and the State Revenue Classification Law(ACA Title 19, Chapter 6).

The mission of DFA-OA is to carry out its statutory responsibilities in a service-oriented manner, while maintaining a high degree of fiscal integrity, and, to improve management of financial resources statewide by providing to all activities of State government a fully adequate accounting and reporting system.

All agencies of the State of Arkansas must comply with this Guide unless otherwise exempted from certain provisions by specific legislation contained in the Arkansas Code or the Constitution of the State of Arkansas.

The Department of Finance and Administration adheres to the spirit and letter of the Freedom of Information Law of 1967 as stated in ACA§ 25-19-101 et seq.

Please contact the Office of Accounting if you have questions about the Financial Management Guide.
You can e-mail the office at: www.acctuser@dfa.arkansas.gov
or call: (501) 682-1675
or write:

Department of Finance and Administration

Office of Accounting
P.O. Box 3278
Little Rock, AR 72203

<u>About the Guide</u>

This Guide is published and maintained on the Department of Finance and Administration, Office of Accounting (DFA-OA) web site at http://www.state.ar.us/dfa/accounting/index.html. The format of the Guide, to the extent possible, is: law, followed by policy (regulation) and then by procedure.

The Arkansas Accounting Procedures Law, Title 19, Chapter Four and various other Arkansas laws that have a direct impact on State financial management practices appear in the form of Arkansas Code. The Arkansas Code appears in normal, non-bolded and non-italicized type. The numbering system used is keyed to the numbering of the Arkansas Code of 1987 Annotated. The title, chapter, subchapter and section of the code references are contained within the number. Thus, in the designation "19-4-905," the "19" indicates the provision is in Title 19, the "4" indicates chapter 4 and the "9" in 905 means sub-chapter 9, with the "05" indicating the fifth section of the sub-chapter. Following the printed code, or excerpts of the code (excerpts include quotation marks at the beginning and end of the excerpts, will be policies (regulations) and/or procedures. The entire Title 19 Chapter four is included in this document whether or not a regulation exists to address each particular sub-title of the Code.

At the beginning of the code, the code number appears-example: 19-4-905.

At the beginning of a policy (regulation) (R), the number of the policy (regulation), numbered in sequence, identifies the code it accompanies-example: R1-19-4-905. The text of polices (regulations) and procedures appear in bold print and italics.

The appendices are identified with numeric designations that are reflective of the Guide language that referenced the applicable document (appendix).

All appendices are numbered with a "P" at the beginning and refer to a form, process or link to other information. The number following the "P" identifies the Arkansas Code and/or regulation to which the appendix applies-example: P1-19-4-905.

Appendices contain such items as:

Index of forms and appendices

Forms

Examples

Instructions

Key to abbreviations and acronyms

Glossary of terms

Frequently asked questions (FAQs)

The purpose of the appendices is to provide pertinent material that is subject to frequent change, particularly items that are related to the Financial Management System. To the extent possible, processes, particularly those demonstrating transactions in the Arkansas Administrative Statewide Information System, hereafter referred to as "AASIS", will be referred to in the text, but located outside the body of this document as appendices with links to them. This will permit the ability to change and update procedures and processes to conform to changes in the system without making policy changes.

In addition to changes in material located outside of this document (appendices), from time to time references to computer system screen titles, transaction codes and General Ledger accounts may be changed (updated) from time to time in the Guide as deemed necessary. These changes are considered to be technical in nature, and therefore, will not necessitate invoking the rule making process.

Categories of Agencies

The use of this Guide will vary with the particular accounting software utilized by an agency to record transactions in its books of original entry. There are three types of agencies for the purpose of use and access within the State's Financial Management System. They are:

USER AGENCY – An agency that has direct online access to AASIS. All types of transactions are entered on a real time basis by the agency.

SERVICE BUREAU AGENCY – Generally a small agency that utilizes the Service Bureau within the DFA -Office of Accounting to enter transactions into the State Accounting System and provide reports. These agencies do not have direct access to the State Accounting System.

REPORTING AGENCY – An agency that utilizes a "stand alone" accounting system as its original books of record for its accounting transactions. The agency transfers deposits, checks and journal entries to the State Accounting System occur through an electronic interface process for budgetary control purposes. Some reporting agencies have limited online access such as deposit and journal entry functions.

Title 19 PUBLIC FINANCE

CHAPTER 4 STATE ACCOUNTING AND BUDGETARY PROCEDURES

SUBCHAPTER 1 GENERAL PROVISIONS

19-4-101. Title.

This chapter shall be referred to and may be cited as the "General Accounting and Budgetary Procedures Law" of Arkansas.

History. Acts 1973, No. 876, § 1; A.S.A. 1947, § 13-327.

19-4-102. Purpose.

(a) General Policy**.** (1) It is the policy of the State of Arkansas to:

(A) Maintain on a sound financial basis the state and all of its agencies, boards, commissions, departments, and institutions, all referred to in this chapter as "agencies" unless otherwise necessary;

(B) Provide adequate accounting for all fiscal transactions; and

(C) Provide for uniformity in budget preparation, presentation, and execution.

(2) For these purposes, the general provisions of this chapter are intended to:

(A) Establish uniformity in operating and capital budget preparation, presentation, and execution by establishing certain duties, responsibilities, and functions of the executive and legislative branches of the state government;

(B) Prohibit deficit spending by establishing standards for the execution of budgets approved by the General Assembly;

(C) Provide methods of internal accounting control by establishing and supervising the accounting systems of state agencies;

(D) Establish an adequate classification and coding system for all revenue receipts and disbursements;

(E) Establish methods of voucher examination and approval for expenditures of funds deposited in the State Treasury and, if necessary, other depositories;

(F) Establish uniform procedures for the preparation of disbursing documents;

(G) Establish procedures for forecasting economic conditions, establish an adequate technique of revenue estimating, and provide for tax research and a method for standardization of statistics;

(H) Develop methods for improvement and economy in organization and administration of agencies;

(I) Authorize the promulgation of reasonable rules and regulations not inconsistent with applicable laws to achieve the purposes and intent of this chapter; and

(J) Further define the powers and duties of the Director of the Department of Finance and Administration, sometimes referred to as the Chief Fiscal Officer of the State, the Auditor of State, and the Treasurer of State in connection with general accounting, budgetary, and fiscal procedures.

(b) Comprehensive Budgeting and Financial Management System. It is also the purpose of this chapter to establish a comprehensive system of state budgeting and financial management which will further the capacity of the General Assembly to plan and finance the services which it determines the state should provide for its citizens and which will further the capacity of the Governor to make budgetary recommendations to the General Assembly and to execute the laws of this State. The system shall include procedures for:

(1) The orderly establishment, continuing review, and periodic revision of programs, financial goals, and policies of the State;

(2) The development, coordination, and review of long-range programs and their financing that will implement goals and policies authorized by the General Assembly and the Governor;

(3) The preparation, analysis, presentation, enactment, and execution of budgets that authorize specific programs, policies, and goals and that focus attention on State services and their costs;

(4) The evaluation of alternatives to existing programs, policies, and goals that would provide more economic, efficient, or effective State services; and

(5) An evaluation and reporting system which will provide measurements of the effectiveness of program performance.

History. Acts 1973, No. 876, § 2; A.S.A. 1947, § 13-328.

19-4-103. Penalty.

With respect to all matters for which penalties have not otherwise been provided for in this act, any person who shall knowingly violate any of the provisions of this act shall be guilty of a misdemeanor and upon conviction shall be fined in any amount not to exceed one thousand dollars ($1,000).

History. Acts 1973, No. 876, § 29; A.S.A. 1947, § 13-355.

19-4-104. Rules and regulations.

The Chief Fiscal Officer of the State is empowered to make, amend, and enforce such reasonable rules and regulations, not inconsistent with law, as he shall deem necessary and proper to effectively carry out the provisions of this chapter and the public policy as set forth in § 19-4-102. Rules and regulations promulgated shall be published in an administrative procedures manual and distributed to the various State agencies.

History. Acts 1973, No. 876, § 28; A.S.A. 1947, § 13-354.

II – 2.1-2.3 *OPEN GOVERNMENT*

R1-19-4-104 Adoption of Rules and Regulations

Policies of the DFA Office of Accounting are adopted under the provisions of the Arkansas AdministrativeProcedures Act. Refer to Arkansas Law ACA §25-15-201 et seq.

R2-19-4-104 Open Government Policy

The Department of Finance and Administration-Office of Accounting conducts its business in accordance with the Freedom of Information Act as outlined below:

General

The Freedom of Information Act was adopted in 1967 to ensure that citizens are informed about the actions of the State. The law applies to any bureau, commission, or agency of the State, or any political subdivision of the State, including municipalities, counties, townships, school districts, boards of education, and all other boards, bureaus, commissions, or organizations in the State of Arkansas, except grand juries, supported wholly or in part by public funds or expending public funds. ACA § 25-19-101 through 25-19-104 and ACA § 25-19-108~~6~~

Open Meetings

Except as otherwise specifically provided by law, all meetings, formal or informal, special or regular, of the governing body of a State public entity (as delineated above) shall be open to the public. Public notice of meetings must be given in advance. Alternative procedures are established for special and emergency meetings.

Executive sessions, closed to the public, are allowed only in certain limited circumstances, such as when certain confidential personnel matters are being discussed. If an executive session is permissible, the person presiding over the meeting must announce the specific purpose of the executive session in public before going into session. Strict adherence to open meeting requirements is essential to an informed citizenry and maintaining credibility and trust in government. ACA § 25-19-106

19-4-105. Continuing studies and investigations.

(a) The Chief Fiscal Officer of the State is directed to make continuing studies and investigations of the operation of State agencies and to make recommendations to the General Assembly, the Legislative Council, and the Governor about improvements which should be made in order to:

(1) Safeguard against excessive expenditures of appropriations and funds;

(2) Promote economy, efficiency, and control in the operation of State agencies;

(3) Properly execute budgets; and

(4) Accomplish the purposes of this chapter as intended by the General Assembly.

(b)(1) All internal audit documentation, including notes, memoranda, preliminary drafts of audit reports, and other data gathered in the preparation of internal audit reports by the Office of Internal Audit, created within the Department of Finance and Administration by Governor's Executive Order 98-08, are privileged and confidential and are exempt from the Freedom of Information Act of 1967, § 25-19-101 et seq., except as provided in subdivision (b)(2) of this section.

(2)(A) The exemption shall not apply to completed internal audits of the Office of Internal Audit after a final report of the internal audit has been presented to the Chief Fiscal Officer of the State and to the Governor or the Governor's designee.

(B) The final report and copies of any supporting documentation shall then be open to public inspection and copying, except for documents that are exempt from disclosure under other law.

History. Acts 1973, No. 876, § 2; A.S.A. 1947, § 13-328; Acts 2001, No. 1083, § 1.

19-4-106. Legislative staff consultation.

The Department of Finance and Administration shall consult with the Legislative Auditor and the director of the budget function of the Bureau of Legislative Research throughout each stage of planning and implementation for any new statewide accounting system. This required consultation and involvement is to ensure that those capabilities to provide the required services to members and committees of the General Assembly are incorporated into the system.

History**.** Acts 1999, No. 973, § 2.

SUBCHAPTER 2 DUTIES AND RESPONSIBILITIES GENERALLY

19-4-201. Authority of Governor.

(a) The Governor shall direct the execution of the State budget as approved by the General Assembly. The Governor, or Governor-elect, shall:
(1) Review the budget requests and estimates of resources;

(2) Evaluate long-range programs and consider possible alternatives to existing State agency programs, policies, and goals;

(3) Formulate and recommend for consideration by the Legislative Council and the General Assembly a proposed comprehensive State budget of programs and proposed financing which shall include all estimated receipts and expenditures of the State government.

(b)(1) Proposed expenditures shall not exceed estimated available resources. Should the Governor, or Governor-elect, propose increased taxes in order to finance all proposed programs, two (2) sets of budgets must be submitted to the Legislative Council and the General Assembly, one (1) set based on the resources available from the then-existing tax laws and another showing the additional expenditures proposed to be financed from recommended tax increases.

(2) Budget requests for administration and operation of the legislative branch, the judicial branch, the elective constitutional offices, the Arkansas State Highway and Transportation Department, and the Arkansas State Game and Fish Commission shall be submitted directly to the Legislative Council without any recommendation by the Governor.

(c) In order to carry out the provisions of this section, the Governor, or Governor-elect, shall:

(1) Have the power, and it shall be his duty, to provide for hearings, if required, with the administrative head, or any other persons having knowledge thereof, of any agency submitting a budget request, in order for him to make his determinations and recommendations.

(2) Appear, or appoint a designated representative to appear, before the General Assembly, or any committees or interim committees thereof, to present his recommendations for the forthcoming budgetary period.

History. Acts 1973, No. 876, § 3; A.S.A. 1947, § 13-329.

19-4-202. Authority of Legislative Council.

(a) Meetings. (1) At any time he deems advisable, the Chairman of the Legislative Council shall have the authority to call into meeting the membership of the council for consideration of budget matters.
(2) For preliminary budget studies, the council shall have the authority to call before it the Chief Fiscal Officer of the State, the director of the research department of the Legislative Council, the Legislative Auditor, and any constitutional officer or administrative head of any State agency for the purpose of making available to the council any information it deems advisable.

(3) The Legislative Council shall have the power to visit and inspect any agency for the purpose of obtaining first-hand information as to the condition and needs of the agency and may appoint committees from its membership for the purpose of reporting upon these findings.

(b) Budget Estimates. (1) The Legislative Council shall require from the Chief Fiscal Officer of the State, not later than sixty (60) days prior to the convening of the General Assembly, the budget estimates and recommendations prepared by him.

(2) From time to time when called upon by the Legislative Council, the Chief Fiscal Officer of the State or his representative shall appear before the Legislative Council or attend meetings of the Legislative Council when required to do so for the purpose of preparing or submitting additional information on budget matters.

(c) Assisting Governor-Elect. (1) It shall be the duty and responsibility of the Chief Fiscal Officer of the State and any administrative head of any agency, when requested to do so, to lend any reasonable aid, assistance, or personnel and to supply any reports or information when required to the Governor-elect for the purpose of assisting him in the preparation of his budget recommendations to be submitted to the Legislative Council.

(2) The Legislative Council shall call upon the Governor-elect or any newly elected constitutional officer, or their designated representatives, for the purpose of submitting any final recommendations or modifications of the proposed budget requests.

(d) Recommendations. (1) The Legislative Council, acting upon the facts submitted to it and from such other studies and hearings as the Legislative Council shall deem advisable, shall proceed to modify, revise, approve, or disallow the budget requests. The Legislative Council shall make its recommendations with respect to the approved items of the budget and publish them in a report to be made available to every member of the General Assembly when it convenes in regular session.

(2) The Legislative Council shall have the authority, in recommending the proposed State budget to the General Assembly, to recommend the form of the appropriation bills to be submitted and may draw or cause to be drawn the bills conforming to these recommendations for presentation to the General Assembly.

History. Acts 1973, No. 876, § 4; A.

19-4-203. Authority of General Assembly.

The General Assembly, and the Joint Budget Committee thereof, shall:
(1) Consider the current programs and financial plan included in the budget requests and the proposed resources for financing recommended by the Governor, or Governor-elect, including proposed goals and policies, recommended budgets, revenue proposals, and long-range programs;

(2) Adopt or recommend programs and alternatives to the financial plan recommended by the Governor, or Governor-elect, as it deems appropriate;

(3) Adopt or recommend legislation to authorize implementation of a comprehensive program and financial plan;

(4) Provide for a post audit of financial transactions, program performance, and execution of legislative policy decisions;

(5) Provide for hearings, if required, with the administrative head, or any other persons having knowledge thereof, of any State agency submitting a budget request, in order to make determinations and formulate recommendations;

(6) If found necessary, visit and inspect any agency;

(7) Propose the form of appropriation bills and write or direct the writing thereof.

History. Acts 1973, No. 876, § 5; A.S.A. 1947, § 13-331.

19-4-204. Recommendations by Governor.

(a) Budgetary Programs and Financial Plans. (1) The Governor, or Governor-elect, shall formulate the programs and financial plans to be recommended to the Legislative Council and the General Assembly after considering the State agency-proposed programs and financial plans and other programs and alternatives he deems appropriate.
(2) The program and financial plan submitted by him shall include:

(A) His goals and policies;

(B) Recommended plans to implement the goals and policies;

(C) Recommended budgets for each year for which an appropriation is being requested; and

(D) Recommended revenue measures to finance the budget.

(b) Presentation to General Assembly. (1) The Governor, or Governor-elect, shall present his proposed comprehensive program and financial plan to the Legislative Council for their timely consideration and in a message to a joint session of the General Assembly. The message shall be accompanied by an explanatory report which summarizes recommended goals, policies, plans, and appropriations.

(2) The explanatory report shall be furnished to each member of the General Assembly and each agency. The report shall contain the following information:

(A) The coordinated programs, goals, and objectives that the Governor, or Governor-elect, recommends to guide the decisions on program plans and budget appropriations;

(B) The program and budget recommendations of the Governor, or Governor-elect, for each year of the succeeding biennium;

(C) A summary of State receipts in the previous fiscal year, an estimate for the current fiscal year, and an estimate for each year of the succeeding biennium;

(D) A summary of expenditures during the last fiscal year, those estimated for the current fiscal year, and those recommended by the Governor, or Governor-elect, for each year for which appropriations are requested; and

(E) Any additional information which will facilitate understanding the Governor's, or Governor-elect's, proposed program and financial plan by the General Assembly and the public.

History. Acts 1973, No. 876, § 7; A

19-4-205. Legislative review.

The General Assembly, the Legislative Council, and the Joint Budget Committee shall consider the Governor's, or Governor-elect's, recommendations and determine the comprehensive program and financial plan to support the services to be provided the citizens of the State, while keeping authorized expenditures within the estimated receipts and other available resources.

History. Acts 1973, No. 876, § 8;

19-4-206. Conservation of appropriations in changes of administration.

(a) Proportionate Amounts. In those instances in which any constitutional or elective official of the State of Arkansas is due to retire from office and another constitutional official is to take his place, the appropriations and funds provided by the General Assembly for the operation of any such office shall be conserved so as to provide his successor in office with a proportionate amount of available appropriations and funds for the remainder of the fiscal year during which the change of office takes place. For the purpose of carrying out the provisions of this section it is provided that:
(1) No constitutional official shall cause, or cause to be incurred, any obligation or issue any voucher against the appropriations of his agency in excess of a true proportion which his time of service during the fiscal year of retirement bears to the fiscal year. For the purpose of establishing the time of service of any such official, the time of retirement shall be construed to be that established by the Arkansas Constitution and statutes of this State for the retirement of the constitutional and elective officials of this State;

(2)(A) Within thirty (30) days after each general election, the Auditor of State shall notify all retiring constitutional officials that they will be required to file in his office a Statement, duly sworn to, setting out:

(i) The total of all vouchers issued against the appropriations of the agency;

(ii) A list of all outstanding obligations; and

(iii) A detailed list of all proposed expenditures to be made prior to the time of retirement.

(B) In the event that the Auditor of State is retiring, the Chief Fiscal Officer of the State shall notify the Auditor of State to file the aforementioned Statement required of the Auditor of State with the office of the Chief Fiscal Officer of the State;

(3) The Auditor of State shall not issue any warrant in payment of the voucher of any agency coming under the provisions of this section in excess of the proportion provided for in this section. He shall be liable under his official bond for issuing any such warrant in excess of such proportion. However, in cases of calamity or emergency, the Governor may, by proclamation, authorize any agency to exceed the limitations of this section. Under such conditions the Auditor of State and the disbursing officer shall be relieved of any liability under this section if, in making the proclamation, the Governor States the reasons for the emergency and the probable amount of the excess obligations which the agency is authorized to incur.

(b) Purpose. It is the purpose of this section to provide for the conservation of appropriations for the normal operations of agencies, and the provisions of this section are not applicable to appropriations for improvements or to special appropriations.

History. Acts 1973, No. 876, § 17; 1981, No. 741, § 2; 1985, No. 365, § 8; A.S.A. 1947, § 13-343.

R1-19-4-206 General Conservation Activities (NEW)

In any year that changes in Constitutional Officers will occur, the Chief Fiscal Officer of the State, through the DFA-Office of Budget and Office of Accounting, will survey the condition of the various State budgets and take whatever actions he/she deems necessary in order to conserve appropriate portions of the applicable budgets to ensure adequate funding will be available for incoming officers.

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R2-19-4-206 **Governor Elect Transition Guidelines**

The administration of funds, as may be appropriated by the General Assembly and provided to an individual who has been elected to a first term as Governor, for the use in preparing for his or her forthcoming administration, must comply with the provisions of ACA 25-16-205 and this policy.

General Limitations

The expenditure of funds is limited to direct expenses of the activities relating to the new office holder preparing to take office in January following the general election. Only those expenses incurred from the date of the general election until the date of inauguration, which are directly related to assuming the office, shall be considered eligible for payment. No transition funds will be used to pay a salary to a newly elected official prior to his or her assuming the office.

Specific Guidelines

A budget for proposed use of such funds must be prepared by the Governor Elect and presented to the Director of the Department of Finance and Administration prior to the release of transition funds.

The individual(s) authorized to disburse the funds will be designated in writing by the Director of the Department of Finance and Administration (DFA).

Person(s) authorized to approve the following items must be designated in writing by the Director of DFA: employment and payroll documents, purchasing documents, contracts, invoices for payment, and travel reimbursement requests.

All employees of the transition team are exempt from the overtime pay requirements of the Fair Labor Standards Act (FLSA) and therefore are not eligible for overtime pay.

The business affairs of the transitional team must comply with the policies, regulations and procedures established by the Director of the Department of Finance and Administration for the conduct of State business.

All financial transactions shall be recorded on the State's financial management system, and all original documentation shall be kept on file in the Office of the Chief Fiscal Officer of the State.

SUBCHAPTER 3 CHIEF FISCAL OFFICER OF THE STATE

19-4-301. Duties and responsibilities generally.

The Chief Fiscal Officer of the State shall carry out the following duties and responsibilities:
(1) Assist the Governor, or Governor-elect, in the preparation of the comprehensive program and financial plan, including the coordination and analysis of State agency programs, goals, and objectives;

(2) Develop procedures to produce the information needed for effective policy decision-making by the General Assembly, Governor, or Governor-elect;

(3) Assist agencies in developing their Statement of goals and objectives, their preparation of program plans and budget requests, and their systems of evaluating and reporting of program performance;

(4) Provide the General Assembly or its interim committees with any information they may request;

(5) Between sessions of the General Assembly, keep the Legislative Council and any interim committees of the General Assembly that request this information informed of the actual expenditures of agencies as compared to their approved budgets and of the actual performance of these agencies as compared to that predicted in the program budget requests, along with the reasons for any deviations which exist; and

(6) Administer his responsibilities under the program budget provisions of this chapter so that the policy decisions and budget determinations of the General Assembly and Governor are effectively implemented.

History. Acts 1973, No. 876, § 6; A.S.A 1947, § 13-332.

19-4-302. Budget information forms.

To accomplish his duties and responsibilities, the Director of the Department of Finance and Administration, in cooperation with the Legislative Council, shall design budget information forms so that comparative data of the last fiscal year, the current fiscal year, and the next biennium are presented so that State agencies can best express budgetary and program information that will be most useful to the Governor, or Governor-elect, and the General Assembly in order to facilitate program formulation, execution, and accountability by:
(1) Focusing attention upon the general character and relative importance of the program to be accomplished or upon the service to be rendered and what the program or service will cost;

(2) Employing functional classifications, where practical to do so, in order to present budgets by broad program categories;

(3) Presenting budget requests by organizational units;

(4) Grouping expenditures and budget estimates by major objects of expenditures;

(5) Stating goals and objectives of agency programs;

(6) Presenting proposed plans to implement the goals and objectives, including proposed modification of existing program services and establishment of new program services, and the estimated resources required to implement the goals and objectives;

(7) Including a report of the receipts during the prior fiscal year, an estimate of the receipts during the current fiscal year, and an estimate for each year of the succeeding biennium;

(8) Presenting requested legislation required to implement the proposed programs and financial plans; and

(9) Supplying any other information necessary to carry out the purposes of this chapter.

History. Acts 1973, No. 876, § 6; A.S.A. 1947, § 13-332.

19-4-303. Budget estimates.

The Director of the Department of Finance and Administration, in cooperation with the Legislative Council, shall:
(1) Prepare a budget calendar or time schedule so that the submission and presentation of budget estimates will be accomplished within the desired time limits; and

(2) Prepare a budget instructional manual to establish uniformity for presentation of budget estimates by State agencies.

History. Acts 1973, No. 876, § 6; A.S.A. 1947, § 13-332.

19-4-304. Biennial preparations.

Immediately after July 1 of each even-numbered calendar year, or earlier if determined necessary, the Director of the Department of Finance and Administration shall:
(1) Issue budget information forms, budget estimating instructions, and a budget calendar which has been approved by the Legislative Council, plus a budget policy letter from the Governor containing some or all of the following:

(A) Establishing maximum limitations on expenditures for the biennium in which estimates are being requested;

(B) Setting out the policies which will determine the Governor's priorities in the allocation of available resources;

(C) Outlining the effects of economic changes pertaining to price levels, population changes, and pending federal legislation; and

(D) Containing a review of current fiscal conditions and a prognostication of fiscal conditions for the future;

(2)(A) Visit and inspect the properties and facilities of any or all State agencies and request the administrative head or any employee of the agency to appear before him to explain any matters concerning the budgetary and program requirements of the agency.

(B) If any agency fails or refuses to furnish any information with respect to budget estimates or program formulation, as and when it shall be requested by the Chief Fiscal Officer of the State, then he shall have the authority to prepare and submit his own recommendations as to the budgetary or program requirements of the agency;

(3) Assist agencies in the preparation of their budget proposals. This assistance may include:

(A) Technical assistance;

(B) Organization of materials;

(C) Centrally collected accounting, budgeting, personnel, and purchasing information standards and guidelines;

(D) Population and other required data; and

(E) Any other assistance that will help the agencies produce the information necessary for efficient agency management and decision making by the General Assembly, the Governor, or the Governor-elect;

(4) Analyze the budget estimates to evaluate and assess the priority and accuracy of agency requests in relation to policy and program objectives and the financial condition of the State and make recommendations for modifications and revision of the budget request if, in their opinion, the facts before them would justify such proposed revisions. The Chief Fiscal Officer of the State in making recommended changes shall not alter the original request unless requested to do so by the administrative head of the agency affected but shall report the original request, together with his own recommendations and the reasons therefor, to the Governor, so that all agency budget estimates may be made available to the Governor, or Governor-elect, the Legislative Council, and the General Assembly for their consideration;

(5) Prepare an estimate of the general and special revenues for the next biennial period, along with comparative data for the then-current fiscal year and past fiscal year;

(6) Submit his budget studies, together with his recommendations, to the Legislative Council and to the Governor, or Governor-elect, for such further recommendations as the Governor, or Governor-elect, may care to make.

History. Acts 1973, No. 876, § 6; A.S.A. 1947, § 13-332.

19-4-305. Preliminary budget report.

The Chief Fiscal Officer of the State shall prepare the described preliminary budget report so that it shall include the following:
(1) The budget requests as submitted by the legislative branch, the judicial branch, the elective constitutional officers, the Arkansas State Highway and Transportation Department, and the Arkansas State Game and Fish Commission;

(2) The budget requests of all other State agencies, as submitted by each agency, together with the Chief Fiscal Officer of the State's analysis of the budget estimates and the executive recommendations;

(3) A recapitulation and summary of all budget information as required in this subchapter and the recommendations of the Chief Fiscal Officer of the State; and

(4) A detailed Statement of the revenues and other sources of income of the State government for the past complete fiscal year, the estimated revenues of the State under existing laws, and the Governor's proposals for revisions in any tax laws necessary to balance the budget.

History. Acts 1973, No. 876, § 6; A.S.A. 1947, § 13-332.

19-4-306. Review and control of budgets.

The Chief Fiscal Officer of the State, in cooperation with the Legislative Council, shall devise the necessary procedures, forms, and timetables to assure the same comprehensive review of all State agency requests for capital expenditures as outlined in this subchapter for operating budgets. In addition, the Chief Fiscal Officer of the State shall institute the necessary budgetary and accounting controls over those capital budgets approved by the General Assembly to assure full compliance with all applicable State laws.

History. Acts 1973, No. 876, § 6; A.S.A. 1947, § 13-332.

19-4-307. Employment classification information.

(a) At the same time a State agency submits a budget request for pre-session budget hearings of the Legislative Council and the Joint Budget Committee, the agency shall also submit the following information for each employment classification:
(1) The total number of persons currently employed;

(2) The number of white male employees;

(3) The number of white female employees;

(4) The total number of Caucasian employees;

(5) The number of black male employees;

(6) The number of black female employees;

(7) The number of other employees who are members of racial minorities; and

(8) The total number of minorities currently employed.

(b) An agency's budget request shall not be considered by the Legislative Council or Joint Budget Committee in a presession budget hearing unless the information required by this section is filed along with the budget request.

History**.** Acts 1993, No. 358, § 1.

SUBCHAPTER 4 AUDITOR OF STATE AND TREASURER OF STATE

19-4-401. Duties generally.

Except as otherwise provided for in this chapter, the offices of the Auditor of State and the Treasurer of State shall continue to perform the duties imposed by law upon these offices.

History. Acts 1973, No. 876, § 27; A.S.A. 1947, § 13-353.

19-4-402. Auditor of State as disbursing officer.

The Auditor of State shall act as disbursing officer for the appropriations made for: (1) Circuit and chancery judges;

(2) Prosecuting attorneys;

(3) Retired circuit and chancery judges; and

(4) The Lieutenant Governor.

History**.** Acts 1973, No. 876, § 27; A.S.A. 1947, § 13-353.

19-4-403. Issuance of warrants.

The Auditor of State shall issue his or her warrants in payment of the vouchers presented to him or her by the Chief Fiscal Officer of the State only after he or she shall have satisfied himself or herself that the provisions of this chapter have been complied with. For this purpose, the Auditor of State shall have the authority to conduct any further examination and pre-audit of the vouchers which he or she may deem necessary. A single warrant may contain payments from multiple appropriations, classifications of appropriation, and funds.

History. Acts 1973, No. 876, § 27; A.S.A. 1947, § 13-353; Acts 2001, No. 1453, § 5.

Warrants are instruments utilized by the State to pay for obligations incurred in the purchasing of goods or services from outside sources. Warrants are initiated in AASIS by utilizing either the purchase order or the direct invoice method.

R1-19-4-403 Warrant Cancellations

A warrant must be cancelled when either the warrant contains incorrect information (i.e. vendor name, address, payment amount, etc.) or the vendor loses or does not receive the warrant issued to them for payment. The following procedures supply the necessary information to complete a warrant cancellation whether the warrant is for an outside vendor or for payroll to a State employee.

PLEASE NOTE: For a chart reflecting forms that must be submitted in all instances of warrant cancellation actions, please see P1-19-4-403.

Non-Payroll Warrant Cancellation

Department of Finance and Administration – Office of Accounting (DFA-OA) is responsible for the cancellation of all Non-Payroll Warrants. All forms must be sent to DFA-OA where they will be processed and forwarded to the Auditor of State -Warrant Division.

There are two general categories for Non-Payroll Warrant Cancellations, those to be re-issued and not to be re-issued. These categories may include warrants that the agency have in hand or those that are lost or forged.

PLEASE NOTE: Generally, Automatic Clearing House (ACH) warrants cannot be cancelled. ACH Warrants are payments that are made by direct deposit into a vendor's commercial bank account. If an agency requests the cancellation of an ACH warrant and that request cannot be processed, the agency must then contact the vendor for a refund of the ACH warrant. Once the agency receives the refund, a refund to expenditure must be completed and a deposit prepared and sent to the Treasurer of State-Warrant Division to record the receipt of funds for both the prior year and the current fiscal year warrants. Appropriation will be restored for current fiscal year warrants only.

An "Affidavit of Forged Warrant" Form P2-19-4-403 must be completed by the vendor and submitted to the issuing agency for Non-Payroll Warrant Cancellations when the vendor purports the warrant has been lost or forged. The original "Affidavit of Forged Warrant" must then be sent either by mail, inter-office mail, or personal delivery to DFA-OA-Reconciliation Manager. The "Affidavit of Forged Warrant" will not be accepted by DFA-OA-Reconciliation Manager until the 15th day after the issuance of the warrant. The agency personnel must contact the Treasurer of State-Warrant Division either by phone or by email to verify that the warrant has not been redeemed just prior to the submission of the form.

Upon receipt of the Affidavit of Forged Warrant" Form the DFA-OA Reconciliation Manager will review and enter any action necessary in AASIS (i.e. voiding of warrant, reversal of payment). The "Affidavit of Forged Warrant" will then be delivered to the Treasurer of State-Warrant Division to be held in the event that the corresponding warrant is redeemed. If the Treasurer of State-Warrant Division has the original "Affidavit of Forged Warrant" and the original warrant is redeemed, the Treasurer of State-Warrant Division can then return the warrant and the "Affidavit of Forged Warrant" to the bank to attempt to receive a refund of the money. If the commercial bank does not refund the money to Treasurer of State-Warrant Division, Treasurer of State-Warrant Division will notify the agency that the warrant was un-collectable. It is the agency's responsibility to collect the amount of the warrant from the vendor. If, after six months the agency is unable to collect, a claim will be filed with the Claims Commission to reimburse the Treasurer of State from the agency's funds and appropriation.

If the original warrant is redeemed prior to an"Affidavit" of Forged Warrant" being filed with the Treasurer of State-Warrant Division and the reissued warrant is also redeemed the Treasurer of State-Warrant Division will attempt to receive a refund of money for the original warrant from the commercial bank. If the commercial bank denies the "Affidavit of Forged Warrant", the agency will be charged for both the original and the reissued warrant. The agency must then contact the vendor to collect the overpayment. Once the overpayment has been collected, the originating agency will deposit the refund in the originating fund and complete a refund to expenditure. If the original expenditure was for the current year, the general ledger account to use is 6080001000 Refund to Expenditure - Current Year. The agency then must submit a "Refund to Expenditure" Form P3-19-4-403 to DFA-OA-Reconciliation Manager. The "Refund to Expenditure" Form is then used to adjust the appropriation for the current year. If the original expenditure was for prior year, the general ledger account to use is 6990003000 Prior Year Refunds to Expenditures. There is no refund of appropriation for prior year.

Non-Payroll Warrant Cancellation with Reissue

Prior Year

All prior year warrant cancellations with reissue require the Auditor of State -Warrant Division to issue a duplicate warrant. These warrants will reflect the same warrant number and date as the original but will have "Duplicate" stamped on the actual warrant.

To cancel a prior year warrant that is being reissued, the agency must submit a "Non-Payroll Warrant Cancellation Form", Form P4-19-4-403, P4b-19-4-403 (Instructions) an original "Affidavit of Forged Warrant", Form P2-19-4-403 and an original "Bond for Reissuing Warrant", Form P5-19-4-403 to DFA-OA.

When a prior year warrant cancellation is submitted with a request for reissue and the Auditor of State -Warrant Division issues a duplicate warrant, no journal entries are made.

Current Year

Current year warrant cancellations can either have a duplicate warrant processed by the Auditor of State -Warrant Division or a new warrant can be issued. Duplicate warrants for current year warrant cancellations will only be processed if an "Affidavit of Forged Warrant" and "Bond for Reissuing Warrant" has been submitted with the "Non-Payroll Warrant Cancellation Form". Also the agency must note on the "Affidavit of Forged Warrant" that the warrant is, if in fact, a forgery. When a current year warrant cancellation is submitted with a request for reissue and the Auditor of State-Warrant Division issues a duplicate warrant, no journal entries are made.

If a current year warrant is cancelled a new warrant can be issued by the agency DFA – OA-Reconciliation Manager will notify the agency when the warrant has been cancelled.

If a current year warrant is damaged or unacceptable at a commercial bank, the agency must send the original warrant and the "Non-Payroll Warrant Cancellation Form" to DFA-OA-Reconciliation Manager and a new warrant will be issued to the vendor by DFA-OA-Reconciliation Manager.

Non-Payroll Warrant Cancellation with Reissue
Note: All forms must be submitted to DFA-OA-Reconciliation Manager.
Prior Year Warrant Cancellations with Reissue Forms Needed:

P4-19-4-403– Non-Payroll Warrant Cancellations Form
P2-19-4-403– Affidavit of Forged Warrant (Original)
P5-19-4-403– Bond for Reissuing Warrant (Original)

Non-Payroll Warrant Cancellation without Reissue

Prior Year

For a prior year warrant cancellation (void), the agency must submit a "Non-Payroll Warrant Cancellation Form" P4-19-4-403, either the original warrant or an "Affidavit of Forged Warrant" P2-19-4-403 and a "Prior Year Non Payroll Warrant Cancellation Journal Entry Form" P6-19-4-403 to DFA-OA-Reconciliation Manager. If the monies were expensed from a fund that is supported by General Revenue and a portion of the monies should not be reclaimed, a "Prior Year Non-Reclaimable Certification Form", P7-19-4-403 must also be submitted to DFA-OA. Instructions for the Prior Year Non-Reclaimable Certification Form can be found at P7b-19-4-403. If the "Prior Year Non-Reclaimable Certification Form" is not submitted, all monies will be reclaimed at month end. Prior year warrant cancellations require journal entries to be created and the warrant to be voided by DFA-OA-Reconciliation Manager. Document type "ZW", will be used in creating the journal entry. The following entry is made as of current date to the originating fund:

DR 1100001000 Cash in State Treasury

CR 6990002000 Prior Year Warrants Cancelled

The Prior Year Warrant Cancelled general ledger account posting is a non-budget relevant posting that does not reestablish appropriation.

The Business Area is used in the reference field for the posting of the prior year warrant cancellation; the short text will reflect "PY Warrant Cancel" and the text field will contain the warrant number.

If the original payment was from a fund that is supported by General Revenue, an additional entry will be made by DF-OA Funds Group Manager at month end reclaiming the money.

The agency will need to provide a contact person, phone number (with area code) and email address in the space provided on the "Non Payroll Warrant Cancellation" Form that is submitted to DFA-OA-Funds Group Manager.

Current Year

For a current year warrant cancellation the agency must submit a "Non-Payroll Warrant Cancellation Form" P4-19-4-403 and either the original warrant or an "Affidavit of Forged Warrant" to DFA-OA-Reconciliation Manager.

The warrant will be cancelled in AASIS and the original invoice(s) will be reversed by DFA-OA-Reconciliation Manager, if a new warrant is to be issued. A duplicate warrant can be issued for a current year warrant only if the original is reported as a forgery.

Payroll Warrant Cancellation

Department of Finance and Administration – Office of Personnel Management (DFA-OPM) is responsible for the cancellation of all payroll warrants. All forms must be sent to DFA-OPM where they will be processed.

PLEASE NOTE: Generally, ACH warrants cannot be cancelled. ACH Warrants are payments that are made by direct deposit into a vendor's commercial bank account. If an agency requests the cancellation of an ACH warrant and that request cannot be processed, the agency must then contact the employee for a refund of the ACH warrant. Once the agency receives the refund, a deposit is to be made to the originating fund by the agency and a refund to expenditure must be completed to the originating fund to record the receipt of funds for both the prior year and the current fiscal year warrants. Appropriation will be restored for current fiscal year warrants only.

An "Affidavit of Forged Warrant" Form P2-19-4-403 must be completed by the employee and submitted to the issuing agency for Payroll Warrant Cancellations where the employee is claiming that the warrant is lost or that the warrant has been forged. The original "Affidavit of Forged Warrant" must then be sent either by mail, inter-office mail, or personal delivery to DFA-Office of Personnel Management, Payroll Section (DFA-OPM-PS). The "Affidavit of Forged Warrant" will not be accepted by DFA-OPM-PS until the 6th day after the issuance of the warrant and after the agency contacts the Treasurer of State-Warrant Division either by phone or by email to verify that the warrant has not been redeemed.

Upon receipt of the Affidavit of Forged Warrant" Form the DFA-OPM-PS will review and enter any action necessary in AASIS (i.e. voiding of warrant, reversal of payment). The "Affidavit of Forged Warrant" will then be delivered to the Treasurer of State-Warrant Division to be held in the event that the corresponding warrant is redeemed. If the Treasurer

of State-Warrant Division has the original "Affidavit of Forged Warrant" and the original warrant is redeemed, the Treasurer of State-Warrant Division can then return the warrant and the "Affidavit of Forged Warrant" to the bank to attempt to receive a refund of the money. If the commercial bank does not refund the money to Treasurer of State-Warrant Division, Treasurer of State-Warrant Division will notify the agency that the warrant was un-collectable. It is the agency's responsibility to collect the amount of the warrant from the vendor. If after six months the agency is unable to collect, a claim will be filed with the Claims Commission to reimburse the Treasurer of State from the agency's funds and appropriation.

If the original warrant is redeemed prior to an "Affidavit of Forged Warrant" being filed with the Treasurer of State-Warrant Division and the reissued warrant is also redeemed Treasurer of State-Warrant Division will attempt to receive a refund of money for the original warrant from the commercial bank. If the commercial bank denies the "Affidavit of Forged Warrant", the agency will be charged for both the original and the reissued warrant. The agency must then contact the employee to collect the overpayment. Once the overpayment has been collected, the originating agency will deposit the refund in the originating fund and complete a refund to expenditure. If the original expenditure was for the current year, the general ledger account to use is 6080001000 Refund to Expenditure - Current Year. The agency then must submit a "Refund to Expenditure" Form P3-19-4-403 to DFA-OA-Reconciliation Manager. The "Refund to Expenditure" Form is then used to reinstate the appropriation for the current year. If the original expenditure was for prior year, the general ledger account to use is 6990003000 Prior Year Refunds to Expenditures. There is no refund of appropriation for prior year.

Payroll Warrant Cancellation with Reissue

Prior Year

For prior year payroll warrant cancellation, the agency must submit to DFA-OPM a "Request for Reverse Payment Void"P8-19-4-403, a copy of the "Remuneration (REM) Statement", "Affidavit of Forged Warrant" and an additional two copies of each form. If the warrant cancellation is considered a forgery, the agency must also submit a "Bond for Reissuing Warrant" P5-19-4-403. DFA-OPM will forward the "Affidavit of Forged Warrant" to DFA-OA for the determination of whether a duplicate warrant can be reissued.

If a duplicate warrant is issued by the Auditor of State-Warrant Division, no cancellation is required.

PLEASE NOTE: Should the employee cash the original warrant for which the "Affidavit of Forgery" papers have been signed, criminal charges can be filed against the employee by the individual or business entity that cashed the warrant or accepted it for deposit.

Current Year

For current year payroll warrant cancellation, the agency must submit to DFA-OPM an "Affidavit of Forged Warrant" and attach one copy. If the warrant cancellation is for a forgery, the agency must also submit a "Bond for Reissuing Warrant". DFA-OPM will forward the "Affidavit of Forged Warrant" to DFA-OA-Reconciliation Manager to make the determination of whether a duplicate warrant can be reissued.

If a duplicate warrant is issued by the Auditor of State-Warrant Division, no cancellation is required.

Outlawed Warrants

Questions concerning the outlawed warrant process should be directed to DFA–OA Reconciliation Manager. A list can be provided detailing all warrants that were outlawed by DFA-OA upon request.

19-4-404. Books, forms, and receipts.

(a) In order to provide for uniformity in fiscal procedure, the Auditor of State and the Treasurer of State are directed to establish and set up in their respective books such income, appropriation, disbursement, and fund accounts as shall be prescribed by the Chief Fiscal Officer of the State or as otherwise provided by law.
(b) The forms of all vouchers and other prescribed forms used in connection with the disbursement of funds in the State Treasury shall be prescribed by the Chief Fiscal Officer of the State, with the approval of the Auditor of State, or as otherwise provided by law.

(c) All forms of receipts and other prescribed forms used in connection with the recording of the receipts of the Treasurer of State shall be prescribed by the Chief Fiscal Officer of the State, with the approval of the Treasurer of State, or as otherwise provided by law.

History. Acts 1973, No. 876, § 27

19-4-404. Books, forms, and receipts.

(a) In order to provide for uniformity in fiscal procedure, the Auditor of State and the Treasurer of State are directed to establish and set up in their respective books such income, appropriation, disbursement, and fund accounts as shall be prescribed by the Chief Fiscal Officer of the State or as otherwise provided by law.
(b) The forms of all vouchers and other prescribed forms used in connection with the disbursement of funds in the State Treasury shall be prescribed by the Chief Fiscal Officer of the State, with the approval of the Auditor of State, or as otherwise provided by law.

(c) All forms of receipts and other prescribed forms used in connection with the recording of the receipts of the Treasurer of State shall be prescribed by the Chief Fiscal Officer of the State, with the approval of the Treasurer of State, or as otherwise provided by law.

History. Acts 1973, No. 876, § 27

19-4-405. Examination of records.

(a) It is the duty of the Auditor of State to examine and verify the disbursement and redemption records of the Treasurer of State daily and compare them with the records in his own office and with the Auditor of State's redeemed warrants.
(b) As each redeemed warrant is examined and found to compare with the disbursement records, it shall be stamped over the signature of the Auditor of State. The stamp shall contain the words "VOID, STATE AUDITOR," and shall be at least one-half inch by one and one-half inches (1/2" x 11/2") in size.

History. Acts 1973, No. 876, § 27; A.S.A. 1947, § 13-353.

19-4-406. Storage of warrants.

(a) The Auditor of State shall place all redeemed warrants in a secure place or vault in the Auditor of State's office, subject to the inspection by any interested citizen. He shall keep them intact and without further alteration for a period of one (1) year from the close of the fiscal year in which they were issued. After this time they may be destroyed, together with the vouchers upon which the warrants were issued, if so authorized by both the Legislative Auditor and the State Historian.
(b) If the Legislative Auditor and State Historian do not authorize the destruction, the warrants and vouchers shall be retained by the Auditor of State for such period of time as required by the Legislative Auditor and State Historian.

(c) If federal law or regulations require the retention of certain warrants for a period longer than the period prescribed in this section, warrants shall be retained for the period prescribed by the federal law or regulations.

History. Acts 1973, No. 876, § 27

19-4-407. Electronic warrants transfer system.

(a) The Chief Fiscal Officer of the State, the Treasurer of State, and the Auditor of State may establish an electronic warrants transfer system directly into payee's accounts in financial institutions in payment of any account allowed against the State.
(b) The Chief Fiscal Officer of the State, the Treasurer of State, and the Auditor of State, by joint rules, shall establish the standards and procedures for administering the system, to include that the electronic warrants transfer shall be in such form that a single instrument shall serve as electronic warrants transfer.

(c) A single electronic warrants transfer may contain payments to multiple payees, appropriations, characters, and funds.

History. Acts 1991, No. 421, §§ 1-3.

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R1*-19-4-407** ***Electronic Warrants

Overview

The Auditor of State -Data Processing Division receives warrant issuance files from AASIS that are to be paid by direct deposit into the vendor's commercial bank account. These payments must be formatted to comply with Automated Clearing House (ACH) requirements. Circumstances, occasionally, arise that require changes to the ACH transmittal file after it is created by AASIS but before the transmittal to the commercial bank for processing. Changes to the files must be made to avoid improper payments or incorrect payment routings.

These changes may include, but are not limited to, deletion of an item or items for which direct deposit must be stopped immediately, change of a file amount total due to the deletion of an item or items, change of a settlement date, or change of a vendor's Bank Routing Number /Account Number.

Only designated personnel from each agency may request the DFA-Reconciliation Manager to authorize the Auditor of State- Data Processing Division to make changes to an ACH file. The request may be made by telephone to hold processing of a file until the "Request for Change of ACH Direct Deposit File Form" may be completed and faxed to the DFA-Reconciliation Manager. When received the DFA-Reconciliation Manger will forward the request by fax to the Auditor of State-Data Processing Division. The request from DFA-OA must be signed by two persons of a list of designated personnel within DFA-OA. This request must be received and reviewed by two persons from a designated list of personnel within the Auditor of State -Data Processing Division who will perform the actions to change the ACH file. A printed copy of the request of change, signed by the two persons within the Auditor of State-Data Processing Division will be returned to the DFA-OA-Reconciliation Manager within 48 hours of the processing of the change.

Form P1-19-4-407 is the "Request for Change of ACH Direct Deposit File Form". The DFA-OA-Reconciliation Manager must include the file name; file date, total dollar value of the file as created, the adjusted dollar value of the file after changes and the adjustment that needs to be made with a brief description.

The Auditor of State-Data Processing Division representatives must both be present when the requested changes are made to the ACH file and verify that the changes were made accurately and completely. The Auditor of State-Data Processing Division designated representatives must then both sign and date the "Request for Change of ACH Direct Deposit File Form", reflecting that the changes have been made and time and date that they were made. The Auditor of State-Data Processing Division representatives must also record the total dollar value of the file after the change for verification purposes. The signed original of the form will be delivered in person to and maintained in a file by DFA-OA-Reconciliation Manager and a photocopy will be retained by Auditor of State-Data Processing Division.

PLEASE NOTE: All changes to warrant data files supplied by the Department of Finance and Administration to the Auditor of State staff prior to processing Automated Clearing House (ACH) payments or the printing of warrants shall be done in a controlled environment in accordance with proper internal control procedures.

PLEASE NOTE: If an erroneous file is transmitted and confirmed by Auditor of State, DFA-OA will make necessary corrections with the bank or the recipient's commercial bank.

19-4-408. Distributions to public school districts.

(a)(1) The Chief Fiscal Officer of the State, the Treasurer of State, and the Auditor of State shall establish an electronic warrants transfer system to distribute certain funds directly to an account in a financial institution, as designated by the public school district's treasurer.
(2) The determination of the categories of funds to be distributed shall be made by the Director of the Department of Education.

(3)(A) The public school district shall accept distributions by the electronic warrants transfer system.

(B)(i) A public school district with a district treasurer may choose to have funds first distributed to the county treasurer or directly to the school district treasurer.

(ii) If a school district with a district treasurer chooses direct distribution of funds to the school district treasurer, the State of Arkansas shall forward all State and federal funds for the district to the district treasurer, whether they are in the form of State warrants or electronic warrants transfers.

(iii) If a school district uses the county treasurer as its treasurer, the State of Arkansas shall forward all State and federal funds for the district to the county treasurer, whether they are in the form of State warrants or electronic warrants transfers.

(b) The Chief Fiscal Officer of the State, the Treasurer of State, and the Auditor of State, by joint rules, shall establish the standards and procedures for administering the system, to include that the electronic warrants transfer shall be in such form that a single instrument shall serve as electronic warrants transfer.

(c) A single electronic warrants transfer may contain payments to multiple public school districts, appropriations, characters, and funds.

History. Acts 1993, No. 540, §§ 1-5; 1995, No. 232, § 8.

SUBCHAPTER 5 FINANCIAL MANAGEMENT SYSTEM

19-4-501. General requirements.

(a) In order to provide necessary financial information for the Governor, members and committees of the General Assembly, and other interested State agencies, the Chief Fiscal Officer of the State is directed to establish a comprehensive financial management system for appropriated and cash funds of agencies.
(b) The financial management system shall provide for an adequate control over receipts, expenditures, and balances to the end that information may always be currently available as to the financial condition of the State and its various subdivisions. The system shall:

(1) Include a modified accrual system embracing encumbrance accounting;

(2) Conform with generally accepted governmental accounting principles; and

(3) Provide a reporting system whereby actual expenditures are compared to those predicted in the agency's annual operations plan described in subchapter 6 of this chapter.

(c) In obtaining any necessary fiscal information, the Chief Fiscal Officer of the State shall have the authority to make an examination of the books and records of any agency to determine the financial condition of the agency and to report on it.

History. Acts 1973, No. 876, § 12; A.S.A. 1947, § 13-338.

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INTERNAL ACCOUNTING CONTROL UTILIZING AASIS SECURITY ROLES

R1-19-4-501 It is the objective of the State of Arkansas to assure proper internal accounting controls are in place, to safeguard the State's assets and to prevent fraud, errors and defalcations (theft and embezzlements). The Arkansas Administrative Statewide Information System (AASIS) utilizes various accounting roles in order to provide for an adequate segregation of duties to facilitate better business practices and enable an adequate system of internal accounting controls sufficient to accomplish the prevention of fraud, errors and defalcations. Each agency, board or commission that has online access to AASIS shall have a security liaison that is knowledgeable regarding the business and accounting practices of their respective entity, and have a working knowledge of internal accounting controls. Each security liaison will ensure that a particular individual does not have conflicting or an excessive number of security roles assigned.

R2-19-4-501 The security liaison will assign roles to any new accounting team employee upon his/her commencement of employment. New role assignments or revisions to current role assignments will be submitted to the AASIS Security Administrator for review and entry into the AASIS system. If a conflict or an excessive number of security roles assignments are discovered in the review process, the AASIS Security Administrator will forward the request to

the Department of Finance and Administration, Office of Accounting, CAFR Section (DFA-OA-CAFR Section) for approval of a proposed solution or design of mitigating controls to be implemented.

Changes to current role assignments should be evaluated by the Agency Security Liaison to determine that internal control conflicts will not be created and that excessive roles are not assigned to one individual.

R3-19-4-501 When circumstances dictate, temporary security role assignments may be utilized by requesting that a security role assignment be granted for a specific time period, even though the assignment would appear to be allowing an individual to have excessive security roles. In the event an agency does not have sufficient staffing to assign security roles so that all park and post capabilities are met, they may request documents be posted by the DFA-OA-Service Bureau Manager. These items must be documented and reviewed by the individual that would otherwise have been required to park or post the documents or their immediate supervisor, as a mitigating control. This documentation must be retained in the files of the agency for review until the individual transaction records involved are destroyed.

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R1-19-4-501 Cash Receipts Internal Control

Strict control needs to be maintained during the processing of cash receipts to ensure that they are properly accounted for. . The term "cash" includes currency, coin, checks, money orders and credit card receipts. Collecting, recording, depositing, and reconciling cash receipts should be separated among different individuals. No one person should be in a position to misdirect the accounting or posting of a receipt. Additionally, the internal control procedures should prevent the misappropriation of funds once in the control of the agency.

Where staffing levels do not permit separation of duties, compensating controls such as strict individual accountability and thorough management review and supervision should exist to help safeguard assets and ensure that accounting records are complete and accurate. Any system adopted should include completely separating the handling of cash or checks from the recording function whenever possible. The compensating control procedures must be submitted to the Department of Finance and Administration-Office of Accounting for written approval

<u>Cash Received in Person</u>

A receipt must be issued for each payment received. The following minimum standards shall be met.

Receipts are to be pre-numbered by the printer, and a printer's certificate obtained and retained for audit purposes. Such certificate shall State the date printing was done, the numerical sequence of receipts printed, and the name of the printer.

The pre-numbered receipts shall contain the following information for each item receipted:

Date

Amount of receipt

Name of person or company from whom money was received

Purpose of payment

Fund(s) to which receipt is to be credited

Signature of employee receiving money

The original receipt shall be given to the party making payment. One duplicate copy of the receipt shall be maintained in numerical order in the receipt book. Additional copies of the receipts are optional with the State agency, board or commission or institution, and may be used for any purpose they deem fit.

The use of mechanical receipting devices, such as cash registers, which accomplish the same purpose as pre-numbered receipts, is acceptable and is encouraged.

All checks and other negotiable instruments must be endorsed immediately with a restrictive endorsement stamp.

Cash must be kept in a safe or other locked storage device until deposited.

Cash received Through the Mail

The mail must be opened in a monitored environment.

All checks should be numbered, marked or endorsed as soon as possible.

A list of cash (cash log) must be prepared in duplicate. The list shall include sufficient detail to allow an audit trail of an individual receipt.

One copy of the cash log shall be kept in the area and the other should accompany the deposit.

Cash must be stored in a safe or other locked storage device until deposited.

Balancing of Cash Receipts

All cash receipts must be balanced daily by mode of payment by comparing the total of the cash to the cash register totals, to the pre-numbered receipts totals and to the totals of the money received by mail.

All voided transactions are to be approved and initialed by the supervisor. Agencies using the Arkansas Administrative Statewide Information System must run a ZCAJO Cash Journal report on a weekly basis. Enter the cash journal number, document status of "D" and the posting date range. This will generate a list of all deleted documents from the cash journal for the period specified. This list shall include the initials of the supervisor acknowledging authorization of all deleted cash receipt transactions and be available for audit purposes.

Over/short amounts must be separately recorded, and investigated and resolved to the extent possible.

Preparation of Deposits

Someone not involved with collecting, recording, or reconciling must prepare the deposit.

Cash must be recorded on the deposit slip in the appropriate space.

An adding machine tape of checks must be included with the deposit slip if the number of checks exceeds the space available to list the checks on the deposit slip.

Reconciliation of Cash Collected

Bank accounts should be reconciled by an employee independent of the collecting, depositing, or recording functions on a monthly basis. Correcting journal entries must be made to the agency's books of record to correct prior month's errors in the current month.

19-4-502. Duties of Chief Fiscal Officer of the State generally.

The Chief Fiscal Officer of the State shall:
(1) Review post audits of State agencies conducted by the Legislative Joint Auditing Committee and advise the Governor and the Attorney General or prosecuting attorney for legal action, if appropriate, of any improper or illegal practices.

(2) Assist the various agencies in complying with the recommendations of the Legislative Joint Auditing Committee for improving their accounting systems;

(3) Establish a uniform chart of accounts and issue an accounting procedures manual governing statewide accounting and reporting policies and procedures;

(4) Prepare analysis and evaluation reports of the financial management system and fiscal control procedures to determine compliance with generally accepted governmental accounting principles;

(5) Adapt the financial management system to meet the particular needs of each agency while maintaining the overall integrity of the system and comparability of coding and reporting for all agencies utilizing the system; and

(6) Design accounting and reporting forms for use by agencies in effecting proper fiscal control procedures.

History. Acts 1973, No. 876, § 12; 1985, No, 365, § 1; A.S.A. 1947, § 13-338.

19-4-503. Deposit of funds in State Treasury.

(a) The Chief Fiscal Officer of the State shall have the authority, upon request of a State agency having funds on deposit in a depository other than the State Treasury, to authorize the agency to deposit the moneys in the State Treasury.
(b) The Chief Fiscal Officer of the State shall determine the classification of the funds and shall designate or create the State Treasury fund into which the moneys are to be deposited.

(c) The appropriation acts which appropriated the cash moneys shall be construed to be in conformity with Arkansas Constitution, Article 5, § 29, and Arkansas Constitution, Article 16, § 12, for withdrawing moneys from the State Treasury.

(d) All moneys deposited in the State Treasury under the provisions of this section shall be deposited as nonrevenue receipts and shall not be subjected to the provisions of § 11-10-10119-5-205(e) et seq.

History. Acts 1977, No. 608, § 1; A.S.A. 1947, § 13-554.

Refer to 19-5-104

19-4-504. Requisites of system.

The financial management system shall, at all times:
(1) Reflect the unencumbered balances of all State Treasury funds, fund accounts, and accounts and appropriations payable from the State Treasury;

(2) Reflect the appropriations and allotments as approved by the General Assembly;

(3) Reflect the distribution and allocation of the State revenues under the Revenue Stabilization Law, § 19-5-101 et seq., and other revenue laws of the State; and

(4) Provide a record of the expenditures, disbursements, and receipts of all State agencies.

History. Acts 1973, No. 876, § 12; A.S.A. 1947, § 13-338.

Kinnard I-2.1

OVERVIEW OF THE FINANCIAL MANAGEMENT SYSTEM

R1-19-4-504 ***Overview of the Financial Management System***

The State of Arkansas implemented a new financial management system on July 1, 2001. The system is designed to be a database resource management tool that encompasses many types of information for management use in addition to accounting data, such as budgeting, purchasing, and human resource management in an integrated fashion. The system is commonly referred to as AASIS, the acronym for "Arkansas Administrative Statewide Information System". The current operating platform is SAP software. The system replaced several of the previous automated systems used by the State since 1971. Upon conversion to AASIS, the State has the ability to report financial results on an individual agency or State-wide basis on the modified or full accrual basis of accounting in order to comply with financial reporting requirements promulgated my the Governmental Accounting Standards Board (GASB). The system is utilized on-line by most agencies and departments of Arkansas State Government. There are some small agencies that do not have the resources to utilize the system. For those small agencies, boards and commissions, the Office of Accounting created the "Service Bureau" Section to process all transactions and produce financial reports.

Reporting agencies, (e.g. colleges and universities, certain constitutional offices, War Memorial Stadium Commission, Arkansas Highway & Transportation Department, etc.) do not use AASIS as their original books of record. They have their own separate and independent accounting systems. These systems must have the capability to present the reporting agency's trial balances and related financial Statements on both the modified accrual and full accrual basis of accounting in order to facilitate preparation of the Comprehensive Annual Financial Report (CAFR) of the State of Arkansas in accordance with the requirements of GASB 34. Reporting agencies interface certain items within AASIS for budgetary control and for other financial reporting purposes. Each reporting agency, excluding the colleges and universities, shall make adjusting journal entries to agree AASIS

trial balance to their books of record, preferably on an interim basis, but not less frequently than annually as of June 30th of each fiscal year.

19-4-505. Generally accepted accounting principles.

It is the intent of the General Assembly that the State Accounting System, as authorized in this subchapter, shall be established in conformity with generally accepted accounting principles as recognized by the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants, the Financial Accounting Standards Board, and any successor governing boards. However, the Chief Fiscal Officer of the State shall consult the Legislative Joint Auditing Committee before proposing, adopting, or recommending compliance with any of the generally accepted accounting principles that conflict with law. It is further recognized that the State Accounting System should comply with recognized principles of accounting for and reporting of public moneys in order to properly and fairly discharge to the taxpayers our responsibility of adequately accounting for their moneys.

History. Acts 1973, No. 876, § 12; 1979, No. 833, § 3; A.S.A. 1947, § 13-338; Acts 2001, No. 1453, § 6.

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R1-19-4-505 Internal Control and Ethics Requirements

State government agencies must have an established system of internal control that provides reasonable assurance that objectives have been achieved in: 1) the effectiveness and efficiency of operations, 2) the reliability of financial reporting and 3) compliance with applicable laws and regulations. Agencies are also required to establish an effective anti-fraud program that: 1) creates a culture of honesty, 2) evaluates the risks of fraud and implements the processes, procedures and controls needed to mitigate those risks, and 3) develops an appropriate oversight process.

General

The General Accounting and Budgetary Procedures Law of Arkansas (ACA §19-4-101 et seq.) sets the policy for the State of Arkansas to provide an adequate accounting for all fiscal transactions and provide methods of internal accounting control by establishing and supervising the accounting systems of State agencies. The Chief Fiscal Officer of the State is empowered to make, amend, and enforce such reasonable rules and regulations, not inconsistent with law, as he shall deem necessary and proper to effectively carry out these provisions.

ACA §19-4-501 requires the Chief Fiscal Officer of the State to establish a comprehensive financial management system for appropriated and cash funds of agencies. This system shall conform to generally accepted governmental accounting principles.

ACA §19-4-505 requires that the State's Accounting System be established in conformity with generally accepted accounting principles as recognized by the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants, the Financial Accounting Standards Board, and any successor board. Statement on Auditing Standards #55

and #78 issued by the American Institute of Certified Public Accountants set the standards for an adequate system of internal control. Statement on Auditing Standards #99 sets the requirement for considering fraud in a financial Statement audit.

Internal Control Process

<u>Purpose</u>

To preserve the trust and respect that the public has for the governing process, government entity managers should take the necessary steps to minimize the risk of fraud, waste and abuse occurring within their entity. Fraud can range from minor employee theft to misappropriating of assets and fraudulent financial reporting. The establishment of a strong internal control environment where written policies and procedures are enforced, internal controls are appropriately implemented and employees are educated about fraud and its consequences is one of the best deterrents and methods of curtailing fraud. For internal controls to be effective, they must be periodically evaluated for effectiveness and changed as business processes are changed.
To some extent, everyone in an organization is responsible for ensuring the internal control system is effective. However, the head of each State agency has the ultimate responsibility because he or she has been entrusted with achieving the organization's mission. To the extent that the head of the agency authorizes other individuals to manage the activities of the organization, those managers then become responsible for the portion of the internal control system that they administer. Managers establish policies and plans make decisions and create the work atmosphere that influences the internal control system. Therefore, managers should also be held accountable for failures of the internal control system.

Because departments in State government vary in size, complexity, and degree of centralization, no single method of internal control is universally applicable. Managers should use this section as a framework for developing their internal control systems, consistent with their department's operations and agency mission.

<u>Definition of Internal Controls</u>

The expanded focus of both the public and private sectors on internal control has increased the sensitivity of government management, internal and independent auditors, legislators, regulators, academics and the general public to the need for effective internal control to manage an entity's activities.

The National Commission on Fraudulent Financial Reporting, known as the Treadway Commission, was created in 1985 by the joint sponsorship of different accounting professional organizations. The Treadway Commission had as its major objective to identify the factors of fraudulent financial reporting and to make recommendations to reduce its incidence. The Commission's Report (Report of the National Commission on Fraudulent Financial Reporting – National Commission on Fraudulent Financial Reporting, 1987) emphasized the importance of the control environment, codes of ethics, competent and involved audit committees and an active and objective internal audit function. Additionally, the Commission called for the sponsoring organizations to work together to integrate the various internal control concepts and definitions, and to develop a common reference point. Based upon this recommendation, a task force under the auspices of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) was formed to study internal control.

The COSO study and the resulting report (Internal Control-Integrated Framework) was initiated to provide a common understanding of internal control among all parties and to assist management to exercise better control over an enterprise. It is the COSO definition of internal control that is considered the formal definition today.

Internal Control is defined as a process, effected by an entity's board of directors, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

1. ***Effectiveness and efficiency of operations,***
2. ***Reliability of financial reporting,***
3. ***Compliance with applicable laws and regulations.***

Although this formal definition refers to internal control as a process, it should be viewed as a series of actions that permeate the entire State Government of Arkansas. Internal controls exist in the basic management processes of planning, executing and monitoring. It should not be viewed as an add-on to these basic management processes, but should be viewed as an integral part of them and should be placed at strategic points in these processes to ensure that objectives are achieved.

Internal control is at the core of State government fulfilling its mission and achieving its goals while providing safeguards to protect governmental resources. Management of each agency is responsible for implementing appropriate internal control activities that are appropriate to their agency's processes; while keeping in mind that effective internal controls benefit, rather than encumber management. Costs of implementing internal controls should not exceed the potential loss from fraud or the value of assets controls are established to safeguard. It is vital that everyone understand the concept and importance of internal controls, especially since virtually every State employee has a role in how well the State of Arkansas executes the concept of internal control.

Internal Control consists of five interrelated components. These components are:

1. ***Control Environment***
2. ***Risk Assessment***
3. ***Control Activities***
4. ***Information and Communication***
5. ***Monitoring***

<u>Control Environment</u>

The control environment can be best summarized as the attitude that management has about internal controls. If management believes that internal controls are important, is committed to implementing controls and communicates this view to employees, then internal controls are more likely to function effectively. However, if management views internal control as not important or as an obstacle, then this attitude will likely be communicated to employees

through management's actions. With this attitude, employees will likely view internal controls as "red tape" to be "cut-through" in order to get the job done. An effective control environment is an intangible factor that sets the foundation for all other components of internal control.

Risk Assessment

All agencies have certain risk involved in meeting their objectives and providing services to internal customers (other State agencies) and external customers (taxpayers of the State). This is based upon the premise that opportunity and risk are related; therefore, State government is exposed to risk by simply fulfilling the opportunity that it has to better serve the citizens of the State. By this definition, it can be seen that risk should not be viewed negatively, but simply inherent to the decision of doing business.

Risk assessment is the process used to identify, analyze, and manage the potential risks that could hinder or prevent an agency from achieving its objectives.

A risk assessment shall be performed by each agency once every two years. After completion, the assessment shall be forwarded to the DFA Office of Internal Audit. (DFA-OIA)

Appendix P1-19-4-505 .

Control Activities

Control Activities are the policies, procedures, techniques, and mechanisms that enforce management's directives, such as the process of adhering to requirements for budget development and execution. They help ensure that actions are taken to address risks. Internal Control Activities should be an integral part of an entity's processes for planning, implementing, reviewing, ensuring accountability for government resources and achieving effective results.

Internal Control Activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records that provide evidence of execution of these activities as well as appropriate documentation. Control Activities may be applied in a computerized information system environment or through manual processes.

Appendix P2-19-4-505 Click the Hyperlink for examples of internal control activities

Appendix P3-19-4-505 Click the Hyperlink for internal control questionnaire.

Information and Communication

For an agency to run and control its operations and achieve its desired objectives, communications relating to both operational and financial data is needed at all levels of an agency in a relevant, reliable and timely fashion.

In addition to internal communications, management should ensure that there are adequate means of communicating with, and obtaining information from, external parties that may have a significant impact on the agency achieving its goals.

Pertinent information should be identified, captured, and distributed in a form and time frame that permits people to perform their duties efficiently.

Additional points related to communication are made as follows:

Personnel should know their job responsibilities and how their activities relate to the work of others

A means should exist to permit upward communication within any agency

Employees should be confident that reprisals will not result from communicating significant information.

Monitoring

Subsequent to implementing internal controls, agencies should periodically monitor and evaluate their effectiveness to ensure that the controls are functioning properly. Potential weaknesses in internal control structure may be identified by Legislative Audit, Internal Audit or by employees of agencies. When members of management are notified of these weaknesses, they should take corrective action to resolve the identified problems in their internal control structure. Although monitoring is a separate component of internal control, it is easy to see how it relates to the component of internal control environment previously discussed.

To support monitoring activities, the DFA-OIA will maintain a database of agency audit findings and will provide agency management with routine reports of all outstanding findings. As audit findings are corrected, agency management must submit documentation of corrective action for the findings to be removed from the database.

As audit findings are brought to the attention of agency management, they will provide information to the DFA-OIA within 30 days of being notified of the finding. Agency audit findings may result from Legislative Audit reports, Internal Audit reports, or examinations by the Federal Government, etc. (Findings from sub recipient audits that receive State or federal funds from agencies are not required to be reported). The information for each finding must be presented on the Audit Finding Form.

Form P4-19-4-505 Click the Hyperlink to the Audit Finding Form.

Internal Control and Fraud

To preserve the trust and respect that the public has for the governing process, government agency leaders should take the necessary steps to minimize the risk of fraud, waste and abuse occurring within their agency. The establishment of a strong internal control environment where written policies and procedures are enforced, internal controls are appropriately

implemented and employees are educated about fraud and its consequences is one of the best deterrents and methods of curtailing fraud.

The impact that strong internal controls has in deterring fraud, and limiting exposure if fraud does occur, is irrefutable; however, a strong system of internal controls is no absolute guarantee that all cases of fraud will be prevented. Why? Because the best system of internal control can't prevent collusion between two or more people who are in positions to circumvent the internal control mechanisms, or prevent managers or individuals in key leadership capacities from unduly influencing those responsible for the internal control activities. Therefore, it is important for State government employees to recognize fraud when it is occurring and report the fraudulent activities to the appropriate authority.

Occupational fraud and abuses can be defined as the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of government resources or assets. Occupational fraud and abuses include misappropriation of assets in the form of cash theft, fraudulent disbursements, theft or personal use of inventory or other non-cash assets. Fraud can also take the form of bribery and corruption when kickbacks, gifts, or gratuities are offered to government employees from contractors or vendors to influence decisions of government agents or employees.

Anti-Fraud Program

The fundamental elements of an effective anti-fraud program that should be established by each agency are:

1. Creating and maintaining a culture of honesty,

2. Evaluating the risks of fraud and implementing the processes, procedures and controls needed to mitigate those risks, and

3. Developing an appropriate oversight process

Creating a Culture of Honesty and High Ethics

It is each agency's responsibility to create a culture of honesty and high ethics. Such a culture is rooted in a strong set of core values (or value system) that provides the foundation for employees as to how the agency conducts its business. It also allows an entity to develop an ethical framework that covers (1) fraudulent financial reporting, (2) misappropriation of assets, (3) corruption, as well as other issues.

Creating a culture of honesty and high ethics should include the following:

1. Setting the tone at the top

2. Creating a positive workplace environment

3. Hiring and promoting appropriate employees

4. Training

5. Confirmation

6. Discipline

Setting the Tone at the Top

The cornerstone of an effective antifraud environment is a culture with a strong value system founded in integrity. The value system is reflected in a code of ethics. The code of ethics should reflect the core values of the entity and guide employees in making appropriate decisions during their workday. The code of ethics might include such topics as ethics, confidentiality, conflicts of interest, intellectual property, sexual harassment, and fraud. Each agency shall develop a code of ethics, which shall be communicated to each employee. Each employee shall sign a Statement that they have received and understand the code of ethics.

The Code of Ethics shall be included in an employee handbook or policy manual so that it can be referred to when needed.

Appendix P5-19-4-505 Click the Hyperlink for an example of a Code of Ethics.

Creating a Positive Workplace Environment

Without a positive workplace environment, there are more opportunities for poor employee morale, which can affect an employee's attitude about committing fraud against an entity. Factors that detract from a positive work environment and may increase the risk of fraud include:

1. ***Negative feedback and lack of recognition for job performance***
2. ***Perceived inequities in the organization***
3. ***Fear of delivering "bad news" to supervisors and/or management***
4. ***Less-than-competitive compensation***
5. ***Poor training and promotion opportunities***
6. ***Lack of clear organizational responsibilities***
7. ***Poor communication practices or methods within the organization***

Hiring and Promoting Appropriate Employees

Each employee has a unique set of values and personal code of ethics. When faced with sufficient pressure and a perceived opportunity, some employees will behave dishonestly rather than face the negative consequences of honest behavior. The threshold at which dishonest behavior starts, however, will vary among individuals. If an entity is to be successful in preventing fraud, it must have effective polices that minimize the chance of hiring or promoting individuals with low levels of honesty, especially for positions of trust.

Proactive hiring and promotion procedures may include:

1. ***Conducting background investigations on individuals being considered for employment or for promotion to a position of trust.***
2. ***Thoroughly checking a candidate's education, employment history, and personal references***
3. ***Periodic training of all employees about the entity's values and code of ethics***
4. ***Incorporating into regular performance reviews an evaluation of how each individual has contributed to creating an appropriate workplace environment in line with the entity's values and code of ethics.***

Training

New employees should be trained at the time of hiring about the entity's values and its code of ethics. This training should explicitly cover expectations of all employees regarding (1) their duty to communicate certain matters; (2) a list of the types of matters, including actual or suspected fraud, to be communicated along with specific examples; and (3) information on how to communicate those matters. In addition to training at the time of hiring, employees should receive refresher training periodically thereafter.

Confirmation

Management needs to clearly articulate that all employees will be held accountable to act within the entity's code of ethics. All employees within senior management and the finance function, as well as other employees in areas that might be exposed to unethical behavior (for example, procurement, disbursement and receipting) should be required to sign a code of ethics annually.

Requiring periodic confirmation by employees of their responsibilities will not only reinforce the policy but may also deter individuals from committing fraud and other violations and might identify problems before they become significant. Such confirmation shall include Statements that the individual understands the entity's expectations, has complied with the code of ethics, and is not aware of any violations of the code of ethics. The confirmation shall reiterate the employee's obligation to report fraud, waste and abuse of government resources.

At the time of performing annual employee performance evaluations, a signed confirmation should be obtained from the employee that they have read and understand the entity's code of ethics.

Discipline

A thorough investigation should be conducted for each alleged incident of fraud. If allegations of fraud are substantiated, then appropriate and consistent actions should be taken against violators. When allegations of fraud are brought to entity management, these allegations shall be reported to the DFA-OIA. The DFA-OIA will coordinate the review of the allegations to determine if the allegations are substantiated.

Expectations about the consequences of committing fraud must be clearly communicated throughout the entity. For example, a strong Statement from management that dishonest actions will not be tolerated, and that violators will be terminated and referred to the appropriate authorities, clearly establishes consequences and can be a valuable deterrent to wrongdoing.

State employees also have the option of reporting allegations of fraud directly to the DFA-OIA. They can contact the DFA-OIA at (501) 682-0370 or complete a Fraud Reporting form and mail to the DFA-OIA.

State agency management must be familiar with the Arkansas Whistle-blower Act and their responsibility not to take adverse action against a public employee because the public employee or a person authorized to act on behalf of the employee communicates in good faith the existence of waste of public funds, property, or manpower, including federal funds, property, or manpower administered or controlled by a public employee, or a violation or

suspected violation of a law, rule, or regulation adopted under the law of this State or a political subdivision of the State to an appropriate authority.

Form P6-19-4-505 Click the Hyperlink to the Fraud Reporting Form.

Click the Hyperlink for Arkansas Whistle-blower Act.
http://www.arkansas.gov/dfa/internalaudit/whistle_blower_act.html

Evaluation Processes and Controls

Neither fraudulent financial reporting nor misappropriation of assets can occur without a perceived opportunity to commit and conceal the act. Organizations should be proactive in reducing fraud opportunities by (1) identifying and measuring fraud risks, (2) taking steps to mitigate identified risks, and (3) implementing and monitoring appropriate preventive and detective internal controls and other deterrent measures.

Identifying and Measuring Fraud Risks

Management has primary responsibility for establishing and monitoring all aspects of the entity's fraud risk-assessment and prevention activities. Fraud risks often are considered as part of an agency-wide risk assessment program, though they may be addressed separately. The fraud risk-assessment process should consider the vulnerability of the entity to fraudulent activity (fraudulent financial reporting, misappropriation of assets, and corruption) and whether any of those exposures could result in a material misstatement of the financial Statements or material loss to the organization.

The nature and extent of management's risk assessment activities should be commensurate with the size of the entity and complexity of its operations. For example, the risk assessment process is likely to be less formal and less structured in smaller entities. However, management should recognize that fraud can occur in organizations of any size or type. Accordingly, management should develop a heightened "fraud awareness" and an appropriate fraud risk-management program, and appropriate oversight.

Managing the risk of fraud is the same in principle as managing any other business risk. When considering fraud risks in specific operations, agency management must determine which operational areas are most susceptible to fraud risk. Areas with previous losses, areas handling cash and areas distributing and administering grants are examples of areas that may be more susceptible to fraud.

The fraud risk assessment shall be performed by each agency once every two years.

Mitigating Fraud Risks

Once risk areas are identified by management, it is necessary to evaluate the adequacy of existing internal control activities and determine if further controls or changes to existing controls are required to reduce or eliminate the risk. Although there may be high risk fraud indicators in certain instances, other compensating measures may exist to mitigate the weakness in controls. It may be possible to reduce or eliminate certain fraud risks by making changes to the entity's activities and processes. For example, the risk of misappropriate of funds may be reduced by implementing a central lockbox at a bank to receive payments instead of receiving money at the entity's various locations. The risk of corruption may be reduced by closely monitoring the entity's procurement process, etc.

<u>Developing an Appropriate Oversight Process</u>

To effectively prevent or deter fraud, an entity should have an appropriate oversight function in place. Agency management is responsible for overseeing the activities carried out by employees, and typically does so by implementing and monitoring processes and controls such as those previously discussed.

Management is encouraged to utilize an internal audit function in carrying out their oversight responsibility. An effective internal audit team can be extremely helpful in performing aspects of the oversight function. Internal auditors have the opportunity to evaluate fraud risks and controls and to recommend action to mitigate risks and improve controls.

Internal auditors can be both a detection and a deterrence measure. Internal auditors can assist in the deterrence of fraud by examining and evaluating the adequacy and the effectiveness of the system of internal control, commensurate with the extent of potential exposure or risk in the various segments of the organization's operations. In carrying out this responsibility, internal auditors should, for example, determine whether:

1. The organizational environment fosters control consciousness.

2. Realistic organizational goals and objectives are set

3. Written policies exits that describe prohibited activities and the action required whenever violations are discovered.

4. Appropriate authorization policies for transactions are established and maintained.

5. Policies, practices, procedures, reports and other mechanisms are developed to monitor activities and safeguard assets, particularly in high-risk areas.

6. Communication channels provide management with adequate and reliable information.

7. Recommendations need to be made for the establishment or enhancement of cost effective controls to help deter fraud.

Agencies that are governed by a board or commission are also encouraged to establish an audit committee to support the oversight function. One way that public officials can enhance accountability and demonstrate proper stewardship over public funds is to establish and support an adequate internal environment within their organizations. A critical element of the internal control environment is an effective audit committee that provides oversight of matters of financial reporting, auditing and internal control. An effective audit committee can provide several important aspects of control, including: ensuring the independence of the internal auditing function and ensuring appropriate action is taken on audit findings. The audit committee serves in a unique capacity as an important communication link among external and internal auditors and operating management, and as a means of reducing the risk of management override of key elements of the agency's internal control structure.

19-4-506. Accounting and reporting capabilities.

A governmental accounting system must make it possible both to:

(1) Present fairly and with full disclosure the financial position and results of financial

operations of the funds and account groups of the governmental unit in conformity with generally accepted accounting principles; and

(2) Determine and demonstrate compliance with finance-related legal and contractual provisions.

History. Acts 1973, No. 876, § 12; 1979, No. 833, § 3; A.S.A. 1947, § 13-338.

R1-19-4-506 Reporting Capabilities of System

AASIS has the ability to produce many reports. A table which outlines the available reports is located at appendix P1-19-4-506 . The table is categorized by report type and includes the following: financial and accounts payable reports, funds management reports, accounts receivable reports, asset management reports, fiscal control reports, human resources reports, and procurement reports. More information can be found on these reports at www.aasis.State.ar.us

III-18.1-18.13 Reporting Kinnard New Section

R2-19-4-506 General Reporting and Year End Closing Procedures

Purpose

This portion of the Guide establishes the State reporting policies and procedures governing the accumulation of accounting data for reporting purposes and the preparation of the State of Arkansas Comprehensive Annual Financial Report (CAFR).

PLEASE NOTE: A table of reports available from AASIS is in appendix P1-19-4-506 .

PLEASE NOTE: Also refer to year end closing instruction P1-19-4-701 HYPERLINK

Applicability & Responsibility

Each of the State of Arkansas' agencies, boards, commissions, departments and institutions is primarily responsible for the collection, maintenance, recording and transmission of financial information and other necessary disclosures to permit the Department of Finance & Administration – Office of Accounting – CAFR Section (DFA-OA-CAFR Section) to prepare financial Statements and the related footnotes in accordance with Generally Accepted Accounting Principles (GAAP) and official pronouncements of the Governmental Accounting Standards Board (GASB). Each agency, board, commission, department and institution is also required to provide supplementary information and statistical summaries as requested to allow the DFA-OA-CAFR Section to compile schedules and disclosures to be presented in the CAFR. The DFA-OA-CAFR Section is responsible for assisting each entity with its compliance with these reporting requirements, including:

1. Assistance regarding communication methods; notification of missing or erroneous data where possible. Detailed written communications will be distributed prior to fiscal year end from the DFA-OA-CAFR Section, complete with the comprehensive closing package

instructions, electronic spreadsheet templates, examples of closing accrual and reversing journal entries, and detailed transactional year-end cutoff requirements and their related deadlines. Access the DFA-OA website for further guidance at the following link (http://www.arkansas.gov/dfa/accounting/index.html)

2. Assistance in resolving certain processing problems; and

3. Training and continuing education regarding State policies, procedures and regulations for accounting and related topics.

Each agency, board, commission, department and institution is responsible for:

1. Ensuring that it is in a position to respond to problems encountered with the integrity and/or transmission of data during critical times, such as fiscal year-end cutoff.

2. Exercising appropriate control over data security.

3. Completion of a management representation letter that certifies the completeness, accuracy, and integrity of data submitted, signed by the Director and Chief Fiscal Officer.

4. Notifying the DFA-OA or AASIS support staff if data problems arise.

5. Notifying the DFA-OA-CAFR Section when the Arkansas Division of Legislative Audit or any external financial auditor commences field work, so the DFA-OA-CAFR Section agency liaison can assist with accounting issues which may arise and make arrangements to be present at the audit exit conference in order to be knowledgeable of audit findings which are communicated by the auditor so resolution or solutions can be accomplished on a timely basis.

<u>Component Units</u>

Governmental accounting standards prescribe two methods for reporting component units of the State in the CAFR. Depending on the component unit's relationship with the State, it is either blended or reported discretely.

Blended component units are reported as part of the primary State government just like a normal State agency, board, commission, department or institution.

Discretely reported component units are reported in a column separate from the primary State government. Component units discretely reported must submit audited financial Statements to DFA-OA-CAFR Section.

DFA-OA-CAFR Section personnel assigned to agencies identified as (or having) component units will work with agency personnel to provide additional information and assistance as needed to satisfy reporting requirements.

19-4-507. Fund accounting systems.

Governmental accounting systems should be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

History. Acts 1973, No. 876, § 12; 1979, No. 833, § 3; A.S.A. 1947, § 13-338.

ACA §19-4-508-516 Repealed.

19-4-517. Interim and annual financial reports.

(a) Appropriate interim financial Statements and reports of financial position, operating results, and other pertinent information should be prepared to facilitate management control of financial operations, legislative oversight, and, where necessary or desired, for external reporting purposes.
(b) A comprehensive annual financial report covering all funds and account groups of the governmental unit, including appropriate combined, combining, and individual fund Statements; notes to the financial Statements; schedules; narrative explanations; and statistical tables should be prepared and published.

(c) General purpose financial Statements may be issued separately from the comprehensive annual financial report. These Statements should include the basic financial Statements and notes to the financial Statements that are essential to fair presentation of financial position and operating results and changes in financial position of proprietary funds and similar trust funds.

History. Acts 1973, No. 876, § 12; 1979, No. 833, § 3; A.S.A. 1947, § 13-338.

19-4-518. Design of system.

(a) The financial management system shall be designed to record assets, liabilities, net assets, revenues, expenditures, and other similar transactions in accordance with generally accepted accounting principles. The financial management system shall provide a suitable analysis of the operation, maintenance, and improvement of all State agencies and their functions. This system shall furnish a breakdown and itemization of all financial transactions in accordance with the appropriations and allotments of the General Assembly, federal grants, and bank funds of the agencies.
(b) The Chief Fiscal Officer of the State shall prepare a general ledger manual covering the system of classifying financial transactions and shall supply all agencies with a copy of this manual.

History. Acts 1973, No. 876, § 12; A.S.A. 1947, § 13-338; Acts 2001, No. 1453, § 8.

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R1-19-4-518 General Ledger Chart of Accounts

The Financial Management System General Ledger Chart of Accounts contains the asset, liability, fund equity, revenue, expense, operating transfer, other financing sources/uses and prior period adjustment accounts necessary for operating purposes and financial Statement presentation for the State of Arkansas. These accounts record the dollar value of the business transactions completed by State Agencies.

The general ledger accounts are generic in nature and are established and titled for use by all State agencies. The general ledger accounts will not be set up to record specific transactions of an individual agency unless extraordinary circumstances justify the request.

The following is a general discussion concerning general ledger accounts, and, their characteristics and purposes. Procedures related to uses for specific transactions are located in other sections of this Guide.

Types of General Ledger Accounts:

Asset Accounts

Assets are a probable future economic benefit obtained or controlled by a particular entity as a result of past transactions or events. These economic resources can be tangible or intangible.

Assets are recorded in the general ledger account number range 1000000000 to 1999999999.

Asset accounts may have budget relevant commitment items. Run AASIS report S_KI4_38000036 to obtain the commitment item for all accounts.

Liability Accounts

Liabilities are probable future sacrifices of economic benefits, arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events. The term does not include encumbrances.

Liabilities are recorded in the general ledger account number range 2000000000 to 2999999999.

The commitment items for all liability accounts are non-budget relevant, also referred to as statistical. One exception to the statistical posting is on the sales/use tax liability, this is non-statistical.

Fund Equity Accounts

Equity accounts are the difference between a fund's assets and liabilities. In governmental funds, it is referred to as fund balance.

Fund equity is recorded in the general ledger account number range 3000000000 through 3999999999.

The commitment items for all fund equity accounts are non-budget relevant, also referred to as statistical.

Revenue Accounts

Revenues are inflows or other enhancements of assets during a period from delivering or producing goods, rendering services or carrying out other activities that constitute an agency's operations. Revenues are recognized in the accounting period in which they become measurable and available for modified accrual and when they become measurable and earned for full accrual. Monies receipted should be recorded as revenue upon the first receipt. Generally movements of monies between State agencies or an agencies fund groups should not be recorded as revenue, they should be recorded as transfers. The Governmental Accounting Standards Board (GASB) requires that if goods or services are provided between agencies and the value is approximately what it would be to receive the same goods or services

from an outside source, that the transaction be recorded as an expense to the paying agency and revenue to the receiving agency.

Revenues are recorded in the general ledger account number range 4000000000 through 4999999999.

The commitment items for all revenue accounts are non-budget relevant, also referred to as statistical.

<u>Expense Accounts</u>

Expenses are outflows, consumption of assets or incurrence of liabilities during a period from delivering or producing goods, rendering services, or carrying out other activities that constitute an agency's operations. Expenses are generally recognized in the period when incurred regardless of the timing of the related disbursements with the following exception. Certain expenses are recognized when due for modified accrual such as debt service payments, claims and judgments, accrued leave, and net pension obligations. Monies that are moved between State agencies or fund groups are generally not an expense but a transfer. However, the Governmental Accounting Standards Board (GASB) requires that if goods or services are provided between agencies and the value is approximately what it would be to receive the same goods or services from an outside source, that the transaction be recorded as an expense to the paying agency and a revenue to the receiving agency.

Expenses are recorded in the general ledger account number range 5000000000 through 5999999999.

Expense accounts may have either budget relevant or non-budget relevant commitment items. Run AASIS report S_KI4_38000036 to obtain the commitment item for general ledger accounts.

Period ending accrual entries are made to non-budget relevant general ledger accounts that are ties to statistical commitment items. However, all warrants, checks and inter-agency transfers for expenses must be coded to budget relevant general ledger accounts with a non-statistical commitment item.

<u>Operating Transfer Accounts</u>

Operating Transfers are used to record transfers of funds. They are legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended. They include inter-fund transfers (transfers between two or more State agencies) and intra-fund transfers (transfers within a State agency).

Operating Transfers are recorded in the general ledger account number range 60000000000 through 6999999999 along with Other Financing Sources/Uses and Prior Period Adjustments.

At the present time, all Operating Transfers have non-budget relevant commitment items.

<u>Other Financing Sources/Uses Accounts</u>

Other Financing Sources/Uses Accounts are used to Record inflow/outflows of resources that are not revenues/expenses.

Other Financing Sources/Uses are recorded in the general ledger account number range 60000000000 through 6999999999 along with Operating Transfers and Prior Period Adjustments.

All Other Financing Sources/Uses accounts for use by agencies other than certain accounts set up for use by DFA Employee Benefits Division only are non-budget relevant.

<u>Prior Period Adjustments</u>

Prior Period Adjustments are the net effect of changes resulting from the correction of errors which occurred in prior fiscal years. No Prior Period Adjustment shall be recorded by an agency without prior authorizations from Department of Finance and Administration – Office of Accounting (DFA-OA).

Prior Period Adjustments are recorded in the general ledger account number range 60000000000 through 6999999999 along with Operating Transfers and Other Financing Sources/Uses.

All Prior Period Adjustment accounts are non-budget relevant.

AASIS Reports S_ALR_87012333, S_ALR_87012326 and S_ALR_87012328 all can be used to produce lists of the Chart of Accounts. In order to receive an accurate report, Chart of Accounts and Company Code must both reflect ARK.

Contact DFA-OA for additional information concerning the Chart of Accounts

Part II Chapter 6.Journal Entries Teri NEW

R2-19-4-518 Journal Entries

Journal entries are used to change the posted value of a general ledger account balance or sub-ledger balance that is specific to a single business transaction. Generally these include correcting the posting of a cash receipt, check or warrant to an improper account. Journal entries are also used to adjust the ending or beginning balance of an account so that the general ledger as well as sub-ledgers are maintained in accordance with Generally Accepted Accounting Principles (GAAP), State policies, and audit requirements, such as year-end accruals for financial reporting. .

Most transactions do not originate in the general ledger but rather, in one of the modules (sub-ledgers) that feed the general ledger such as the Accounts Payable and Accounts Receivable modules. In order to maintain module integrity, proper audit trails and to comply with external audit requirements, it is imperative that adjustments or corrections be made in the module from which a transaction originated whenever possible. Thus, adjustments or corrections made directly in the general ledger should be relatively few in number.

In AASIS, a journal entry is prepared, checked, and parked by one staff member; and it is approved and posted by another staff member. The approving staff member is responsible for ensuring that each journal entry is:

1. coded accurately.

2 . fully substantiated with the reason for processing a request clearly identified by the supporting documentation. This could include correspondence, notes, copies of documents, working papers detailing the basis of any calculations, the source of supporting data and the name of the preparer of the calculations. Retain supporting documentation for audit verification and review.

3. explained clearly on the journal entry document. The text field in AASIS is approximately (50) characters long on each line. Double click on the text field if more room is needed to ensure that each journal entry contains a description that is clear, concise and logical to readers of general ledger reports.

PLEASE NOTE: Do not use simple one and two word explanations, such as "correction error", "transfer", "recovery", etc). It is critical that an accurate and meaningful description be provided for accounting, reporting and audit purposes.

PLEASE NOTE: the CFO or his designee shall approve in writing journal entries to record anything other than a summarized monthly recording of cash receipts or commercial bank activity.

PLEASE NOTE: Agencies not using AASIS shall retain original copies of journal entries processed, complete with original authorization signatures and supporting attachments for audit verification and review.

An Expenditure Error Correction is made by entering a journal entry that reclassifies an expense paid to/from:

- ***The wrong fund.***
- ***The wrong fund center.***
- ***An incorrect commitment item.***
- ***An incorrect general ledger account.***
- ***An incorrect Work Breakdown Structure (WBS) Element.***
- ***An incorrect Internal Order.***
- ***Or any combination of the list above.***

Certain restrictions apply to Expense Error Corrections:

- ***No prior fiscal year expenses may be corrected through an Expense Error Correction.***
- ***Expense Error Corrections cannot be made between funds held at the Treasurer of State and a cash fund.***
- ***Expense Error Corrections cannot be made between Treasury appropriations and cash appropriations.***
- ***Expense Error Corrections cannot be made between business areas. Errors of this type must be handled on a case by case basis by the Department of Finance and Administration - Office of Accounting (DFA-OA).***

<u>Error corrections that do not cross funds</u>

Journal entries to correct errors between the general ledger expense code and the cost center of a commitment item and/or fund center within the same fund require an entry that credits

the incorrect general ledger account and debits the correct general ledger account. This type of entry would be used to correct general ledger account, internal order number, WBS Element postings or commitment item and/or fund center within the same fund that are incorrect.

<u>Error corrections from one Fund and Fund Center to another Fund and Fund Center</u>

If the expense to be corrected should have been charged to fund centers with a different fund, additional line items are necessary to reclassify the expense. These corrections involve appropriation restoration and must be processed by DFA-OA. Use this type of correction when the general ledger accounts point to different commitment items, or the cost centers point to different fund/funds center combinations.

The entry will contain two parts. The first part will correct the expense coding of the error and the second part will correct the fund balances. The first half of the entry will post the expense to the correct general ledger account and cost center/fund/funds center combination with a debit and remove the expense from the wrong general ledger account and cost center/fund/funds center combination with a credit. The journal entry will also restore appropriation in the fund center and commitment item that were incorrectly charged.

The second half of the journal entry is a fund transfer to correct the cash balances of the respective funds. It debits the account balance the expense was removed from and credits the fund balance the expense was correctly charged against.

<u>Elements needed for the journal entries are:</u>

- ***The original document number that was incorrect, as a reference number. This number is used as a search criterion when displaying or changing documents in the State's Accounting System.***
- ***A brief description providing justification for the expenditure correction.***
- ***Use document type ZE for all expense error corrections.***

The transaction to process error corrections is FB50. The document generated by this transaction must be parked. The document is not complete when parked, and the current appropriation amounts will not be updated until the document is approved and posted. After parking the expense error correction documents, the agency must notify DFA-OA via email with the parked document number or the "Expense Error Correction Request" Form to complete the processing.

Service Bureau agencies should complete the "Expense Error Correction Request" Form and submit it to DFA-OA-Service Bureau (DFA-OA-SB). DFA-OA-SB will enter and park the document, then notify DFA-OA.

After the document has been reviewed for correctness and the reference document has been reviewed, the error correction will be posted and adjustments can be seen in the State's Accounting System depending on the type of error correction being processed.

19-4-519. Appropriations code manual and performance-based budget transfers.

(a) After the General Assembly has enacted the various appropriation measures for the support and operation of State government and its agencies, the Chief Fiscal Officer of the State shall prepare a complete code manual setting out all of the appropriations of the General Assembly, the purpose of the appropriations and the funds, fund accounts, or accounts from which the appropriations are made and shall classify them in accordance with the titles and definitions as enumerated in this chapter.
(b) After establishing the appropriation items and classifying them under the provisions of this chapter in strict conformity to the intent and purposes of the appropriation acts and within the limitations of the revenues and funds available for these purposes, it shall thereafter be unlawful for the Chief Fiscal Officer of the State or any disbursing officer of any State agency to transfer from an appropriation item, the purpose of which is defined under the provisions of this chapter, to any other appropriation item of a different classification and purpose as defined in this subchapter except where permitted by law.

(c)(1) If a State agency or program within the State agency has received a performance-based appropriation from the General Assembly, the State agency may request approval from the Chief Fiscal Officer of the State and the Legislative Council or Joint Budget Committee to transfer a portion of the performance-based appropriation from one program to a performance-based appropriation of another program or programs.

(2) Accompanying the transfer request shall be documentation reflecting the need for the transfer and the effects that the proposed transfer may have on the performance goals and targets as approved by the General Assembly and the Legislative Council for the programs.

(3) The Chief Fiscal Officer of the State may approve, disapprove, or modify the requested transfer.

(4)(A) If the transfer request, when combined with other approved transfers for the applicable programs, proposes to increase or decrease any of the applicable appropriations for the fiscal year by more than five percent (5%), the Chief Fiscal Officer of the State shall submit his or her recommendation along with the request to the Legislative Council or the Joint Budget Committee for its review, approval, disapproval, or modification.

(B) Otherwise, the decision of the Chief Fiscal Officer of the State on the transfer request shall be reported to the Legislative Council or the Joint Budget Committee in the same month as the decision is made.

(5)(A) The Legislative Council or the Joint Budget Committee, after consultation on the merits and justification of the request, shall notify the Chief Fiscal Officer of the State of the decision.

(B) In no event shall a transfer be approved by the Legislative Council that, when combined with other approved transfers for the applicable programs, would increase or decrease a

performance-based appropriation provided by law by the General Assembly by more than twenty percent (20%).

(6) The Chief Fiscal Officer of the State shall make the appropriate adjustments on the books of the State after receiving the notification.

(7)(A) The amounts listed in the performance-based budget sections in appropriation acts for funding sources shall be estimates of available resources to finance the appropriations in the appropriation section of the State agency's appropriation act.

(B) The State agency may revise those funding estimates from time to time as funds may or may not become available upon approval of the Chief Fiscal Officer of the State.

(8)(A)(i) Determining the maximum amount of appropriation and general revenue funding for a State agency each fiscal year is the prerogative of the General Assembly.

(ii) This is accomplished by delineating the maximums in the appropriation act or acts for a State agency and the general revenue allocations authorized for each fund and fund account by amendment to the Revenue Stabilization Law, § 19-5-101**,** et seq.

(B)(i)(a) Further, the General Assembly has determined that State agencies' programs which receive performance-based appropriations may operate more efficiently if some flexibility is provided under the provisions of this subsection.

(b) Therefore, it is both necessary and appropriate that the General Assembly maintain oversight by requiring prior approval of the Legislative Council or the Joint Budget Committee, as provided by this subsection.

(ii) The requirement of approval by the Legislative Council or the Joint Budget Committee is not a severable part of this subsection.

(iii) If the requirement of approval by the Legislative Council or the Joint Budget Committee is ruled unconstitutional by a court of competent jurisdiction, this subsection is void.

History. Acts 1973, No. 876, § 12; A.S.A. 1947, § 13-338; Acts 2001, No. 221, § 4; 2003, No. 1463, § 8.

19-4-520. Classification of appropriations.

For the purpose of establishing the proper accounts, for budgetary control, for accounting, and for other provisions of this chapter, the appropriations of the General Assembly shall be classified under one (1) or mo nt.

History. Acts 1973, No. 876, § 9; A.S.A. 1947, § 13-335.Top of Form

19-4-521. Personal services.

This classification shall be for regular full-time, part-time, extra-help employees, employer matching costs, employer special or extra compensation, overtime earnings, and other employee benefits that are legally authorized:

(1) Regular Salaries. This sub classification shall be applicable to all salaries and compensation, except as hereafter provided in this section, for State employees where the number of employees and maximum amounts of compensation are statutorily authorized as provided by Arkansas

Constitution, Article 16, § 4, irrespective of the financial resources compensating such employees within this sub classification, and where the method of salary disbursing of the institutions of higher learning involves payment from State agency bank funds of the institution, subject to reimbursement to the institution for such amounts as are properly payable from funds in the State Treasury. However, the State's financial management system may include in the sub classification of regular salaries the following:

(A) Extra Salaries. This description includes all special remuneration received by State employees in addition to regular salary that is authorized by law. Any State agency which receives an appropriation for extra salaries may pay eligible employees at the following rates:

(i) Physicians who are certified by the American specialty boards, at a rate of pay not to exceed four thousand five hundred dollars ($4,500) per year;

(ii) Physicians who are eligible to be certified by the American specialty boards, at a rate of pay not to exceed two thousand five hundred dollars ($2,500) per year; and

(iii) Physicians certified in child psychiatry or forensic psychiatry, an additional two thousand five hundred dollars ($2,500) per year will be allowed with the total additional compensation not to exceed seven thousand dollars ($7,000);

(B) Special Compensation. This description includes special remuneration when authorized by law for employee suggestion awards; and

(C) The payment of extra salaries and special compensation when authorized by law shall be considered to be in addition to the maximum amounts of compensation set by law for regular salaries;

(2) Extra Help. This sub classification shall be used for payment of all salaries and compensation of part-time or temporary employees, as authorized by law, who are employed one thousand (1,000) hours per year or less. This sub classification may be used to pay part-time or temporary employees who are employed for more than one thousand (1,000) hours per year if specific authorization is provided by law and if such use is within standards established by the Director of the Department of Finance and Administration. In no case shall any extra-help funds be used for the purposes of paying additional compensation to a full-time State employee. A "State employee" is defined as any employee occupying a regular salaried position for a State agency, board, commission, department, or institution of higher education;

(3) Overtime. This sub classification is applicable for payment of services performed in excess of normal hours of work during a specific time when specifically authorized by law; and

(4)(A) Personal Services Matching. This sub classification shall represent the agency's proportion of the amounts necessary to contribute the agency's share or to match the deductions from the salaries of State employees for social security, retirement, group employee insurance programs, workers' compensation, unemployment compensation contributions, and to provide a State contribution for State employee retirees who are eligible to participate in the health and life insurance programs offered by the State as defined by § 21-5-411 and as authorized by the Chief Fiscal Officer of the State.

(B) The Chief Fiscal Officer of the State is authorized to make appropriate reclassifications of the agency's appropriation for maintenance and general operation to effect the payment of personal services matching as herein described.

History. Acts 1973, No. 876, § 12; 1977, No. 813, § 1; 1979, No. 833, §§ 1, 2; 1981, No. 741, § 1; 1981, No. 924, § 1; 1983, No. 628, § 1; 1985, No. 365, §§ 2, 3, 12; A.S.A. 1947, § 13-338; Acts 1987, No. 646, § 1; 1999, No. 1280, § 11; 2001, No. 1453, § 10.

19-4-522. Maintenance and general operation.

(a) This classification shall cover items of expense necessary for the proper and efficient operation of the State agency, authority, board, commission, department, or institution of higher education, except as otherwise classified in this subchapter.
(b) It is recognized that in those instances where the maintenance and general operation line-item classification is not sub classified, the State agency is authorized to expend moneys for operations in compliance with the intent of this subchapter.

(c) In the event an appropriation for maintenance and general operation authorized for a State agency, board, department, or institution is restricted in its use by budget classification as set out in subsection (d) of this section, transfers between such classifications may be made subject to the procedures set out as follows:

(1) In the event the amount of any of the budget classifications of maintenance and general operation in an agency's appropriation act are found by the administrative head of the agency to be inadequate, then the agency head may request, upon forms provided for such purpose by the Chief Fiscal Officer of the State, a modification of the amounts of the budget classification. In that event, he or she shall set out on the forms the particular classifications for which he or she is requesting an increase or decrease, the amounts thereof, and his or her reasons therefor. In no event shall the total amount of the budget exceed either the amount of the appropriation or the amount of the funds available, nor shall any transfer be made from the capital outlay or data processing sub classification unless specific authority for such transfers is provided by law, except for transfers from capital outlay to data processing when determined by the Department of Computer Services that data processing services for a State agency can be performed on a more cost-efficient basis by the Department of Computer Services than through the purchase of data processing equipment by that State agency;

(2) In considering the proposed modification as prepared and submitted by each State agency, the Chief Fiscal Officer of the State shall make such studies as he or she deems necessary. If the requested transfer would, when added to other transfers previously approved during the fiscal year for the same classification with the same appropriation, result in a deviation of any kind in the affected classifications of less than five percent (5%) up to a maximum of two thousand five hundred dollars ($2,500) from the classifications established by law, the Chief Fiscal Officer of the State shall approve the requested transfer if in his or her opinion it is in the best interest of the State. If the requested transfer would, when added to other transfers previously approved during the fiscal year for the same classification within the same appropriation, result in a deviation of five percent (5%) or more, or more than two thousand five hundred dollars ($2,500), the Chief Fiscal Officer of the State shall submit the request, along with his or her recommendation, to the Legislative Council for its advice prior to approving the request;

(3) In the event any State agency shall expend or obligate any approved budget in excess of the maximum classification, the Chief Fiscal Officer of the State shall study the reasons for such excess expenditures and shall take immediate steps to correct such excess spending as he or she deems necessary after notification of such actions has been sent to the Legislative Council.

(d) Maintenance and general operation may be further categorized into the following sub classifications and the expenses thereof to be used according to the sub classification:

(1) Operating expenses. This sub classification shall entail the following, but not necessarily be limited thereto:

(A) Postage, telephone, and telegraph;

(B) Transportation of commodities or objects;

(C) Printing;

(D) State-owned motor vehicle expenses;

(E) Advertising;

(F) Minor and major repairs;

(G) Maintenance contracts;

(H) Utilities and fuel;

(I) Insurance premiums, surety and performance bonds, and association dues and memberships;

(J) Contractual services not otherwise classified;

(K) Consumable supplies, materials, and commodities;

(L) Books, publications, and newspapers;

(M) Court costs;

(N) Equipment not capitalized;

(O) Applicable petty cash reimbursements, laundry, and taxes;

(P) Travel, subsistence, meals, lodging, transportation of State employees or officials, and nonState employees traveling on official business;

(Q)(i) Uniforms the agency requires its employees to wear as part of the job.

(ii) Clothing items purchased for its employees and not required to be worn during working hours, or which are purchased for the promotion of the agency, shall not be sub classified as an operating expense; and

(R) Such other items of operating expense as shall be provided by the appropriation act, or under reasonable rules, regulations, and procedures issued by the Chief Fiscal Officer of the State.

(2) Conference and Travel Expenses. This sub classification shall include:

(A) The costs of an employee attending a conference, seminar, or training program;

(B) The costs of a State agency-sponsored or hosted conference, seminar, or training program where the expenses are not otherwise classified according to this section;

(3) Professional Fees. This sub classification shall include the expenses for contractual agreements entered into by the State agency with an individual, partnership, corporation, or anyone other than a State employee to provide a particular document, report, speech, study, or commodity other than those contractual agreements that by their nature would be classified elsewhere in this subchapter;

(4) Capital Outlay. This sub classification is to include the following expenses, but is not necessarily limited thereto by virtue of other classifications recognized by this subchapter:

(A) Purchase of land, buildings, equipment, furniture, and fixtures; and

(B) Contractual agreements, all of which are to be capitalized from the maintenance and general operation classification of appropriation;

(5) Data Processing. This sub classification includes purchase of data processing services from the Department of Computer Services, or others, and other expenses that are not necessarily classified elsewhere in this section by virtue of the appropriation based upon budgets presented for consideration.

(e) Notwithstanding § 19-4-522 or any other law to the contrary State-supported colleges and universities may utilize maintenance and operation appropriations for the payment of moving expenses of employees, including new hires.

History. Acts 1973, No. 876, § 12; 1977, No. 813, § 1; 1979, No. 833, §§ 1, 2; 1981, No. 741, § 1; 1981, No. 924, § 1; 1983, No. 628, § 1; 1985, No. 365, §§ 2, 3, 12; A.S.A. 1947, § 13-338; Acts 1987, No. 646, § 2; 1997, No. 342, § 40; 1997, No. 1211, § 29; 2001, No. 163, § 1; 2001, No. 1453, § 11.

19-4-523. Grants, assistance, and special aid.

This classification shall be applicable to all appropriations made by the General Assembly from State, federal, or other moneys for educational assistance, welfare grants, rehabilitation services, aid to counties and municipalities, and to all other special appropriations which have for their purpose the appropriating of State, federal, or other moneys for public benefits.

History. Acts 1973, No. 876, § 12; 1977, No. 813, § 1; 1979, No. 833, §§ 1, 2; 1981, No. 741, § 1; 1981, No. 924, § 1; 1983, No. 628, § 1; 1985, No. 365, §§ 2, 3, 12; A.S.A. 1947, § 13-338.

19-4-524. Construction and permanent improvements.

(a) This classification shall be determined by the language of the appropriation acts which make available funds for construction and new improvements. For the purpose of classifying the expenditures under any such appropriation, all the necessary expenses in connection therewith shall be deemed to be part of the construction costs. Such items of expense shall be deemed to include, but are not necessarily limited to, the following:
(1) Advertising for bids;

(2) Architects, engineers, and other professional services in connection with the proposed projects; and

(3) The payment of estimates on the various contracts in connection with such construction programs. All construction and improvements of whatever nature shall be subject to the provisions of §§ 19-4-1401 - 19-4-1412 and to the rules and regulations promulgated by the Chief Fiscal Officer of the State. No State agency for which appropriations have been made by the General Assembly for construction or improvements shall make any contract or incur any indebtedness payable from such appropriations unless and until there are sufficient funds on

hand, for the benefit of any agency, to pay for the proposed obligations under such contracts. However, any such agency shall have the power to accept and use grants and donations and to use its unobligated cash income or other funds available to it for the purpose of supplementing the appropriations for construction purposes. The appropriations and funds otherwise provided by the General Assembly for personal services, maintenance, and general operation of the agency shall not be used in connection with any proposed construction projects for which specific appropriations have been made by the General Assembly, except for minor repairs and maintenance.

(b) The restrictions of this section shall not apply to contracts approved by the State Highway Commission for construction of roads and bridges in the highway system.

(c) The Chief Fiscal Officer of the State is authorized to reclassify but not consolidate an agency's appropriation for construction to effect the payment of construction-related costs in the appropriate classification as described in this subchapter using the State's financial management system to invoke budget control.

History. Acts 1973, No. 876, § 12; 1977, No. 813, § 1; 1979, No. 833, §§ 1, 2; 1981, No. 741, § 1; 1981, No. 924, § 1; 1983, No. 628, § 1; 1985, No. 365, §§ 2, 3, 12; A.S.A. 1947, § 13-338; Acts 2001, No. 1453, § 12.

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R1-19-4-524 **Construction** ***and Permanent Improvements***

The Arkansas Building Authority ("ABA") was established to oversee and manage capital improvements real estate transfers and leases. ABA has established policies and guidelines governing the acquisition, construction, equipping, maintenance and operation of public buildings and other real property. The Boards of Trustees of the University of Arkansas, Arkansas State University, University of Central Arkansas, Henderson State University, Arkansas Tech University, Southern Arkansas University and other governing boards of public institutions of higher education with the approval of the Department of Higher Education as well as the State Highway Commission are not required to obtain approval or any other form of advice for projects from Arkansas Building Authority (ABA). All other agencies, departments and institutions should refer to ABA policies and procedures in addition to the guidelines provided herein. The ABA policies and procedures, known collectively as ABA Minimum Standards and Criteria, are located on ABA's web site, http://www.arkansasbuildingauthority.com. (ACA §22-2-101 et seq., ACA §6-62-302)

State agencies, departments and institutions are required to obtain legislative authorization prior to the construction and or acquisition of any lands, buildings, structures, utility systems or similar facilities to be financed in whole or in part by State Treasury Funds, Cash Funds, Federal Grants, Revenue Bonds, or Revenue Notes provided by law, agency or institutional receipts, donated funds from private sources or a combination of the above sources,. (ACA §22-2-108(2) (B), ACA §22-2-108(7) (B), ACA §22-9-103(b), ACA §22-9-104)

Construction Approved by the General Assembly (During Session)

All State agencies, except the Arkansas State Highway and Transportation Department, , must submit a Method of Financing (MOF) P1-19-4-524 (HYPERLINK), to the Department of Finance and Administration, Office of Accounting, Funds Group (DFA-OA-FG) before entering into any contract or making any commitment of funds against a construction and permanent improvements appropriation. (ACA §19-4-1403, ACA §19-4-1407, ACA 22-2-102)

Construction Not Approved by the General Assembly (Between Sessions)

If prior legislative authorization has not been received and a State agency, department or institution, excluding the Arkansas State Highway and Transportation Department, desires to make a capital expenditure for construction and/or acquisition of lands, buildings, structures, utility systems or similar facilities between sessions of the General Assembly, the agency, department or institution must submit a request for such expenditure to the Chief Fiscal Officer of the State. The request must include a MOF Form (include hyperlink). The request shall be reviewed for approval by the Chief Fiscal Officer of the State. Project requests $250,000 or less may be reviewed by the Governor. Project requests in excess of $250,000 require the Chief Fiscal Officer to submit the MOF to the Legislative Council for its review. Upon favorable review, the requesting agency, department or institution may proceed with the capital expenditure. (ACA §19-4-1407, ACA §22-9-103, ACA §22-9-104)

MOF Processing

Upon certification of the availability of appropriations, if applicable, and funds, the DFA-OA-FU approves the MOF. A copy of the approved MOF is returned to the originating agency. The agency making the request is responsible for providing its contracting parties with a copy of the MOF. (ACA §19-4-1403, ACA §19-4-1407, ACA §19-4-1409)

If the project's estimated costs or funding sources change a revised MOF must be submitted. Revisions to approved MOF shall be submitted in the same form and manner as that of the original MOF. (ACA §19-4-1407)

Processing of Payments

Payments to contractors may be made at the conclusion of the contracted work or may be in the form of progress payments. Progress payments are payment for a portion of work completed on public construction contracts in connection with estimates submitted by a prime contractor to the State agency, department or institution. Such estimates shall be reported by measurable units of the contract completion and compared to the actual progress of project completion. Prior to payment, the estimate must be approved by the architect, contractor or his representative.

When a contractor submits a properly prepared estimate of work completed on a construction project, and such request for payment conforms to the provisions of the construction contract and laws of the State of Arkansas, the following allowable time for the processing of the estimate is permitted, excluding time required for transmittal to each party, for each of the respective parties involved:

Architect or other design professional – Five (5) working days

State agency or institution of higher education exempt from ABA review & approval – Five (5) working days

Department of Finance and Administration — Five (5) working days

Each of the parties above is to make a notation on the request for payment completed to indicate the date and time of receipt as well as a notation to indicate the date and time of forwarding for further processing to aid in the investigation of delays in processing, if necessary.

In the event that a delay occurs during payment processing, the agency where the delay occurs is responsible for notifying the contractor that payment has been delayed and the related reasons. If the delay is attributable to one of the parties listed above, a penalty of 8% per annum of the amount of the request for payment shall be assessed against the parties responsible for the delay. The Chief Fiscal Officer of the State shall direct such payment rendered to the contractor. (ACA §19-4-1411)

Retainage on Public Construction Contracts

An invoice for payment must include the total amount of the estimated completed project to date less total previous payments. The contractor is entitled to 90% of the progress payment when due. The remaining 10% is held by the State agency to assure faithful performance of the contract. After the architect and/or engineer certify the construction project is 50% complete no additional retainage will be withheld. Because the retainage is not applicable to those materials and/or equipment required by the construction contract to be stored on the job site or in a bonded warehouse, the invoice for payment must provide enough detail to identify the portion of the payment attributable to such materials and/or equipment from the balance of the invoice total. (ACA §22-9-604)

Upon completion of a contract, the originating agency will notify DFA of the conclusion of the contract; no further expenditures or obligations will be incurred; and all unexpended or unobligated funds will be blocked. Within thirty (30) days after the contract has been substantially completed, the portion of the progress payments withheld by the State agency for retainage shall be paid to the contractor. (ACA §22-9-601 et seq, ACA §19-4-1410)

Please Note: Only the provisions of this regulation related to payment and retainage are applicable to projects of public institutions of higher education where funds from private sources exceed $5 million dollars and are sufficient to finance 80% of the estimated cost of such project. (ACA §19-4-1413)

Recording

Assets under Construction should be recorded on each agency's books of record. If the agency is using the State's accounting system, expenditures for Assets under Construction should be recorded using Work Breakdown Structure (WBS) Elements. All WBS Elements should be settled to an Assets under Construction Asset Shell when the asset is complete or at the end of each fiscal year if the asset is not complete at the end of the fiscal year. For additional information on the use of WBS Elements see Appendix P2-19-4-524

19-4-525. Special appropriations.

(a) All other appropriations made by the General Assembly which do not come under any of the classifications mentioned in this section shall be considered to be special appropriations and shall be used only for the specific purposes for which such appropriations are made. Except as otherwise provided by law, an agency receiving a special appropriation may not expend funds from any appropriation other than from the special appropriation for the special purpose covered by the special appropriation. However, the State's financial management system may invoke additional budget control using features of the system that are in addition to the appropriations of the General Assembly.
(b) In order to allow for full disclosure of investment transactions, to make available special reports on investment transactions, and to isolate investment expenditures from normal expenditures, the Chief Fiscal Officer of the State is authorized to establish separate appropriation codes for investments and to transfer to such appropriations from the investment line item as established in the agency appropriation acts.

History**.** Acts 1973, No. 876, § 12; 1977, No. 813, § 1; 1979, No. 833, §§ 1, 2; 1981, No. 741, § 1; 1981, No. 924, § 1; 1983, No. 628, § 1; 1985, No. 365, §§ 2, 3, 12; A.S.A. 1947, § 13-338; Acts 2001, No. 1453, § 13.

ACA§ 19-4-526 Repealed

19-4-527. Authority of Treasurer of State to use certain funding for operations**.**

(a) The Treasurer of State is authorized to utilize the funding for maintenance and general operations provided for in the Constitutional Officers Fund and State Central Services Fund to allow for reconciling items which may occur in the operations of the office.
(b) Policies and procedures for proper accounting of reconciling items shall be developed by the Treasurer of State with the advice and approval of the Legislative Joint Auditing Committee.

History. Acts 1983, No. 702, §§ 1, 2; A.S.A. 1947, § 13-338.4.

SUBCHAPTER 6 ANNUAL OPERATIONS PLANS OF STATE AGENCIES

19-4-601. Responsibility generally**.**

Except as limited by appropriations and funding by the General Assembly and other provisions of law, state agencies shall have the authority and responsibility to administer their programs as authorized by the General Assembly and shall be responsible for their proper management.

History**.** Acts 1973, No. 876, § 9; A.S.A. 1947, § 13-335.

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R1-19-4-601 Appropriations

A funds center (appropriation) is the legal authority provided by the Arkansas General Assembly to disburse funds for programs and services administered by business areas (individual State agencies, boards or commissions). A funds center code identifies the programs and services to be provided plus the authorization to carry out the programs and/or services. ACA 19-4-520 through 19-4-525 provides a detailed analysis of the various classifications of funds centers (appropriations) and the restrictions regarding their usage. ACA 19-4-701 defines the fiscal periods of the State and the time period of a funds center.

The funds center cycle is summarized as follows:

The business area (State agency) prepares the initial biennial budget request in the State's Budget System. P1-19-4-601 Business Area/ Cost Center Ranges & Functional Areas Table.

The Department of Finance and Administration - Office of Budget (DFA-OB) and the Office of Personnel Management - Classification and Compensation Division (OPM-CCD) review the request and assist the business area in its preparation.

Budget requests are presented to the Governor or Governor-Elect for review and recommendations.

Budget requests with the executive recommendations are presented to the Legislative Council/Joint Budget Committee for recommendation or referral to a sub-committee.

Legislative recommendations are entered into the State's Budget System by the DFA-OB and OPM-CCD and transmitted to the Bureau of Legislative Research to draft appropriation bills.

The appropriation bill is presented to the General Assembly and can be amended while under consideration.

The Joint Budget Committee reviews all appropriation bills as introduced and takes one of the following actions: pass, hold or refer to committee.

If the appropriation bill is passed by the General Assembly, it goes to the Governor for approval or veto. If approved, the bill becomes law. The Governor's Office sends signed bills to the Secretary of State where Act numbers are assigned.

If either the General Assembly or the Governor rejects the appropriation bill, it may be amended and resubmitted or a new bill may be drafted if the deadline for filing appropriation bills has not passed.

In the interim (between sessions of the General Assembly), the Chief Fiscal Officer of the State has the authority to establish and/or increase certain funds center accounts as outlined in the various appropriation acts. All such establishments and increases of funds centers must meet with guidelines established by both the Legislature and the Chief Fiscal Officer of the State.

Fiscal Controls

ACA§ 19-4-608 establishes fiscal controls to prevent deficit spending each fiscal year. Each business area shall prepare an annual operations plan which contains proposed expenditures and anticipated resources on a periodic basis for the ensuing year. Agencies which receive general revenue must prepare a quarterly operations plan. Other agencies may prepare an

operations plan for any given period. Prior to the beginning of each fiscal year, the Chief Fiscal Officer of the State provides an estimate of the general revenue funding available for each business area. When the General Revenue Forecast is revised, the Chief Fiscal Officer of the State will announce the new forecast and provide, by letter, notification to all business areas which receive General Revenue. The actual notification for the business areas will be prepared and distributed by the DFA-OB. A change in the General Revenue Forecast could be an increase or a decrease. The business areas will then provide by letter, worksheet, or e-mail the adjustments for their annual operations plan using the Budget Quad coding structure (fund, funds center, commitment item, functional area) to the agency's assigned budget analyst in the DFA-OB. Business areas also must include new or revised Certifications of Income to inform the DFA-OB of the amount of revenue that is expected to be collected by the business area. The available funds center will be adjusted to the level of expected revenue.

See the Annual Operations Plan "R1-19-4-608" (HYPERLINK) for more detailed information.

<u>Funds Management – Budget Structure (Quad)</u>

The Funds Management module of AASIS is used to ensure compliance with the fiscal laws of the State. There are four elements of master data in the Funds Management module:

Funds Center – represents the purpose authorized in the Appropriation Act and establishes budget control. Funds centers may be further divided into sub-funds centers. The Appropriation Acts will authorize non-spendable commitment items for some business areas. Special non-spendable commitment items are broken down to sub-funds center/sub-appropriation. A sub-funds center/sub-appropriation is established to transfer budget from the special commitment item to a spendable commitment item. The sub-funds center is used to ensure that the amounts transferred to the spendable commitment items are adequately tracked and are not commingled with the amounts originally appropriated in the spendable commitment items. Business areas with Performance Based budgeting funds center structures also use sub-funds centers to represent the objectives as outlined in their Strategic Plans. The funds center is hierarchical in structure.

The funds center account code is a three-digit alpha/numeric, numeric or numeric/alpha code, which identifies a business area's authority to disburse funds. An alpha/numeric code reflects a cash/bank funds center/appropriation (A01). Numeric and numeric/alpha codes reflect a funds center/appropriation in which the funds are deposited in the State Treasury (001, 1AA). A sub-funds center is the same numeric or numeric/alpha code with a fourth alpha character (001M).

Commitment Item – represents the funds center/appropriation breakdown by line-item detail. This level is where the funds center is classified in accordance with the expenditure breakdown in ACA 19-4-521 through 19-4-525. Expenditure commitment items begin with the number 5. The first three digits of the commitment item usually correlate to the first three digits of the general ledger account. The last two numbers of the commitment item reflect the existing classification such as salaries or operating expenses. The commitment item is a seven-digit numeric code. The commitment item is determined by the general ledger account. Transaction S_KI_38000036 provides a list of all general ledger accounts along with the assigned commitment items.

PLEASE NOTE: Go to P2-19-4-601 for the "Commitment Items Table.

Fund – represents cash/bank and treasury funds as outlined in the Funds section located at hyperlink. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Functional Area – groups business areas by activity. Each business area is assigned to a functional area. These functional areas are:

ADMN	***Financial/Administrative/Internal Services***
CCOL	***Community Colleges***
CNST	***Constitutional/Judicial***
COMM	***Commerce Promotion/Regulation***
EDUC	***Public Education***
HHS	***Health/Human Services***
PROF	***Professional/Service Boards/Commissions***
REC	***Recreation/Humanities***
RETR	***Government Retirement Systems***
SFTY	***Public Safety/Corrections***
TCOL	***Technical Colleges***
TRAN	***Highway/Transportation***
UNIV	***Universities***
VTCH	***Vocational Technical Institutes***

For CAFR reporting purposes, a slightly different set of functional areas are used. These functional areas are:

Education

Health and human services

Transportation

Law, justice and public safety

Recreation and resources development

General government

Labor, commerce and regulatory

Debt service

Capital Outlay

See P1-19-4-601 for a list of business areas along with functional area and cost center range.

Expenditures cannot exceed the budget at the fund/funds center/commitment item/functional area level.

Commitment Items Transfers and Increases

Amounts appropriated in each commitment item are established by the Legislature and can be transferred in the following circumstances: (1) special language in the body of the appropriation act allows a transfer, (2) federal grants are received and certain conditions exists that allow a transfer, or (3) budget classification transfers (BCT). Increases are possible under the following circumstances: (1) additional cash is certified, (2) pay plan adjustments are required, or (3) federal grants result in an increase of available funds.

There are times during the fiscal year when it may be necessary to request adjustments to existing funds centers or establish new funds centers for various reasons. The most common situation of this type would be a transfer of appropriation from a non-spendable commitment item to a spendable commitment item. These transfers are tracked through a sub-funds center if there is more than one commitment item to the appropriation. All commitment items, which are not classified in ACA 19-4-521 through 19-4-524, are considered special and shall be used only for the specific purposes for which such commitment items are made.

Blocked or Inactive Funds Centers

Part or all of the entire budget quad may be blocked or held inactive for one of two reasons:

Lack of funding

Business area discretion

The block will be released as funds become available or, if voluntarily blocked, when the business area requests the release.

Cost Objects

Cost objects (WBS Elements, Internal Orders and Cost Centers) are used in the controlling module of the AASIS to monitor actual transactions against planned revenues and expenditures in detail using cost elements (general ledger accounts). A cost element (general ledger account) cannot be assigned to more than one commitment item (referred to as character code in the previous accounting system). However, many general ledger accounts can be assigned to a single commitment item. With the general ledger account being assigned to the commitment item master record, a system user does not have to decide which account should be used with which commitment item during a transaction posting. See P1-19-4-601 Business Area/ Cost Center Ranges & Functional Areas Table

WBS (Work Breakdown Structure) elements are used to record revenues and expenditures for grants and capital projects. These may be either statistical or real in nature. If a WBS element is statistical (informational only), budget is not reduced. A real WBS element reduces budget.

Internal orders are used for unique situations to an agency, such as recording training costs for individual classes, or for accumulating data for cost allocation purposes. All internal orders are statistical.

Cost centers record revenues and expenditures associated with the agency's management structure. Cost centers cannot be statistical. In the event a real WBS element is used in conjunction with a cost center, the WBS element fund/funds center assignment will override the cost center fund/funds center assignment.

The following rules apply to cost objects:

Many cost objects can be assigned to one fund/funds center. For example, cost centers 123000, 124000, and 125000 can all be assigned to fund HSC1111 and funds center 1AA.

A cost object cannot be assigned to more than one fund/funds center. So as noted in the example above, cost centers 123000, 124000 and 125000 can only be assigned to fund HSC1111 and funds center 1AA.

Each fund/funds center must be represented by at least one unique cost object.

The fund/funds center is derived automatically when a user enters a cost object.

<u>Budget Transfers and Adjustments</u>

Changes in operating conditions may result in the need to adjust the original budget. Appropriation transfers are used to move budget between funds centers, commitment items, funds, and functional area. Maintaining the budget includes executing and controlling the budget to prevent deficit spending. Generally, appropriation transfers require special language authorization usually contained in the agency's appropriation act. This special language will either give the Chief Fiscal Officer of the State or the Arkansas Legislative Council authority to approve a transfer. If the Arkansas Legislative Council is identified as the authorizing agent in the act, the Performance and Evaluation and Expenditure Review Committee (PEER) must approve the transfer when a legislative session is not in progress. In the event that a legislative session is in progress, the Joint Budget Committee must approve the transfer.

Certain transfers can be approved by the Chief Fiscal Officer of the State. These types of transfers consist of contingency transfers for Institutions of Higher Education and Budget Classification Transfers as specified in ACA 19-4-522 which meet the 5% or $2,500 rule (Transfers that do not exceed 5% of the affected maintenance and operation commitment items, up to a maximum of $2,500. The $2,500 limit is cumulative by appropriation per fiscal year). For these types of transfers, budget changes are entered and parked by agency personnel using transaction FR69. Agencies shall then contact the DFA-OB with the parked

document numbers. The assigned Budget Analyst will review and, if approved, transmit the document number to the Department of Finance and Administration - Office of Accounting (DFA-OA) Funds/Appropriation Manager for final approval and posting at which point the budget is updated.

Transfers that do not meet the 5% or $2,500 rule require PEER approval. Transfers that must be approved by the Performance and Evaluation and Expenditure Review Committee (PEER) are parked by the DFA-OB Budget Analyst and posted by the DFA-OA Funds/Appropriation Manager after approval from the Legislative Performance Evaluation and Expenditure Review Committee (PEER).

Budget Reservation

AASIS provides three methods to set aside appropriation for future expenses:

1. Funds Reservation – A commitment of funds can be made for parts of the budget through funds reservation without knowing the exact costs and expenses. The reservation can be generic in nature and cover multiple months within a fiscal year. An example would be estimating that one year's utility expense would be $100,000. The original reservation is reduced by posting any of the following type of documents and referencing the funds reservation in the document: purchase requisitions, purchase orders, vendor invoices, down payment requests, and down payments. Transaction FMX1 creates a funds reservation.

2. Pre-commitment – A pre-commitment is not tied to specific documents and is not automatically released when payments are made. An example would be when a vendor is known, but the costs may be estimated until the actual bill is received. The pre-commitment either commits budget or is referenced to a reservation and reduces the reservation. Transaction FMY1 creates a funds pre-commitment.

3. Commitment - The funds commitment is the most detailed document in the budget reservation chain. For example, a purchase order is specific as to amount, items purchased, and vendor. The legal commitment (purchase order or contractual agreement) plays a role in addition to the application of funds. The commitment can either be directly assigned to the budget or reference and reduce the pre-commitment or reduce the reservation. Transaction FMZ1 creates a funds commitment.

19-4-602. Compliance and approval required.

(a) No State agency may increase the salaries of its employees, employ additional employees, expend money, or incur any obligations except in accordance with law and with a properly approved annual operations plan which includes a quarterly fiscal program.
(b) Appropriations subject to the provisions of this subchapter shall not be available for expenditures or encumbrance until the State agency has complied with the provisions of this subchapter.

History. Acts 1973, No. 876, § 9; A.S.A. 1947, § 13-335

19-4-603. Exemptions generally.

Appropriations for retirement benefits, refunds, and social security requirements of the teacher and public employees' retirement systems shall be excluded from the provisions of this subchapter.

History**.** Acts 1973, No. 876, § 11; A.S.A. 1947, § 13-337.

19-4-604. State-supported institutions of higher education.

(a) At least thirty (30) days prior to the commencing of each fiscal year, the Chief Fiscal Officer of the State shall make studies for the purpose of estimating the anticipated amounts of general revenues to be available for distributions under the provisions of the Revenue Stabilization Law, § 19-5-101 et seq., for the fiscal year. The Chief Fiscal Officer of the State shall compute the estimated amounts of general revenues to be available for allocation to the respective State Treasury accounts in accordance with their percentage distributions of general revenues under the provisions of the Revenue Stabilization Law, § 19-5-101 et seq. He shall include in each certification the quarterly allocations thereof that are estimated to be available for expenditures based upon these estimates.

(c) Upon receipt of the estimated amounts to be available for expenditure and after reviewing the quarterly allocation thereof as submitted by the Chief Fiscal Officer of the State, any such institution may request revisions in the proposed quarterly allotments as certified by the Chief Fiscal Officer of the State.

(d) The Chief Fiscal Officer of the State, with the advice and consent of the Department of Higher Education, shall approve requested revisions in the proposed quarterly allotments if he shall determine that:

(1) The proposed revisions in quarterly allotments do not exceed the aggregate of the estimated funds to be available from estimates of anticipated revenues and fund balances in the institution's account in the State Treasury for the fiscal year; and

(2) The revised quarterly allotments will not impose an undue hardship upon other allotments of revenues and other financial commitments to be met from the distributions of general revenues during the fiscal year.

(e) The Chief Fiscal Officer of the State shall periodically review the estimates of projected general revenue collections anticipated to be available during a fiscal year. He may make revisions in the amounts certified to the respective institutions of higher learning based upon these estimates and may revise the quarterly amounts certified to each agency based upon the revised estimates.

(f) Institutions of higher learning may, from time to time, request revisions in the quarterly allotments of moneys where needs of the institution require revisions thereof.

(g) Any unexpended balances remaining at the end of each fiscal year shall be transferred forward and made available for the support of the institutions of higher learning for the following fiscal year.

(h) The budget execution provisions set forth in this section shall be applicable to all State-supported institutions of higher learning, and except for the annual fiscal program requirements, the provisions of §§ 19-4-601, 19-4-602, and 19-4-605 - 19-4-609 shall not apply to these

institutions; they shall be governed by the provisions of this section and by procedures established under authority of § 6-61-209.

(i) The Department of Higher Education shall coordinate with the Chief Fiscal Officer of the State for administering the provisions of this section.

History. Acts 1973, No. 876, § 11; 1977, No. 486, § 1; A.S.A. 1947, § 13-337; Acts 1995, No. 1296, § 69.

19-4-605. Strategic planning.

(a)(1) Each State agency and constitutional agency, other than the elected constitutional officers and their staff offices and those boards or commissions listed in subdivision (a)(2) of this section, shall prepare a strategic plan containing those elements as set out under § 19-4-606(b)(6)(A)-(D) for the operation of each of its assigned programs for submission to the Legislative Council, the appropriate interim committees, and the Governor.
(2) The following agencies are exempt from the provisions of subdivision (a)(1) of this section:

(i) Abstracters' Board of Examiners;

(ii) Arkansas State Board of Public Accountancy;

(iii) State Board of Examiners of Alcoholism and Drug Abuse Counselors;

(iv) Arkansas Appraiser Licensing and Certification Board;

(v) Arkansas State Board of Architects;

(vi) Arkansas State Board of Athletic Training;

(vii) State Athletic Commission;

(viii) Auctioneer's Licensing Board;

(ix) Professional Bail Bond Company and Professional Bail Bondsman Licensing Board;

(x) State Board of Barber Examiners;

(xi) Burial Association Board;

(xii) State Board of Private Career Education;

(xiii) Arkansas Cemetery Board;

(xiv) State Board of Collection Agencies;

(xv) Contractors Licensing Board;

(xvi) State Board of Cosmetology;

(xvii) Arkansas Board of Examiners in Counseling;

(xviii) State Board of Registered Interior Designers;

(xix) State Board of Embalmers & Funeral Directors;

(xx) State Board of Registration for Professional Engineers and Land Surveyors;

(xxi) Arkansas State Board of Registration of Foresters;

(xxii) State Board of Registration for Professional Geologists;

(xxiii) Arkansas State Board of Landscape Architects;

(xxiv) Arkansas State Board of Massage Therapy;

(xxv) Arkansas State Board of Physical Therapy;

(xxvi) Arkansas Real Estate Commission;

(xxvii) Arkansas State Board of Sanitarians;

(xxviii) Arkansas Social Work Licensing Board;

(xxix) Arkansas State Board of Registration for Professional Soil Classifiers;

(xxx) Arkansas Towing and Recovery Board;

(xxxi) Arkansas Title Insurance Agents' Licensing Board;

(xxxii) Arkansas Fire Protection Licensing Board;

(xxxiii) Arkansas State Board of Chiropractic Examiners;

(xxxiv) Arkansas State Board of Dental Examiners;

(xxxv) Arkansas Dietetics Licensing Board;

(xxxvi) Arkansas Board of Hearing Instrument Dispensers;

(xxxvii) State Board of Disease Intervention Specialists;

(xxxviii) Arkansas State Medical Board;

(xxxix) Arkansas State Board of Nursing;

(xl) Arkansas Board of Dispensing Opticians;

(xli) State Board of Optometry;

(xlii) Arkansas State Board of Pharmacy;

(xliii) Arkansas Board of Podiatric Medicine;

(xliv) Arkansas Psychology Board;

(xlv) Arkansas State Board of Acupuncture and Related Techniques;

(xlvi) Board of Examiners in Speech-Language Pathology and Audiology;

(xlvii) Veterinary Medical Examining Board;

(xlviii) Arkansas Beef Council;

(xlix) Arkansas Corn and Grain Sorghum Promotion Board;

(l) Arkansas Manufactured Home Commission;

(li) Arkansas Governor's Mansion Commission;

(lii) Capitol Zoning District Commission;

(liii) Arkansas Catfish Promotion Board;

(liv) Arkansas Motor Vehicle Commission;

(lv) Arkansas Legislative Commission on Nursing;

(lvi) Arkansas Rice Research and Promotion Board;

(lvii) Arkansas Soybean Promotion Board; and

(lviii) Arkansas Wheat Promotion Board.

(b)(1)(A) The strategic plan shall be prepared in the form and submitted at the same time as determined by the Governor or the agency designated by him or her and after consultation with the Legislative Council.

(B) The plan shall be submitted no less frequently than biennially.

(2) The form, content, and submission timetable of the strategic plan for constitutional agencies shall be determined by the Legislative Council.

History. Acts 1973, No. 876, § 9; A.S.A. 1947, § 13-335; Acts 2001, No. 221, § 1; 2003, No. 1463, §§ 1, 9.

19-4-606. Performance budgeting and accountability system.

(a) As used in this section, unless the context otherwise requires:
(1)"Activities" means distinct types of functions, processes, or services carried out or provided as part of a program;

(2) "Appropriate interim committee" means an interim committee of the General Assembly as selected by the Legislative Council;

(3) "Appropriation" means a legal authorization to make expenditures for specific purposes within the amounts authorized in an appropriation act;

(4) "Constitutional agency" means the Arkansas State Highway and Transportation Department and the Arkansas State Game and Fish Commission;

(5) "Consultation" means to deliberate and seek advice in an open and forthright manner with the full committee, a subcommittee thereof, the chair, or the staff, as deemed appropriate by the chair of the respective committee or by law;

(6) "Disincentive" means a sanction, as set out in law, imposed due to not achieving performance;

(7) "Efficiency measures" means numerical indicators that reflect the program cost, unit cost, or productivity associated with a given outcome;

(8) "Effort measures" means numerical measurements reflecting a count of resources used in performing the entity's strategies;

(9) "Executive department" means the executive department of the State as set out in Arkansas Constitution, Article 6, and the agencies, boards, commissions, and offices of the executive department;

(10) "Fiscal year" means a period of time beginning July 1 and ending on the following June 30;

(11) "Goal" means a general Statement of purpose of the entity that identifies broad and desired results;

(12) "Incentive" means a mechanism, set out either as special language in a State agency's appropriation act or another act of the General Assembly, for recognizing the achievement of performance standards or for motivating performance that exceeds performance standards;

(13) "Judicial department" means all State officers, State employees, and offices of the Supreme Court, the Court of Appeals, the circuit courts, and the Administrative Office of the Courts;

(14) "Key performance measures" means those measures critical to the mission, effectiveness, and efficiency of a program selected by the Legislative Council;

(15) "Legislative Auditor" means the Legislative Auditor of the Legislative Joint Auditing Committee;

(16) "Legislative department" means the legislative department of the State as set out in Arkansas Constitution, Article 5, and its various officers, agencies, committees, and other units of the legislative department of the State;

(17) "Measures" means a numerical set of indicators which, in the aggregate, are used to assist the executive branch and legislative branch in evaluating the level of success of a State agency and its programs and are categorized as effort measures, output measures, outcome measures, and efficiency measures;

(18) "Mission" means a concise Statement of the organizational entity's purpose and reason for existence;

(19) "Objective" means a Statement that specifies desired results which will lead to the accomplishment of the entity's goals;

(20) "Outcome measures" means indicators that measure the actual impact or effect upon a stated condition or problem utilizing the entity's strategies;

(21) "Output measures" means numerical measurements reflecting a count of services produced in performing the entity's strategies;

(22) "Performance-based appropriation" means an appropriation incorporating performance measures and targets for the programs included in the regular operations appropriation act;

(23) "Program" means an aggregation of similar activities performed by a State agency, not necessarily along organizational lines, which can logically be considered an entity for budgeting, accounting, and reporting purposes, and which contribute to common goals;

(24) "Regular operations appropriation act" means the authorization by an act of the General Assembly for each year of a biennial period, based upon budget requests presented to the Legislative Council and the Joint Budget Committee or based upon legislative findings of the necessity for an authorization when no budget request was presented, for the expenditure of amounts of money by a State agency or institution, the judicial branch, or the legislative branch for Stated purposes in the performance of the functions it is authorized by law to perform;

(25) "Special language" means a section or sections of text within an appropriation act that qualifies, restricts, or clarifies the intent of a specific appropriation, and which can be logically and directly related to the specific appropriation or appropriation subject;

(26) "State agency" means any official, officer, commission, board, authority, council, committee, or department of the executive branch that receives an appropriation by the General Assembly, but excludes the institutions of higher education, the Arkansas State Highway and Transportation Department, the Arkansas State Game and Fish Commission, elected constitutional officers, and the staff offices of the elected constitutional officers;

(27) "Strategic plan" means a comprehensive operational plan for a required period of time consisting of those elements required by law, by the Legislative Council, and by the Governor;

(28) "Strategy" means a narrative setting out the steps to be taken to accomplish the entity's objectives; and

(29) "Target" means that level of the performance measure to which the program shall aspire and shall be held accountable for the period covered by the appropriation act.

(b)(1)(A) On February 13, 2001, the Governor or the State agency designated by the Governor shall proceed to implement a program that directly correlates the operating budget of a State agency for each fiscal year, as reflected in the regular operations appropriation act of the State agency, with the objectives of that approved budget as reflected in the State agency's strategic plan.

(B) The program shall be known as the "Performance Budgeting and Accountability System".

(2)(A) The Performance Budgeting and Accountability System shall be implemented Statewide in phases.

(B)(i) Phase I shall include consultation with the appropriate interim committee and the Legislative Council on the proposed strategic plan of the State agency and the collection of data by the State agency as required for performance measures.

(ii) Phase II shall include the submission of a biennial budget request by the State agency, as selected by the Legislative Council, to the Governor, the Legislative Council, and the Joint Budget Committee in a performance budget format for approval by the next General Assembly and for implementation by the State agency on the next-following July 1.

(iii) The performance budget format shall include the incorporation of key performance measures into the regular biennial operations appropriation act, and the measures shall be used as a basis for determining legislative intent in the appropriating of funds.

(3) Included in the State agencies to be required to participate in Phase I of the system shall be:

(A) On July 1, 2001, the:

(i) Arkansas Department of Emergency Management;

(ii) Arkansas Department of Environmental Quality;

(iii) Arkansas Employment Security Department;

(iv) Arkansas Forestry Commission;

(v) Arkansas Public Employees' Retirement System;

(vi) Arkansas Rehabilitation Services of the Department of Workforce Education;

(vii) Arkansas Science and Technology Authority;

(viii) Arkansas State Library of the Department of Education;

(ix) Arkansas Student Loan Authority;

(x) Arkansas Teacher Retirement System;

(xi) Arkansas Valley Technical Institute of Arkansas Tech University;

(xii) Arkansas Northeastern College;

(xiii) Crowley's Ridge Technical Institute;

(xiv) Delta Technical Institute;

(xv) Department of Arkansas State Police;

(xvi) Department of Community Correction;

(xvii) Department of Correction;

(xiii) Department of Economic Development;

(xix) Department of Education;

(xx) Department of Health;

(xxi) Department of Higher Education;

(xxii) Department of Information Systems;

(xxiii) Department of Labor;

(xxiv) Department of Rural Services;

(xxv) Department of Veterans' Affairs;

(xxvi) Department of Workforce Education;

(xxvii) Division of Children and Family Services of the Department of Human Services;

(xxiii) Division of County Operations of the Department of Human Services;

(xxix) Division of Medical Services of the Department of Human Services;

(xxx) Division of Youth Services of the Department of Human Services;

(xxxi) Educational Television Division of the Department of Education;

(xxxii) Arkansas State University - Searcy;

(xxxiii) University of Arkansas at Monticello College of Technology - Crossett;

(xxxiv) Great Rivers Comprehensive Lifelong Learning Center;

(xxxv) Health Services Permit Agency;

(xxxvi) Northwest Technical Institute;

(xxxvii) Office of Child Support Enforcement of the Revenue Division of the Department of Finance and Administration;

(xxxviii) National Park Community College;

(xxxix) Revenue Services Division of the Department of Finance and Administration;

(xl) State Department for Social Security Administration for Disability Determination; and

(xli) State Insurance Department; or

(xlii) Their successors.

(B) On July 1, 2003, the

(i) Assessment Coordination Department;

(ii) State Bank Department;

(iii) Arkansas Building Authority;

(iv) Arkansas Development Finance Authority;

(v) Division of Administrative Services of the Department of Finance and Administration;

(vi) Division of Management Services of the Department of Finance and Administration;

(vii) Division of Administrative Services of the Department of Human Services;

(viii) Division of Child Care and Early Childhood Education of the Department of Human Services;

(ix) Division of Developmental Disabilities Services of the Department of Human Services;

(x) Division of Behavioral Health of the Department of Human Services;

(xi) Arkansas State Game and Fish Commission;

(xii) Arkansas Geological Commission;

(xiii) Department of Arkansas Heritage;

(xiv) Arkansas Geological Commission;

(xv) Office of Information Technology;

(xvi) State Military Department;

(xvii) Oil and Gas Commission;

(xviii) Department of Parks and Tourism;

(xix) State Plant Board;

(xx) Arkansas Public Service Commission;

(xxi) Arkansas School for the Blind;

(xxii) Arkansas Crime Information Center;

(xxiii) State Crime Laboratory;

(xxiv) Arkansas School for the Deaf;

(xxv) State Securities Department;

(xxvi) Arkansas Soil and Water Conservation Commission;

(xxvii) Arkansas Tobacco Settlement Commission; and

(xxviii) Arkansas Transitional Employment Board; or

(C) Their successors.

(4) Any regulatory board or commission not enumerated in subdivision (b) (3) of this section that is supported entirely by fees may choose to participate voluntarily in the system upon notification to the Governor and the Legislative Council.

(5)(A) All rules and regulations to implement the system shall be promulgated by the Governor or the State agency designated by the Governor in consultation with the Legislative Council.

(B) The Legislative Council shall review the final rules and regulations prior to their implementation.

(6) The system regulations shall require each State agency to prepare for the State agency a long-range strategic plan of no fewer than five (5) years and shall require for those agencies operating under a performance-based appropriation to align their accounting and budgeting coding structures with the approved strategic plans to the extent necessary to report the costs of programs and objectives in subsequent budget request documents and interim progress reports. The plan shall include:

(A) A mission Statement and goals for the State agency;

(B) A listing of programs and the program definitions of the State agency, as approved by the Legislative Council after considering the recommendations of the appropriate interim committee;

(C) Goals and objectives for each program in the State agency or constitutional agency, as approved by the Legislative Council after considering the recommendations of the appropriate interim committee;

(D) Strategies that the State agency plans to use to accomplish each program's goals and objectives;

(E) Measures for each program, which shall:

(i) Consist of a combination of effort, output, outcome, and efficiency measures for each program goal; and

(ii) Be approved by the Legislative Council after considering the recommendations of the appropriate interim committee; and

(F) A description of the method and sources to be used to obtain the data required for the program measures.

(7)(A) Participating agencies and programs shall submit a semiannual report on progress toward meeting performance goals to the Legislative Council and the appropriate interim committees.

(B) The Legislative Council may change, on a program-by-program or agency-by-agency basis, the frequency of the report to such time as it determines will best provide the appropriate monitoring.

(C) The detail in the report to the Legislative Council and the appropriate interim committee and its format and method of transmission shall be determined by the Legislative Council.

(D) Failure by any State agency to submit the required report shall result in the administrative head of the State agency's appearing before the next meeting of the Legislative Council and the appropriate interim committee to explain the failure.

(E) The General Assembly shall have final approval of all programs, performance measures, and targets through the enactment of the appropriation acts for the various State agencies participating in Phase II of the system.

(c)(1) The Bureau of Legislative Research shall:

(A) Review the agencies' periodic reports and report recommendations and findings to the Legislative Council or Joint Budget Committee and appropriate interim committees;

(B) Recommend changes to the Legislative Council or appropriate interim committee of any measure, program, program definition, program objective, and target submitted by a State agency or constitutional agency;

(C) Assist State agencies and interim committees in determining appropriate measures, program structures, and program definitions;

(D) Serve as the lead legislative agency in the implementation and design of the system; and

(E) Provide a continuous review of the system's process and recommend changes to the Legislative Council, as appropriate;

(F) Maintain the official State performance information system for approved programs, objectives, key measures, targets, and actual reported accomplishments for key measures, if not maintained by the Governor or the State agency designated by the Governor; and

(G) Maintain performance data in an electronic format readily accessible to the citizens of the State, if not maintained by the Governor or the State agency designated by the Governor.

(2) The Division of Legislative Audit shall:

(A) Verify that the data being reported and collected by the State agencies are accurate and in such a form as is required by the Legislative Council and evaluate management controls surrounding the collection and reporting of the data;

(B) Perform detailed performance audits in accordance with "Generally Accepted Government Auditing Standards", as issued by the United States General Accounting Office, upon request by any legislative committee and after approval of the request by the Legislative Joint Auditing Committee.

(3) Notwithstanding the provisions of the Freedom of Information Act of 1967, § 25-19-101 et seq., the audit results shall not be public information until presented to the requesting interim committee, the Legislative Joint Auditing Committee, the Legislative Council, the Governor, and the applicable State agency.

(4) The Governor or the State agency designated by the Governor, for the institutions of higher education, shall:

(A) Review submitted performance reports and recommend changes as appropriate to the State agencies and the Legislative Council in measurements, programs, goals, objectives, and strategies;

(B) Provide adequate training to State agency personnel in performance measurements and strategic planning;

(C) Prepare and distribute approved forms, manuals, and procedures to the State agencies as required to meet the implementation timeline;

(D) Oversee the process of strategic planning for State agencies and recommend changes to the Legislative Council; and

(E) Assist State agencies in determining appropriate measures, program structures, and program definitions.

(5) The Governor or the State agency designated by the Governor shall, for all State agencies:

(A)(i) Develop, with the Bureau of Legislative Research and the Division of Legislative Audit, and by January 1, 2004, implement and maintain the official State performance information system for approved programs, objectives, key measures, targets, and actual reported accomplishments for key measures.

(ii) If the official State performance information system is not developed or maintained by the Governor or the State agency designated by the Governor, the Department of Finance and Administration shall consult with the General Assembly and the Bureau of Legislative Research to develop procedures, forms, and processes in lieu of the performance information system until such time as the permanent performance information system is developed and ready for use;

(B) Maintain performance data in an electronic format readily accessible to the citizens of the State; and

(C) Enforce a uniform use of the State accounting and budgeting systems so as to provide the proper accounting and reporting of costs of approved programs and performance data in accordance with the requirements of this section.

(d)(1)(A) Performance measures for the various programs shall be revised only in connection with the biennial budget process.

(B) The changes may be proposed by the State agency or by the appropriate interim committee.

(C) The changes can occur only upon the approval of the Legislative Council, the General Assembly, or both.

(2)(A) A State agency may request a change in any performance target only based upon matters beyond the control of the State agency.

(B) Matters beyond the control of the State agency may include a significant change in funding of a program or a change in the legislation affecting the State agency's or program's mission.

(C) Any change in any requested performance target must have the approval of the Legislative Council.

(e)(1) Incentives and disincentives may only be authorized or imposed by the General Assembly in the operating appropriation act of an agency receiving performance-based appropriations.

(2) The decision to authorize an incentive or impose a disincentive shall be based upon the actual performance results of an agency as compared to the approved performance targets for a program. In making a determination of whether to recommend an incentive or a disincentive, the Legislative Council or Joint Budget Committee shall consider interim progress reports, any recommendations of the Governor or of the staff of the Bureau of Legislative Research, reports of the Legislative Auditor, and any other additional information deemed necessary.

(3) Performance incentives may include one (1) or more of the following:

(A) An allocation of any performance incentive funds authorized by the General Assembly;

(B) Authorization in the appropriation act to carry forward a specified percentage of general revenue savings to a subsequent fiscal year; and

(C) Authorization in the appropriation act to transfer funds between programs in amounts in excess of the general limitations as provided by § 19-4-519.

(4) Performance disincentives may include one (1) or more of the following:

(A) Requiring an agency to submit a corrective action or performance improvement to the Governor or agency designated by the Governor and to the legislative oversight committee for any program failing to meet approved performance targets;

(B) The return of one (1) or more agency programs to line item appropriation controls;

(C) A portion of the agency funding or appropriation, or both, may be made unavailable pending corrective action or improved performance to the satisfaction of the Legislative Council; and

(D) Transfer of agency resources to another agency or private vendor to provide intended services to citizens.

History. Acts 1973, No. 876, § 9; A.S.A. 1947, § 13-335; Acts 2001, No. 221, § 2; 2003, No. 1463, §§ 2-7, 10, 11.

19-4-607. Review and approval of annual operations plans.

(a) Each State agency other than the elected constitutional officers, the legislative branch and its staff offices, the judicial branch and its staff offices, the Arkansas State Highway and Transportation Department, the State-supported institutions of higher education, and the Arkansas State Game and Fish Commission shall prepare an annual operations plan for the operation of each of its assigned programs for submission to the Chief Fiscal Officer of the State.

(b) The annual operations plan shall be prepared in the form and content determined by the Chief Fiscal Officer of the State and shall be transmitted to the Department of Finance and Administration on the date prescribed by the Chief Fiscal Officer of the State.

(c) In years when the General Assembly meets in regular session, the annual operations plan shall be prepared after adjournment of the regular session and shall take fully into consideration all applicable laws, including appropriations, and shall be submitted to the Department of Finance and Administration on a date set by the Chief Fiscal Officer of the State but prior to July 1 of that year.

(d) The Chief Fiscal Officer of the State shall:

(1) Review each annual operations plan to determine that:

(A) It is consistent with the policy decisions of the General Assembly and the Governor;

(B) Appropriations and funding have been provided by the General Assembly;

(C) It reflects proper planning and efficient management methods; and

(D) Appropriations and funding have been made for the planned purpose and will not be exhausted before the end of the fiscal year; and

(2)(A)(i) Approve the annual operations plan if he or she is satisfied that it meets all requirements.

(ii) Otherwise, he or she shall require necessary revisions of the plan in whole or in part.

(B) However, nothing in this section shall be construed to allow the Chief Fiscal Officer of the State to substitute his or her individual judgment as to the operation or necessity of any program

of any State agency for the judgment of the executive head or board or commission charged with the responsibility for the operation and control of that agency.

(e) Each annual operations plan shall indicate:

(1) The appropriation and funding provided by the General Assembly;

(2) A detailed budget by quarters; and

(3) Any other supporting or related information required by the Chief Fiscal Officer of the State or requested by a legislative interim committee, including the Legislative Council.

History. Acts 1973, No. 876, § 9; A.S.A. 1947, § 13-335; Acts 1997, No. 1354, § 36; 2001, No. 221, § 3.

19-4-608. Fiscal controls.

In order to provide proper fiscal controls, the Chief Fiscal Officer of the State shall assure the implementation of the procedures set out in this section:
(1) The annual operations plan of each State agency shall contain a quarterly fiscal program indicating the proposed expenditures and anticipated resources for each quarter of the ensuing fiscal year. Anticipated resources shall be based upon forecasted resources estimated to be available by the Chief Fiscal Officer of the State. In the event a revision of forecasted resources is made during a fiscal year, those agencies affected by the revised forecast shall submit a new quarterly fiscal program based upon the revised forecast;

(2) The Chief Fiscal Officer of the State shall review and approve the quarterly fiscal program if he or she finds that the forecasted resources will be adequate for financing the proposed program during the fiscal year and for each quarter or other appropriate period within the fiscal year;

(3) In the event an agency incurs expenses at a level that would exceed the proposed expenditures in their quarterly fiscal program, the Chief Fiscal Officer of the State may require the submission of a revised quarterly fiscal program which reduces expenditures for the remainder of the fiscal year to a total which is within the level of the estimated resources available to the agency. Remaining appropriations will be unavailable to the agency until the revised program has been submitted and approved; and

(4) In case the Chief Fiscal Officer of the State determines that the estimated revenues or other sources of income for any agency will be less than was anticipated and that consequently the funds available for the remainder of the fiscal year will be less than the amount estimated, he or she shall reduce the amount of available appropriation to the level of expected revenue after notice to the agency.

History. Acts 1973, No. 876, § 9; A.S.A. 1947, § 13-335; Acts 2001, No. 1453, § 14.

III-6.1-6.4 Formerly titled “expenditure budgets”Teri

R1-19-4-608 Agency Annual Operations Plan

Agencies must submit an Annual Operations Plan each fiscal year to the Department of Finance and Administration - Office of Budget (DFA-OB). (ACA §19-4-607) An Annual Operations Plan contains an agency’s proposed expenditures and anticipated resources for the

ensuing fiscal year. The Annual Operations Plan is prepared using the State's budgeting system and upon review by the Department of Finance and Administration Offices of Budget and Accounting, the approved plan will be transferred into the State's accounting system. Forms and instructions are available on the DFA-OB web site at www.accessarkansas.org/dfa/budget/annual_operations_plan.html.

The Cost Centers: Actual/Plan/Variance Report (S_ALR_87013611) in the State's accounting system is used to monitor and compare expenditures to the detail plan in the State's accounting system. http://aasis.state.ar.us/Reports/reports_fifm.htm

If at any time during the fiscal year changes to the Annual Operations Plan result in an increase or decrease in the appropriation and/or funding allocated for expenditure, corresponding adjustments to the Annual Operations Plan must be made in the detail plan in the State's accounting system. (ACA §19-4-608). These changes may be made by accessing transaction KP06 – Activity Input Planning. Although budget is not checked at this level, proper plan maintenance is required for accurate evaluation of agency expenditure variances.

Training courseware is available at the following website:

http://aasis.State.ar.us/Training/Courses/default.htm.

PLEASE NOTE: Agencies that do not have access to the State's accounting system should contact their budget analyst in the DFA-OB for assistance.

19-4-609. Productivity reporting.

(a) Each State agency, other than the elected constitutional officers, shall institute and maintain a program to increase the productivity and cost effectiveness of the employees for which they are responsible.

(b)(1) Each executive, judicial, legislative, and any other agency of the State shall provide, on a calendar-monthly basis, information reflecting the number of current employees in each such agency, the number of newly hired employees, the number of employees who have transferred to other State agencies, the number of employees who retired, the number of all other separations of employees, and such other information as may be requested.

(2) The information shall be compiled on forms developed by the Bureau of Legislative Research and submitted to the Legislative Council on a calendar-quarterly basis.

History**.** Acts 1973, No. 876, § 10; 1985, No. 110, § 1; A.S.A. 1947, § 13-336; Acts 1989, No. 183, § 1.

SUBCHAPTER 7 EXPENDITURES GENERALLY

19-4-701. Fiscal periods of State.

(a) For the purpose of this chapter, relating to the appropriation and disbursement of funds, the fiscal year of the State shall commence on July 1 and shall end on June 30 of the following year;

and the biennial period, or "biennium," shall commence on July 1 following the adjournment of the regular session of the General Assembly and end on June 30 two (2) years thereafter.
(b)(1) The definition of the fiscal year, for the purposes of this chapter, shall not be construed to affect special appropriations where no fiscal period is defined in the act making such special appropriation or affect the bond year for other fiscal transactions.

(2)(A) In the case of special appropriations where the emergency clause has been adopted by the General Assembly and where no period of time is mentioned in the act making the appropriation, the appropriation shall be construed to be available for a two-year period from and after the effective date of the act.

(B) In the case of special appropriations where the emergency clause has not been adopted and where no period of time is mentioned in the act making the appropriation, the appropriation shall be construed to become available ninety (90) days after the adjournment of the General Assembly. It shall be available for a two-year period from and after the date the appropriation became available.

History. Acts 1973, No. 876, § 13; A.S.A. 1947, § 13-339.

19-4-702. Time limits for presenting vouchers.

(a) State agencies may pay carryover obligations of the State that were incurred on or before June 30 of the current fiscal year up to forty-five (45) days after the end of the current fiscal year. The carryover obligations must be supported by purchase documents with corresponding receipts for the goods or services that have been recorded as received in the State's financial management system by June 30 of the fiscal year previous to the fiscal year in which the carryover obligations are requested to be paid. The payments of the carryover obligations shall be charged against appropriations and fund cash balances of the fiscal year in which the obligations were incurred. Any payments for carryover obligations that are not supported by the documents as required herein, or which are requested to be paid after forty-five (45) days following June 30 of the fiscal year previous to the fiscal year in which the carryover obligations are requested to be paid, shall be charged to the appropriations and fund cash balances of the then-current fiscal year.
(b) In the event such voucher or vouchers are approved for payment, the Auditor of State shall issue his or her warrants in payment of them not later than two (2) weeks following the receipt of such vouchers from the Department of Finance and Administration.

(c) In the event of just claims against any State agency, where the claims are submitted too late for payment in the manner prescribed in this section and the agency affected has an appropriation for the same purpose for the fiscal period following that period in which the claim was incurred, then the disbursing agent may draw his or her voucher in the payment of the claim against the new appropriation, but only in the event there were sufficient funds and appropriations for the prior year to cover the claims. Otherwise, such claims must be submitted to the Arkansas State Claims Commission for payment.

(d) In the event a biweekly pay period for personal services, as defined in §§ 19-4-521 and 19-4-1607, commences in the closing period of one (1) fiscal period and ends in the following fiscal year, then the payment of the obligation may be made in whole from the appropriation for either fiscal period, as determined by the Chief Fiscal Officer of the State. However, in no event shall

any obligation be incurred unless there are funds on hand or estimated to become available to meet the obligation when it becomes due.

(e)(1) All State agencies may carry over from the first fiscal year of any biennium to the second fiscal year of the biennium any unexpended appropriations and funds to the extent necessary to pay for items or commodities ordered at least ninety (90) days prior to the end of the first fiscal year but not received until after the end of the first fiscal year, if the purchase of such items and commodities is substantiated by a written contract resulting from the receipt of a formal bid.

(2)(A) All State agencies may carry over from the first fiscal year of any biennium to the second fiscal year of the biennium any unexpended maintenance and operation appropriations and funds, as defined under § 19-4-522, to the extent necessary to pay for renovation and minor and major repairs under the jurisdiction of Arkansas State Building Services which were under contract at least ninety (90) days prior to the end of the first fiscal year but which will not be completed until after the end of the first fiscal year and are substantiated by written contracts.

(B) This carryover provision shall apply only to appropriations and funds involving maintenance and operations.

(3) This subsection shall be supplemental to any other authority granted any State agency by law to carry forward unexpended fund balances from one (1) fiscal year to another.

History. Acts 1973, No. 876, § 13; 1977, No. 486, § 3; 1979, No. 833, § 4; 1985, No. 365, § 4; A.S.A. 1947, § 13-339; Acts 2001, No. 71, § 1; 2001, No. 1453, § 15.

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R1-19-4-702 Payment of Prior Year Obligations

The processing of prior year obligations in the current fiscal year is allowable if the obligations do not exceed funds center (appropriation) or funds available for that fiscal year at the close of business June 30, XXXX, and sufficient funds center (appropriation) and fund is available in the current year (ACA19-4-702). Funds center availability is determined at the funds center commitment item level. Sub-funds centers should be certified at the authorizing funds center commitment item level. Available funds should be determined at the appropriate fund for disbursement level or the agency's legal or "high level" fund. The "high level" fund will be the fund designated by three alpha characters followed by four zeros if a treasury fund and three numeric characters followed by four zeros if a cash fund. However, the first three digits of the fund must be the same on the invoice and the certification. Business areas that share a legal (high level) fund must certify only their portion of the total fund balance as of June 30, XXXX.

A "Prior Year Obligation" is one for which goods/services were received and accepted prior to June 30, XXXX, for which no remittance had been made. Those obligations that are created when goods or services are received over a period of time which spans June 30, XXXX, are not considered a "Prior Year Obligation".

Certification Required

A certification letter must be sent to the Department of Finance and Administration Office of Accounting listing the invoice(s) to be paid. The letter will designate the appropriate business area (agency), funds center (appropriation), commitment item (character code), and fund (cash in treasury or cash in bank). Each certification letter will be reviewed to determine the validity of the funds center and fund codes and that the balance of each for the previous year was sufficient to pay the invoice. A preceding "Y" reference must be added to the vendor's invoice number in the reference field prior to payment. 1. For example, if your invoice number is ABC123, you should put Y-ABC123 in the reference field. 2. All "Y" vouchers will be recorded as Accounts Payable for the prior year. Upon submitting the certification letter, the disbursing officer is stating that the expenditures have been reviewed, the cumulative amount of all "Y" invoices processed have been monitored, and that the invoices have not exceeded the balances available as of June 30 of the prior year. Copies of the certification letters will be retained in the Department of Finance and Administration Office of Accounting and at the agency for review by the Division of Legislative Audit of the Legislative Joint Auditing Committee and other interested parties.

Exempt from Certification

There are several circumstances when the certification process is not necessary. However, the invoices must still be coded as a "Y" invoice when the payment is made in the next fiscal year. Items paid from carry-forward appropriations, grant payments, construction appropriations, and employee matching payments (insurance, social security, retirement, etc.) do not require certification. Items that because of the billing methods contain charges for both fiscal years such as: gas card purchases, utility bills, travel expenses and payroll that commences in the closing period of one fiscal year and ends in the following fiscal year do not require certification. In that case, the payroll may be made in whole from the funds center (appropriation) for either fiscal year.

Expenditures Limited to Budget

If there were insufficient funds or funds center available as of June 30 of the prior year, the invoice cannot be paid and must be submitted to the Arkansas State Claims Commission for payment. The Arkansas State Claims Commission will pay the invoice from the Claims Commission's revolving Claims Payment fund and then request a transfer of funds from the agency. The vendor must file a claim for payment of the invoice and the agency has the chance to deny or accept liability. If the agency accepts liability, the claim is paid from the Claims Commission's revolving Claims Payment fund.

Agency's responsibility to relieve the liability once the transfer has been made

If the liability of the invoice was originally recorded on the agency's books in the GRIR account, the agency will have to relieve the GRIR account once the funds have been transferred to the Claim Commission. To relive the GRIR account, the agency would reverse the GR in the current year and record a journal entry debiting a non-budget relevant expense account and crediting the claims transfer out account.

If the invoice was originally recorded by another process other than the PO process (FB60), the liability would be recorded on the agency's books in the accounts payable account. The agency would relive the accounts payable account by:

Reversing the FB60 invoice.

Recording a journal entry debiting a budget relevant expense account and crediting the claims transfer out account.

If the invoice was originally recorded using the PO process and the GR and IR was processed, the liability would be recorded on the agency's books in the accounts payable account. The agency would relieve the accounts payable account by:

Reversing the MIRO document and clearing it using transaction F-44 (manual vendor clearing).

Reversing the GR in the current year once the MIRO document has been cleared.

Recording a journal entry debiting a non-budget relevant expense account and crediting the claims transfer out account.

After the agency has made the necessary steps to relive the liability, the agency must notify the Claims Commission so the appropriate journal entry can be made on the Claims Commission's books.

<u>Claims Commission's Responsibility once the agency has relieve the liability</u>

After the agency has notified the Claims Commission that they have relieved the liability on the agency's books, the Claims Commission must record a journal entry debiting the claims transfer in account and crediting a non-budget relevant expense account.

PLEASE NOTE: Refer to year end closing instructions P1-19-4-701. **(HYPERLINK)**

19-4-703. Redemption of warrants.

No warrant issued by the Auditor of State shall be payable by the Treasurer of State unless it shall have been presented for payment within the twelve (12) months immediately following the close of the fiscal year or other appropriate fiscal period against which appropriation the warrant was charged.

History. Acts 1973, No. 876, § 13; A.S.A. 1947, § 13-339.

R1-19-4-703 Outlawed Warrant Policy

<u>Authority</u>

Arkansas Code 19-4-703. "Redemption of Warrants. No warrant issued by the AUDITOR OF STATE shall be payable by the Treasurer of State unless it shall have been presented for

payment within the twelve (12) months immediately following the close of the fiscal year or other appropriated fiscal period against which appropriation the warrant was charged."

<u>Purpose</u>

Warrants that are outstanding at the end of the State Fiscal Year on June 30 and have been issued more than 12 months will be considered to be "outlawed". (i.e. Warrants issued in FY 2002 and still outstanding the first day of FY 2004)

The Treasurer of State-Warrant Division cannot redeem an outlawed warrant. The Auditor of State-Warrant Division cannot reissue an outlawed warrant.

The payee of the outlawed warrant must file a claim with the Arkansas State Claims Commission in order to be compensated.

The fund of original disbursement of the outlawed warrant will receive a restoration of the cash balance as a result of the warrant being "outlawed". If the fund of issue or its components are inactive, then the fund/components will be reactivated temporarily for the initial posting followed immediately with a transfer of funds to a current active fund/component.

If the fund is supported by General Revenue, the money will be reclaimed in part or whole and transferred to the General Revenue Allotment Reserve Fund or other designated fund as dictated by State Law.

<u>Process</u>

The Outlawed Warrants process begins with the production of a report from the Treasurer of State-Treasury Management System on or about July 10th of each year. This allows for the processing of any warrants that may be in transit through the commercial banking system as of June 30. Federal banking requirements dictate that if a warrant is presented for payment to a financial institution by close of business on June 30th, the warrant must be redeemed by the State of Arkansas and cannot be outlawed.

The Auditor of State-Warrant Division and Treasurer of State-Warrant Division reconcile outlawed warrant differences between their respective systems. An adjusted report is provided to the DFA-OA for validation and further reconciliation to outstanding warrants in AASIS.

Journal entries are created with document type "ZO" for the initial outlawed warrant posting for funds and components that are currently active. The following entry is made as of current date:

DR 1100001000 (Cash in State Treasury)

CR 6990001000 (Prior Year Warrants Outlawed)

The Outlawed Warrant general ledger account is a non-budget relevant posting that does not reestablish appropriation.

The warrant number is used in the reference field for the posting of the outlawed warrants. The warrant number may also be found in the text column of the document.

If the creation of a warrant affects multiple funds, an individual document with a debit and offsetting credit is posted for each fund.

DFA–OA-Funds Section will be responsible for the "General Revenue Reclaim" (the restoration of cash balance) that is returned during the outlaw process if the original expenditure was from a fund that is supported by General Revenue. DFA–OA-Funds Section will create and park a document to reclaim these funds and they will immediately be posted following the initial posting of outlawed warrants. The document type used for these reclaims is "ZL".

PLEASE NOTE: If a warrant is outlawed, the vendor must request a refund of their monies by completing and submitting a claim to the Arkansas State Claims Commission. The form can be found at http://www.claimscommission.ar.gov/claim_forms.asp.

19-4-704. No obligations without appropriations.

(a) No obligations will be paid from appropriated funds until the General Assembly shall have made an appropriation for that purpose; nor shall any State agency enter into any contract which would contemplate that payments under the contracts would be made beyond the expiration of the biennial period unless the General Assembly, prior to the expiration of the biennial period, makes an appropriation for that purpose, or in the case of multiyear contracts for commodities or services, a determination in writing has been made prior to use that:
(1) Estimated requirements cover the period of the contract and are reasonably firm and continuing; and

(2) Such a contract would serve the best interests of the State by encouraging effective competition or otherwise promoting economies in State procurement.

(b) In no event shall any obligations be incurred unless there are sufficient funds or an approved federal grant on hand, or estimated to become available, to meet the obligations when they become due.

History. Acts 1973, No. 876, § 13; 1985, No. 365, § 6; A.S.A. 1947, § 13-339.

19-4-705. Obligations limited to funds available.

(a) No State agency for which regular operating appropriations are made on a fiscal-year basis shall incur any obligations under the appropriations unless there are funds on hand or an approved federal grant, or estimated to become available, during the fiscal year for the payment of the obligation; nor shall any agency create any obligation in one (1) fiscal year which will make it necessary to use the revenues of the following fiscal year in order to meet the obligation except in the case of multiyear contracts for commodities or services and as provided for in § 19-4-707.
(b) In the event an agency had bank funds which are not required by law to be deposited in the State Treasury, the agency shall have the authority to create additional obligations to the extent of the bank funds on hand, or which are estimated to become available during the fiscal period. However, the agency shall not create any obligations, in the aggregate, which would make the

total of such obligations exceed the total of all funds available to the agency during the fiscal period, except in the case of multiyear contracts for commodities or services and as provided for in § 19-4-707.

History. Acts 1973, No. 876, § 13; 1985, No. 365, § 6; A.S.A. 1947, § 13-339.

19-4-706. Interest and carrying charges.

State agencies, including exempt agencies, may enter into contracts which contemplate the payment of interest, late charges, but only when such late charges are incurred sixty (60) days after payment is due or carrying charges under such regulations as may be promulgated by the State Purchasing Director.

History. Acts 1973, No. 876, § 25; 1985, No. 365, § 13; A.S.A. 1947, § 13-351; Acts 1997, No. 1066, § 1.

19-4-707. Obligations for improvements.

Notwithstanding the fact that no disbursements may be made during any fiscal period in excess of the appropriations made available by the General Assembly for the fiscal period, it is provided that contracts for improvements including major repairs, alterations, and construction of new buildings and facilities may be let to the extent of the appropriations made available for those purposes for the biennial period. However, no such contracts may be let in amounts exceeding the probable funds available or which are estimated to become available during the period.

History. Acts 1973, No. 876, § 13; A.S.A. 1947, § 13-339.

19-4-708. Depletion of agency funds.

In the event any State agency shall incur obligations in such manner that the funds allocated or belonging to the agency are depleted and the agency is unable to pay all of its outstanding commitments without incurring a deficit, then the Chief Fiscal Officer of the State may suspend all exemptions under the Arkansas Purchasing Law, § 19-11-201 et seq., with respect to the agency. Under these circumstances, the Chief Fiscal Officer of the State may notify the agency that all future obligations of any kind whatsoever must be approved by the Chief Fiscal Officer of the State before they become valid obligations against the funds of the agency.

History. Acts 1973, No. 876, § 13; A.S.A. 1947, § 13-339.

19-4-709. Statement of financial condition.

(a) The Chief Fiscal Officer of the State may require, from time to time as he shall deem necessary, a Statement from any State agency setting out the prospective funds which are estimated to become available and a Statement of the outstanding obligations and of the proposed expenditures of that agency for the remainder of the fiscal period.

(b) If, in the Chief Fiscal Officer of the State's judgment, any agency has incurred or is about to incur a deficit, the Chief Fiscal Officer of the State shall call upon the agency to stop incurring obligations, under penalty of its disbursing bond.

History. Acts 1973, No. 876, § 13; A.S.A. 1947, § 13-339.

19-4-710. Interagency transfers.

(a) To prevent the duplication of recording expenditures and revenues resulting from interagency transactions, the Chief Fiscal Officer of the State, after securing the approval of the proposed procedures by the Legislative Auditor, may provide for an interagency transfer of moneys or recognize a journal entry to charge the expenditure to the disbursing agency without creating a warrant and to identify the cash receipt by the receiving agency.

(b) The phrase "interagency transfers", as used in this section, is defined and limited to the purchase of services or commodities by one (1) State agency from another State agency, or within a State agency.

History. Acts 1973, No. 876, § 13; 1977, No. 486, § 3; 1979, No. 833, § 4; 1985, No. 365, § 5; A.S.A. 1947, § 13-339; 2001, No. 1453, § 16.

PLEASE NOTE: Refer to 19-5-101 for instructions and forms.

RELATIVE INFORMATION III 17.1-17.13 IN OLD MANUAL

19-4-711. Transfer of responsibilities.

In the event that a State agency or its responsibilities, or a part of its responsibilities, is transferred by law within a biennium to another agency, the Chief Fiscal Officer of the State shall transfer all or part of the line-item appropriations, personnel positions, and moneys necessary to accomplish the transfer of responsibilities, subject to the same restrictions and procedures applicable to the original appropriations and funds from which transferred.

History. Acts 1973, No. 876, § 13; 1977, No. 486, § 3; 1979, No. 833, § 4; 1985 No. 365, § 5; A.S.A. 1947, § 13-339.

II– 18 Connie

R1-19-4-711 AGENCY CLOSE OUT

<u>Process</u>

The administrative head of any State agency, board, commission or institution planning to cease operations shall notify the Chief Fiscal Officer of the State in writing of such intent. The notice shall indicate whether:

The agency is being transferred to another agency as specified in ACA 25-2-104 through 25-2-107.

The agency is being abolished and the operations will cease.

The Chief Fiscal Officer of the State will review related legislation and/or executive orders to determine what action should be taken to satisfy obligations, protect the interests of the State, and preserve the records of the agency.

Instructions will be issued from the Chief Fiscal Officer of the State to the administrative head of the agency in question, and letters of instruction to any department/institution that may be receiving the employees, authority, assets, liabilities and/or records of the closing agency. The instruction will designate the Department of Finance and Administration (DFA) personnel assigned (contact people) in DFA who will work with the closing and/or receiving agency and specify what general actions must be taken and lay out a timetable for completion. Assignments may include:

1. DFA - Office of Personnel Management for proper referral and placement efforts for employees, as well as final payment;

2. DFA - Office of State Procurement for equipment disposal, contract termination and lease closeouts;

3. DFA - Office of Accounting (DFA - OA) for all financial reporting, accountability and records retention.

4. Other DFA offices as deemed appropriate by the Chief Fiscal Officer of the State.

The DFA contacts will work with the closing and/or receiving agency on all transactions/actions to be accomplished. A "check list" of action, indicating date accomplished will be maintained and submitted, by each DFA Office assigned, to the DFA-OA upon completion of assignment.

The DFA - OA will prepare a final report for the Chief Fiscal Officer of the State, and obtain signatures of administrative heads of agency being closed/receiving agency for all legal documents to ensure the interest of the State are protected.

See_____ for a sample checklist.

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R2-19-4-711 NEW AGENCY

State agencies newly created by Acts of the State Legislature and signed by the Governor of Arkansas will be created on the books and records of the State of Arkansas, Treasurer of State and Auditor of State by the Department of Finance and Administration – Office of Accounting (DFA-OA).

The Department of Finance–Office of Accounting Funds Management Section (DFA-OA-Funds Management) will review the appropriation which created the agency and determines their sources of funding and grants their authority for spending levels.

The DFA-OA -Funds Management staff will assign the following items within AASIS to conduct and record the agency's financial transactions: business area number, fund center, funds and cost centers.

The DFA-OA-Funds Management staff will also notify the DFA–Office of Budget, DFA-OA-CAFR Section and the AASIS Support Center of the agency's creation.

The DFA-OA will also notify the Treasurer of State and the Auditor of State's office that a new state agency has been created. Details of their fund and appropriation structures will be provided as necessary to each entity.

The DFA–Office of Budget will assign a budget analyst to work with the agency in the design and implementation of an operating budget for the current and future fiscal years.

The DFA-OA-CAFR Section will assign a liaison to the newly created agency.

The AASIS Support Center will assign professional security roles to each AASIS user upon request of the Security Liaison. Each user will also be assigned an ESS security role for employee self service functions.

At the direction of the Chief Fiscal Officer of the State the new agency is set up as an online agency commonly referred to as a "user agency, a service bureau agency or a reporting agency based upon the agency's resources.

Human resources issues/actions can be found at hyperlink. The following sample "check lists" for accounting and non-human resource issues are available online:

- ***(a) New online agency .***
- ***(b) New service bureau agency***
- (c) New reporting agency

See P2-19-4-711 HYPERLINK) for checklist for new agency creation

SUBCHAPTER 8 EXPENDITURE OF CASH FUNDS

19-4-801. Definitions.

As used in this subchapter, unless the context otherwise requires:
(1)(A) "State agency" means all boards, commissions, departments, agencies, institutions, offices or officers, State-supported institutions of higher learning, and any other office or unit of government of the State of Arkansas created or established pursuant to law or pursuant to any action of the Governor, functioning under appropriation made by the General Assembly or functioning as a representative of the State without appropriation of the General Assembly.

(B) The term "State agency" shall not include the Governor, Secretary of State, Attorney General, Treasurer of State, Auditor of State, Commissioner of State Lands, the Supreme Court and its justices, the circuit courts and circuit judges, the chancery courts and chancery judges, prosecuting attorneys, the Arkansas State Game and Fish Commission, the Arkansas State Highway and Transportation Department, the General Assembly, and the respective staffs of these officers and agencies; and

(2) "Cash funds" means all moneys, negotiable instruments, certificates of indebtedness, stocks, and bonds held by or owned by any State agency which are not on deposit with or in the trust of the Treasure of State.

History. Acts 1975, No. 5, §§ 1, 2; A.S.A. 1947, §§ 13-356, 13-357.

19-4-802. Authorization of General Assembly.

(a) Cash funds of the various State agencies as defined in § 19-4-801 shall be budgeted and proposed expenditures approved by enactments of the General Assembly.
(b) The General Assembly shall budget, approve, and appropriate expenditures of cash funds by the enactment of separate appropriation bills setting forth the purpose for which the moneys are to be expended and the dollar amount to be expended for such purpose.

(c) State agencies as defined in § 19-4-801 shall be required to submit such budgetary information as may be requested by the Legislative Council and shall undertake whatever budgetary procedures the Legislative Council may establish for the appropriation of cash funds.

(d) State agencies as defined in § 19-4-801 shall be required to post all financial transactions of cash funds in the State's financial management system in accordance with procedures established by the Chief Fiscal Officer of the State.

History. Acts 1975, No. 5, § 4; A.S.A. 1947, § 13-359; 2001, No. 1453, § 17.

19-4-803. Exemptions.

(a) Funds required by the terms of a bond indenture to be held by paying agents for the payment of interest and principal on such bonds; petty cash funds held by the various State agencies; memorials, endowments, bequests, gifts, and donations made to any State agency other than for normal operation of the agency; canteen funds of State agencies other than institutions of higher learning, wherein the profits earned are used for the benefit of the people served by that agency through the purchase of services or goods other than normal salary or maintenance expenses of the agency; the Social Security Contribution Bank Fund administered by the Arkansas Public Employees' Retirement System; the Benefit Fund of the Arkansas Employment Security Department; the Bond Guaranty Reserve Account of the Arkansas Economic Development Commission; the Illegal Drug Purchase Account and the Confidential Accounts of the Department of Arkansas State Police; patient funds, where the institution is acting in a trust capacity or the funds are utilized for patient activities other than normal agency-provided services; the State Treasury Money Management Trust Fund; and any other funds determined by the Chief Fiscal Officer of the State or the General Assembly, to be held in trust, and on deposit in a financial institution other than the State Treasury shall be exempt from the provisions of this subchapter.
(b)(1) Any moneys received from any millage levied by a community college district pursuant to an election under Acts 1965, No. 560 [repealed] or Acts 1973, No. 103 [repealed], or any acts amendatory to these acts, shall not be subject to § 19-4-802 or any of the provisions of this subchapter which require funds to be appropriated by the General Assembly.

(2) The board of any community college may use the funds received from the millage levied for the purposes Stated on the ballot at the time of the election authorizing the millage, i.e.,

construction, purchasing equipment, or where so provided on the ballot, for operation of the college, and the funds shall be subject to all such other provisions of this subchapter as are not inconsistent with this subsection.

(c) The Department of Correction Plasma Center is exempt from provisions of this subchapter.

(d) The State Comprehensive Health Insurance Pool, created under § 23-79-501 et seq., and its board of directors, and the Arkansas Property and Casualty Guaranty Fund and its advisory association, referenced under § 23-90-101 et seq., and the Arkansas Life and Disability Insurance Guaranty Association and its board of directors, referenced under § 23-96-101 et seq., are hereby exempt from the provisions of this subchapter.

(e) The Tobacco Settlement Cash Holding Fund administered by the State Board of Finance shall be exempt from provisions of this subchapter.

History. Acts 1975, No. 5, § 7; 1975, No. 265, § 1; 1977, No. 713, § 14; A.S.A. 1947, §§ 13-356.1, 13-362; Acts 1997, No. 540, § 39; 1997, No. 1000, § 17; 1997, No. 1179, § 3; Init. Meas. 2000, No. 1, § 19.

ACA§19-4-804 Repealed

19-4-805. Investment of fund balances.

(a) The State-supported institutions of higher learning shall have the right to determine the depositories and the nature of investments of any of their cash funds which are not currently needed for operating purposes. In making these determinations, these institutions shall seek to obtain the highest possible rate of return for their investments.
(b) All cash fund agencies other than the State-supported institutions of higher learning shall request and abide by the recommendations of the State Board of Finance as to the best investment decisions for any idle cash balances.

History. Acts 1975, No. 5, §§ 8, 9; A.S.A. 1947, §§ 13-363, 13-364.

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R1-19-4-805 Management of Cash Funds

Agency Bank Reconciliations

Arkansas Code 19-6-103 States that "All taxes, licenses, fees, permits, or other income collected by any board, agency, or commission by virtue of the authority of the State of Arkansas which are designated by law to be deposited in a depository other than the State Treasury are classified as "Cash Funds" and are declared to be revenues of the State to be used as required and to be expended only for such purposes and in such manner as determined by law". Arkansas Code 19-4-801(2) defines Cash Funds "as all monies, negotiable instruments, certificates of indebtedness, stocks and bonds held by or owned by any State Agency which are not on deposit with or in the trust of the Treasurer of the State of Arkansas".

Cash expenditures must have legislative authorization (appropriation) and are subject to Accounting, Procurement, State Printing, and Arkansas Building Authority regulations unless exempted under Arkansas Code 19-4-803, as amended.

All agencies, other than institutions of higher learning, shall request and abide by the recommendations of the State Board of Finance as to the best investment decisions of any idle cash balances. The institutions of higher learning shall have the right to determine the depositories and the nature of investments of any of their Cash Funds which are not currently needed for operating purposes.

All cash activity must be recorded in AASIS using the proper transactions. This includes interest earned on investments. Various sections of the Financial Management Guide contain instructions for most types of transactions that occur in a Cash Fund and should be reviewed for the correct accounting procedure for those transactions.

The AASIS balance at month end must be reconciled to either the check register or the bank statement depending upon whether the agency is a user agency (an agency with direct access to AASIS) or Department of Finance and Administration – Office of Accounting – Service Bureau (DFA-OA-SB) agency (an agency who uses DFA-OA-SB to record transactions in AASIS – they do not have direct access). The following procedures must be followed when reconciling the AASIS balance at month end.

User Agencies

There are two different business processes that determine the method to be used for month end reconciliations performed by user agencies: those with commercial bank accounts that are held and managed at the agency location and those with local accounts held and managed at local offices at multiple locations.

User Agency (Accounts held at agency location)

If an agency has a commercial bank account(s) that is held at the agency location, transactions must be entered in AASIS on a "real time" basis. This means that transactions should be recorded on a daily basis. At any time, a trial balance pulled from AASIS should equal the balance held at the commercial bank account plus or minus any reconciling items (i.e. outstanding checks, deposits in transit, interest, etc.).

These accounts must be reconciled to the commercial bank account statement on a monthly basis using the "Cash in Bank Reconciliation" Form P1-19-4-805. Instructions for the use of this form are provided with the form.

PLEASE NOTE: A journal entry to correct any reconciling item, caused solely by a difference in when the transaction is recorded in two different periods by the perspective parties, must be made in the month following the event that caused the reconciling item to be created.

After the reconciliation is completed, the agency must submit a copy of the first page of the bank statement and the "Cash in Bank Reconciliation" Form to DFA-OA-Fund Reconciliation. These shall be received by DFA-OA-Fund Reconciliation by the 15th of each month.

User Agency (Accounts held at local offices at multiple locations)

If an agency has commercial bank accounts held at local offices at multiple locations, with approval from the DFA-OA-Fund Reconciliation, the agency can make an entry at month end for the total of transactions that occurred during that month. These entries must be made in the month that the transaction(s) occurred.

These accounts must be reconciled to the commercial bank account statement on a monthly basis using the "Cash in Bank Reconciliation" Form. Instructions for the use of this form are provided with the form.

PLEASE NOTE: A journal entry to correct any reconciling item, caused solely by a difference in when the transaction is recorded in two different periods by the perspective parties, must be made in the month following the event that caused the reconciling item to be created.

After the reconciliation is completed, the agency must submit a copy of the first page of the bank statement and the "Cash in Bank Reconciliation" Form to DFA-OA-Fund Reconciliation. These shall be received by DFA-OA-Fund Reconciliation by the 15th of each month.

DFA-OA-SB agencies

If an agency uses DFA-OA-SB to record transactions in AASIS, the agency must send in transactions on a "real time" basis to be entered. This includes both incoming and outgoing cash transactions for both appropriated and non-appropriated accounts.

The agency must reconcile its check register to the commercial bank account statement at month end and submit a copy of the reconciliation and the commercial bank account statement to DFA-OA-SB by the 15th of the following month. DFA-OA-SB will reconcile the agency's account balance and AASIS utilizing the reconciliation.

PLEASE NOTE: A journal entry to correct any reconciling item, caused solely by a difference in when the transaction is recorded in two different periods by the perspective parties, must be made in the month following the event that caused the reconciling item to be created.

ALSO NOTE: This section shall not apply to institutions of higher education which maintain full accounting records separate and apart from AASIS. Receipts and disbursements of such agencies shall be submitted in summarized form for general review and reference.

R2-19-4-805 Agency Investment(s)

If an agency has investments, interest earned or any other transactions occurring must be recorded in AASIS on a monthly basis. When a monthly statement is received, the statement must be submitted to DFA-OA-Fund Reconciliation by the 15th of each month. If the investment statements are received quarterly, semi-annually or annually, those statements must also be submitted by the 15th of the following month.

The agency must reconcile the investment statement balance to AASIS balance to verify that all transactions have been recorded. If the agency determines that there are reconciling items, a "Cash in Bank Reconciliation" Form must be completed and submitted with copies of the investment statements to DFA-OA-Fund Reconciliation.

PLEASE NOTE: This section shall not apply to institutions of higher education which maintain full accounting records separate and apart from AASIS.

19-4-806. Petty cash accounts.

(a) State agencies operating under the provisions of this subchapter are authorized to establish petty cash accounts. These accounts must be approved by the Chief Fiscal Officer of the State and only minor expenditures or emergency purchases shall be made therefrom.

(b) State-supported institutions of higher learning and other agencies that can demonstrate the need for large petty cash accounts during brief periods of time, such as student registration periods, are authorized short-term petty cash accounts.

History. Acts 1975, No. 5, § 10; A.S.A. 1947, § 13-365; Acts 2003, No. 656, § 1.

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R1*-19-4-806 *IMPREST FUND ACCOUNTS

Authority

"Imprest" fund accounts may be established and maintained by State government agencies, boards, commissions and institutions. Authority to establish such accounts is authorized in ACA 19-4-806, ACA 19-4-1802 and 19-4-904 (d). Record keeping and documentation requirements of such accounts are prescribed by ACA 19-4-1108 and ACA 19-4-815.

The authority to establish imprest accounts is vested in the Chief Fiscal Officer of the State. All requests to establish, increase, or decrease the authorization of such accounts must be submitted on an "Imprest Fund Request" Form –P1-19-4-806 (HYPERLINK)

Imprest fund accounts authorized for agencies, boards, commissions and institutions include:

Petty Cash Fund

Change Fund

Activities Revolving Fund

Travel Advance Revolving Fund

Cash operating funds at non-local offices (i.e. DHS, Dept. of Health & ASP Troop Accounts)

Under no circumstances may imprest accounts be used to circumvent purchasing regulations or make payroll advances.

All cash and cash equivalents must be recorded on the State Financial Management System or the agency's original book of record.

If an agency has an internal audit function, each Imprest Fund Account must be audited no less than each biennium. If the agency does not have an internal audit function, then each Imprest Fund Account must be reviewed by management personnel on an annual basis. The review must include, at a minimum, tying the reconciliation balance to the amount reflected on the State Financial Management System trial balance or the agency's original book of record and verifying that reconciling items are cleared within a two month period.

A. Petty Cash Fund

<u>Purpose</u>

A petty cash account is a small account that may be utilized to pay for minor expenses such as postage due, freight, etc. It should generally be used to pay for:

1. Items requiring prompt payment

2. Items on which the cost of using the regular disbursing channels would offset any savings that could be realized by immediate purchase and payment.

<u>Establishment</u>

If a Treasury Fund is used to establish a Petty Cash Fund, a warrant must be issued. When recording the warrant, expense code 5120010000 should be used. A journal entry must be made to reclassify this warrant from expense using a Non Budget Relevant (NBR) general ledger account to the petty cash or imprest bank funds general ledger account. The journal entry would be as follows:

For petty cash held at agency

Debit 1010103000 Petty Cash

Credit 5080029000 Non Budget relevant other expense

For petty cash held at a financial institution

Debit 1100002100 Imprest Bank Funds

Credit 5080029000 NBR Other Expenses and Services

If a commercial bank account is used to establish a Petty Cash Fund, the following entry will be made:

For petty cash held at agency

Debit 1010103000 Petty Cash

Credit 1100002000 Non-AASIS House Bank or the agencies AASIS House Bank

For petty cash held at a financial institution

Debit 1100002100 Imprest Bank Funds

Credit 1100002000 Non-AASIS House Bank or the agency's AASIS House Bank

Agencies that use AASIS to process checks and warrants will need an agency vendor number set up by the Department of Finance and Administration - Office of State Procurement (DFA-OSP). The title should include the Agency Name, Agency Employee "Custodian" and Petty Cash". More detailed instructions are located following the section on Travel Advance Revolving Fund.

If the petty cash funds are held at the agency, the general ledger account is 1010103000. If they are held at a financial institution, the general ledger account is 1100002100. In either case, the general ledger account should remain at the set amount unless the amount of the petty cash fund is changed. In the event that the established amount needs to be increased, petty cash should be debited and cash in bank credited if a commercial bank account is funding the petty cash increase.

<u>Control</u>

In order to properly control a petty cash system certain restrictions and regulations must be established and maintained. The minimum requirements include:

One person (custodian) is to be responsible for the fund. This person must be appointed by the agency head or designee.

One person other than the custodian shall authorize disbursements.

Petty cash vouchers shall be numbered with the prefix representing the fiscal year (such as FY03), a hyphen, and number beginning with 1 (one) each year and progressing upward, sequentially, until the end of the fiscal year.

The custodian and the person, who authorizes the disbursement, must not have access to bank accounts, cash receipts and/or general accounting records.

Petty cash funds shall not be used to cash personal checks, make personal loans, or reimburse individuals for travel expenses.

Petty cash vouchers shall be reconciled monthly and internally audited.

Accounting for and Replenishing

Prior to making petty cash disbursement, a petty cash voucher must be completed and signed by the person responsible for authorizing the disbursement. The petty cash voucher used must contain, at a minimum, the following information:

Petty Cash Voucher number

Date

Name of the person receiving the cash (expended by)

Business Area Number

Amount of the disbursement

A description of the disbursement (purpose or product)

The cost center code to be charged

The general ledger codes to be charged

The initials of the person approving the disbursement

The initials of the person receiving the cash

The signature of the person disbursing the funds

A receipt, sales slip, or other evidence of indebtedness must support all petty cash vouchers. A sample of an acceptable petty cash voucher P2-19-4-806 (HYPERLINK). In the case of recurring items such as postage due, a summary sheet P3-19-4-806(HYPERLINK) may be used in lieu of a Petty Cash Voucher.

The petty cash voucher must be entered in an Imprest Account Journal and the original copy shall be retained as documentation to replenish the fund. A sample petty cash journal P4-19-4-806 (HYPERLINK). The petty cash replenishment postings are always made for the amount of actual expenditure from the fund, with the Agency Name, Agency Employee "Custodian" and "Petty Cash" as payee on the warrant or check. Petty cash accounts will be replenished as needed and at the end of each fiscal year so that expenses for one year will not carry over to the following year.

At all times petty cash accounts must have a total of cash and/or expenditure receipts equal to the amount reflected at the trial balance level. Issues from and reimbursements to the fund will be subject to audit or inspection by the Department of Finance and Administration and the Division of Legislative Audit at any time.

Money and transaction documents of petty cash accounts should in no way be combined with change fund accounts or cash receipts.

B. Change Fund

Purpose

An agency/institution that receives cash for sales or services will find it necessary to have a "Change Fund" account.

Establishment

If a Treasury Fund is used to establish a Change Fund, a warrant must be issued. When recording the warrant, expense code 5120010000 should be used. A journal entry must be made to reclassify this warrant from expense using a Non Budget Relevant (NBR) general ledger account to the change fund general ledger account. The journal entry would be as follows:

For change fund established by Treasury Fund

Debit 1010102000 Change Funds

Credit 5080029000 Non Budget relevant other expense

If a commercial bank account is used to establish a Change Fund, the following entry will be made:

For change fund established by commercial bank

Debit 1010102000 Change Funds

Credit 1100002000 Non-AASIS House Bank or the agency's AASIS House Bank

Control

The Change Fund should be small and must be maintained completely separate from any Petty Cash Fund accounts or cash receipts kept by the agency.

Good accounting practices require that the amount of the Change Fund is verified daily and all overages and shortages are shown in the Imprest Account Journal.

Accounting for and Replenishing

No expenditures are to be made from the Change Fund.

On June 1, 20XX, the agency must reimburse any shortages by charging the appropriate expense

C. Activities Revolving Fund

Purpose

Some State agencies and institutions of higher learning have a need for an Activities Revolving Fund to cover the costs of travel expenses to out-of-town games, contests and events, including emergency purchases away from the immediate locale of the institution.

The costs of lodging and commercial transportation should be "direct billed" when possible using the Arkansas Agency Travel Card. Limitations on advances are governed by R1-19-4-1008 "Travel Advance Revolving Funds" (HYPERLINK). For those expenses not direct billed, an "Activities Revolving Fund" may be established and used to purchase goods or services such as:

Commercial or chartered transportation for official staff and team/group members to and from out-of-town events/contests in which the school is participating;

Meals and lodging for official staff and student participants while attending out-of-town events;

Emergency medical services for official staff and participants injured in the course of school related activities;

Emergency equipment repair or replacement costs;

Out-of-town official recruitment expenses;

Any goods or services, which place human life or State property in jeopardy unless purchased immediately;

Payments to students or others working in concession stands and selling tickets to events and to or on behalf of students and/or student athletes for meal allowances when they are required to be on campus during official institutional student holidays in accordance with institutional policy and NCAA regulations;

Payment to officials and security guards for events;

Payments to or on behalf of prospects for official expenses associated with a campus visit including travel, meals, and entertainment expenses in accordance with institutional policy and NCAA regulations.

<u>Establishment</u>

Activities Revolving Fund accounts are to be applied for and maintained as cash funds on deposit with a financial institution, with disbursements made in the form of a check, warrant or electronic deposit rather than cash (currency). The "Imprest Fund Request" form must be used to request the establishment of an Activities Revolving Fund. The amount authorized for each Activities Revolving Fund will be determined by the particular needs of the agency/institution. The initial funds to establish the revolving fund are provided by the benefiting agency/department and must be charged to Commitment Item 02 (Maintenance and Operation). Another entry is required to reclassify the expense using a NBR general ledger account that will not restore appropriation and to record the cash in the imprest fund. The entry is as follows:

Debit 1100002100 – Imprest Bank Funds

Credit 5080029000 – NBR Other Expenses & Services

<u>Control</u>

The administrative head of the agency/institution or his/her designated agent is responsible for approving all advances of funds and all expenditures from the fund established for the activities of each applicable department for student events. The minimum requirements include:

One person (Custodian) is to be responsible for the fund.

A person other than the custodian shall authorize disbursements.

The custodian and person authorizing disbursement must not have access to bank accounts, cash receipts and/or general accounting records.

Activities Revolving Funds are not to be used to cash personal checks or make personal loans.

Revolving fund accounts should be reconciled monthly and internally audited.

All issues from and receipts to the fund must be supported by signed documents that shall be retained until audited by the Division of Legislative Audit or an independent accounting firm.

<u>Accounting for and Replenishing</u>

Upon receipt of the warrant or check to establish the fund, the fund custodian will cause a ledger to be established and maintained which reflects:

The initial amount of the fund and date established;

Each issue of funds, indicating the date issued, issue document number and check number, individual receiving the funds and amount;

Each receipt of reimbursement indicating the receipt number, individual making the reimbursement, date of reimbursement or receipt, and amount;

Balance of cash in bank.

The Custodian responsible for administering the fund must have on hand at all times either cash in bank and/or signed receipts for travel advances outstanding equal to the amount established for the fund. Issues from and reimbursements to the fund will be subject to audit or inspection by the Department of Finance and Administration and the Division of Legislative Audit at any time. The ledger and supporting documentation as specified herein for all entries made thereon must be maintained in proper order for audit purposes.

The persons who received advances will reimburse the Activities Revolving Fund either through a cash payment or approved expenditure within 30 days of the initial advance.

PLEASE NOTE: Money or transaction documents of Activities Revolving Fund should in no way be combined with petty cash accounts, change fund accounts or cash receipts.

D. Travel Advance Revolving Fund

Purpose

A Travel Advance Revolving Fund is established to provide travel funds for employees who have no other means to pay for travel on official business in connection with their jobs. Travel advances are to be issued and repaid in accordance with R1-19-4-1008 "Travel Advance Revolving Funds" (HYPERLINK).

Establishment

Travel Advance Revolving Fund accounts are to be applied for and maintained as cash funds, on deposit with a financial institution, with disbursements made in the form of a check, warrant or electronic deposit rather than cash (currency). The "Imprest Fund Request" form is used to request the establishment of a Travel Advance Revolving Fund. The initial funds to establish the revolving fund are provided by the benefiting agency/department and must be charged to Commitment Item 02 (Maintenance and Operation) and GL # 5120010000 (Imprest Fund Establishment).

A journal entry must be made to reclassify this warrant from expense to the travel advance general ledger account. The journal entry would be as follows:

Debit 1100002100 Imprest Bank Funds

Credit 5080029000 NBR Other Expenses & Services

The general ledger account 1100002100 should remain at the set amount unless the set amount of the travel advance fund changes.

Control

The administrative head of the agency/institution or his/her designated agent is responsible for approving all advances of funds and all expenditures from the fund. The minimum requirements for administering the fund include:

One person (custodian) is to be responsible for the fund.

A person other than the custodian shall authorize disbursements.

The custodian and person authorizing disbursement must not have access to bank accounts, cash receipts and/or general accounting records.

Travel Advance Revolving Funds are not to be used to cash personal checks or make personal loans.

Revolving fund accounts should be reconciled periodically and internally audited.

Accounting for and Replenishing

Upon receipt of the warrant or check to establish the fund, the fund custodian will cause a ledger to be established and maintained which reflects:

The initial amount of the fund and date established;

Each issue of funds, indicating the date issued, issue document number and check/warrant number, individual receiving the funds and amount;

Each receipt of reimbursement indicating the receipt number, individual making the reimbursement, date of reimbursement or receipt, and amount;

Balance of cash in bank.

The custodian responsible for administering the fund must have on hand at all times either cash in bank and/or signed receipts for travel advances outstanding equal to the amount established for the fund. Issues from and reimbursements to the fund will be subject to audit or inspection by the Department of Finance and Administration and the Division of Legislative Audit at any time. The ledger and supporting documentation as specified herein for all entries made thereon must be maintained in proper order for audit purposes.

Replenishment will be accomplished when the employee to whom funds were advanced repay travel advances either through a cash payment or approved expenditure within 30 days of the initial advance.

Money or transaction documents of the Travel Advance Revolving Fund should in no way be combined with petty cash accounts, change fund accounts or cash receipts.

A vendor number must be assigned to the Custodian of the petty cash accounts. It must be a vendor number created by DFA-Office of State Procurement (DFA-OSP). Questions should be sent to DFA-OSP.

To establish a vendor number, use the following link, https://www.ark.org/dfa/osp/aasis_forms/vendor_maintenance_form_f10021.html.

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ACA§ 19-4-807-809 Repealed

19-4-810. Voucher examination and approval - Responsibilities of State agency executive administrators.

(a) Responsibilities of State Agency Executive Administrator. It shall be the responsibility of each executive head of a State agency handling cash funds to establish adequate internal administrative procedures and controls to ensure prompt and accurate payment of obligations to be liquidated from such funds in order to promote good public relations and to take advantage of all available discounts.
(b) It shall also be the responsibility of the State agency executive head to establish a system of pre-audit within his agency to ensure that checks and vouchers, before being released by the

State agency, are prepared in accordance with all applicable purchasing and fiscal laws on the subject by performing the following functions. He shall determine that:

(1) Services, materials, supplies, and equipment received comply with specifications indicated on purchase documents;

(2) Quantities received, as being indicated on the invoice, agree with those shown on the receiving report;

(3) Unit prices agree with those indicated on the purchase documents;

(4) The extensions and footings of the invoice are correct;

(5) The voucher or check is prepared in sufficient time to take advantage of all available discounts being offered;

(6) Sufficient legislative authorization for expenditures and funds is available for payment of the obligation;

(7) The obligation was incurred in conformity with all purchasing and fiscal laws applicable to State agencies operating out of the State Treasury.

History. Acts 1991, No. 21, § 1.

ACA§ 19-4-8011-812 Repealed

19-4-813. Erroneous or improper payments.

The responsibility for recovery of erroneous or improper payments shall be with the State agency head, the bonded disbursing officer, or his designated bonded assistant; and the Chief Fiscal Officer of the State shall not be liable under his surety bond for any erroneous or improper payments so made.

History. Acts 1991, No. 21, § 1.

19-4-814. Supporting documentation.

Requirements for supporting documentation for disbursements shall be determined as follows:
(1) In connection with purchasing procedures the Chief Fiscal Officer of the State shall prescribe and define the necessary documents and other evidence which shall be retained by the agency for the purpose of determining whether the proper purchasing procedures have been complied with;

(2) In all instances where the evidences of indebtedness are represented by vendor's invoices, the agency shall retain in the permanent file of the business office of the agency the original invoice and corresponding documentation of actual payment in accordance with procedures established by the Chief Fiscal Officer of the State;

(3) In connection with printing contracts, provided for by the Constitution and laws of this State, the supporting documentation shall be those prescribed by the Auditor of State or by the Department of Finance and Administration, as appropriate;

(4) In connection with the laws or regulations governing travel, where individuals are reimbursed for expenses incurred for travel in connection with their official duties, the supporting papers shall be the forms or Statements of such expenses prescribed by the Chief Fiscal Officer of the State. In the case of per diem or other expenses established by law, the disbursing officer shall attach to the voucher issued in payment of such allowances a citation of his or her authority for making such payments;

(5) Any indebtedness or expense incurred in connection with an approved resolution of any State board or commission shall be made a part of the permanent minutes of such board or commission, and copies of such resolution or minutes authorizing any indebtedness or expense shall be attached to the voucher issued in payment of any such indebtedness or expense;

(6) In instances where the General Assembly has authorized grants to public schools, public welfare recipients, counties, municipalities, and for other purposes specifically provided for by law, for payments made to individuals under retirement systems, and for income tax refunds, the Chief Fiscal Officer of the State shall prescribe the forms of the vouchers to be used and the procedure to be followed in making such payments.

History. Acts 1991, No. 21, § 1; 2001, No. 1453, § 21.

19-4-815. Original of supporting documentation to be retained by the agency.

(a) The original evidences of indebtedness, including documents prepared in connection with purchasing procedure, and all other original contracts, invoices, Statements, receipts, petty cash tickets, bank Statements, cancelled checks drawn upon bank accounts, and other original supporting papers shall be retained in the permanent file of the business office of each State agency, or attached to the office copy of the agency's voucher, and such documents shall be kept in a safe place subject to audit and shall not be destroyed until authorization is given for their destruction by the Legislative Auditor.
(b) With the approval of the Legislative Auditor of the State, a State agency may retain evidences to satisfy record retention policies of indebtedness and other contracts, invoices, Statements, receipts, petty cash tickets, bank Statements, cancelled checks drawn upon bank accounts, and other supporting papers by microform or a form of stored images in a computer system or other form of computer technology in lieu of retaining the originals of such documents.

History. Acts 1991, No. 21, § 1; 1997, No. 541, § 1; 2001, No. 1453, § 22.

19-4-816. Contracts for procurement of commodities and services.

Each State agency which is authorized by law or under the purchasing procedures of this State to enter into contract for the procurement of property, commodities, or services shall keep on file in its respective place of business a copy of such contract for public inspection or audit and shall make a copy of any such contract available to the Chief Fiscal Officer of the State when so required by him or her.

History. Acts 1991, No. 21, § 1; 2001, No. 1453, § 23.

II-10.1-10.7(5) Contract servicesDCK, 2/13/04 1520II-10.1-10.7(5) (Old) 15.10 (New)

PROFESSIONAL AND CONSULTANT SERVICES CONTRACTS

R1-19-4-816 Contracts for Procurement of Commodities and Services

Act 1315 of 2003 repealed ACA §19-4-1701 - 19-4-1717, et seq. relating to professional and consulting service contracts between the State of Arkansas and all of its agencies, boards, commissions, departments and institutions. The responsibilities for the maintenance of policies and procedures for this area have thus been assigned by State statute to the Office of State Procurement. The State Purchasing Director is authorized by ACA § 19-11-243 to adopt regulations regarding the competitive bidding process, requests for proposals, approval of professionals, etc. The regulations relative to professional and consultant services contracts can be found on the Office of State Procurement's web site at:

http://www.arkansas.gov/dfa/purchasing/contracts.html

Travel placed under 19-4-903, 907 and 25-1-110 and 22-8-101 through 210-broken apart. Introduction placed in the 19-4 and 22-8 series

SUBCHAPTER 9 TRAVEL REGULATIONS

ACA§ 19-4-901. Rules and regulations generally.

The Chief Fiscal Officer of the State shall promulgate rules and regulations with respect to travel and travel allowances and prescribe the forms and procedures for reporting, approving, and paying such travel allowances for all officers and employees of the State government or for other persons who are authorized to carry out official duties in connection with the business of the State.

History. Acts 1973, No. 876, § 16; A.S.A. 1947, § 13-342

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Authority, Chief Fiscal Officer, Rules and Regulations

R1*-19-4-901 *Rules and Regulations Generally

The Chief Fiscal Officer of the State is authorized by ACA 19-4-901 to promulgate rules and regulations with respect to travel and travel allowances and prescribe the forms and procedures for reporting, approving, and paying such travel allowances for all officers and employees of State government or for other persons who are authorized to carry out official duties in connection with the business of the State.

19-4-902. Authorization for travel**.**

(a)(1) The responsibility for authorizing travel, or any expenses in connection therewith, shall be placed upon the board or commission in charge or upon the administrative head of each State agency.

(2) No travel expenses shall be authorized or allowed without the approval of the board, commission, or administrative head of any agency.

(b) It shall be the responsibility of the administrative head of any agency to keep on file in the place of business of the agency, subject to audit, copies of all supporting documents and required receipts for expenses incurred in connection with the travel authorizations and allowances for persons traveling in behalf of the agency.

History. Acts 1973, No. 876, § 16; A.S.A. 1947, § 13-342; Acts 2001, No. 1453, § 24.

Rule 1 Responsibility and Accountability for Travel Authorizations and Disbursement
Effective date 1/01/03

ACA 19-4-902 places the authority and responsibility of authorizing and approving travel expenses with the board or commission in charge or to the administrative head of the agency, department, or institution.

R1-19-4-902 Responsibility and Accountability for Travel Authorizations and Disbursement Effective date 1/01/03

It shall be the responsibility of the administrative head of each agency, board, commission or institution to keep on file in the place of business of the agency, subject to audit, originals of all supporting documents and required receipts for expenses incurred in connection with the travel authorizations and disbursements for persons traveling on behalf of the governmental entity. The documents on file may be in the form prescribed under the provisions of ACA 19-4-815 (b) if approved by the Division of Legislative Audit.

In large governmental units, it may not be feasible for the administrative head of the agency, department, or institution to act as travel administrator. In this case, he or she may designate other responsible officials to act as his or her agent(s) and to be referred to as travel administrator. The approval of these designated agents will be considered to reflect the approval of the board, commission or head of the agency, department, or institution. The designation of agents as travel administrators shall be made in writing and kept on file in the agency/institution.

19-4-903. Standard reimbursements and special authorizations.

(a)(1) Except for special authorization by the Chief Fiscal Officer of the State, reimbursement for meals and lodging while traveling on official business of the State shall not exceed the maximum rates as prescribed by the Federal Travel Directory published by the General Services Administration.
(2) Requests for special authorization shall be limited to those rare occasions where unusual circumstances may cause the existing rates to be inadequate and shall be set out in writing in such detail as shall be required in the State travel procedures and shall be executed in behalf of each individual traveler for each special authorized occasion. Provided however, that requests for special authorization by employees of institutions of higher education shall be subject to the approval of the chief executive officer of the institution and not the Department of Finance and Administration.

(3) Under such emergency conditions as shall be determined by the Governor, the limitations of this subsection with respect to meals and lodging may be waived or modified.

(b)(1)(A) Unless otherwise provided for by law, reimbursement for the use of privately owned motor vehicles while traveling on official business for the State shall not exceed the allowable rate of the Internal Revenue Service per mile for business use of privately owned motor vehicles.

(B) A State agency director may authorize reimbursement for travel expenses for meals, lodging, and private automobile or airplane usage at amounts less than that established under the authority of this section.

(C) The Chief Fiscal Officer of the State may, by regulation, establish procedures and the rate for reimbursing individuals for the use of privately owned airplanes while traveling on official business for the State.

(2)(A) Any employee of the State of Arkansas who utilizes, but whose job does not require the employee to utilize, a State-owned motor vehicle for transportation to or from his permanent residence from or to his official station on a daily basis shall reimburse the fund from which the operating expenses of the motor vehicle is paid at the rate of fifteen cents (15›) per mile for each mile, or portion thereof, in excess of ten (10) miles each way.

(B) All State-owned or leased vehicles shall be for official business use only.

(c) The Chief Fiscal Officer of the State shall promulgate rules and regulations to implement the provisions of this subchapter.

History. Acts 1973, No. 876, § 16; 1974 (Ex. Sess.), No. 16, § 1; 1977, No. 462, § 1; 1979, No. 890, § 1; 1985, No. 365, § 7; A.S.A. 1947, § 13-342; Acts 1987, No. 81, § 1; 1991, No. 1222, §§ 1, 2; 1997, No. 795, § 1.

Rule 2 Standard Reimbursements for State Employees and Officials
Effective date 1/01/2003

R1*-19-4-903 *Standard Reimbursements for State Employees and Officials

Officials and employees may be paid travel expenses when required to travel away from their "official station" on State business. "Official station" is the geographic location or "address" where the employee normally reports for duty and/or spends the majority of his/her productive time and must be designated as such in writing by the employer. An employee's "residence" shall be the city or town in which the individual has an abode or dwelling place. An employee whose resident city is a location other than his/her "official station" shall not be allowed mileage to travel between them except as provided for in Rule 3, under Special Authorizations.

All employee travel reimbursement claims must be completed for payment to the individual traveler. One employee may not include on his travel payment request the expenses of another employee.

No expenses for meals or lodging will be allowed within the city or town of the employee's "official station" unless "special authorizations", under ACA 19-4-903 are authorized by the agency head or travel administrator.

State employees loaned from one State agency to another may be reimbursed for travel expenses by the agency benefiting from the travel.

Limits for Meals and Lodging

Please note that travel reimbursement is NOT a per diem, and is to be claimed for ACTUAL EXPENSES FOR MEALS AND LODGING NOT TO EXCEED THE MAXIMUM ALLOWABLE RATES AS LISTED IN THE FEDERAL TRAVEL DIRECTORY, Appendix D, (REPLACE HYPERLINK NAME use P1- 19-4-903)PLUS APPLICABLE SALES TAX. (Sales tax rate must be stated on Travel Reimbursement (TR-1) forms or equivalent in instances where the sales tax causes the maximum per diem rate(s) to be exceeded.)

Meals

Reimbursement for meals is allowed only in connection with overnight travel, whether in State or out of State unless "special authorizations", under ACA 19-4-903 are authorized by the agency head or travel administrator. The maximum full day meal allowance will be the Federal-per-Diem rate depending on the destination location. For partial days, meals charged must be in proportion to the time in travel status and may not exceed the maximum for applicable meal(s) Stated in the Federal Travel Directory for the location(s). Although receipts for meals are not required by this rule, the administrative heads of agencies, departments and institutions may require them. See the Federal-per-Diem site @ http://www.policyworks.gov/org/main/mt/homepage/mtt/perdiem/travel.shtml.

Lodging

Reimbursement for lodging is limited to the single room rate. If a room is occupied by more than one person, the single room rate must be noted on the receipt. The maximum daily allowance will be limited to the Federal-per-Diem rate depending on the location for both in State and out of State travel. Lodging costs exceeding the rates listed in the Federal Travel Directory may not be paid without a letter of authorization by the administrative head of the agency and must include a justification as to why it was in the best interest of the State to exceed the standard reimbursement rate. Such letter of authorization must be filed in the agency files with the travel payment document for the trip for each occurrence of such overage. Except for institutions of higher education exempted under ACA 19-4-903 (a) (2), a report of these special authorizations in a format prescribed by the Department of Finance and Administration may be required. See the Federal-per-Diem site @ http://www.policyworks.gov/org/main/mt/homepage/mtt/perdiem/travel.shtml.

Transportation

Travel may be achieved by plane, train, bus, taxi, private vehicle/aircraft, rented or State-owned automobile; whichever method serves the requirements of the State most economically and advantageously.

Reimbursement for out of State travel will be the lesser of coach class airfare or the established rate of private car mileage, based on map mileage when driven.

The minimum miles traveled per day while in travel status in reaching or returning from a destination to be eligible to collect a night's lodging must be 400 miles. Travelers by commercial air shall utilize coach accommodations, except in those instances where first class accommodations would be more economical for the State. Instances where first class fare is utilized will require detailed justification and must be approved by the travel administrator.

Reimbursement for Use of Privately Owned Vehicle

Private vehicle mileage shall be reimbursed and computed, using map mileage, between the travel site destination and the employee's official station or residence, if leaving directly from the residence, whichever is less. Mileage reimbursement for official use of a private motor vehicle may be claimed, listed separately on the TR-1, within the vicinity of any locale.

When privately owned motor vehicles are used for travel on official business, the owner may claim reimbursement at the rate per mile established by the Chief Fiscal Officer of the State in effect during the time the travel occurred. Appendix C. (RENAME APPENDIX use P2-19-4-903)The shortest major highway route (map mileage whether paper based or electronic), will determine the maximum mileage allowed.

The State will reimburse for official miles driven only. The State assumes no responsibility for any maintenance, insurance, operational costs, accidents, or fines incurred by the owner of the vehicle while on official business for the State.

When a privately owned aircraft is used for travel on State business, the rate of reimbursement will be the rate as established by the Chief Fiscal Officer of the State, under the provisions of ACA 19-4-903, during the time the travel occurred. Appendix C. (RENAME APPENDIX use P3-19-4-903)

Use of Travel Agencies
Travel agencies may be used to obtain transportation, lodging and related travel expenses.

Miscellaneous Expenses
Miscellaneous expenses, whether or not directly connected with travel (such as postage, small emergency supplies, etc.) may be allowed with adequate justification when necessary to the performance of official duties. Receipts are required.

Items Not Reimbursable

Except for those provisions enumerated in ACA 19-4-904, expenses for personal entertainment, tips, flowers, valet service, laundry, alcoholic beverages, cleaning, movies or other similar services are not reimbursable. Communication expenses shall be allowed only when necessary for the transaction of official business and properly receipted.
Expenses for rental of space, decorations, entertainment or other arrangements in connection with banquets held solely for the benefit of employees are not reimbursable.

Petty cash funds cannot be used to make travel advances or reimbursements. If the agency has a petty cash fund, incidental expenses incurred by the traveler such as postage and procurement of minor supplies essential to the performance of State business may be reimbursed from petty cash funds upon presentation of proper receipts. If the agency has no petty cash funds, such items may be reimbursed using the TR-1 form with proper and sufficient documentation.

Exempt Persons and Agencies
There exists certain provisions in State law for the payment of some travel related expenditures for State supported colleges and universities and some other specific institutions that are responsible for the care and/or group activities of students, inmates and wards of the State.. The administrative head of agencies and institutions to which these provisions apply is to be cognizant of and shall properly adhere to such provision of special legislation.

R2-19-4-903 More Restrictive Policies
Under authority of ACA 19-4-903, the administrative heads of the various departments, boards, commissions and institutions of the State of Arkansas may promulgate and enforce regulations governing travel that are more restrictive than those promulgated by the Chief Fiscal Officer of the State.

R3-19-4-903 Taxable Use of State Vehicle
Personal use of a State vehicle is considered a taxable benefit. Refer to IRS Publication 15b for conditions and methods. The responsible administrative head shall ensure that the Payroll Unit of each agency, department, and institution performs proper reporting for taxable use of State owned vehicles.
State employees and officials who drive State owned motor vehicles for personal use, whether limited to commuting from and to their residence, are subject to receiving an amount on their wage Statement W2 form for the value of the uses of the vehicle. Various conditions and factors determine the method and amount of such value. Internal Revenue Service (IRS) Publication 15b **http://www.irs.gov/pub/irs-pdf/p15b.pdf** ***sets out the valuation rules.***
When computing the value of the personal use of a State vehicle to determine the benefit amount to be reported on the annual Statement of wages, any reimbursements made under the provisions of ACA 19-4-903 (b) (2) (A) may be subtracted from the total taxable benefit for vehicle usage.
See IRS Publication 15-B "Employer's Tax Guide to Fringe Benefits" for information related to the taxable use of State owned vehicles by State employees.
http://www.irs.gov/pub/irs-pdf/p15b.pdf

R4-19-4-903 Reimbursable Use of State Vehicle

Reimbursement for the Use of State-Owned or Leased Motor Vehicles for Transportation To and/or From an Employee's Residence

ACA 19-4-903 (b) (2) (A) States that "any employee of the State of Arkansas, who utilizes, but whose job does not require the employee to utilize, a State-owned motor vehicle for transportation to or from his permanent residence from or to his official station on a daily basis shall reimburse the fund from which the operating expenses of the motor vehicle are paid at the rate of $0.15 cents per mile for each mile or portion thereof in excess of ten (10) miles each way provided that all State-owned or leased vehicles shall be for official business use only.

The administrative head of each State agency, board, commission, department, and institution shall be responsible for determining which of their employees utilize a State-owned or leased vehicle for transportation to and/or from their permanent residence to their official place of duty that exceed the distance of ten (10) miles each way by the shortest route. A permanent record of such employees shall be established in each agency containing the following:

1. Name of the employees;

2. Address of their permanent residence and official duty station;

3. Number of miles between their permanent residence and their official duty station;

4. Number of miles or portion thereof which exceed ten (10) miles each way or twenty (20) miles per day;

5. The amount each employee will be required to reimburse the State at the rate of fifteen (15) cents per mile daily;

6. Amount billed to each employee;

7. Amount paid by each employee.

Each agency will establish a system of billing employees for reimbursements required and receipting for payments received from the employees. All reimbursements collected will be deposited promptly, (at least monthly), to the general ledger account from which the operating expense of the particular motor vehicle is paid by the agency.

Each State agency, board, commission, department, and institution shall be responsible for maintaining records prescribed herein and copies of transactions concerning mileage reimbursement for audit purposes".

MV-1 The Personal Mileage Reimbursement (MV-1) Form (Include Hyperlink use P4-19-4-903) created to assist agencies with the reporting of mileage reimbursement (monthly) for personal auto use on the MV-3 Form. The MV-1 Form is not required to be submitted to DFA-OIS (quarterly).-use for this purpose of tracking and collecting reimbursements.

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19-4-904. Exempt persons and agencies.

(a) The limitations of this subchapter relating to travel regulations shall not be applicable to the constitutional or elective officials and their employees, or official guests of the State.. The provisions of this subchapter shall not be used to supersede or set aside the provisions of law providing for fixed allowances, established amounts for per diem, or to special travel privileges provided for by law for specific purposes where such allowances exceed those authorized in this subchapter.

(b) Personal reimbursement will not be allowed to any State official, State employee, or any other person traveling on official business for expenses covering personal entertainment, tips, flowers, valet service, laundry and cleaning, or other personal expenses, as those expenses shall be defined in the State travel regulations. All such persons shall be required to submit their travel reimbursement requests upon forms prescribed by the Department of Finance and Administration, itemized in such details as shall be necessary to carry out the purposes and intent of this section.

The cost of meals, lodging, and mileage of State employees who are designated by a supervisor or agency director to attend official or special board meetings or other functions recognized as being in the performance of their official duties may be paid either as reimbursement to the employee or on direct billing, in the case of meals and lodging, subject to approval of the superior.

(d) It is recognized that within the State-supported institutions of higher education there exists an obligatory inherent cost of providing travel expenses for a group or number of students who, when accompanied by those who instruct the students in the fundamentals of a competitive sport and direct team strategy, must travel and be recognized as a cohesive unit representing not only their institution, but exemplifying the State of Arkansas in their behavior, attitudes, interests, presentation, and conduct. In these circumstances the payment of group travel expenses, including those of students and employees, may be authorized as follows:

(1) Meals and lodging;

(2) Transportation;

(3) Entertainment, within reasonable limits, to ease the pressure on students of their objectives;

(4) Costs of group activities, including gratuities, laundry, cleaning, and favors; and

(5) Other personal expenses to be paid only from auxiliary funds not inconsistent with standards, rules, regulations, or prohibitions established by recognized national or State governing associations pertaining to the respective students and employees and the institutions they are representing.

History. Acts 1973, No. 876, § 16; 1981, No. 741, § 3; 1985, No. 365, § 7; A.S.A. 1947, § 13-342; Acts 1997, No. 250, § 174.

(OLD-under authority)

R1-19-4-904 Exempt Persons and Agencies
In accordance with ACA 19-4-904, the limitations of rules placing limits on meals and lodging expenses shall not be applicable to the constitutional or elective officials and their employees, or official guests of the State. The provisions of this regulation shall not be used to supersede or set aside the provisions of law providing for fixed allowances, established amounts for per diem, or to special travel privileges provided for by ACA 19-4-903 and other law for specific purposes where such allowances exceed those authorized in this regulation.

R2-19-4-904 Specific legislation

Specific legislation exists that provides for travel allowances for some agencies and institutions for specific purposes that are not afforded to State government in general. It is the responsibility of the administrative head of each agency/institution to be cognizant of, and strictly apply the special travel expense provisions of ACA 19-4-904 and other State law.

rRule 4 Effective date1/01/03

R3-19-4-904 Expenses for Non-State Employees

Volunteers, Non-State Employees and Official Guests
A non-State employee or an official guest of the State, whose activities or services benefit the State, may be allowed reimbursement for actual expenses for meals, lodging, transportation and incidental expenses when submitted on a TR-1. Travel reimbursement for these individuals may be approved with a written explanation of the activities by the administrative head, or designee of the agency. It is the responsibility of the travel administrator to ensure these individuals are not being reimbursed from any other source for their travel expenses. Federal employees who travel for the State agency shall be regarded as a State employee and shall be reimbursed as such. The TR-1 form should show that this employee is on the payroll of the Federal Government and assigned to this agency.
Every agency/institution that utilizes the services of volunteer workers who perform duties similar to State employees is authorized to provide reimbursement for meals, lodging and travel, subject to the same rules and regulations governing State employees. Volunteers may utilize agency vehicles in the performance of their duties subject to those rules and regulations governing the use of State vehicles by paid staff.

Expenses of Students
In accordance with ACA 19-4-904 (d) State supported institutions of higher education may provide travel expenses for a group or number of students who, when accompanied by those who instruct the students in the fundamentals of a competitive sport and direct team strategy,

must travel and be recognized as a cohesive unit representing not only their institution, but exemplifying the State of Arkansas in their behavior, attitudes, interests, presentation and conduct. In these circumstances the payment of group travel expenses, including those of students and employees, may be authorized as follows:
Meals and lodging, transportation, entertainment, within reasonable limits, to ease the pressure on students of their objectives, costs of group activities, including gratuities, laundry, cleaning and favors, and other personal expenses to be paid from auxiliary funds not inconsistent with standards, rules, regulations, or prohibitions established by recognized national or State governing associations pertaining to the respective students and employees and the institutions they are representing.

Wards of the State
Expenses incurred by employees in connection with the transportation of residents or inmates of State institutions, or for the apprehension and return of escaped prisoners, parole violators, or other wards of the State, will be regulated by the circumstances, and necessary actual expenses will be allowed. The employee will claim these expenses on their Statement of travel expenses.

Rule 3 Special Travel Authorizations
Effective date 1/01/03

R4-19-4-904 Special Travel Authorizations
Occasionally it may become necessary for an employee to perform unanticipated duties outside the normal work schedule. In the event that such duties require the employee to commute from his residence to the place of performance of the duties and back via private vehicle, the employee may be paid mileage reimbursement. A written Statement signed by the employee's supervisor shall be retained in the file, attached to the applicable TR-1 form stating that the time worked was authorized, and the reasons the time was worked and travel authorized, and the consequences had the duty not been performed is required.
In accordance with ACA 19-4-904, the cost of meals, lodging, mileage and incidental expenses of State employees who are designated by his/her supervisor to attend official or special board meetings or other functions recognized as being in the performance of their official duties, regardless of the location of such functions in relationship to the official station, may be paid either as reimbursement to the employee or on direct billing, subject to approval of the agency director. Such approval shall be in writing, and shall be included in the documentation (attached to the TR-1 form) for the reimbursement or payment of such expenses

Rule 5 Honorary Board, Commission and Committee Member Travel and Expenses
Effective date 1/01/03

R5-19-4-904 Honorary Board, Commission and Committee Member Travel and Expenses
Effective date 1/01/03

A. Stipends and/or expense reimbursement to all boards and commissions (excluding the State Highway Commission and the Game and Fish Commission) are authorized and governed by ACA 25-16-901-908. Each State board, by a majority vote of the total

membership of the board cast during its first regularly scheduled meeting of each calendar year, may authorize payment to its members of a stipend, not to exceed the amount allowed by ACA 25-16-903-905, per official meeting attended.
When it is required of a board member to perform separate duties in connection with the official business of the agency and these duties are required at times other than official board meetings, then expense reimbursement will be allowed if approved by the board in accordance with ACA 25-16-902. Claims must be on a TR-1, or equivalent.

The expense reimbursement for board or commission members shall not exceed the rate established for State employees.

The administrative head of an agency, department or institution may, for the convenience of the board and commission members, pay for their meals and lodging when on official business for the State, and claim reimbursement for their expenses on a TR-1 form or equivalent.

FROM TRAVEL RULES
Rule 6 Recruitment and Relocation Expenses
Effective date 1/01/03

R6-19-4-904 Recruitment and Relocation Expense

The administrative head of a State organization or his/her authorized representative may approve relocation expenses of existing State employees. Further, ACA 19-4-522 (e) allows State-supported colleges and universities to utilize maintenance and operation appropriations for the payment of moving expenses of employees, including new hires. When it becomes essential that an agency permanently transfer a State employee from one location to another within the boundaries of the State of Arkansas or, in the case of State supported colleges and universities, hire a new employee regardless of their location, reasonable payment for movement of household effects shall be made in accordance with the procedures prescribed herein.
The transfer and reimbursement of costs incurred by the individual must be directed and approved in writing by the administrative head of the board, commission, department, institution or agency. Full identification of the individual, the position transferred from and to, and reasons the transfer is necessary must be contained in the directive.

The payment for relocation must be solely for the convenience of the State in order to satisfactorily perform its function(s).

Under no circumstance will moving expenses be paid for newly hired employees except for State-supported colleges and universities. All other new employees are responsible for any moving expenses they incur while relocating in the area of a new job.

The term household effects as used herein does not apply to the movement of recreational vehicles, boats and other items not normally used in the home. Packing, crating, loading and unloading of household effects, as necessary, in addition to actual transportation expenses in accordance with Internal Revenue Service regulations are acceptable as part of the moving expense and may be paid. Please refer to Publication 535 at the following web address: http://www.irs.gov/formspubs/page/0,,id=79361,00.html

Reimbursement of costs for employee moving expense will be allowed only when the distance from the employee's place of residence, old duty station, and new duty station meet the guidelines of the Internal Revenue Service in effect at the time of the relocation for allowable moving expense.

Rule 11 Procedures for TR-1 (Travel Reimbursement)
Effective date 1/01/03

R7-19-4-904 Procedures for TR-1 (Travel Reimbursement)

The Travel Reimbursement instructions Form (TR-1) Appendix A use P1-19-4-904 (website address: http://aasis.State.ar.us/Forms/formFItrvlexpensereimbursmnt.htm) is the standard form to be utilized by all State officials, including board members and employees for the purpose of claiming reimbursement for travel expenses incurred by the traveler for meals, lodging and mileage on personal vehicles used in connection with the official business of the State.. Electronic equivalents of this form may be used so long as the elements of information required on the official form are included. This form is also to be used for itemizing any miscellaneous expenses incurred by the traveler. A recapitulation of all expenses incurred by the claimant will appear on this form.

Where non-State employees and other official guests of the State are authorized to render service on behalf of the State and for "wards of the State" (inmates, foster children, patients, or other persons in the care of the State); their names and expenses will be set out on form TR-1or electronic equivalent. If, in addition to his expenses, a non-State employee performs official service for which he/she is paid a fee, the travel reimbursement process is not to be used to pay the fee, but his/her invoice for professional services is to be paid in the usual manner on the general expense document with the proper professional invoice attached. The following procedures will be utilized in submitting claims for reimbursement:

All travelers requesting reimbursement must complete a TR-1 form or equivalent.

All forms must be prepared electronically, typewritten or in ink and may be processed electronically where that capability exists on the State central accounting system or the system used by the agency or institution. The original, bearing the traveler's signature, shall be filed with the Agency; the traveler should retain a copy.

Where charges for transportation, lodging, and conference registrations are not billed directly to the State, the following documentation is required for reimbursement:

Reimbursement for transportation must be supported by an original (or, in accordance with ACA 19-4-815 (b), confirmation number in the case of electronic tickets) vendor document describing the travel, indicating the cost.

Reimbursement for lodging must be supported with a hotel document indicating the lodging specifics.

A descriptive vendor document must support reimbursement for conference registrations.

Primary responsibility for authenticating travel reimbursement claims rests with the administrative head of the agency or their designee(s).

All claims for reimbursement of expenses must be itemized and attested to by the claimant and approved by the administrative head of the agency or his designee(s).

Travel Expense Reconciliation Form

A travel expense reconciliation form (Word or Adobe PDF file) Appendix B (use P2-19-4-904 RENAME APPENDIX) or electronic equivalent, must be attached to each travel reimbursement request form when presented for payment in those cases where all travel expenses were not paid by the employee. The traveler will indicate on this form expenses not paid by him/her that were direct billed or charged to the agency. The original will be retained in the agency's permanent files as proof that the allowable daily maximum(s) for travel has not been exceeded.
The receipts provided to the traveler at the time of purchase, particularly for lodging and commercial transportation must support the Travel Expense Reconciliation form filed in the agency.

R8-19-4-904 Rule 7 Direct Billing of Expenses
Effective date 3/01/03

ravel expenses for lodging, commercial transportation (air fare, bus, rail and rental vehicles), and conference registration may be direct billed to the State using the Arkansas Agency Travel Card.

Direct Billing for Transportation
When common carriers (airplane, rail, rental auto or bus) are needed to transport persons on State business, the agency should make the travel arrangements and have the agency billed directly using the Arkansas Agency Travel Card Program (Sponsored Business Travel Card Account). However, if this is not possible due to circumstances beyond the control of the traveler he/she may make and pay for the arrangements and request reimbursement. An employee may not be reimbursed for transportation expenses (tickets) prior to travel occurring except in cases where it is economically advantageous for the State and with the prior approval of his/her travel administrator.

When expenses are direct billed to the State, the traveler shall obtain and attach to the Travel Reconciliation form (Adobe PDF file), Appendix B (use P2-19-4-904 RENAME APPENDIX) receipts which detail the expense charged (airline ticket, hotel bill, vehicle rental documentation, registration confirmation) whether or not the traveler paid (out of pocket) some of the expenses for the trip.

Rule 8 Rental Vehicles
Effective date 1/01/03

Rental Vehicles

R9-19-4-904 The administrative head or travel administrator shall authorize in writing, the use of rental vehicles only when it is more economical than taxi, airport shuttle, etc. or where due to unavailability of other modes of transportation, use of rental vehicles is the most practical mode of travel. Agencies must use the Statewide vehicle rental contract if one is in force. If a Statewide contract is not in force when travel occurs, agencies will use the lowest available rates. The Office of State Procurement issues contracts for vehicle rental and should be contacted for information about contract arrangements.

ACA§19-4-905. State-owned motor vehicles generally.

(a) All State-owned motor vehicles which are purchased under the authority of the Chief Fiscal Officer of the State shall be licensed in such manner so as to identify each vehicle as State property.

(b) The Chief Fiscal Officer of the State shall provide a special license plate suitable for all State-owned motor vehicles and shall establish procedures for the purpose of supplying information on all State-owned motor vehicles, both those which are purchased and those which are sold, traded in, or otherwise disposed of.

(c) The Chief Fiscal Officer of the State shall make rules and regulations for obtaining the required license plates and for returning the plates when the vehicles are disposed of and shall notify all State agencies of procedures to be followed.

(d) Each agency shall be required to pay the regular license fee for the special State property license plate in the manner prescribed by the department.

(e) In the event the best interests of the State would be served by not displaying a special tag, such as in police work, an exception to the provisions of this section may be obtained only upon the written approval of the Governor.

History. Acts 1973, No. 876, § 16; A.S.A. 1947, § 13-342.

ACA§ 19-4-906. Motor vehicle restrictions and authorizations.

ACA§ 19-4-906 (a) None of the funds appropriated for the various State agencies, authorities, boards, commissions, departments, and institutions of higher education listed below shall be used to purchase, lease for over thirty (30) days, operate, repair, or provide services for more than the maximum number of passenger motor vehicles as set out in this section, except in an emergency as proclaimed by the Governor. Passenger motor vehicles are defined as those licensed for highway use, including, but not limited to, automobiles, trucks, and vans. Mileage reimbursement for employees' utilization of their personal automobiles shall not be deemed to be included in this restriction.

PLEASE NOTE: Go to HYPERLINK:
http://170.94.58.9/NXT/gateway.dll?f=templates&fn=default.htm&vid=blr:code
complete code section and list of agencies and number of vehicles authorized.

(b) The General Assembly recognizes that, in some cases, motor vehicles are donated to educational institutions and agencies primarily for use in automotive repair and maintenance courses and in instructional programs for truck operators and that such vehicles are not normally used for other purposes by the institutions and agencies and should not be included in the maximum number of authorized passenger vehicles prescribed for such institutions and agencies in this section. Therefore, motor vehicles donated to educational institutions and agencies primarily for use in programs of instruction in automotive maintenance and repair, in operator training, and in related instructional programs shall not be included for the purpose of determining the number of vehicles authorized for any such institutions or agencies. The provisions of this section shall not be applicable to these vehicles.

(c) The Department of Human Services is exempt from the provisions of this section. Authority is granted to the department to purchase vehicles utilizing federal funds and the appropriate State matching funds required."

History. Acts 1983, No. 490, §§ 1, 2; 1985, No. 649, § 44; 1985, No. 888, §§ 22, 23; A.S.A. 1947, §§ 13-342.1, 13-342.3; Acts 1987, No. 921, § 19; 1989, No. 790, § 1; 1989 (1st Ex. Sess.), No. 252, § 9; 1993, No. 447, § 9; 1997, No. 540, § 40; 1997, No. 948, § 3; 1999, No. 646, § 56; 1999, No. 1164, § 156; 1999, No. 1398, § 28; 2001, No. 739, §§ 2, 3; 2001 No. 1669, § 29; No. 1800, § 2.

ACA§ 19-4-907. Motor vehicle records.

The Chief Fiscal Officer of the State may direct all State agencies to maintain records with respect to all State-owned motor vehicles and may require that the agencies file reports on the vehicles covering the operating costs thereof.

History. Acts 1973, No. 876, § 16; A.S.A. 1947, § 13-342.

R1-19-4-903 MOTOR VEHICLE ACQUISITION AND REPORTING
Introduction:
The purchase, utilization and reporting with regard to State owned motor vehicles is governed by ACA§19-4-903, 19-4-905 through 19-4-907, ACA§22-8-101 through 22-8-210 and ACA§25-1-110. In addition, The Governor's Policy Directive # 3 establishes criteria for the specifications, identification and utilization of vehicles. Refer to the Directive for provisions for waivers from the criteria. HYPERLINK:
http://www.arkansas.gov/governor/policy_directives/policy_gpd3.html

All requests for waivers must be in writing and submitted to the Director of the Department of Finance and Administration - Office of Information Services (DFA-OIS).

PLEASE NOTE: The DFA-OIS is the office responsible for Motor Vehicle Acquisition and Reporting. (HYPERLINK) Procedures governing the purchase of Motor Vehicles are located on the DFA-OIS website.

SUBCHAPTER 10 STATE CREDIT CARDS

19-4-1001. Definition.

As used in this subchapter, unless the context otherwise requires, the term "credit card" means only those credit cards issued to State agencies, boards, or commissions for which the State agency assumes responsibility for payment.

History. Acts 1979, No. 676, § 1; A.S.A 1947, § 12-2378; Acts 2003, No. 656, § 2.

19-4-1002. Daily allowances, etc., not affected.

This subchapter in no way changes the maximum daily allowance for meals and lodging authorized in this chapter for an individual traveling on official State business within or beyond the borders of this State, nor does it change any special authorizations, exemptions, or limitations set forth in this chapter.

History. Acts 1979, No. 676, § 2; A.S.A. 1947, § 12-2378.1.

ACA§ 19-4-1003-1004 Repealed

19-4-1005. Responsibility for use.

(a) The responsibility for ensuring that only authorized expenditures are paid for by use of State credit cards for which the State agency assumes responsibility for payment and the collection for any unauthorized expenditures which may occur rests with the board, commission, or administrative head in charge of the agency.
(b) The Chief Fiscal Officer of the State shall not be liable for any unauthorized expenditures through the use of State credit cards for which the State agency assumes liability for payment.

History. Acts 1979, No. 676, § 5; A.S.A. 1947, § 12-2378.4; Acts 2003, No. 656, § 5.

19-4-1006. Rules and regulations - Records.

The Chief Fiscal Officer of the State shall promulgate rules and regulations with respect to the obtaining and utilization of credit cards in payment of products and services and prescribe the procedures for reporting, approving, and paying for products and services purchased with State-owned oil company credit cards. He shall also prescribe the necessary records to be maintained and the supporting documentation to be provided with each voucher presented for payment of these charges.

History. Acts 1979, No. 676, § 4; A.S.A. 1947, § 12-2378.3. Arkansas

Arkansas II – 26.1 & 26.2 Brenda

R1-*19-4-1006* *Federal Excise Tax – Motor Fuel*

Federal excise taxes are levied on the sale of gasoline and diesel fuel. A general exemption exists for State Government entities, including agencies, boards, commissions, constitutional offices, colleges and universities.

Updates, additional information and instructions on federal excise taxes may be found in the Internal Revenue Service (IRS) Publication 378 (Fuel Tax Credits and Refunds) and Publication 510 (Excise Taxes). These documents may be found on the IRS web site www.irs.gov.

GASOLINE AND/OR GASOHOL

Two alternative methods exist to take advantage of the exemption Gasoline and/or Gasohol. The State may either avoid payment of the taxes or request a refund of tax paid.

Alternative 1

A wholesale distributor, as defined in the Internal Revenue Code (IRC) section 6416(a)(4)(B), is eligible for refund of excise tax on tax excluded sales of gasoline to State and local governments for the State or local governments' exclusive use. The wholesale distributor is eligible if it purchases tax paid gasoline and subsequently sells it at a tax excluded price directly to a State or local government. An exemption certificate, as described in Treas. Regs. §48.6416(b)(2)-3(b)(1)(ii)(A), must be secured from the State or local government by the wholesale distributor.

The preferred method is to notify the fuel supplier of the State's exempt status and request that the amount due be reduced through a credit memo or credit entry on the vendor's invoice. This specific identification of the gross, excise tax, and net amount on the vendor's invoice will satisfy the requirement prescribed by the IRS. This is the preferred method for utilizing the exemption whether fuel is purchased in bulk from a fuel supplier or by use of gasoline credit cards issued in the name of the State entity making the purchases. An executed certificate may be requested from the Department of Finance and Administration Office of Accounting (DFA-OA). This certificate will suffice for all State agencies utilizing the Federal Tax Identification Number (TIN) that is used for those agencies who utilize the State's payroll system. Offices and institutions not using the State's TIN may complete the blank Certification Statement shown as Addendum P1-19-4-1006 (HYPERLINK). The certificate should be signed by the Agency or Institution Head. The certification should be presented to the vendor, whether a credit card company or a bulk dealer.

Alternative 2

As an alternative to a tax excluded purchase of gasoline, a State or local government is eligible to file its' own claim for refund on the tax paid purchase of gasoline. Under IRC section 6421(c), if gasoline is sold to any person for a purpose including a sale to a State or local government, the Federal Government shall pay (without interest) to such person an amount equal to the product of the number of gallons of gasoline so sold multiplied by the rate at which tax was imposed on such gasoline by IRC section 4081. As Stated under Treas. Regs. §48.6421-3(ii), a claim for payment of a governmental unit or exempt organization described

in §48.6421-1(c) or §48.6421-2(c) must be filed no later than 3 years following the close of its taxable year.

If excise tax is paid, the State may receive refunds of the tax paid by filing Form 8849 which can be found at www.irs.gov HYPERLINK. If this method of claiming the exemption is used, detailed records must be maintained to support the amounts claimed and should include the following:

1. ***The number of gallons purchased and used during the period covered by the claim;***
2. ***The dates of the purchases;***
3. ***The names and addresses of the suppliers and amounts purchased from each in the period covered by the claim;***
4. ***Credit card receipts and invoices should be kept to verify the correctness of the claim.***

Claims must be filed quarterly if the amount of the claim is $750.00 or more. If the amount of the claim is less than $750.00, the amount may be carried forward and filed in a succeeding quarter when the cumulative amount of excise taxes to be claimed exceeds $750.00. If you cannot file a claim for at least $750.00 after the fourth calendar quarter, the form must be filed as an "annual" claim after the end of the year. All claims must be filed no later than 3 years following the close of the taxable year in which taxes were paid.

DIESEL

The refund provision for sales of undyed diesel fuel to a State or local government for the State or local government's exclusive use can be found under Treas. Regs. §48.6427-9. A registered ultimate vendor must obtain a properly executed exemption certificate from the State or local government. See P1-19-4-1006 "Sample exemption certificate" HYPERLINK

Note that, unlike gasoline refunds, there is no provision for a State or local government to receive refund or credit of diesel fuel tax paid to its supplier. The only way to avoid tax is through a tax excluded purchase from a registered ultimate vendor.

As an alternative to the purchase of undyed diesel fuel, the State may purchase tax free dyed diesel fuel for its exclusive use. Submission of an exemption certificate to the State's supplier is not required for the purchase of dyed diesel fuel. An executed certificate may be requested from DFA-OA. This certificate will suffice for all State agencies utilizing the TIN that is used for those agencies who utilize the State's payroll system. Those offices and institutions not using the State's TIN may complete the blank Certification Statement shown as addendum P2-19-4-1006.

19-4-1007. No use of other credit cards.

(a) If it is determined by the Chief Fiscal Officer of the State to be essential to enable an agency, board, or commission to effectively carry out its responsibilities, the Chief Fiscal Officer of the State may authorize an agency, board, or commission, or certain employees thereof, to use State credit cards for which the State agency assumes liability for payment, under rules and regulations

as may be prescribed by the Chief Fiscal Officer of the State.
(b) No credit cards shall be used except those approved by the Chief Fiscal Officer of the State.

History. Acts 1979, No. 676, § 6; A.S.A 1947, § 12-2378.5; Acts 2003, No. 656, § 6.

Rule 10 State Travel Card UseEffective date 3/01/03

R1-19-4-1007 State Travel Card Use

<u>Procedures for Authority to Use Credit Cards</u>

Approval for use of all credit cards rests with the Chief Fiscal Officer of the State. The State of Arkansas' "Arkansas Procurement Card," "Arkansas Sponsored Business Travel Card" (SBTC), and oil company cards in force on December 31, 2002, are approved. No other retail credit cards issued in the name of State agencies and institutions may be used after the adoption of these travel regulations and must be cancelled as soon as practical and billings are paid. Directors of State agencies, boards, and commissions, and presidents and chancellors of institutions of higher education may request, from the Chief Fiscal Officer of the State, in writing, authority to establish an agency commercial account. Requests shall State:

Purpose, intended use of card

Number and type of cards

Detail method of controls

Justification

The Office of Accounting and the Office of State Procurement shall review requests to establish agency credit cards and provide the Chief Fiscal Officer of the State their recommendation.

The Chief Fiscal Officer of the State shall not be liable for any unauthorized expenditure through the use of credit cards.

The administrative head of the board, commission, agency, department, or institution shall be responsible for ensuring that only authorized charges are paid as the result of the use of any authorized credit card and the collection for any unauthorized expenditures that may occur.

The administrative head of the board, commission, agency, department or institution may appoint a travel administrator to administer travel functions within their activities. However, the responsibility for taking corrective action for any abuses discovered rests with the administrative head of the board, commission, agency, department or institution. Individuals on State business shall use the Arkansas Business Travel Card-Individual Account (BTA) or provide themselves with sufficient funds or personal credit cards for necessary travel expenses. Nothing in this regulation removes the responsibility of the administrative head of an agency

from being required to report to the Chief Fiscal Officer of the State and the Division of Legislative Audit incidences of fraud and/or theft as required by law.

PLEASE NOTE: For more specific information on the Travel Card Program refer to the Office of State Procurement web site @ http://www.accessarkansas.org/dfa/purchasing/index.html.

An exception to provision(s) established in this rule shall only be granted by the Chief Fiscal Officer of the State based on written request and justification from the administrative head of an agency or institution. All requests for exceptions should be addressed to the State Procurement Director, who will make a recommendation to the Chief Fiscal Officer of the State regarding such request(s).

19-4-1008. Revolving funds for expenses.

(a)(1) The Chief Fiscal Officer of the State is authorized to promulgate appropriate rules and regulations authorizing State agencies, boards, commissions, and institutions of higher learning to establish revolving funds which shall be within such limitations as the Chief Fiscal Officer of the State may prescribe or to make advances of expense funds for authorized travel by officials and employees of State agencies, boards, commissions, and institutions of higher learning whose travel is in conjunction with institutionally sponsored events or programs. The advanced funds shall be reimbursed by the individual borrowing the funds from moneys to the individual upon filing an authorized expense account in connection with the travel.

(2) These funds shall be used to make advances of expense funds for authorized travel by officials and employees of State agencies, boards, commissions, and institutions of higher learning whose travel is in conjunction with institutionally sponsored events or programs.

(3) These funds shall be reimbursed by the individual borrowing the funds from moneys to the individual upon filing his or her authorized expense account in connection with his or her travel.

(b) The regulations may authorize the State agencies, boards, commissions, and institutions of higher learning to require the employee to file an agreement authorizing the agency to recover any amounts advanced for travel expense purposes from the amounts claimed and allowed the employee or student as reimbursement for actual expenses incurred, to recover them from the next or future salary payments to the employee, or add them to the receivables account of the student.

History. Acts 1979, No. 676, § 6; A.S.A. 1947, § 12-2378.5; Acts 1995, No. 1258, § 1; 2001, No. 1453, § 26.

Rule 9 Travel Advance Revolving Funds

Effective date 3/01/03

R1-19-4-1008 Travel Advance Revolving Funds

In accordance with ACA 19-4-1008, the Chief Fiscal Officer of the State may approve the establishment of a revolving fund by an agency, department, board, commission, or institution to be used to make advances of expense funds for authorized travel by officials, employees of State agencies, boards, commissions, and institutions of higher learning, and students when travel is in conjunction with institution sponsored events or programs.

The Chief Fiscal Officer of the State shall not be liable for any unauthorized expenditure through the failure of any official, employee or student to reimburse revolving funds for travel advances. The responsibility of ensuring that only authorized expenditures are paid by the use of any advance from an established revolving fund and the collection of advances made from a revolving fund ultimately rests with the administrative head of the board, commission, agency, department, or institution.

The administrative head of the board, commission, agency, department, or institution may appoint a travel administrator to administer travel functions within their activities. However, the responsibility for taking corrective measures for any abuses discovered rests with the administrative head of the board, commission, agency, department or institution.

Establishment of a Revolving Fund

A travel advance fund is established by submitting a request to the Department of Finance and Administration Office of Accounting.

The administrative head of every board, commission, agency, department or institution that wishes to establish and operate a travel advance revolving fund shall do so in accordance with the policies set forth by, and with the approval of, the Chief Fiscal Officer of the State. In addition, a custodian must be designated who will be responsible for operating, maintaining and processing all transactions in the account(s). All travel advance funds in operation on the effective date of this rule are hereby approved.

A. Policy:

The cost of registration and conference fees may not be included in the travel advance request.

State personnel who hold an approved State travel card are discouraged from using the Revolving Travel fund. Should it become necessary for a cardholder to apply for a travel advance, a letter of request from the traveler's immediate supervisor will be submitted to the Travel Advance Fund custodian justifying the advance by explaining why anticipated expenditures may not be charged to the traveler's credit card.

Amounts to be advanced:

Travel Advance Revolving Funds may be utilized to make advances of amounts not to exceed 50% of the total anticipated travel expenses not including those expenses that are direct billed to the agency or charged on the Sponsored Business Travel Card.

Within Arkansas:

Anticipated meals (airfare, lodging, vehicle rental) should be direct billed using the Sponsored Business Travel Card).

Within the Continental United States:

Anticipated meals and taxi (airfare, hotel, and vehicle rental) should be direct billed using the Sponsored Business Travel Card).

Outside the Continental United States:

Where the travel destination of the traveler and/or group does not provide access to the Sponsored Business Travel Card (SBTC) or other electronic means of accessing funds, the cash advance may be 75% of total anticipated travel expenses, less air fare and hotel which may be direct billed using the Sponsored Business Travel Card.

Where the travel destination of the traveler and/or the group does provide access to the Sponsored Business Travel Card (SBTC) or other electronic means of accessing funds, the cash advance should not be authorized, but in no event will it exceed 50% of the total anticipated travel expenses. Airfare and hotel may be direct billed.

PLEASE NOTE: Travel advances for student/client/group activities as defined by ACA 19-4-904 (d) may be made for 90% of the anticipated expenses that are not to be direct billed to the institution.

Specific exceptions to this policy may be addressed via email to the director, Office State Procurement at mailto:OSP@dfa.State.ar.us subject: travel advance. State agencies, boards, commissions, and institutions of higher learning shall require employees and/ or students to file an agreement authorizing the agency/institution to recover any amounts advanced for travel expense purposes from the amounts claimed and allowed the employee or student as reimbursement for actual expenses incurred, or add them to the receivable account of the student.

B. Procedure for obtaining travel advance funds:

The traveler completes the Revolving Travel Fund Repayment Agreement form.

The traveler obtains approval of his/her supervisor as indicated on the form and forwards the completed forms to the Travel Advance Fund Custodian.

Travel advance requests, including those submitted by mail, should be processed, with advance check prepared, within five (5) working days after receipt, provided that travel advance check should not be released more than 10 working days prior to planned travel. Employees should be notified when travel advance checks are available and/or the advance checks should be routed to the traveler.

Repayment of travel advances: travel advances will be repaid according to the following guidelines:

a) A Travel Reimbursement form, TR-1, or equivalent should be filed within five (5) working days after the traveler returns to his/her official station. Failure to submit the TR-1 or equivalent to the proper unit in a timely manner may result in the traveler being permanently barred from utilization of the Travel Advance Fund.

Anyone who has been issued a State travel card and who obtains a travel advance, without first obtaining written authorization from his/her supervisor, may be permanently barred from the Travel Advance Fund.

If the traveler is no longer employed by the issuing organization and the travel advance has not been repaid by the borrower, the debt will be forwarded to the proper unit within the agency for collection.

SUBCHAPTER 11 APPROVAL OF EXPENDITURES

19-4-1101. Examination and approval required.

(a) The expenditure of all funds deposited in the State Treasury shall be subject to examination and approval in the manner provided for by this subchapter before the proposed expenditure is approved for payment from such funds.
(b) Funds of State agencies which are not required by law to be deposited in the State Treasury shall be subject to the procedures as required by § 19-4-801 et seq.

(c) The Legislative Auditor shall have authority, in connection with any examination of the fiscal activities of any agency, to audit any of the funds of the agency.

History. Acts 1973, No. 876, § 15; 1979, No. 833, §§ 6, 7; A.S.A. 1947, § 13-341; Acts 1991, No. 21, § 2; 2001, No. 1453, § 27.

ACA§ 19-4-1102 Repealed

19-4-1103. Responsibilities of agency heads.

(a) It shall be the responsibility of each executive head of a State agency to establish adequate internal administrative procedures and controls to ensure prompt and accurate payment of obligations in order to promote good public relations and to take advantage of all available discounts. It shall also be the responsibility of each executive head of a State agency to establish adequate administrative procedures to ensure that all financial transactions of the agency are posted in the State's financial management system in accordance with procedures established by the Chief Fiscal Officer of the State.
(b) It shall also be the responsibility of the agency head to establish a system of pre-audit within his or her agency to ensure that checks and vouchers, before being released by the agency, are prepared in accordance with all applicable purchasing and fiscal laws, rules, and regulations by performing the following functions. He or she shall determine that:

(1) Services, materials, supplies, and equipment received comply with specifications indicated on purchase documents;

(2) Quantities received, as being indicated on the invoice, agree with those shown on the receiving report;

(3) Unit prices agree with those indicated on the purchase documents;

(4) The extensions and footings of the invoice are correct;

(5) The voucher or check is prepared in sufficient time to take advantage of all available discounts being offered;

(6) Sufficient appropriation and funds are available for payment of the obligation; and

(7) The obligation was incurred in conformity with all purchasing and fiscal laws.

(c) It shall also be the responsibility of the agency head to establish that:

(1) Every voucher for a proposed disbursement is approved by the bonded disbursing officer of the agency issuing the voucher or by his or her authorized agent;

(2) An appropriation has been made to cover the proposed disbursement and that there is sufficient balance remaining in the appropriation account and in the fund against which it is drawn to ensure that the voucher can be converted into a valid warrant;

(3) The proposed disbursement has been drawn on the proper voucher form and the name and address of the disbursing agency and the name and address of the vendor or payee is properly identified on the voucher form;

(4) The proposed voucher is prepared in accordance with the established general accounting procedures relating to appropriation titles and codes and the proposed transactions are identified and classified in accordance with the administrative regulations on the subject; and

(5) The voucher for the proposed disbursement is accompanied by proper supporting documentation, as evidence that the indebtedness has been incurred and that the amount for which the voucher is written corresponds with such evidence.

History. Acts 1973, No. 876, § 15; 1979, No. 833, §§ 6, 7; A.S.A. 1947, § 13-341; Acts 2001, No. 1453, § 29.

19-4-1104. Duty to examine and approve.

It shall be the duty of the Chief Fiscal Officer of the State to design the State's financial management system to provide reasonable assurances that financial transactions conform to the provisions of law and regulation. He or she shall not be required to pass upon the propriety of any financial transaction if it is found to conform to the provisions of this subchapter. However, the Chief Fiscal Officer of the State may perform examinations of transactions to determine the propriety of the transactions in conformity with applicable laws and regulations.

History. Acts 1973, No. 876, § 15; A.S.A. 1947, § 13-341; Acts 2001, No. 1453, § 30

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19-4-1105. Examination and approval generally.

Before any voucher for the disbursement of funds in the State Treasury is presented to the Auditor of State for the issuance of his or her warrant thereon, it shall be recorded in the State's financial management system in accordance with procedures established by the Chief Fiscal Officer of the State. The Auditor of State shall have the authority to perform an examination, under the procedures established in this section, as he or she deems advisable before issuing his or her warrant in the payment of the voucher.

History. Acts 1973, No. 876, § 15; 1985, No. 324, § 2; A.S.A. 1947, § 13-341; Acts 2001, No. 1453, § 31.

19-4-1106. Erroneous or improper payments.

The responsibility for recovery of erroneous or improper payments shall be with the State agency head or the bonded disbursing officer, or his designated bonded assistant; the Chief Fiscal Officer of the State, the Auditor of State, or the Treasurer of State shall not be liable under their surety bonds for any erroneous or improper payments so made.

History. Acts 1973, No. 876, § 15; A.S.A. 1947, § 13-341.

19-4-1107. Supporting documents generally.

Supporting documents for the disbursement of State funds shall include the following:
(1) In connection with purchasing procedure, the Chief Fiscal Officer of the State shall prescribe and define the necessary documents and other evidence which shall be for the purpose of determining whether the proper purchasing procedures have been complied with;

(2) In all instances where the evidences of indebtedness are represented by vendors' invoices, the agency shall retain in the permanent file of the business office of the agency the original invoice and corresponding documentation in accordance with procedures established by the Chief Fiscal Officer of the State. In those instances where the daily transactions with vendors are numerous, such as in the case of retail service station purchases, the Chief Fiscal Officer of the State may prescribe the use of monthly Statements from the vendors as supporting documents for the vouchers;

(3) In connection with printing contracts provided for by the Constitution and laws of this State, the supporting documents shall be those prescribed by the Auditor of State or by the Department of Finance and Administration as appropriate;

(4) In connection with the laws or regulations governing travel, where individuals are reimbursed for expenses incurred for travel in connection with their official duties, the supporting papers shall be the forms or Statements of such expenses prescribed by the Chief Fiscal Officer of the State. In the case of per diem or other expenses established by law, the disbursing officer shall attach to the vouchers issued in payment of such allowances a citation of his or her authority for making such payments;

(5) Any indebtedness or expense incurred in connection with an approved resolution of any State board or commission shall be made a part of the permanent minutes of the board or commission. Copies of the resolution or minutes authorizing any indebtedness or expense shall be attached to the vouchers issued in payment of any indebtedness or expense;

(6)(A)(i) The Chief Fiscal Officer of the State shall prescribe the forms of the vouchers to be used and the procedure to be followed in making payments in instances where the General Assembly has authorized grants:

(a) To public schools, public welfare recipients, counties, and municipalities;
(b) For other purposes specifically provided for by law;
(c) For payments made to individuals under retirement systems; and
(d) For income tax refunds.

(ii) The Chief Fiscal Officer of the State is authorized to review all disbursements to determine that they are issued in accordance with their respective appropriations and that there are sufficient funds to cover all the payments.

(B) In the case of vouchers written upon the Public School Fund for State equalization aid, the Auditor of State shall process warrants to pay the vouchers upon certification by the Chief Fiscal Officer of the State that funds are available from general revenues available for distribution or from other sources for the benefit of the Public School Fund with which to pay the warrants when they are presented for payment.

(C) In the case of payments made to welfare recipients under the welfare laws of this State, the approved list of welfare recipients may be certified directly to the Auditor of State, who shall approve the issuance of warrants upon certification by the Chief Fiscal Officer of the State that funds are available from general revenues available for distribution or from other sources for the benefit of the Department of Human Services Grants Fund Account of the Department of Human Services Fund with which to pay the warrants when they shall be presented for payment.

(D) In the case of vouchers written upon the Arkansas Public Employees' Retirement System Fund, the Arkansas Local Police and Fire Retirement System Fund, the State Police Retirement System Fund, the Arkansas Judicial Retirement System Fund, and the Arkansas Teacher Retirement System Fund for retiree benefits, the Auditor of State shall process paper or electronic warrants to pay the vouchers upon certification by the Chief Fiscal Officer of the State that funds are available from the Arkansas Public Employees' Retirement System, the Arkansas Local Police and Fire Retirement System, the State Police Retirement System, the Arkansas Judicial Retirement System, and the Arkansas Teacher Retirement System funds with which to pay the warrants when they shall be presented for payment.

(E) In the case of vouchers written upon the Uniform Tax Rate Trust Fund, the Auditor of State shall process warrants to pay the vouchers upon certification by the Chief Fiscal Officer of the State that funds are available for the benefit of the Uniform Tax Rate Trust Fund with which to pay the warrants when they shall be presented for payment.

(F) In the case of vouchers written upon specific funds receiving federal funding, according to the Federal Cash Management Improvement Act of 1990, Pub. L. 101-453, Oct. 24, 1990, 104 Stat. 1058, agreement, the Auditor of State shall process warrants and the Treasurer of State shall redeem the warrants presented for payment upon notification by the Chief Fiscal Officer of the State that the State agency director has certified to the Chief Fiscal Officer of the State that:

(i) A federal fund transfer request has been completed and accepted by the federal funding source; and

(ii) Federal funds will be transferred for the benefit of the State fund to pay the warrants.

History. Acts 1973, No. 876, § 15; 1977, No. 486, § 4; A.S.A. 1947, § 13-341; Acts 1997, No. 14, § 1; 1997, No. 860, § 4; 1999, No. 391, § 38; 1999, No. 714, § 1; 2001, No. 1453, § 32; 2003, No. 656, § 7.

19-4-1108. Retention of documents.

The original evidences of indebtedness, including documents prepared in connection with purchasing procedure, and all original contracts, invoices, statements, receipts, petty cash tickets, bank Statements, cancelled checks drawn upon bank accounts, and other original supporting papers shall be retained in the permanent file of the business office of each State agency. These documents shall be kept in a safe place subject to audit and shall not be destroyed until authorization is given for their destruction by the Legislative Auditor.

(b) With the approval of the Legislative Auditor of the State, a State agency may retain evidences, to satisfy record retention policies, of indebtedness and other contracts, invoices, Statements, receipts, petty cash tickets, bank Statements, cancelled checks drawn upon bank accounts, and other supporting papers by microform or a form of stored images in a computer system or other form of computer technology in lieu of retaining the originals of such documents.

History. Acts 1973, No. 876, § 15; A.S.A. 1947, § 13-341; Acts 1997, No. 541, § 2; 2001, No. 1453, § 33.

Brenda

R1-19-4-1108 Public Records

The law defines public records as writings, recorded sounds, films, tapes, electronic or computer-based information, or data compilations in any medium, required by law to be kept or otherwise kept, and which constitute a record of the performance or lack of performance of official functions which are or should be carried out by a public official or employee, a governmental agency, or any other agency wholly or partially supported by public funds or expending public funds.

All public records shall be open to inspection and copying by any citizen of the State of Arkansas during the regular business hours of the custodian of the records, except as otherwise specifically provided by law.

Refer to Arkansas Code ACA 25-19-105 for exceptions, charges for providing copies of records and required response time to requests for copies and ACA 25-19-109 for special requests for electronic information.

R2-19-4-1108 Records Retention

All records that are public property are required to be maintained by the agencies that generate the documents. The type of business record in question and the business process it supports determines the length of retention. Generally, all records should be maintained a minimum of three fiscal years. All records and supporting

documentation must be maintained until they have been audited but and can not be destroyed until permission has been granted by the Division of Legislative audit. Other records such as records for grants are maintained according to State or Federal laws.

Public records can only be destroyed after permission is granted by the Division of Legislative audit.

Storage of records in electronic form is permissible in some cases.

Refer to Arkansas Law ACA 19-4-815, 19-4-1108, 25-32-112, 13-4-203,25-32-117, 25-32-118.

Contact for Information: Division of Legislative Audit, Arkansas History Commission, or your Assistant Attorney General.

19-4-1109. Procurement contracts.

Each State agency which is authorized by law or under the purchasing procedures of this State to enter into contracts for the procurement of property, commodities, or services shall keep on file in their respective places of business copies of these contracts for public inspection or audit and shall make a copy of any such contract available to the Chief Fiscal Officer of the State when so required by him or her.

History. Acts 1973, No. 876, § 15; A.S.A. 1947, § 13-341; Acts 2001, No. 1453, § 34.

SUBCHAPTER 12 DISBURSEMENT OF PUBLIC FUNDS

19-4-1201. Disbursing officers.

(a) For the purpose of compliance with the provisions of this subchapter, the following shall be designated as disbursing officers:

(1) The executive head of each State department;

(2) The executive head, or superintendent, of each State institution; and

(3) The executive secretary of each board or commission having such an officer.

(b) The board having charge of any institution may designate any other full-time employee to act instead of the executive head, and the executive head of any other agency may designate any other full-time employee to act in his stead.

(c) All these disbursing officers shall be required to furnish bond to the State in the manner provided by law.

History. Acts 1973, No. 876, § 14; A.S.A. 1947, § 13-340.

19-4-1202. Designation of disburser.

(a) In the event appropriations are made available to a State agency or to a nongovernmental agency or activity and no disbursing officer is provided for by law, the Chief Fiscal Officer of the State and the Auditor of State shall designate a person to act as disbursing officer and fix the amount of bond for such purposes.

(b) In the event that the General Assembly enacts legislation that provides for more than one (1) disbursing officer from a fund or fund account and there are insufficient funds available to finance all appropriations made therein, the Chief Fiscal Officer of the State shall certify the amount of funds and appropriations to be made available for each disbursing officer.

History. Acts 1973, No. 876, § 14; A.S.A. 1947, § 13-340; Acts 1993, No. 1073, § 17.

19-4-1203. Disbursing agents.

In the event the executive head of any State agency shall designate some full-time employee to act as his or her agent in the disbursement of funds under his or her control, then that agent may act without furnishing additional bond if the executive head of that agency shall notify the Chief Fiscal Officer of the State and the Auditor of State in writing of such designation.

History. Acts 1973, No. 876, § 14; A.S.A. 1947, § 13-340; Acts 2001, No. 1453, § 35.

19-4-1204. Bond required.

(a) The disbursement of any funds in the State Treasury, of federal funds granted to the State or any State agency, of bank funds of any State agency, of trust funds of any State agency, or of any other special funds belonging to any State agency shall be done only by a bonded official or bonded employee in the manner prescribed by law.

(b) Each disbursing officer or disbursing agent shall be required to furnish bond in the penal sum required by law or, in the absence of any law on the subject, in an amount fixed by the Chief Fiscal Officer of the State and the Auditor of State with a corporate surety company authorized to do business in this State and conditioned upon the faithful performance of his duties and for the proper accounting for all funds received and disbursed by him.

History. Acts 1973, No. 876, § 14; A.S.A. 1947, § 13-340.

19-4-1205. Signature or facsimile.

The original copy of all checks drawn in connection with the disbursement of public funds for which the disbursing officer is responsible shall bear the manual signature of the disbursing officer or his or her authorized agent, or may contain or bear a mechanically produced facsimile signature of the disbursing officer or his or her authorized agent. Where the Chief Fiscal Officer of the State has determined that the executive head of a State agency has established adequate internal administrative procedures and controls pursuant to law, which determination shall be made only after the Chief Fiscal Officer of the State shall have consulted with the Legislative Auditor, he or she may grant an exemption from manual signatures to allow for a computer-produced digitized signature of the disbursing officer or his or her authorized agent.

History. Acts 1973, No. 876, § 14; 1979, No. 833, § 5; A.S.A. 1947, § 13-340; Acts 1997, No. 1087, § 1; 2001, No. 1453, § 36.

19-4-1206. Duties generally.

(a) The bonded disbursing officer for each State agency or the bonded disbursing officer for any regular or special fund provided for by the General Assembly shall be responsible and held accountable for the proper expenditure of the funds under his control.

(b) It shall be the responsibility and duty of each disbursing officer or agent to:

(1) Keep advised as to the availability of the appropriations and funds for which he is the disbursing officer and be informed as to the legality of and authority for any obligations which may be incurred before any disbursements are made;

(2) Keep advised as to the laws or administrative regulations relating to general accounting procedures and restrictions for the disbursement of funds; and

(3) Certify that:

(A) Any disbursements which he may make are in accordance with the terms of any applicable contracts, purchasing procedure, or other authority;

(B) The services have been performed or the goods received; and

(C) The vendor or payee is entitled to the amount set forth in the check or voucher.

History. Acts 1973, No. 876, § 14; A.S.A. 1947, § 13-340.

19-4-1207. Duty to monitor finances.

It shall be the duty and responsibility of the head of the agency for which appropriations are authorized and of the agency's disbursing officer to:

(1) Be cognizant at all times of the resources available, including applicable fund balances, revenues, and other income, for financing the appropriations authorized by the General Assembly;

(2) See that no obligations shall be incurred which cannot be lawfully discharged from funds appropriated or available from other sources when they become due and payable; and

(3) Not operate the agency during any fiscal year from the then-current fiscal year's available resources at a level of operations that would require for the succeeding fiscal year funds in addition to those already authorized by the General Assembly.

History. Acts 1973, No. 876, § 14; A.S.A. 1947, § 13-340; Acts 2001, No. 1453, § 37.

ACA§ 19-4-1208 Repealed

19-4-1209. Compliance with other laws.

The disbursement of funds authorized by the General Assembly shall be limited to the appropriations and the funds made available for the support of such appropriations. The restrictions of the Arkansas Purchasing Law, § 19-11-201 et seq., the Uniform Classification and Compensation Act, § 21-5-201 et seq., the Revenue Stabilization Law, § 19-5-101 et seq., and regulations promulgated by the Department of Finance and Administration authorized by law shall be strictly complied with in the disbursement of the funds.

History. Acts 1973, No. 876, § 14; A.S.A. 1947, § 13-340.

19-4-1210. Revenues insufficient to meet appropriations.

(a) The disbursements of funds shall be subject to the controls of the procedures authorized by this subchapter, other acts of the General Assembly, and rules and regulations established by the Department of Finance and Administration.

(b) In the event that during any fiscal year the governmental revenues available to the State or a State agency are not sufficient to cover the appropriations made by the General Assembly from such revenues, then:

(1) The bonded disbursing officer for each agency shall be responsible and held accountable for the incurring of any obligations and disbursements of any funds in behalf of the agency for which he or she acts as disbursing officer. It shall be his or her duty to keep advised as to the amount of governmental revenues available for the operation of his or her agency. Each such disbursing officer is prohibited from incurring any obligations in excess of the funds made available by this chapter and other laws providing revenues for any such agency, and all such disbursing officers shall be subject to the restrictions and limitations of this chapter;

(2) The Chief Fiscal Officer of the State shall exercise the powers of his or her office to enforce the fiscal laws of the State to prohibit deficit spending and to promulgate rules and regulations which will require that all agencies comply with such fiscal laws. He or she may require, whenever he or she deems necessary, a financial report from any agency. If any such financial report or any other available information of any agency which has appropriated funds or an agency which has both State and bank funds shall reveal that the agency is in financial distress, then he or she may direct that all of the funds of the agency, including any bank funds, shall be subject to approval under the provisions of this chapter;

(3) If during any year it is determined that the proposed disbursements exceed the amount approved for that year, then, upon direction of the Chief Fiscal Officer of the State, necessary reductions in proposed disbursements shall be made;

(4) If, in accomplishing the necessary reductions in disbursements, it shall be required to reduce the salaries of employees, the reductions shall be made in proportion to existing salaries, and the reductions shall be made in the salaries of all employees, including administrators and directors;

(5) The Chief Fiscal Officer of the State is directed to withhold all distributions of special and general revenues as prescribed in this chapter and in the Revenue Stabilization Law, § 19-5-101 et seq., at any time that a State agency fails to comply with the restrictive provisions of this chapter; and

(6) It is provided that the creditors of any agency shall have first consideration in connection with disbursement of the funds of the agency. If the funds of any agency become depleted to an extent that the creditors cannot be paid from funds on hand or which will become available during the same fiscal year, the Chief Fiscal Officer of the State shall direct the agency to stop incurring obligations until the funds on hand and the funds estimated to become available are sufficient to meet all such obligations.

History. Acts 1973, No. 876, § 14; A.S.A. 1947, § 13-340; Acts 2001, No. 1453, § 39.

III –12.1 – 12.35 Brenda

R1-19-4-1210 Disbursement of State Funds

Limitations on Disbursements

Arkansas law (ACA 19-4-1209) States: "The disbursement of funds authorized by the General Assembly shall be limited to the appropriations and the funds made available for the support of such appropriations. The restrictions of the Arkansas Purchasing Law, § 19-11-201 et seq., the Uniform Classification and Compensation Act, § 21-5-201 et seq., the Revenue Stabilization Law, § 19-5-101 et seq., and regulations promulgated by the Department of Finance and Administration authorized by law shall be strictly complied with in the disbursement of the funds."

If, during any fiscal year, it is determined that the proposed disbursements exceed the amount approved for that year, the necessary reductions in proposed disbursements shall be made upon direction of the Chief Fiscal Officer of the State.

Adequate internal administrative procedures and controls shall be established by each State agency executive administrator to ensure prompt and accurate payment of obligations.

Each State agency executive administrator shall ensure that:

Services, materials, supplies, and equipment received comply with specifications indicated on purchase documents;

Quantities received, as being indicated on the invoice, agree with those shown on the receiving report;

Unit prices agree with those indicated on the purchase documents;

The extensions and footings of the invoice are correct;

The check or warrant is prepared in sufficient time to take advantage of all available discounts being offered;

Sufficient legislative authorization for expenditures and funds is available for payment of the obligation;

The obligation was incurred in conformity with all purchasing and fiscal laws applicable to State agencies.

Procurement Codes

Procurement codes are used to assist in the tracking of procurement activity. Proper use of the codes enables the Department of Finance and Administration - Office of State Procurement (DFA-OSP) to automatically track purchases by category and provide required reports. Procurement codes must be included in all transactions paying for goods and services purchased by the State. Inquiries regarding further definition of these codes should be directed to DFA-OSP.

Procurement codes can be found in appendix 3 of the Procurement Laws and Regulations located on the DFA-OSP web site at http://www.arkansas.gov/dfa/purchasing/lawsandregs/.

Updates to the procurement codes can be found on the DFA-OSP Web site: http://www.State.ar.us/dfa/purchasing/general.html.

Material Master and Vendor Master

DFA-OSP maintains the "material master" list which is common to all agencies, that lists all goods and services purchased by the State and gives a description of the goods and/or services, shelf life, material unit price, material group, unit of measure and re-order point. Requisitions and purchase orders (PO) must reference a "material master entry".

DFA-OSP maintains the "vendor master" list which is common to all agencies and lists all vendors for the State. A "vendor master entry" is required for any PO item, request for quotation of goods or services or request for proposals and payments.

All disbursements should generally utilize previously established vendor master record numbers, which is linked to the vendor's master record. However, a "one time" vendor may be utilized when the vendor is expected to only be paid once or the vendor is expected to be paid on a very infrequent basis.

More information on "material master" or "vendor master" can be found on the DFA-OSP Web site: http://www.arkansas.gov/dfa/purchasing/.

General Rules

Payments of invoices will be made based on the vendor's due date and payment terms.

Payments can be made to a vendor from multiple funds and funds centers.

Different payment methods are available – warrant by mail, warrant by Automated Clearing House (ACH) and check.

Warrants will have the invoice number, vendor account number, and a 50-character text field on the remittance advice. The Auditor of State will print and mail warrants or mail direct deposit advices with remittance statements.

<u>Process Overview</u>

The accounts payable technician will enter and park the invoice or credit memo in AASIS. The document will be in the system, but will not be posted until it has been approved for payment.

The accounting supervisor will review the invoices that have been entered and post them for payment. The payment run will be initiated to generate payments to vendors. (The accounts payable technician and accounting supervisor cannot be the same person.)

The accounting supervisor will monitor the invoice entry and payment process as well as initiate the setup of recurring entry documents.

The Department of Finance and Administration-Office of Accounting-Service Bureau (DFA-OA-SB) will generate the warrant file and route the warrant file to the Auditor of State for processing of warrants.

R2-19-4-1210 Vendor Invoice with a Purchase Order

PLEASE NOTE: It is the recommendation of the Department of Finance and Administration - Office of Accounting (DFA-OA) to use the "vendor invoice with a purchase order" process whenever possible instead of the direct invoice payment method.

<u>Purchase Requisition</u>

The first step in the procurement process is to requisition the purchase. Transaction ME51 is used to create the purchase requisition. The Agency Procurement Technician or State Procurement Specialist will make the requisition.

The purchase requisition:

Establishes a commitment of appropriations when the requisition is created.

Creates a unique requisition number for each requisition.

Allows users to suggest several potential vendors for items.

Tracks the progress of the requisition through AASIS.

The Agency Procurement Manager or State Procurement Manager will approve the requisition to be a legal expenditure of the State using transaction ME55. Invalid requisitions must be deleted to relive commitment of budget. All approvals and rejections are date-stamped and logged by user ID.

Purchase Order

Once the purchase requisition has been entered and approved, the Agency Procurement Technician or State Procurement Specialist solicits quotes or selects the vendor using transaction ME41 or ME49 respectively and then creates the Purchase Order (PO) using transaction ME21N.

The Agency Procurement Manager or State Procurement Manager will approve the PO using transaction ME28 (RELEASE /APPROVE PURCHASING DOCUMENTS). Once the PO has been approved, the Agency Procurement Technician or State Procurement Specialist prints and sends the purchase order to the vendor.

Materials or Services Received

When the materials or services are received, the Agency Receipt Technician posts the receipt of the materials or services against the PO by using transaction MIGO (GOOD RECEIPT PURCHASE ORDER). The posting of the receipt of goods produces a posting in the GR/IR account. This posting creates the accrued liability and the expense of the goods until such time as the invoice is received and posted.

The MIRO (LOGISTICS INVOICE VERIFICATION) transaction is posted upon receipt of the vendor invoice, the entry into the accrued liability in the GR/IR clearing account is reversed and the entry to record the liability in the accounts payable account is made. MIRO is an automated 3-way match between the purchase order, goods receipt and invoice. If the match fails the invoice is blocked for payment. Once the problem is resolved, the invoice is released for payment. After the document is posted, the document number, verifying that the transaction has been posted, must be written on the vendor's invoice.

PLEASE NOTE: Transactions in the GR/IR process do not reduce funds or appropriations but are only used to record the liability transactions of the invoice.

Invoices

Original invoices are necessary to issue payment. Paying from original invoices provides some assurance that an invoice is not paid twice and that the invoice has not been altered.

If the original invoice is lost, the vendor shall be contacted to provide one of the following:

A photocopy of the original invoice with the declaration:

"I hereby certify this duplicated invoice is an exact and true copy of the original invoice and that no payment has been received as payment of this invoice through the date of my signature."

Signed:

Name Printed:

Title:

Date:

Or, an additional original invoice with the same invoice number without any comments.

The method of delivery of the duplicate invoice is irrelevant. Electronic transmission will be acceptable.

PLEASE NOTE: Under no circumstance is an agency to self-generate an invoice or billing statement for the vendor.

R3-19-4-1210 Vendor Invoice without a Purchase Order

A purchase that has been made outside the Purchase Order System within AASIS may be made by the use of specific "Direct Invoice Payment" transactions in the system. Invoices that are not routine vendor payments, but rather small occasional purchases, reimbursements of employee expenses, etc. may be paid by using the direct pay invoice method.

Repetitive Expenditures

Repetitive expenditures such as utility billings, rent and other items of this nature can be paid with the direct pay invoice method; however it is advisable to use the "funds reservation" to encumber the expected amount of expense for the annual expenditure.

The direct invoice payment method can be referenced to the "funds reservation" on the payment document to reduce the encumbrance. After the document is posted, the document number verifying the transaction has been posted, must be written on the vendor's invoice.

PLEASE NOTE: Do not use the direct invoice payment method when a purchase order was required because entering an invoice directly into the financial accounting side that was intended to be against a purchase order will charge appropriations twice and does not link to the purchase order.

PLEASE NOTE: Detailed instructions for the procurement process for AASIS can be found at http://www.aasis.State.ar.us/.

Supporting Documentation

Cross referencing between the original evidence of indebtedness (invoice, contract, etc.) and the processing numbers assigned by AASIS is essential.

There must be maintained in the files of the agency, at a minimum, the following elements of information/documents related to all disbursements:

For the "Direct Payment" process - Original evidence of indebtedness as enumerated in ACA 19-4-814, with the vendor number and AASIS document number appearing on the face of the document.

For the "Purchase Order/Credit Memo" payment process - The invoice and "goods receipt" with the vendor number and the AASIS document number appearing on the face of the documents.

DFA-OA-SB agencies may use the "Direct Invoice/Credit Memo" form returned by the Service Bureau as a cross-reference document and write the appropriate processing numbers (document number, etc.) on the invoice or other original evidence of indebtedness and retain for audit purposes.

Agencies that use AASIS (User Agencies) may print a copy of the screen when payments are processed and use it as a reference form, with invoice or other appropriate number entered on it and information from it entered on the face of the original evidence of indebtedness.

The documents shall be filed either in numeric sequence, by document number (assigned by AASIS) or, if agencies file by vendor, then the numeric sequence, by document number for each vendor shall be in order in the applicable vendor folder.

Reporting agencies shall at a minimum maintain their documentation process in a manner similar to the payment process as recorded on AASIS so the documentation can be traced back to their original books of entry through the batch process posting and ultimately to the original invoice or payment document that supports the payment.

PLEASE NOTE: Also refer to P1-19-4-701

SUBCHAPTER 13 MONITORING FOR DEFICIT SPENDING

19-4-1301. Legislative intent and purpose.

(a) This subchapter is intended to be an addition to the provisions of the General Accounting and Budgetary Procedures Law, § 19-4-101 et seq., and other fiscal laws of this State. This subchapter is enacted for the purpose of imposing additional duties and responsibilities upon the Chief Fiscal Officer of the State to monitor State expenditures and financial obligations in order to assure that all State agencies, programs, and services plan and use the funds provided or made

available for the support of the essential services of government within their respective jurisdictions. This monitoring shall be done without incurring obligations or commitments which would exhaust the available funds within a time frame of less than twelve (12) months or which would create deficits.

(b) The General Assembly is cognizant of the economic recession that has reduced the growth of State revenues that are available for the operation of many of the programmed commitments or expansions of services of government. By this subchapter the General Assembly intends to strengthen the responsibilities and duties of the Chief Fiscal Officer of the State to provide for the planned and orderly, yet rigid, enforcement of the various laws of this State designed to protect against deficit spending.

(c) It is further the intent and purpose of this subchapter to mandate that all public officials, administrators, and employees charged with the responsibility of administering and disbursing State funds be held strictly accountable for the administration of the programs under their jurisdiction. Those officials, administrators, and employees shall periodically reevaluate and modify, if necessary, the various programs and services under their respective jurisdiction to assure the orderly providing of the greatest possible level of essential services and programs on a regular twelve-month basis, within the limitation of the funds available.

(d) The General Assembly further recognizes that many agencies may have to evaluate and curtail projected or planned program expansions. Many agencies may also have to exercise options to reduce the levels of existing services or program commitments to keep the projected expenditures for such programs or services within the limitations of funds estimated to be available therefor, as provided in this subchapter. It is the intention of the General Assembly that each State agency review its ongoing obligations and services and make the necessary adjustments to provide the greatest possible level of essential services commensurate with the funds available on a year-round, twelve-month basis.

History. Acts 1983, No. 781, § 1; A.S.A. 1947, § 13-374.

19-4-1302. Provisions supplemental.

This subchapter is intended to be supplemental and in addition to the fiscal laws of this State and shall repeal only such laws and parts of laws as are specifically in conflict with it.

History. Acts 1983, No. 781, § 5; A.S.A. 1947, § 13-378.

19-4-1303. Exemptions.

Funds disbursed by the Arkansas State Highway and Transportation Department and the Arkansas State Game and Fish Commission and the funds appropriated in the general appropriation bill provided for in the Arkansas Constitution, Article 5, § 30 shall be exempt from this subchapter.

History. Acts 1983, No. 781, § 6; A.S.A. 1947, § 13-379.

19-4-1304. Failure to conform to directives and mandates.

(a) If a State agency shall fail or refuse to conform to the directives and mandates of the Chief Fiscal Officer of the State to restrict or curtail its financial obligations or program commitments as intended by this subchapter, the agency head or members of the board or commission responsible therefor may be guilty of misfeasance in office or employment and may be removed from office by appropriate legal proceedings.

(b) The fact that it may be necessary for an agency to reduce existing levels of services in order to conform to orders or directives of the Chief Fiscal Officer of the State, as intended by this subchapter, shall not be lawful justification for failure to conform thereto.

History. Acts 1983, No. 781, § 3; A.S.A. 1947, § 13-376.

19-4-1305. Failure to perform duties.

If the Chief Fiscal Officer of the State fails to perform his duties as mandated under the provisions of this subchapter and within the time limitations set forth in it, he shall be guilty of misfeasance of his office and may be removed from office in the manner provided by law.

History. Acts 1983, No. 781, § 4; A.S.A. 1947, § 13-377.

19-4-1306. Procedures for monitoring agency expenditures and fiscal operations.

(a) In addition to the powers and duties provided under this chapter and other fiscal laws of the State, the Chief Fiscal Officer of the State shall invoke additional procedures to assure that all State agencies are operated on a planned and orderly basis of essential services within the limitations of funds available.

(b) In furtherance of the purposes of this subchapter, the Chief Fiscal Officer of the State shall institute the following additional procedures and controls:

(1) At least thirty (30) days prior to the commencement of each fiscal year, the Chief Fiscal Officer of the State shall make studies for the purpose of estimating the anticipated amount of general and special revenues to be made available for distribution under the provisions of the Revenue Stabilization Law, § 19-5-101 et seq., and for the support of agencies which derive their support from special revenues, for such fiscal year or such fiscal quarter, or for any calendar month if he or she deems it necessary. In addition, the Chief Fiscal Officer of the State shall compute the estimated amount of general revenues that will be available for distribution to the respective State Treasury accounts in accordance with the respective percentage distributions of general revenues authorized under the provisions of the Revenue Stabilization Law, § 19-5-101 et seq. It shall be the duty of each agency head responsible for administering special revenues or federal funds to notify the Chief Fiscal Officer of the State of any unusual events which would adversely affect the estimate of the moneys received upon which the agency is operating. Such notification shall be given immediately upon knowing of the existence of such events by agency heads;

(2) Upon completion of revenue estimates for each fiscal year or each fiscal quarter, or monthly if deemed necessary, the Chief Fiscal Officer of the State shall prepare schedules reflecting the estimated amount of general revenues to be available for distribution to the State Treasury funds and accounts for each of the agencies which share in the distribution of general revenue funds of

the State, either in whole or in part. In addition, the Chief Fiscal Officer of the State may require the preparation of estimates from the administering agency or prepare estimates of the anticipated amount of special revenues to be available for distribution to those agencies which receive support from special revenues, from both general and special revenues, or from cash funds or other sources;

(3) After preparing the estimates and schedules for each fiscal year, fiscal quarter, or month, the Chief Fiscal Officer of the State shall review the annual operations budgets of each agency. The Chief Fiscal Officer of the State shall institute such controls as he or she deems necessary to modify or restrict the level of approved expenditures that may be incurred by each agency to assure that sufficient funds will be available to maintain a minimum level of essential services and programs by each agency without undue interruption or curtailment of the level of programs and essential services provided for any extended period during each fiscal year or which might create circumstances that would institute deficit spending to meet the obligations or services in excess of the funds available for the support thereof, as provided by law;

(4) If the Chief Fiscal Officer of the State, in reviewing the annual operations budgets of any State agency, determines that the level of operations thereof or the projected commitment thereof is being operated in a manner that would impose serious curtailment of essential services or would create circumstances of deficit spending, then he or she shall immediately notify the head of the agency responsible for the operation of such services as to the curtailments and controls that should be instituted to bring the level of operations or services within the necessary fiscal restraints recommended by the Chief Fiscal Officer of the State.

(c) A copy of each directive issued pursuant to subdivision (b) (4) of this section shall be furnished to the Governor, to the Legislative Council, and to the Legislative Joint Auditing Committee.

History**.** Acts 1983, No. 781, § 2; A.S.A. 1947, § 13-375; Acts 2001, No. 1453, § 40.

SUBCHAPTER 14 CONSTRUCTION OF BUILDINGS AND FACILITIES

19-4-1401. Notice required.

In all instances wherein the State has any interest whatsoever in construction work requiring bids, the notice provisions of §§ 22-9-201 - 22-9-204 shall be strictly complied with and observed. Nothing in this subchapter shall be construed to amend or repeal these statutes, except those emergency procedures provided by §§ 22-9-201 - 22-9-204.

History. Acts 1973, No. 876, § 22; A.S.A. 1947, § 13-348; Acts 1999, No. 776, § 3.

19-4-1402. Contracts to be filed.

(a) Executed counterparts of all contracts entered into by any State agency with respect to proposed projects for new improvements or major repairs or additions to existing buildings and facilities shall be filed with Arkansas State Building Services prior to the issuance of any vouchers making payments under any such contract, unless the contract is exempted from the jurisdiction of Arkansas State Building Services by any law or a regulation promulgated pursuant

to the Arkansas Administrative Procedure Act, § 25-15-201 et seq.
(b)(1) The Boards of Trustees of the University of Arkansas, Arkansas State University, University of Central Arkansas, Henderson State University, Arkansas Tech University, and Southern Arkansas University, respectively, are exempt from the requirements of this section requiring filing of such contracts with Arkansas State Building Services.

(2)(A) The governing boards of all other public institutions of higher education shall be exempt from filing such contracts with Arkansas State Building Services, upon approval of the Department of Higher Education.

(B) Provided, that prior to granting such approval, the department shall have reviewed and approved policies and procedures adopted by the governing boards with respect to bidding and construction of capital improvement projects.

(3) Nothing in this section shall prevent any of the foregoing institutions exempt from filing such contracts with Arkansas State Building Services from entering into an agreement with Arkansas State Building Services to file such contracts with it.

History. Acts 1973, No. 876, § 22; 1977, No. 813, § 2; A.S.A. 1947, § 13-348; Acts 1997, No. 294, § 1; 2001, No. 214, § 1; 2001, No. 961, § 3.

19-4-1403. Agencies exempted.

The provisions of this subchapter shall not be applicable to the State Highway Commission and the Arkansas State Highway and Transportation Department.

History**.** Acts 1973, No. 876, § 22; 1977, No. 813, § 2; A.S.A. 1947, § 13-348.

19-4-1404. Forces employed.

(a) Whenever any agency of the State shall determine to construct any buildings and facilities or to make any repairs or additions to existing buildings and facilities and there are funds available for these purposes, then the agency shall have the authority to undertake any such project by the employment and use of its own forces, or by contract, or in part by its own forces and in part by contract, all as in its opinion shall be in the best interest of the State. For this purpose the agency may employ architects.
(b) The provisions of this section shall not apply to any city, town, county, or school district within this State.

History. Acts 1973, No. 876, § 22; A.S.A. 1947, § 13-348.

19-4-1405. Bidding procedure.

(a)(1) After a State agency has caused the preparation and has approved plans and specifications, it shall then proceed to advertise for bids for the contemplated work by the publication of notice one (1) time each week for not less than two (2) consecutive weeks for projects over the amount of fifty thousand dollars ($50,000), and shall proceed to advertise for bids one (1) time each week for not less than one (1) week for projects more than the quote bid and less than or equal to fifty thousand dollars ($50,000). This notice shall be published in a

newspaper of general circulation published in the county in which the proposed improvements are to be made or in a trade journal reaching the construction industry. The last insertion shall be not less than one (1) week prior to the date on which the bids are to be received.

(2) The notice shall:

(A) Provide for the receipt of sealed bids;

(B) Set forth the time and place in which the bids will be received;

(C) Specify from whom copies of the plans and specifications and a draft of the proposed contract may be obtained for examination;

(D) Contain the amount of the bid bond; and

(E) Contain such other information and requirements as, in the opinion of the agency, may be necessary or desirable.

(b)(1) On the date and time fixed in the notice, the agency shall open, tabulate, and compare bids, and award the contract to the lowest responsible bidder.

(2) However, the agency shall have the right to reject any or all bids and to waive any formalities.

(c)(1) The successful bidder shall be required to furnish bonds to the State of Arkansas, with corporate guaranty or indemnity sureties thereon.

(2)(A) The bonds shall be both for the completion of the construction free of all liens and encumbrances, in an amount fixed by Arkansas Building Authority, and for the protection of the agency and its members against all liability for injury to persons or damage to, or loss of, property arising, or claimed to have arisen, in the course of the work project, within limits fixed by the authority.

(B) Provided, however, for projects undertaken by public institutions of higher education, the bonds shall be in an amount and within limits fixed by the governing board of the public institution of higher education.

(d)(1)(A) Every bid submitted on State agency construction contracts for projects over the amount of twenty thousand dollars ($20,000) shall be void unless accompanied by a cashier's check drawn upon a bank or trust company doing business in this State or by a corporate bid bond and the agent's power of attorney as his or her authority.

(B) No bid bond shall be required for projects under or equal to the amount of twenty thousand dollars ($20,000).

(2) The bid security shall indemnify the public against failure of the contractor to execute and deliver the contract and necessary bonds for faithful performance of the contract.

(3) The bid security shall provide that the contractor or surety must pay the damage, loss, cost, and expense subject to the amount of the bid security directly arising out of the contractor's default in failing to execute and deliver the contract and bonds.

(4) Liability under this bid security shall be limited to five percent (5%) of the amount of the bid.

(e)(1)(A) Whenever it is obvious from examination of the bid document that it was the intent of a bidder to submit a responsive bid and because of a scrivener's error, the bid, if accepted, would

create a serious financial loss to the bidder, the Director of the Arkansas Building Authority has the authority to relieve the bidder from responsibility under his or her bond and may reject the bid.

(B) Provided, that for projects undertaken by public institutions of higher education exempt from review and approval of the authority, the chief executive officer of the institution of higher education or his or her designee has the authority to relieve the bidder from responsibility under his or her bond and may reject his or her bid in the same manner and within the same period as allowed by the authority.

(2) For purposes of this section, "scrivener's error" means:

(A) An error in the calculation of a bid which can be documented by clear and convincing written evidence and which can be clearly shown by objective evidence drawn from inspection of the original work papers, documents, or materials used in the preparation of the bid sought to be withdrawn; and

(B) In the case of a bid sought to be withdrawn, the bid was submitted in good faith and the mistake was due to a calculation or clerical error, an inadvertent omission, or a typographical error as opposed to an error in judgment.

(3)(A) To receive relief under subdivision (e) (1) of this section, the bidder must serve written notice to the director or to the chief executive officer or his or her designee of a public institution of higher education exempt from review and approval of the authority any time after the bid opening, but no later than seventy-two (72) hours after receiving the intent to award, excluding Saturdays, Sundays, and holidays.

(B) Failure to make a withdrawal request within seventy-two (72) hours shall constitute a waiver by the bidder of the bidder's right to claim that the mistake in his or her bid was a scrivener's error.

(4) In the event the director or the chief executive officer or his or her designee of a public institution of higher education exempt from review and approval of the authority has relieved the bidder from responsibility under his or her bond, action on the remaining bids should be considered as though the withdrawn bid had not been received.

History. Acts 1973, No. 876, § 22; 1985, No. 365, § 11; A.S.A. 1947, § 13-348; Acts 1987, No. 758, § 1; 1995, No. 1319, § 1; 1997, No. 1193, § 2; 1999, No. 219, § 2; 2001, No. 214, §§ 2, 3; 2001, No. 961, §§ 4, 5; 2003, No. 364, §§ 4, 19

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ACA§ 19-4-1406 Repealed

19-4-1407. Method of financing.

(a) Before any State agency shall enter into any contract of employment with an architect or take any other affirmative action toward the construction or financing of any project as provided in this subchapter, it shall submit to the Chief Fiscal Officer of the State, in writing, a summary Statement setting forth:

(1) A general description of the proposed project;

(2) Its estimated overall costs; and

(3) The method it proposes to use to finance its cost, which is to be a method of financing that must be approved by the Governor.

(b) After examining the method of financing and making such investigation as he shall deem necessary or advisable, the Chief Fiscal Officer of the State shall notify the agency, in writing, of his and the Governor's approval or disapproval of the method of financing the project. In the event of disapproval by the Chief Fiscal Officer of the State and the Governor, the agency may submit an alternate plan of financing the project. In any event, no affirmative action shall be taken by the agency unless and until a method of financing shall be approved by the Governor and the Chief Fiscal Officer of the State. The Chief Fiscal Officer of the State shall have no authority to pass upon the need for any such construction, such authority being vested solely in the agency.

(c) The method of financing as required by this subchapter shall include estimated dates for commencing and completing the project. After the contracts for the project have been awarded, then the method of financing shall be amended to include the estimated dates of completion in accordance with the awarded contracts.

History. Acts 1973, No. 876, § 22; 1975, No. 985, § 1; A.S.A. 1947, § 13-348.

19-4-1408. Matching funds.

(a) In the event funds provided by the State for projects regulated in this subchapter are subject to matching provisions, the Chief Fiscal Officer of the State shall require in the proposed method of financing that all of the funds or approved grants available for the proposed project, including State, federal, and agency funds, shall be considered in connection with preliminary planning and the awarding of contracts in connection with the project.

(b) In those instances where construction projects utilize funds other than those deposited in the State Treasury, the Chief Fiscal Officer of the State shall prescribe the procedure for payments from all other funds made available to the agency.

History. Acts 1973, No. 876, § 22; A.S.A. 1947, § 13-348; Acts 2001, No. 1453, § 41.

19-4-1409. Use of other funds.

(a) No State agency for which appropriations have been made by the General Assembly for construction and improvements shall make any contract or incur any indebtedness payable from those appropriations unless and until there are sufficient funds on hand or, in the case of federal grants, until the grant has received final approval from the granting federal agency for the benefit of the State agency to pay for the proposed obligations under the contracts. However, any agency shall have the power to accept and use grants and donations and to use its unobligated cash income and other funds available to it for the purpose of supplementing appropriations for construction purposes.

(b) The appropriations and funds otherwise provided by the General Assembly for personal services, maintenance, and general operation of the agency shall not be used in connection with any proposed construction projects for which specific appropriations have been made by the General Assembly.

History. Acts 1973, No. 876, § 22; A.S.A. 1947, § 13-348.

19-4-1410. Completion of contracts.

Upon completion of each contract awarded for the fulfillment of a project authorized by the General Assembly:

(1) The affected State agency shall notify the Department of Finance and Administration of the culmination of the contract;

(2) No further expenditures or obligations will be incurred; and

(3) The unexpended and unobligated funds shall be impounded.

History. Acts 1973, No. 876, § 22; 1975, No. 985, § 1; A.S.A. 1947, § 13-348.19-4-1411. Processing of payments.

(a)(1) When a contractor submits a properly prepared request for payment of work completed on State construction projects and the request for payment conforms with the provisions of the contract award and laws of the State of Arkansas, the following maximum time is allowed for the processing of the payment requests by the various parties involved, excluding time required for transmittal from one (1) party to another:

(A) A design professional - five (5) working days;

(B) A State agency or institutions of higher education exempt from review and approval by the Arkansas Building Authority - five (5) working days, including preparation of a voucher and submission for payment; and

(C) The Department of Finance and Administration - five (5) working days.

(2) Should payment be contested by any of the parties listed in this subsection, it shall be the responsibility of the parties contesting the payment, within the time specified for processing payment, to notify the contractor involved that payment has been contested and reasons therefor.

(3) Should any of the parties listed in this subsection fail to properly process uncontested requests for payments within the time limits specified following date of receipt, a penalty of eight percent (8%) per annum of the amount of the request for payment shall be assessed against the parties responsible for the delay.

(b)(1) The Chief Fiscal Officer of the State shall establish procedures for monitoring payments to contractors. When it has been determined that payment processing has exceeded the time limits established in this section, the Chief Fiscal Officer of the State shall cause an investigation to be made for the purpose of determining the responsible parties and the amount of penalty to be paid.

(2) Penalties assessed for failure to comply with the provisions in this section shall be paid to the contractor by the parties responsible in accordance with procedures established by the Chief Fiscal Officer of the State.

History. Acts 1973, No. 876, § 22; 1977, No. 813, § 3; 1979, No. 833, § 9; A.S.A. 1947, § 13-348; Acts 2001, No. 214, § 4; 2001, No. 961, § 6; 2003, No. 364, § 6.

19-4-1412. Fund balances.

(a) If, after the expiration date of the second biennial period for which funds have been appropriated for the benefit of any specific capital improvement project, there remains a balance of funds or appropriations, then such fund balances as may remain in the General Improvement Fund for the benefit of the capital improvement project shall be reallocated for the benefit of proposed new or existing capital improvement projects of the various State agencies as may be enacted.
(b) Nothing in this section shall be construed as to limit the authority of the General Assembly to appropriate funds for the benefit of any proposed new or existing capital improvement project of the various State agencies.

History. Acts 1973, No. 876, § 22; 1977, No. 641, § 1; A.S.A. 1947, § 13-348.

19-4-1413. Projects constructed with private funds.

(a) In the event funds from private sources are provided to a public institution of higher education for projects, which exceed five million dollars ($5,000,000) regulated in this subchapter sufficient to finance at least eighty percent (80%) of the estimated cost of the proposed project, excluding the cost of land, the provisions of this subchapter and of all other provisions of the Arkansas Code Annotated governing construction of public facilities, including, but not limited to, the provisions of §§ 22-9-101 - 22-9-103 and §§ 22-9-201 - 22-9-212 shall not be applicable to such projects, subject to the following:
(1) The governing board of the public institution of higher education shall have adopted a resolution and procedure setting forth the method by which the architect, engineer, construction manager, contractor, and major subcontractors are to be selected for the project. The procedure shall include by appropriate public notice and solicitation the opportunity for qualified, licensed professionals to submit proposals and shall assure the design and completion of the project in an expeditious manner while adhering to high standards of design and construction quality. Such procedures shall require a payment and performance bond in an amount determined by the governing board and shall provide for the manner in which the construction shall be managed and supervised. In selecting a contractor and other professionals for the projects, the governing board shall consider the experience of the person or firm in constructing similar projects, the record of the person or firm in timely completion of such projects and other similar matters to assure that the person or firm will complete the project within the time and to the specifications set by the governing board.

(2) Before the public institution of higher education shall enter into a contract with an architect, engineer, construction manager, or contractor for the design, construction or financing of any project financed from private funds as provided herein, it shall submit to the Chief Fiscal Officer of the State and the Legislative Council, in writing, a summary Statement setting forth a general description of the proposed project, its estimated overall cost, and the method proposed to finance the cost, including a description of the sources and amount of private funds. The Chief Fiscal Officer of the State may forward a copy of this Statement to Arkansas State Building Services and the Governor for information.

(3) To enable a public institution of higher education to qualify under this subsection, the private funds shall be paid to the institution or to a fund or foundation for the benefit of the institution

and such funds may be represented in whole or in part by a written pledge or commitment from a donor, provided that the institution shall assure itself of the financial stability of such donor to fulfill the pledge or commitment.

(b) Notwithstanding anything in this subsection to the contrary, the provisions of §§ 22-9-301 - 22-9-315, §§ 22-9-401 - 22-9-404, §§ 22-9-501 - 22-9-505, §§ 22-9-601 - 22-9-604, and §§ 22-9-701 - 22-9-702 shall remain in full force and effect and not be affected hereby.

History. Acts 1997, No. 961, § 1.

19-4-1414. Performance-based efficiency contracts.

(a) For purposes of this section:
(1) "Agency" means any State board, commission, agency, department, and institution of higher education;

(2) "Efficiency savings" means cost savings which result from changes that do not degrade the level of service or working conditions and which are verifiable by comparing expenditures that occur after the improvements with the same type or expenditures occurring before the improvements are made;

(3) "Performance-based efficiency contract" means a contract with a qualified provider for:

(A) The design and implementation of any improvement, repair, or alteration;

(B) The betterment of any building or facility owned or operated by an agency; and

(C) Any equipment, fixture, or furnishing to be added to or used in any building or facility, or any maintenance or operational strategy that is designed to reduce utility consumption or lower operating costs, and may include, but is not limited to:

(i) Automated or computerized energy control systems;

(ii) Heating, ventilating, or air conditioning system modifications or replacements;

(iii) Replacements or modifications of lighting fixtures to increase the energy efficiency of the lighting system;

(iv) Indoor air quality improvements to increase air quality that conforms to the applicable State building code requirements in lieu of an increase in energy usage;

(v) Any additional building infrastructure improvement, cost saving, life safety, or any other improvement that provides long-term operating cost reductions and are in compliance with the State building code; and

(vi) Any facility operation program that reduces operating costs;

(4) "Qualified provider" means a person or business experienced and trained in the design, analysis, and installation of energy conservation and facility management measures; and

(5) "Request for proposals" means a negotiated procurement.

(b)(1) Any agency may enter into performance-based efficiency contracts for professional services contracts.

(2) Performance-based efficiency contracts shall contain a guarantee of cost savings.

(3) Any agency may enter into an installment contract or lease purchase agreement for the purpose of financing performance-based efficiency projects for a term not to exceed twenty (20) years.

(4) The contract shall provide that all payments, except obligations on termination of the contract before its expiration, are to be made in installments.

(5) The contract's cost savings shall be guaranteed each year during the term of the agreement to the agency on a first-party basis.

(6) The savings shall be sufficient to offset the annual costs of the contract.

(c)(1) A qualified provider to whom the contract is awarded shall provide a sufficient bond to the agency for its faithful performance of the equipment installation and the accomplishment of the guaranteed savings.

(2) One (1) multiyear performance bond covering the aggregate amount of the guaranteed savings over the contract term shall be required and shall remain in full force and effect until the termination of the agreement.

(3)(A) All work by or for a qualified provider related to the improvements or modifications which are intended to result in the savings guaranteed under the contract shall be performed in accordance with drawings and specifications prepared by a professional engineer licensed to practice in Arkansas.

(B) All drawings and specifications shall be sealed by the professional engineer responsible for their preparation.

(d)(1) State agencies shall give a notice of the request for proposals.

(2) Notice of the request for proposals shall be published one (1) time each week for no fewer than two (2) consecutive weeks in a newspaper having circulation in the county or city where the contract is to be performed.

(3) Proposals shall be sealed and opened in a public forum at least thirty (30) calendar days after the last publication, and the agency shall evaluate the proposals.

(e)(1) The request for proposal shall State the:

(A) Relative importance of price and other evaluation factors;

(B) Tasks to be performed under the contract;

(C) Criteria to be used in evaluating the proposals; and

(D) Time frames within which the work shall be completed.

(2) Requests for proposals shall solicit quotations and shall specify the relative importance of guaranteed savings, price, and return on investment, financial performance, stability, quality, technical ability, experience, or other evaluation factors.

(f)(1) Negotiations shall be entered into with the person or firm whose proposal is determined in writing by the agency's chief financial officer to be the most advantageous to the State, taking into consideration price and the evaluation factors set forth in the request for proposals.

(2) Discussions shall not disclose any information derived from proposals submitted by competing offerers.

(3) The contract shall be awarded to the responsible offerer whose proposal, following negotiations, is determined to be the most advantageous to the State considering the guaranteed savings and other evaluation factors set forth in the request for proposals.

(g)(1) To obtain the best final offers, the agency may allow proposal revisions after submissions and before the award of the contract.

(2) State agencies shall select the provider deemed best qualified and capable of performing the desired work and negotiate a contract for the project.

(h)(1) State agencies may enter into a performance-based efficiency contract with a qualified provider if the agency finds that the amount it would spend on the measures recommended in the proposal would not exceed the amount to be saved in either utility or operational costs, or both, within a twenty-year period after the date of installation if the recommendations in the proposal are followed.

(2) The qualified provider shall guarantee the annual savings to the agency every year during the term of the contract and shall reconcile the guaranteed savings on an annual basis.

(3) The qualified provider shall reimburse the agency for any shortfall of guaranteed savings.

(i)(1) The provisions of other sections of this subchapter and of all other provisions of law governing construction of public facilities and the purchasing of commodities, including, but not limited to, the provisions of §§ 22-9-201 - 22-9-212, 19-11-101 - 19-11-118, 19-11-201 - 19-11-210, 19-11-301 - 19-11-306, 19-11-501 - 19-11-504 [repealed], 19-11-601 - 19-11-604, and 19-11-802 - 19-11-805 shall not be applicable to performance-based efficiency contracts.

(2) Notwithstanding anything in this subsection to the contrary, the provisions of §§ 19-11-801, 22-9-101, 22-9-103, 22-9-104, 22-9-213, 19-11-701 et seq., 22-9-301 et seq., and 22-9-401 et seq. shall remain in full force and effect and not be affected hereby.

History. Acts 2001, No. 1547, § 1

19-4-1415. Projects exceeding five million dollars.

(a) In the event funds from any sources are provided to State agencies for projects which exceed five million dollars ($5,000,000), excluding the cost of land, the provisions of this subchapter and all other provisions of the Arkansas Code governing construction of public facilities, including, but not limited to, the provisions of § 22-9-201 et seq. at the election of State agencies or the institutions of higher education set forth in subdivision (b)(5) of this section shall not be applicable to the projects if the selection and contracting process set forth in this section is followed.

(b)(1) No contract for projects between the State agency and the construction manager, general contractor, architect, or engineer shall be entered into without first obtaining approval of Arkansas Building Authority and review by the Legislative Council.

(2) The authority shall have involvement in the selection and contract process from the project inception.

(3) There shall be separate contracts for design and construction services.

(4) The authority shall have the authority to promulgate rules and regulations pertaining to the process for awarding and overseeing the contracts.

(5) The Board of Trustees of the University of Arkansas and the Board of Trustees of Arkansas State University shall be exempt from review and approval by the authority and any regulations promulgated by it, provided that the institutions shall have adopted policies and procedures involving the awarding and oversight of the contracts for design and construction services.

(6) All procedures pertaining to the contracts shall provide, to the extent practicable, substantial uniformity between these institutions with respect to the policies and procedures to be followed.

(c)(1) For all projects contemplated or contracted for, the authority shall:

(A) Review and approve the advertisement as Stated in subsection (d) of this section, the scope of work, the site selection, funding review, and, to the extent available, all project drawings, plans, and specifications prior to any solicitation of proposals for the project;

(B) Conduct on-site observations of the construction project on a regular basis and maintain project records; and

(C)(i) Review and approve all contract amendments.

(ii) State agencies shall submit a summary of all contract amendments to the Legislative Council;

(2)(A) The institutions of higher education Stated in subdivision (b)(5) of this section shall perform all duties and responsibilities Stated in subdivision (c)(1) of this section under policies and procedures adopted by their governing boards.

(B) They shall submit a summary of all contract amendments to the Legislative Council.

(d)(1) The selection procedures for the construction manager, general contractor, architect, or engineer shall provide for solicitation for qualified, licensed professionals to submit proposals.

(2) The procedures shall assure the design and completion of the project in an expeditious manner while adhering to high standards of design and construction quality.

(3) The State agency and each institution of higher education Stated in subdivision (b) (5) of this section shall:

(A) Publish notice of its intention to receive written proposals three (3) consecutive days in a newspaper of statewide distribution;

(B) Allow a minimum of ten (10) working days for the professionals to send letters or resumes in response to newspaper advertisement; and

(C) Provide additional means of notification, if any, as the State agency or institution of higher education Stated in subdivision (b) (5) of this section shall determine is appropriate.

(e)(1)(A) A preselection committee, which shall be composed of no more than three (3) members from the State agency and two (2) members from the authority shall review the proposals.

(B) A preselection committee for institutions of higher education Stated in subdivision (b)(5) of this section shall consist of at least three (3) members as determined by each of the institutions, and the members may be from the authority.

(C) The preselection committee shall select a maximum of five (5) applicants and schedule interviews.

(D) The State agency or an institution of higher education as Stated in subdivision (b) (5) of this section shall notify the finalists of their status.

(2)(A) The final selection committee shall be composed of the (3) three members from the State agency on the preselection committee.

(B) The final interviews shall be held at the time and date as designated by the final selection committee.

(C) Representatives of the authority may attend the final selection meeting, but shall not vote in the final selection process.

(D) The final selection committee for institutions of higher education Stated in subdivision (b)(5) of this section shall consist of at least three (3) members as determined by each of the institutions.

(E) Members of a preselection committee may also serve as members of the final selection committee of the institutions.

(F) In selecting a general contractor, construction manager, architect, or engineer, the State agency or institution of higher education as Stated in subdivision (b)(5) of this section shall consider their established criteria which shall include, but are not limited to, the following:

(i) The experience of the professional or professionals in similar projects;

(ii) The record of the professional or professionals in timely completion of the projects with high quality workmanship; and

(iii) Other similar matters to determine that the professional or professionals will complete the project within the time and budget and to the specifications set by the State agency or institution of higher education as Stated in subdivision (b)(5) of this section.

(3)(A) The final selection committee shall select or make a formal recommendation to its governing body of the professional or professionals which it determines to be in the best interest of the State.

(B) Contracts for architectural, engineering, and land surveying professional consultant services shall be negotiated on the basis of demonstrated competence and qualifications for the type of services required and at fair and reasonable prices without the use of competitive bidding, and no rule or regulation shall inhibit the agency's authority to negotiate fees for the services.

(C) The final selection committee for the institutions of higher education as Stated in subdivision (b)(5) of this section shall make a recommendation to its governing board or appropriate committee thereof of the professional or professionals which it determines to be in the best interest of the institution, and the governing board shall make the final decision and authorize the contract or contracts to be negotiated and awarded, unless it has delegated the action to a committee of the board.

(f)(1) Construction contracts for the projects shall not be entered into without a payment and performance bond in the amount of the contract and any amendments thereto and shall provide for the manner in which the construction shall be managed and supervised.

(2) All project architects and engineers shall be properly licensed in accordance with the Arkansas State Board of Architects and the Arkansas State Board of Engineers.

(3) The construction manager or general contractor shall be properly licensed by the Arkansas Contractors Licensing Board.

(4)(A) All subcontractors on the project shall be properly licensed by the Contractors Licensing Board.

(B) Any person who is not considered a contractor under § 17-25-101 et seq. may continue to perform subcontracting work under the provisions of this subchapter.

(g)(1) To enable a State agency or an institution of higher education as Stated in subdivision (b)(5) of this section to qualify under this section, the funds shall be paid to or for the benefit of the State agency or institution of higher education, or to a fund or foundation for the benefit of the State agency or institution of higher education.

(2) The funds may be represented in whole or in part by a written pledge or commitment from a donor, provided that the State agency or institution of higher education shall assure itself of the financial stability of the donor to fulfill the pledge or commitment.

(h) All projects constructed pursuant to this section, to the extent applicable, shall be in accordance and compliance with:

(1) Section 17-38-101 et seq., regulating plumbers;

(2) Section 17-33-101 et seq., regulating the heating, ventilation, air conditioning, and refrigeration industry;

(3) The Fire Prevention Act, § 12-13-101 et seq.;

(4) Section 12-80-101 et seq., regarding earthquake resistant design for public structure;

(5) Americans with Disabilities Act Accessibility Guidelines, 28 C.F.R. Part 36, Appx. A, adopted by the authority; and

(6)(A) The minimum standards of the authority and criteria pertaining to projects constructed under this section.

(B)(i) However, institutions of higher education as Stated in subdivision (b)(5) of this section shall be exempt from these standards and criteria, provided that the institutions shall have adopted policies and procedures involving the awarding and oversight of contracts for projects under this section.

(ii) It is the intention of this section that all procedures adopted by these institutions pertaining to the contracts shall provide, to the extent practicable, substantial uniformity between these institutions with respect to the policies and procedures to be followed.

(iii) Notwithstanding anything in this subsection to the contrary, the provisions of §§ 19-4-1413, 19-11-801, 22-9-101, 22-9-103, 22-9-104, 22-9-213, 22-9-301 et seq., 22-9-401 et seq., 22-9-501 et seq., 22-9-601 et seq., and 22-9-701 et seq. shall remain in full force and effect and not be affected hereby.

History. Acts 2001, No. 1626, § 1; 2003, No. 364, § 7; 2003, No. 1315, § 2.

David 0800 II-10.7(6) (Old) __.__ (New)PART IICHAPTER 10

R1-19-4-1415 Procedures for Approval of Design Professionals

<u>Authority and General Requirements</u>

The Arkansas Building Authority (ABA) maintains oversight in the selection process of design professionals for capital improvement projects. Issues regarding design professionals under ABA's jurisdiction should be directed to the ABA State Architect or the ABA State Engineer within the ABA Design Review Section. All contracts for design professional services (architectural, engineering, land surveyors, interior design, landscape architects, specialize building related consultants, and environmental consultants) must first be submitted to ABA for recommendation and approval. The contract shall then be forwarded to Department of Finance and Administration - Office of Procurement (DFA-OP). Contracts under the jurisdiction of ABA shall not be sent directly to DFA. Agencies not under ABA jurisdiction shall seek approval in accordance within their own internal policies and then forward the contract to DFA-OP.

<u>State Agency Defined</u>

A State agency is defined under the authority of ABA as any board or commission, agency, department, institution of higher education including colleges, universities, and vocational-technical schools, or other State institutions. However, "State agency" shall not include any county, municipality, school district, subdivision, or unit thereof of the State of Arkansas, nor shall the term "State agency" mean or include the Arkansas State Highway and Transportation Department, the State Highway Commission, or the lands, buildings or structures acquired as investment assets of Arkansas Teachers Retirement System. (ACA §22-2-102(5), 22-2-103(a)).

<u>Special Provisions</u>

While the boards of trustees of the University of Arkansas, Arkansas State University, University of Central Arkansas, Henderson State University, Arkansas Tech University, and Southern Arkansas University, respectively, are exempt from review, consultation, assistance, advice, and approval by ABA for capital improvements, they remain subject to applicable laws governing public works including ACA §22-9-101 through 22-9-702, and ACA §19-4-1401 through 19-4-1415. Upon approval of the Department of Higher Education, the governing boards of all other public institutions of higher education shall be exempt from review and approval by ABA for design professionals provided that prior to granting such approval, the department shall have reviewed and approved policies and procedures adopted by the governing board with respect to bidding and construction of capital improvement projects. While these entities may be exempt from ABA's jurisdiction, the applicable laws on public works and capital improvements shall be adhered to with respect to the design professional.

The ABA may enter into an agreement with any of the above exempt institutions to provide reviews and approval of all capital improvements. Once an entity enters into an agreement with the ABA, the mandates under the Arkansas Building Authority Minimum Standards and Criteria (ABAMSC) become applicable to the institution's project.

ABA Regulations

State agencies under ABA jurisdiction must adhere to the Arkansas Building Authority Minimum Standards and Criteria (ABAMSC), which can be found at www.arkansasbuildingauthority.com. The regulations pertaining to the selection of design professionals is located in ABAMSC §6-100 through 106. The fee schedules and other issues regarding the contracting of design professionals can be located in §6-200 through §6-222. Exception: Entities utilizing alternative delivery methods shall follow the selection and contract award process as Stated in ACA §19-4-1415.

Code Provisions

ACA §22-9-101 and §22-2-113 sets forth when registered design professionals should be utilized for State capital improvement projects.

Payments

Capital improvement payments are processed through the State of Arkansas' accounting system. Agencies are solely responsible for making timely payments pursuant to their professional services agreement.

PLEASE NOTE: Details of Construction (bidding/contract awards/project observations), Design Services (Architectural/Engineering/Other Consultants), Real Estate Services (Leasing/Sale & Purchase of Property), etc. may be viewed on the Arkansas Building Authority Web site at: www.arkansasbuildingauthority.com

19-4-1416. Job order contracting.

(a) For purposes of this section:
(1) "Job order contracting" means the acquisition of contracting services using a selection method that requires contractors to submit qualifications and prices based on wage rates inclusive of fringes and burden, plus a pricing matrix for markups on materials and subcontractors.

(2)(A) "On-call contracting" means the ability of the State agency or institution of higher education to continue to call upon the successful bidder to conduct additional construction services as required by the State agency or institution of higher education.

(B) The contractor shall be required to bid all subcontractor work and the agency or the institution of higher education shall receive and open the bids with the contractor present at bid opening date.

(b) The agency or institution of higher education may supply all materials for the work with no additional markup if the materials may be purchased off State contracts at a lesser price than the contractor would be able to procure.

(c)(1)(A) After a State agency or institution of higher education has prepared appropriate scope documents and achieved appropriate reviews, it shall advertise for bids and award and file contracts for the contemplated work as identified in §§ 19-4-1401 - 19-4-1405.

(B) Additional work may be awarded based upon the initial bid within the fiscal year.

(2)(A) The bidder may not submit a multiplier representing estimated cost inflation as part of the formal bid process.

(B) The bid will represent the fixed price amount for the fiscal year.

(3) The most qualified bidder offering the best value for the institution shall be selected to perform the construction services identified in the construction specifications.

History. Acts 2003, No. 1476, § 1.

PLEASE NOTE: Also refer to R1-19-4-524

SUBCHAPTER 15 PROPERTY AND EQUIPMENT INVENTORY

19-4-1501. Uniform system of perpetual inventory.

The Chief Fiscal Officer of the State shall prescribe and establish a uniform system of perpetual inventory for property and equipment with a central control being established and maintained in the department. In connection therewith, the Chief Fiscal Officer of the State shall:
(1) Prescribe the procedure of accounting and reporting for the sale, trade-in, exchange, discarding, junking, or other disposal of property and equipment and the system for receiving credit for lost, stolen, or damaged property and equipment. All State agencies shall be required to report promptly, upon forms approved by the Chief Fiscal Officer of the State, all such property or equipment disposed of, lost, or damaged;

(2) Require that the addition and disposition of all new property or equipment added, including purchase, trade-in, exchange, or transfer, or by constructing or making such property or equipment, shall be promptly reported upon such forms and in such detail as shall be required; and

(3) By regulation, distinguish between items of equipment, and consumable supplies or goods, and such minor tools, materials, and parts as shall be deemed by him to be expendable within a reasonable period of time. He may also prescribe that minor equipment costing less than some minimum amount shall not be included in the perpetual inventory.

History. Acts 1973, No. 876, § 26; A.S.A. 1947, § 13-352; Acts 2001, No. 1453, § 42.

19-4-1502. Duty to keep record.

It shall be the responsibility of the executive head of each State agency to keep and maintain a record of all property of the agency, belonging to the State of Arkansas. The executive head of each agency shall be held accountable for all State property under his control and shall be responsible for keeping and maintaining a record of all the property.

History. Acts 1973, No. 876, § 26; A.S.A. 1947, § 13-352.

19-4-1503. Transfer or sale.

The Chief Fiscal Officer of the State, in order to expedite the necessary work of any State agency or to eliminate duplication and promote economy and efficiency, may do the following:

(1) Transfer property and equipment, including furniture, fixtures, and any and all kinds of office equipment and supplies from one (1) agency to another if the property or equipment of the agency from which the transfer is made is not needed by the agency at the time of the transfer; or

(2) Sell surplus property and equipment of any agency at a reasonable fair value thereof as authorized by § 25-8-106.

History. Acts 1973, No. 876, § 26; A.S.A. 1947, § 13-352.

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R1-19-4-1503 Property Management

Responsibility

It is the responsibility of the executive head of every State agency, board or commission, regardless of whether they participate in the AASIS to maintain a record of all property of the agency belonging to the State of Arkansas.

All new acquisitions shall be promptly added to the detail of capital assets and all items transferred, lost, stolen, destroyed or sold must be promptly removed from the detail of capital assets. General information and guidance on capital assets is located in the Capital Asset Guidelines P1-19-4-1503 (Capital Assets Guidelines Hyperlink).

Also included in the appendix are asset category definitions, capitalization/tracking thresholds, depreciation methodologies and examples of expenditures for each class of assets. All user agencies and service bureau agencies shall record their capital assets on the AASIS based on established tracking and capitalization thresholds located in the Capital Asset Guidelines. Detailed instructions on adding or removing capital assets are located under Asset Management on the AASIS web site at http://www.aasis.State.ar.us/Training/CourseWare/CWareAM.htm. Reporting agencies shall record their capital assets on their books of record based on established tracking and capitalization thresholds located in the Capital Asset Guidelines. (HYPERLINK)

Capital Assets Defined

Capital assets include: land, land improvements, buildings, building improvements, construction in progress, equipment, infrastructure, easements, works of art historical treasures and any other tangible or intangible assets used in operations with an initial useful life in excess of one year.

PLEASE NOTE: Capital assets may include leased assets. For guidance on the potential capitalization of leased assets, see R1-19-11-238 for guidelines on leases of tangible personal

property (equipment) and R1-22-2-114 for guidelines on leases of office space, buildings, structures, parking lots and grounds.

Capital assets purchased should be recorded and reported at their historical costs, which include the vendor's invoice, sales tax, initial installation cost, modification cost, attachments, accessories or apparatus necessary to make the asset usable and render it in service. Historical costs also include ancillary charges such as freight and transportation charges, site preparation costs and professional fees. Capital assets donated should be recorded at fair market value at the time of donation.

PLEASE NOTE: The book value of assets shall never be increased to reflect appraised value, insurance value, etc.

<u>Low Value Items</u>

Although capital assets costing less than the capitalization/tracking threshold as detailed in the Capital Asset Guidelines Appendix are not considered capital assets for financial statement reporting purposes, the executive head of each State institution, department, board, commission or other State agency is not in any way relieved of the duty to account for all State property under his/her control regardless of the dollar value. Items costing in excess of $500 particularly susceptible to pilferage such as tools, computers, electronic equipment, etc., shall continue to be maintained on capital asset records as Low Value in order to prevent losses and to maintain proper accountability. Items costing less than $500 individually that are part of or used with a group or set such as kitchen utensils, groups of chairs, hospital linens should be capitalized in groups or sets at total cost as Low Value Collective items. A listing of the contents of the aforementioned sets or groups should be maintained by the agency for internal control and audit purposes.

<u>Donated Items</u>

A donation is defined as a voluntary non-exchange transaction entered into willingly by two or more parties. Both parties may be governments or one party may be a nongovernmental entity, including an individual. Equipment donated to State agencies shall become property of the State and shall be accounted for and disposed of according to the procedures set forth for property of the State.

Donors may set restrictions on the use and disposition of property donated. In such instances the donor's guidelines shall be followed. Adequate records must be maintained to demonstrate the guidelines were followed.

All donated equipment shall be valued and placed on the agency's capital asset records at the fair market value of the donated property at the time the donation is received. Donated items determined to have no value for its manufactured purpose shall be treated as consumable material, (i.e. donated items used for parts or training aids).

PLEASE NOTE: A voluntary contribution of resources between State agencies is not a donation. Such transaction should be accounted for as a transfer.

Confiscated Assets

Although not voluntary, confiscated assets awarded to an agency by judicial decision are accounted for in the same manner as donations.

Loaned Assets

Loaned assets are assets that are possessed but not owned by an agency. The agency may have fiduciary or administrative responsibility for such assets, but the agency only has temporary control of the asset and does not hold the asset's title or other ownership responsibility. These assets include, but are not limited to, art collections owned by families, estates or others as well as equipment on loan from the federal government. Such assets shall not be included in the agency's capital asset records.

Other adequate supplemental records must be maintained by the agency on assets loaned (not donated) to the agency. The records must include an acquisition date, an adequate description of the property, location, if feasible, serial number, if applicable, the entity that owns the asset. Such information may be required to be reported to the Department of Finance and Administration – Office of Accounting –Comprehensive Annual Financial Report (CAFR) Section-(DFA-OA-CAFR Section) - in the Year-End Disclosure Package.

The assets shall be subject to all other property procedures of the agency including, but not limited to, inventory and lost/stolen procedures.

State Owned Motor Vehicles

Motor vehicles shall be recorded and maintained in the capital asset records of the State Financial Management System. Refer to R1-19-4-903 and the Department of Finance and Administration – Office of Information Services website http://www.state.ar.us/dfa/info_svcs/index.html for additional information on motor vehicles.

Capital Asset Additions

All additions are to be promptly added to the agency's detail of assets in the State Financial Management System. In the event that assets, which should have been added, are not included on AASIS prior to the end of the fiscal year the agency shall remit a complete "Create Asset Master Record " form located at http://www.arkansas.gov/dfa/aasis_forms/formsassetchangetrnsfretire.html to the DFA-OA-CAFR Section for each capital asset to be added to AASIS. The DFA-OA-CAFR Section will complete the necessary transactions to add the asset to the agency's capital asset records.

Depreciation

Generally Accepted Accounting Principals require capital assets to be reported and depreciated over their estimated useful life in the government-wide financial statements. Capital assets that are inexhaustible are not depreciated.

The purpose of depreciation is to spread the cost of the asset over the asset's economic life. The straight-line depreciation method will be used to calculate depreciation. Depreciation data will be calculated and stored by AASIS for each eligible asset of user agencies and service bureau agencies. Reporting agencies shall have a GASB 34 compliant fixed asset system to record fixed assets and calculate depreciation data. Accumulated depreciation shall be summarized and posted to the accounting general ledger of the State Financial Management System.

Each State agency, board or commission shall utilize the estimated useful lives outlined in the useful life appendix (P2-19-4-1503 HYPERLINK). Additionally, each agency shall annually evaluate the estimated useful lives assigned to their assets to ensure depreciation is spreading the cost of the asset over the asset's economic life. If the current estimated useful life varies more that one year from the estimated useful life assigned to the asset, the agency shall request approval from DFA-OA to change the estimated useful life. Upon approval the estimated useful life of the asset will be changed and the related accumulated depreciation and depreciation expense will be adjusted on a prospective basis.

Equipment Transfers - Inter-Agency

The transfer of equipment accountability from one agency to another agency shall be approved by the DFA Director prior to the transfer. (ACA 19-4-1503)

If the transfer involves the transfer of funds, the agency wishing to transfer the asset shall submit a request to sell the asset to the Department of Finance and Administration Office of State Procurement Marketing and Redistribution (DFA-OSP-M&R) and the agency wishing to receive the asset shall submit a letter of acceptance to DFA-OSP-M&R. Upon receipt of sale approval (by the selling agency) and invoice (by the receiving agency), the agency receiving the asset may transfer the asset value to their capital asset records.

If the transfer does not include the transfer of funds, a transfer request including an acknowledgement from the receiving agency, board, commission or institution shall be submitted to the Department of Finance and Administration-Office of Accounting-Reconciliation Section as the DFA Director's designee for approval. Upon receipt of an approved transfer request the agency receiving the asset may transfer the asset value to their capital asset records and if a reporting agency, the agency transferring the asset may remove the asset from their capital asset records.

Removal of Equipment

Upon determination by the owning agency that property is no longer usable in its original State or no longer needed, Department of Finance and Administration, Office of State Procurement, Marketing and Redistribution Section (DFA-OSP-M&R) should be contacted for proper disposition (disposal, cannibalization or sale). See additional instructions in R1-19-11-243 Marketing and Redistribution.

Lost/Stolen Property

When an agency is unable to locate property contained on its capital asset records, the following possibilities must be considered:

1. The property was turned in to the proper disposal agency and the property records were not correctly posted.

2. The location of the property on the records is wrong or it was relocated and the new location was not recorded on the records.

3. The property has been lost.

4. A theft has occurred.

When property on record cannot be located, the executive head of the agency should immediately appoint an individual with supervisory or managerial responsibility to investigate the case and present the facts. A memorandum from the executive head of the agency should be written to the appointed individual notifying the individual of his/her investigative duties. The appointed individual should proceed in the following manner:

1. Obtain the full identification of the missing property and last recorded location from the agency property records.

2. Check the last recorded location and adjacent areas. An interview should be conducted with all individuals assigned to the area where the missing property was last located according to the property records.

3. Conduct a search of property disposal and transfer documents to see if the property could have been turned in to Marketing and Redistribution or transferred to another agency.

4. Establish whether the property involved may have been temporarily loaned to other activities. If so, the activities identified should be searched in an attempt to locate the missing property.

5. If the above actions fail to locate the missing property, all areas occupied by the agency should be searched beginning with the activities most likely to have a use for the property.

6. If, at any time during the investigation, it is suspected that a theft has occurred; the matter should immediately be brought to the attention of the agency executive head. If, after notification the agency executive head also suspects theft, the appropriate law enforcement official(s) should be contacted for investigation and further action as warranted.

7. If, at any time during the investigation process, the missing property is located; the proper location shall be recorded on the property records. At the conclusion of the investigation the appointed investigator shall submit a final investigation report outlining the circumstances surrounding the case and recommendations to the agency executive head for any action deemed necessary.

If the agency executive head is satisfied that the missing property cannot be located after the investigation report, a "Credit for State Property" Form (P3-19-4-1503) along with copies of the investigation report and the police report in the case of stolen property shall be prepared and submitted to the Department of Finance and Administration – Office of Accounting, Administrator as the DFA Director's designee for approval. Upon receipt of an approved

"Credit for State Property" Form P3-19-5-101 HYPERLINK the agency may remove the missing property from the capital asset records. This approval becomes part of the documentation to be used on the audit of the agency's property records by the Division of Legislative Audit. The agency executive head shall take any action he/she considers appropriate to prevent recurrence. (ACA 19-4-1501)

SUBCHAPTER 16 SALARIES AND PAYROLL DISBURSEMENT

19-4-1601. Regular salary procedures and restrictions.

(a) This section shall be known as and may be cited as the "Regular Salary Procedures and Restrictions Act" of Arkansas.

(b) The Arkansas Constitution, Article 16, § 4, provides that the General Assembly shall fix the salaries and fees of all officers in the State, that no greater salary or fee than that fixed by the law shall be paid to any officer, employee, or other person, or at any rate other than par value, and that the number and salaries of the clerks and employees of the different departments of the State shall be fixed by law. Therefore, the following provisions shall be applicable to all authorized regular salary positions in appropriation acts unless specific exception is made otherwise by law:

(1) For any position authorized by the General Assembly of the State of Arkansas for the benefit of any agency or program for which the provisions of the Uniform Classification and Compensation Act, § 21-5-201 et seq., are to be applicable, it is declared to be the intent of the General Assembly that the uniform act shall govern with respect to:

(A) The entrance salary step;

(B) The frequency with which step increases may be granted; and

(C) The maximum annual salary that may be paid for the grade assigned each employee under the provisions of these statutes;

(2) For any position authorized by the General Assembly for the benefit of any agency or program for which a maximum annual salary is set out in dollars, it is the intent of the General Assembly that the position is to be paid at a rate of pay not to exceed the maximum established for the position during any one (1) fiscal year;

(3)(A) For all positions authorized by the General Assembly for any agency or program, it is the intent of the General Assembly that in determining the annual salaries of these employees, the administrative head of the agency or program shall take into consideration ability of the employee and length of service.

(B) It is not the intent of the General Assembly that the maximum annual salaries as authorized in the appropriation act, or step increases established for the various grades under the provisions of the Uniform Classification and Compensation Act, § 21-5-201 et seq., be paid unless the qualifications are complied with and then only within the limitations of the appropriations and funds available for this purpose.

(C) No employee authorized by the General Assembly shall receive from appropriated or cash funds, either from State, federal, or other sources, compensation in an amount greater than that established by the General Assembly as the maximum annual salary for the employee unless specific provisions are made therefor by law;

(4) No employee of the State of Arkansas shall be paid any additional cash allowances, including, but not limited to, uniform allowance, clothing allowance, motor vehicle depreciation or replacement allowance, fixed transportation allowance, and meals and lodging allowance, other than for reimbursement for costs actually incurred by the employee unless the allowances are specifically set out by law as to eligibility of employees to receive allowance and the maximum amount of the allowances are established by law for each employee or for each class of employee eligible to receive such allowances.

History. Acts 1973, No. 876, § 23; A.S.A. 1947, § 13-349.

III – Chapter 13 Teri

R1-19-4-1601 Payroll Responsibility and Authority

The Department of Finance and Administration - Office of Personnel Management (DFA-OPM) has the overall responsibility for management of the State's payroll (ACA §21-5-207). DFA-OPM- Payroll Section is responsible for executing payrolls, paying human resource vendors, reporting taxes and associated taxable income to federal and State tax authorities, and providing technical assistance for agencies that use the Arkansas Administrative Statewide Information System (AASIS).

User agencies are responsible for creating and updating financial, human resource, and employee benefits master data for AASIS. DFA-OPM-Payroll Section is responsible for creating and updating human resource master data for AASIS for service bureau agencies. A tutorial on payroll can be accessed at the following website: http://www.aasis.State.ar.us. The DFA-OPM Policies and Procedures Manual can be accessed at: http://www.arkansas.gov/dfa/opm/manual_index.html.

Bi-Weekly Pay Periods Not Within a Single Fiscal Year

In the event that a pay period for regular salaries and extra help commences in the closing period of one fiscal year and extends into the following year, and the pay period is bi-weekly, then the payment of such obligation may be made in whole from the appropriation for either fiscal year as determined by the Chief Fiscal Officer of the State. However, both appropriation and funds must be available in the fiscal year against which the payroll is to be processed (ACA §19-4-702).

R2-19-4-1601 Year-end Reporting for the Comprehensive Annual Financial Report

Payroll expense incurred but unrecorded at year-end is termed "accrued payroll expense." Accrued payroll expense is a liability and expense that will need to be recorded at year-end during the closing process by each agency. Salary and retirement information will be provided to each agency by the Department of Finance and Administration – Office of Accounting at year-end for verification. This information will provide the proper balance for the accrued payroll expense account. Each agency will be required to enter the journal entries to adjust this account as follows:

Debit 5010001100 NBR Personal Services Current Year accrued salary expense

Debit 5010001600 NBR Employee Benefits Current Year accrued retirement and payroll tax expense

Credit 2115006000 Accrued Salary & Benefits XXX

(To record the year-end accrual)

R3-19-4-1601 Payments for Personal Services not Considered Payroll Items

Contract Labor

Occasionally, an agency will undertake special programs or be subjected to seasonal fluctuations that temporarily increase the workload beyond the capabilities of the agency's regular staff. Situations of this nature may necessitate the hiring of "contract labor" to be paid for out of the maintenance and operations line item of the agency's appropriation. Contract labor is not to be paid for out of regular salaries or extra help line items because the contract labor is employed by and paid by the contract labor service and not the user agency. The user agency will be billed for the services by the contract labor service. Labor of this type must be considered temporary and infrequently needed. Contract Labor is paid from Commitment Item 02-Maintenance and Operation.

In order to prevent the circumvention or violation of the law or its intent, it has been determined that no agency subject to this act may employ contract labor for a period longer than six consecutive weeks or 240 hours per calendar quarter. If help is needed more often, the agency must request additional positions and employ full-time or extra help personnel to be paid in accordance with §ACA 21-5-101 and §ACA 21-5-209.

19-4-1602. Payroll deductions.

(a) Deductions from the payrolls of State employees, both regular and extra help, are authorized only for the following purposes:
(1) Withholding taxes;

(2) Social security contributions;

(3) Contributions to any State retirement system or approved plan of deferred compensation;

(4)(A) Group hospital, medical, and life insurance deductions.

(B) However, any payroll deductions through the Arkansas State mechanized payroll system for State employees for coverages other than the State-authorized plan shall be approved by the State and Public School Life Insurance Board;

(5) Payments to State employees' credit unions;

(6) Value of maintenance perquisites;

(7) Payment of union dues, when requested in writing by State employees;

(8) Purchase of United States Government savings bonds;

(9) Arkansas State Employees Association, Inc., dues, when requested in writing by those State employees;

(10) Fees for participation in the State Employees Benefit Corporation, when requested in writing by those State employees;

(11) Contributions to the major federated fund-raising organization, when authorized by those State employees;

(12) Arkansas State Police Association dues, when authorized in writing by those State employees;

(13) Fraternal Order of Police dues, when requested in writing by those State employees;

(14) Central Arkansas State Troopers Coalition dues, when authorized in writing by those State employees;

(15) Arkansas Rehabilitation Association dues, when authorized in writing by those State employees;

(16) Correctional Peace Officer Foundation dues, when authorized in writing by those State employees;

(17) Department of Correction employee association dues, when requested in writing by those employees;

(18) American Association of University Professors dues, when requested in writing by those employees; and

(19) For such other purposes as are specifically authorized by law but not enumerated in this subsection.

(b) If a State employee authorizes in writing the payroll deduction of dues of any union or professional association representing the employee, the agency shall deduct the dues from the payroll of the employee and remit the dues to the organization.

(c) Deductions authorized by this section shall be made in compliance with rules, regulations, and procedures established by the Chief Fiscal Officer of the State.

History. Acts 1973, No. 876, § 23; 1975, No. 881, § 1; 1981, No. 251, § 1; 1983, No. 164, § 1; A.S.A. 1947, § 13-349; Acts 1987, No. 18, § 1; 1987, No. 646, § 3; 1989, No. 506, § 1; 1995, No. 1122, § 1; 1997, No. 747, § 1; 2001, No. 166, § 1; 2003, No. 1795, § 1.

R1-19-4-1602 State Insurance Contribution Payments

Payments by agencies and institutions participating in benefits offered by DFA – Employee Benefits Division (DFA-EBD) shall be made payable to the DFA-EBD vendor set up for voluntary products for State insurance contribution payments (currently vendor number 9990386 in AASIS). Invoices entered into AASIS with a payment method of "A" will be direct deposited into the State Employee Benefits Trust Fund Account by Automatic Clearing House transaction. Invoices with a payment method of "W" will produce a warrant, which should be delivered by hand or mailed to DFA-EBD. The payment will be processed and manually

deposited in the State Employee Benefits Trust Fund Account. Payments not received by DFA-EBD by the due date will be subject to penalties and benefit termination.

Supportive Papers for State Contribution Payments

No supportive documents are normally required to be submitted with the State contribution payments; however, agencies that are paying a different amount for added extra help positions than the amount billed should submit a copy of the billing, along with the changes/corrections, to DFA-EBD. Any permanent budgeted position changes/corrections should be reported to the DFA - Office of Budget for future billings. It remains the agencies' responsibility to retain all appropriate supporting documentation in their files for audit purposes.

Agencies participating in the DFA - Employee Benefits Division health and life insurance plans are required to enroll, and maintain records for eligible employees. Employee benefit master data shall be maintained as required by Employee Benefits Division for the purposes of eligibility and employer matching contributions.

R2-19-4-1602 Retirement Contributions

Agencies participating in the Arkansas Public Employees Retirement System (APERS) are required to monitor regular and extra help hours for all positions to comply with employer retirement matching contribution requirements, and balance Arkansas Public Employee Retirement monthly reports. Agencies are required to submit employee contributions and employer matching payments within 10 calendar days after each payroll processing date. Agencies shall receive preprinted remittance forms from APERS, and will be provided additional forms as requested. Generic remittance forms may be found at http://www.apers.org/pdf/form_remittance.pdf (hyperlink) for emergency use. Complete the agency name, payroll cycle and agency number when using these generic forms. Reporting instructions are available at http://www.apers.org/employerassistance_p1.html ((hyperlink).

CSH 2/20/0*4 Part II Chapter Twelve*

R3-19-4-1602 Deferred Compensation Plans

Authority

Arkansas Annotated Code 21-5-504 States:

"(a) The State or any county, city, town, or other political subdivision may agree, by contract, with any employee to defer, in whole or in part, any portion of that employee's future compensation to a deferred compensation program.

(b) (1) The Plan Sponsor of the deferred compensation program may:

(A) Contract for, purchase, or otherwise procure annuity contracts for the deferred compensation program; and

(B) Through a trust or custodian (Plan Administrator), contract for, purchase, or otherwise procure fixed or variable life insurance contracts, mutual funds, pooled investment funds, or such other investment vehicles that comply with State and federal laws and which permit the deferral of compensation for income tax purposes.

(2) If an annuity or life insurance contract is purchased, then it must be purchased from an insurance company licensed to contract business in this State, and any insurance agent selling such contracts must be licensed by this State."

History. Acts 1975, No. 669, § 1; A.S.A. 1947, § 12-1618; 2001, No. 1596, § 1.

<u>Purpose</u>

The purpose of the Arkansas Diamond Deferred Compensation Plan ("the Plan"), formerly the State of Arkansas Deferred Compensation Plan is to provide employees and independent contractors of the State of Arkansas and its political subdivisions with a convenient way to save on a regular long-term voluntary basis to provide supplemental income for their retirement. The Plan is intended to satisfy the requirements for an "eligible deferred compensation plan" under Section 457 of the Internal Revenue Code of 1986, as amended, established and maintained by and for the State of Arkansas, its political subdivisions, and any agency or instrumentality of the State of Arkansas or its political subdivisions. All amounts of compensation deferred under the Plan and all income attributable thereto shall be held for the exclusive benefit of participants and their beneficiaries and alternate payees.

In order to make deferral contributions to the Plan, an employee or independent contractor must enter into a deferral agreement, which shall become effective as soon as administratively feasible after the deferral agreement is entered into by the employee or independent contractor.

The operation and administration of the Plan shall be the responsibility of the Executive Director, Employee Benefits Division, Department of Finance and Administration of the State of Arkansas or the person or persons designated by the Executive Director to act on his or her behalf.

The Executive Director shall, in his or her sole and complete discretion, determine both the financial organizations, which provide investment funds to the Plan, and each individual investment fund offered as an investment option under the Plan. Investment funds may include annuity contracts, fixed or variable life insurance contracts, mutual funds, pooled investment funds or such other investment vehicles that comply with Arkansas and federal laws and which permit the deferral of compensation for income tax purposes when held in a custodial account for the Plan.

Term Definitions

Employee – Any employee who is employed by an Employer and is characterized as a common law employee under Arkansas law.

Employer – The State and any Participating Employer.

Independent Contractor – An individual who performs services for an Employer as an independent contractor.

Participant – An individual who is or who has previously deferred compensation under the Plan pursuant to a deferral agreement and who has not received a distribution of all of his or her accounts under the Plan.

Participating Employer – Any political subdivision of the State and any agency or instrumentality of the State or a political subdivision of the State, the governing body of which has adopted the Plan by appropriate resolution or other legal action with the consent of the Executive Director and, in any case where a resolution or other legal action of such governing body is required by law to be approved by any other body or officer, with the written approval of such other body or officer.

Plan Administrator – Citistreet (Third Party Administrator)

Plan Sponsor – Employee Benefits Division

Regulations

Regulations have been established as broad guidelines for State employees' eligibility to participate in the Arkansas Diamond Deferred Compensation plans:

The Employee Benefits Division (EBD) of the Department of Finance and Administration (DFA) has sponsorship oversight of this plan. As such, EBD may enter into a contract or contracts with Plan Administrators to conduct the daily work of The Plan and also hire a consultant as an advisor in these matters.

EBD shall require that the Plan Administrator obtain official permission from each employee participating in the plan to authorize salary reduction and contributions into the plan and that the Plan Administrator be responsible for compliance with the Plan Document (on file at EBD) and State and Federal regulations.

Regarding the employee's opportunities to participate in plans:

All State employees (including physicians who receive State Medicaid funds) are to have equal opportunity to participate in any deferred compensation plan and any options or benefits

related to such plan as has been approved. Any employee hired after the plan is effective is to be informed of the plan at the onset of their employment.

EBD is responsible for seeing that a proper, unbiased, educational program is made available to eligible employees to inform them of the pertinent information relating to the plan or plans in which they may participate. This educational program may take the form of an instructional seminar for all eligible employees, a direct mailing to all eligible employees, or both. The seminar approach is recommended where practicable because it affords the employee the opportunity to ask questions and have direct contact with persons knowledgeable on the subject.

Regarding control of funds:

EBD acts as the Plan Sponsor to the Third Party vendor (Plan Administrator) that manages the funds allocable to any deferred compensation plan or plans in which State employees participate.

When a salary reduction agreement exists, the employee's Federal and State Income Tax withholding will be computed on the net salary after the amount of the salary reduction is applied. The salary reduction will be deducted each payroll from the employee's pay and paid to the third party vendor by the DFA - Office of Personnel Management Payroll Systems. Records of such deductions are maintained on AASIS in the employee's payroll result table. AASIS also maintains a record of the third party payment to the vendor.

Payment of contributions for investment in the Plan investment options on behalf of participating employees will be made promptly, preferably by secure electronic funds transfer (EFT).

Complete records of salary payments, salary reduction amounts, and investment elections will be maintained. Federal and State taxable wages are reported annually in boxes one (1) and sixteen (16) of Internal Revenue Service W-2 forms. The amount of salary reduction far a deferred compensation plan is reported in box twelve (12).

The Plan Administrator is responsible for making prompt payment of any benefits to which the employee or former employee is entitled under the terms of the contract. The Plan Administrator shall maintain complete and accurate records of such payments.

Any benefits forfeited by any State, county, city, town or other political subdivision employee under a deferred compensation agreement shall become the property of the unit of government for which the employee worked and shall be considered general revenues. (The

likelihood of this is small, as the Plan requires participants to name a beneficiary to receive the account balance in the event of the participant's death. If no beneficiary is on file, plan assets will become part of the deceased's estate.)

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R4-19-4-1602 Workers' Compensation Premium Tax

The Workers' Compensation Premium Tax was established to provide funding for the Workers' Compensation Commission. Such tax is required to be paid by all insurance carriers, self insurers and public employers not obtaining Workers' Compensation Insurance from an insurance carrier. On or before March 1st of each year the Workers' **Compensation Commission** ***shall certify the rate of taxation, not to exceed 3%, for the preceding year to the Insurance Commissioner. The Insurance Commissioner shall notify the Insurance Department – Public Employee Claims Division of the rate of the tax. (ACA §11-9-306 (a-d), ACA §11-9-306 (e) (3)) (HYPERLINK) Also refer to ACA§11-9-303 for limit on tax.***

The tax calculation is based upon the following formula:

$$\frac{\textit{Salaries for Calendar Year}}{\$100} \times \textit{Statewide Average Compensation Rate as promulgated by the National Council on Compensation Insurance (NCC)} \times \textit{Tax Rate}$$

The salaries within the formula are all taxable wages and salaries for the employees of the public entity including any non cash taxable wage such as clothing and housing allowances. The NCCI Average Compensation rate is determined from the published rate in effect on January 1 of the year the tax is based (i.e., calendar year 2003 salaries and January 1, 2003 NCCI Average Compensation rate will be the basis for the 2003 taxes collected). (ACA §11-9-305 (a)(2)(B))

After the "Computation of the Worker's Compensation Premium Tax" Form P2-19-4-1602 (HYPERLINK)is received from the Insurance Department - Public Employees Claims Division, the agency or institution shall prepare a warrant(s), check(s) or fund transfer as specified by the Insurance Department - Public Employees' Claims Division for remittance. Payments must be made in accordance with salary appropriations received

The tax filing must be completed on the form received from the Insurance Department - Public Employees Claims Division according to the instructions provided. The form,

including certifying signature with all warrants and/or checks, shall be submitted to the Insurance Department - Public Employee Claims Division, 1200 West Third Street, Suite 201, Little Rock, AR 72201-1904. The tax payment is due to the Insurance Department - Public Employees Claims Division annually on or before April 1st. Any questions regarding payment shall be addressed to the Insurance Department - Public Employee Claims Division. (ACA §11-9-306(f))

PLEASE NOTE: Workers Compensation Premium Tax is based on the gross payroll and is considered an employment cost as a "Matching" payment. It is paid from Commitment Item 03 using AASIS GL account number 5010010000.

An agency or institution's failure to pay the tax may result in decertification of the public employer from participation in the State Workers' Compensation Program which would require that agency or institution obtain workers' compensation coverage for its employees from the private insurance market for one full year. (ACA §11-9-305(b))

The Insurance Department - Public Employees Claims Division allocates the tax and remits the payments to the Workers' Compensation Commission on or before April 1st of each year. (ACA §11-9-306 (e) (3))

<u>Year-end reporting</u>

Because the Workers' Compensation Premium Tax is paid on a calendar year basis and the State has a fiscal year, which differs from a calendar year, an estimate of the amount of premium tax to be paid for the period from January through June shall be recorded while completing fiscal year-end adjusting entries. The estimated tax due is calculated by the Workers' Compensation Commission – Administrative Services. The amount of each agency's estimate shall be communicated to the respective agency by the Workers' Compensation Commission – Administrative Services on or before July 20th.

As with all year-end accrual entries the accrual entry should be entered with a FBS1 Enter Accrual/Deferral Document Transaction with a reversal date the first day of the following fiscal year (07/01/20XX). Although the previous year's accrual entry to record the estimated premium tax should have been reversed in the current year, the account should be reviewed to determine this occurred. If the previous year's entry has not been reversed, the previous year entry should be reversed in the current period. The current year estimate should be recorded in non-budget relevant accounts in period 13 in funds that correspond to salary appropriations. (See addition information and instructions in R2-19-4-506 and P1-19-4-2004.) The amounts recorded for each fund shall also be detailed on the Intergovernmental Transactions (Igt's) – Receivables/Payables Form in the Year-End Disclosure Package. The journal entry should use the following accounts:

DR 5010001100 NBR – Personal Service – Payroll

CR 2110004100 Inter-agency Due to Other Agency

To record accrued workers compensation premium tax accrual.

19-4-1603. Procedures for position control.

(a) The Chief Fiscal Officer of the State shall establish procedures for exercising position control applicable to those state agencies subject to the provisions of § 21-5-201 et seq.
(b) Exercising position control shall be interpreted as follows:

(1) The Chief Fiscal Officer of the State shall assign a position control number to each line-item position authorized for the applicable agencies;

(2) The Chief Fiscal Officer of the State shall establish reporting procedures so that agencies shall provide complete reports to the department on the use of all authorized positions;

(3) The Chief Fiscal Officer of the State may restrict an agency's use of authorized positions only after finding that the agency is in financial difficulty and after invoking the fiscal controls provided in § 19-4-701 et seq. and § 19-4-1201 et seq.

History. Acts 1973, No. 876, § 23; A.S.A. 1947, § 13-349

19-4-1604. Salary from two agencies.

(a) Except as provided in subsection (b) of this section, no person drawing a salary or other compensation from one (1) state agency shall be paid salary or compensation, other than actual expenses, from any other agency except upon written certification to and approval by the Chief Fiscal Officer of the State and by the head of each agency, stating that:
(1) The work performed for the other agency does not interfere with the proper and required performance of the person's duties; and

(2) The combined salary payments from the agencies do not exceed the larger maximum annual salary of the line-item position authorized for either agency from which the employee is being paid.

(b)(1) This section does not prohibit state employees from contracting to temporarily teach as adjunct faculty at a state-supported institution of higher education and thereby receive combined salary payments from the two (2) agencies in excess of the larger maximum annual salary of the line-item position authorized from either agency.

(2)(A) This section does not prohibit part-time or job-share public defenders from receiving compensation from an appellate court for work performed in connection with an indigent's appeal to the Arkansas Supreme Court or the Arkansas Court of Appeals.

(B) Persons employed as full-time public defenders who are not provided a state-funded secretary may also seek compensation for appellate work from the Arkansas Supreme Court or the Arkansas Court of Appeals.

History. Acts 1973, No. 876, § 23; A.S.A. 1947, § 13-349; Acts 1995, No. 403, § 1; 2001, No. 1370, § 1.

19-4-1605. Payment from multiple funds.

In those instances where a State agency has approved line-items for salaries which are payable from more than one (1) fund, the Chief Fiscal Officer of the State shall be authorized to establish a paying account on his books and on the books of the Treasurer of State and Auditor of State from which all such salaries may be paid, with provisions for reimbursing the paying account by directing the transfer of the necessary funds and appropriations on the books of the Treasurer of State, the Auditor of State, and the Chief Fiscal Officer of the State.

History. Acts 1973, No. 876, § 23; A.S.A. 1947, § 13-349.

19-4-1606. Review of payroll required.

(a) The Department of Finance and Administration shall review the payroll of State agencies covered by the provisions of the Uniform Classification and Compensation Act, § 21-5-201 et seq., with respect to the salaries of all employees of affected State agencies. This review shall determine the correctness of each payroll with respect to each position to assure compliance with the compensation plan and to assure that no position is being paid, during any payroll period, an amount greater than authorized in the compensation plan or the amount authorized for the position in the appropriation act applicable to the agency.

(b) Any proposed rate of pay for an employee found not to be in accordance with the provisions of the compensation act and the appropriation act governing the agency shall be changed to the appropriate rate of pay by the State agency covered by the provisions of the compensation act before the department shall approve it for payment.

(c) No payment of salary of any employee of any State agency affected by the provisions of the compensation act shall be made without the certification of correctness by the department based on its review duties as provided in this section.

(d) The department is authorized to develop and implement rules and procedures to accomplish the purposes authorized in this section.

History. Acts 1969, No. 199, § 8; A.S.A. 1947, § 12-3208; Acts 2001, No. 1453, § 43.

19-4-1607. Monthly, biweekly, weekly, and hourly salaries.

(a)(1) Except for those State agencies which operate principally on a scholastic year, or on a part-time basis, or where such salaries or personal services are specifically established for a period less than one (1) year, all salaries established by the General Assembly shall be considered to be a maximum amount to be paid for a twelve-month payroll period. No greater amount than that established for the maximum annual salary of any State official or employee shall be paid to such employee during any such twelve-month payroll period, nor shall more than one-twelfth (*1*/12) of such annual salary be paid to any such employee during any calendar month unless authorized in this subchapter.

(2) The limitations set out in this section may be converted to biweekly or weekly increments of one-twenty-sixth (*1*/26) or one-fifty-second (*1*/52) of the maximum annual salary.

(3) For complying with federal requirements, upon approval of the Chief Fiscal Officer of the State, the maximum annual salaries may be converted to hourly rates of pay for positions established on the basis of twelve (12) months or less if authorized by law.

(b) The remuneration paid to an employee of the State may exceed the maximum annual salary as authorized by the General Assembly as follows, and the following shall not be construed as payment for services or as salary as contemplated by Arkansas Constitution, Article 16, § 4:

(1) Overtime payments as authorized by law;

(2) Payment of a lump sum to a terminating employee, to include lump sum payments of sick leave balances upon retirement as provided by law;

(3) Payment for overlapping pay periods at the end of a fiscal year as defined or authorized by law;

(4) Payment for the biweekly twenty-seven (27) pay periods;

(5) Payment for career service recognition as authorized by law;

(6) Payment for career ladder incentive program bonus, as authorized by law; and

(7) Payment in accordance with special language salary provisions in individual agency appropriation acts.

History. Acts 1973, No. 876, § 23; 1975, No. 980, § 1; 1980 (1st Ex. Sess.), No. 36, § 1; 1980 (1st Ex. Sess.), No. 62, § 1; 1985, No. 637, § 1; A.S.A. 1947, § 13-349; Acts 2001, No. 1453

19-4-1608. Personal services less than 12 months.

In the event an appropriation is made for the payment of personal services, where it has been established by law on the basis of a scholastic year or for some other period less than twelve (12) months, then any person so employed may be paid from bank funds for the remainder of the year if his services are required by the State agency.

History. Acts 1973, No. 876, § 23; A.S.A. 1947, § 13-349.

19-4-1609. State-supported institutions of higher learning.

(a)(1) Pursuant to administrative procedures established by the Chief Fiscal Officer of the State, each State-supported institution of higher learning may request a salary and personal services matching or a maintenance and general operations expense disbursement procedure, or both. This procedure shall be requested, in writing from the executive head, communicated to the Chief Fiscal Officer of the State by which, effective at a date in accordance with the request, each payroll for all its salaries payable to employees or a maintenance and general operations expense of the institution and personal services matching for employees of the institution, or both, may be disbursed by the institution and paid from State agency bank funds of the institution, subject to reimbursement and correction of reporting as provided in this section.
(2)(A) The Chief Fiscal Officer of the State may approve such salary and personal services matching or a maintenance and general operations expense disbursement procedure, or both, for such reimbursement if he determines that each institution has complied with all administrative procedures established by the Chief Fiscal Officer of the State.

(B)(i) The Chief Fiscal Officer of the State may revoke any such approval by transmitting a thirty-day notice to the executive head of the institution when the Chief Fiscal Officer of the State finds that internal administrative procedures and controls of the institution are not adequate.

(ii) The Legislative Joint Auditing Committee shall advise the Chief Fiscal Officer of the State and keep him informed regarding any of its findings which may be relevant to such determination regarding these institutions.

(b)(1) Upon completion of salary and personal services matching or a maintenance and general operations expense disbursement, or both, by the institution, the disbursing officer or other appropriate official of the institution shall examine the payroll or a maintenance and general operations expense, or both, as disbursed for such amounts as are properly payable from State Treasury funds.

(2) At such time as the disbursing officer or other appropriate official of the institution examines the payroll or a maintenance and general operations expense for determining the reimbursable amount, or both, he shall also review it in order to discover any erroneous or improper payments as provided for by law. The liability for those payments shall be with the executive head of that institution and its bonded disbursing officer, or his designated bonded assistant.

(c) All salaries and personal services matching or a maintenance and general operations expense, or both, shall be subject to the restrictions and controls provided by law and the administrative procedures of the Chief Fiscal Officer of the State.

History**.** Acts 1979, No. 578, § 1; A.S.A. 1947, § 13-349.2; Acts 1989, No. 688, § 1; 1997, No. 758, § 1; 2001, No. 1453, § 45.

19-4-1610. Retroactive pay prohibited.

(a)(1) In the event that a State employee is being paid less than the maximum provided for by law, and thereafter the head of the agency provides for an increase in the rate of pay for the employee, the rate of pay shall not exceed one-twelfth (1/12) of the annual maximum amount of the salary position on which he or she is placed, for the remainder of the annual period.
(2) Payments under subdivision (a)(1) of this section shall not be made for a preceding fiscal year.

(b)(1) No increase in the rate of pay, either by paying the full amount of the maximum salary or by placing an employee in a position calling for a greater salary, shall be construed as authorizing the payment of any retroactive salary to the employee.

(2) Payments under subdivision (b)(1) of this section shall not be made for a preceding fiscal year.

(c)(1) Salary payments made to correct an administrative error shall not be considered retroactive pay, nor shall such payment be construed as exceeding the employee's maximum authorized pay.

(2) Payments under subdivision (c)(1) of this section may be made for a preceding fiscal year if:

(A) Requested within twelve (12) months of the end of the preceding fiscal year; and

(B) Upon the consent of the Chief Fiscal Officer of the State.

History. Acts 1973, No. 876, § 23; 1981, No. 741, § 4; A.S.A. 1947, § 13-349; Acts 1989, No. 629, § 10; 2003, No. 656, § 8.

19-4-1611. Supplemental payments prohibited.

In the event the General Assembly shall have established by law the maximum annual salaries for certain positions for any State agency and shall have appropriated for those positions, no greater salary than that established by law shall be paid to any person occupying the position by making supplemental payments from agency bank funds. However, the salaries may be paid partly from State-appropriated funds and partly from agency bank funds, but the aggregate of the payments shall not exceed the maximum annual salary rate, where it is established by law.

History. Acts 1973, No. 876, § 23; A.S.A. 1947, § 13-349.

19-4-1612. Overtime pay.

(a) It is the policy of the State of Arkansas that overtime pay for State employees is the least desirable method of compensation for overtime work.
(b)(1) All State departments, agencies, boards, commissions, and institutions may pay overtime to its employees, under the rules and regulations set out by the Federal Fair Labor Standards Act.

(2)(A) The Chief Fiscal Officer of the State will specify those specific employees or groups of employees other than employees of the Arkansas State Highway and Transportation Department eligible to receive overtime compensation, the circumstances under which overtime pay is to be allowed, and such other matters which the Chief Fiscal Officer of the State may deem appropriate and as necessary to comply with the Federal Fair Labor Standards Act as regards the payment of overtime compensation.

(B) The Director of State Highways and Transportation shall make these determinations as to employees of the Arkansas State Highway and Transportation Department.

(c) The rules and regulations authorized by this section shall not go into effect until the Chief Fiscal Officer of the State, or the Arkansas State Highway and Transportation Department as to its employees, has sought the advice of the Legislative Council.

(d) In the event that the Federal Fair Labor Standards Act is held, for whatever reason, to be non-applicable to State employment, then any State department, agency, board, commission, or institution may pay overtime to its employees only if the General Assembly has given authorization by an appropriation.

History. Acts 1973, No. 876, § 23; 1976 (Ex. Sess.), No. 1, § 1; 1977, No. 118, § 1; 1985, No. 820, § 1; A.S.A. 1947, § 13-349.

19-4-1613. Lump-sum terminal pay.

(a) Upon termination, resignation, retirement, death, or other action by which a person ceases to be an active employee of a State agency, the amount due the employee, or his or her State,

including any unpaid annual or holiday leave which is due in accordance with the policies of the agency and lump-sum payments of sick leave balances upon retirement as provided by law, may, and should, be included in the final pay to the employee or his or her estate for the employee's active work, even though the final payment of salary or wages may exceed one twenty-sixth (1/26) or other fractional amount based upon days, weeks, or months of the employee's annual authorized compensation at the date active employment ceases.
(b) No employee receiving such additional compensation shall return to State employment until the number of days for which he or she received additional compensation has expired.

(c) Payment of the additional compensation shall not be considered as exceeding the maximum for a position so authorized.

History**.** Acts 1973, No. 876, § 23; 1975, No. 980, § 2; A.S.A. 1947, § 13-349; Acts 2001, No. 1453, § 46.

19-4-1614. Judicial awards under federal laws.

(a) In the event an employee of the State of Arkansas, or the authorized agent of the employee, files suit against the State of Arkansas in a court of competent jurisdiction for relief under the provisions of Title VII of the Federal Civil Rights Act of 1964, as amended, or the Federal Civil Rights Act of 1866, or the Federal Civil Rights Act of 1871, or the Fourteenth Amendment to the United States Constitution, and the court finds for the employee and in so finding awards wages or salaries for personal services rendered in addition to wages or salaries already paid or due, the additional wages or salaries shall be paid from the regular salary appropriation from which the employee is normally paid. If it is found, however, that such payment will impair the regular salary appropriation, the Chief Fiscal Officer of the State shall transfer the necessary appropriation from the maintenance and general operations appropriation of the employing agency to the regular salary appropriation in order that the additional wages or salaries shall be paid.
(b) Any liquidated damages awarded by the court, pursuant to the federal laws cited in subsection (a) of this section, are to be paid in the same manner as the additional wages or salaries provided for in subsection (a) of this section.

(c) When notified that a State employee has filed suit or is in any other manner claiming redress under the provisions of the federal laws cited in subsection (a) of this section, the Chief Fiscal Officer of the State may investigate the circumstances surrounding the claim. If, based on the evidence and facts found during the investigation, the Chief Fiscal Officer of the State determines or has reason to believe that the court would sustain the employee's claim and find for the employee and in so doing award wages or salaries in addition to those paid or due for the employee's personal service rendered, then the Chief Fiscal Officer of the State shall, with the advice of the Legislative Council or the Joint Budget Committee, authorize payment of the additional wages or salaries as provided in subsection (a) of this section.

History. Acts 1973, No. 876, § 23; 1977, No. 813, § 4; A.S.A. 1947, § 13-349.

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R1-19-4-1614 Judicial Awards

Refer to R1-19-10-101 for information regarding Judicial Awards.

19-4-1615. Awards from State Claims Commission.

(a) In the event a State employee is awarded a claim by the Arkansas State Claims Commission for wages or salaries for personal services rendered for a State agency, such award shall be processed through the State mechanized payroll system.

(b) The award shall be paid from the regular salaries and personal services matching appropriation from which the employee is normally paid.

History. Acts 1995, No. 176, § 1.

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Refer to R1-19-10-101 for additional information regarding Judicial Awards.

SUBCHAPTER 17 Professional and Consultant Services

19-4-1717. [Repealed.] professional services and contracts

Act 1315 of 2003 repealed ACA §19-4-1701 - 19-4-1717, et seq. relating to professional and consulting service contracts between the State of Arkansas and all of its agencies, boards, commissions, departments and institutions. The responsibilities for the maintenance of policies and procedures for this area have thus been assigned by State statute to the Office of State Procurement. The State Purchasing Director is authorized by ACA § 19-11-1008 to adopt regulations regarding the competitive bidding process, requests for proposals, approval of professionals, etc. The regulations relative to professional and consultant services contracts can be found on the Office of State Procurement's web site at:

http://www.arkansas.gov/dfa/purchasing/contracts.html

SUBCHAPTER 18 REIMBURSEMENTS, COLLECTIONS AND REFUNDS

19-4-1801 Reimbursements and refunds generally.

(a) The Chief Fiscal Officer of the State shall prescribe the method of handling refunds and reimbursements to the State for moneys previously paid out or due the State. If no properly classified appropriation account exists on the books of the Chief Fiscal Officer of the State and Auditor of State for which the respective refund is applicable, the director is authorized to establish such appropriation account on the books of the Chief Fiscal Officer of the State, Auditor of State, and various fiscal officers.

(b) No such refunds shall cause a transfer of appropriation on the books of the Chief Fiscal Officer of the State, Auditor of State, and various fiscal officers except for:

(1) Proceeds received from insurance policies for casualty losses by State agencies;

(2) Proceeds received from vendors on account of overpayment of obligations remitted by State agencies;

(3) Refunds to State agencies for cash advances or over-allocations made to State and local agencies for sub grants;

(4) Refunds to State agencies for the erroneous payment or overpayment of salaries to State employees;

(5) Proceeds derived from the maturity or redemption of investments; and

(6) Reimbursements to institutions of higher learning for cash fund expenditures for salaries which are properly chargeable to funds in the State Treasury.

History. Acts 1973, No. 876, § 24; 1975 (Extended Sess., 1976), No. 1110, § 1; 1977, No. 437, § 2; 1979, No. 833, § 8; A.S.A. 1947, § 13-350; Acts 1987, No. 873, § 1

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R1-19-4-1801 Reimbursement of Expenses between Agencies

When one agency incurs expenses that must be shared by another agency or an agency incorrectly paid another agency's invoice, the expense to be reimbursed must be done as a hybrid refund to expenditure transaction on a Journal Entry by the Office of Accounting. The purpose of the refund to expenditure transaction is to reduce expense and restore the appropriation used on the books of the agency that paid the expense and record the expense and reduce the appropriation on the other agency's books.

Original Paying Agency

Record Revenue as Incoming Cash for a Refund to Expenditure

Debit 1100010002 - Cleared Cash for the Original Paying Fund

Credit 6080001000 - Refund to Expenditure for the Original Paying Fund

Reclassify Revenue from Refund to Expenditure to a reduction in an expense general ledger account in order to Reduce Expenditures/Restore Appropriation

Debit 6080001000 - Refund to Expenditure for the Original Paying fund

Credit 5XXXXXXXXX - Expense to be transferred from the Original Paying fund

New Paying Agency

Reduce Fund, Recognize Expense and Reduce Appropriation of New Paying Agency

Debit 5XXXXXXXXX - Expense of the New Paying Agency

Credit 1100001001 - Cleared Cash of New Paying Agency

PLEASE NOTE: See reimbursement between agencies process in appendix P1-19-4-1801 (HYPERLINK)

19-4-1802. Petty cash imprest funds.

(a) Petty cash imprest funds for any State agency shall be approved by the Chief Fiscal Officer of the State only in the case of actual need for such funds in connection with the daily operations of the agency and shall be subject to such limitations with respect to amount and use of the funds as shall be prescribed by him.

(b) The petty cash imprest funds shall not be used to circumvent purchasing regulations, nor for the purpose of reimbursing individuals for travel expenses.

History. Acts 1973, No. 876, § 24; A.S.A. 1947, § 13-350.

PLEASE NOTE: Refer to ACA§ 19-4-806 for policies regarding Petty Cash and Imprest Funds.

19-4-1803. Collections generally.

All fines, fees, penalties, court costs, taxes, and other collections which, by the laws of this State, are to be remitted directly to the Treasurer of State for credit in the State Treasury to an account of an agency of this State shall be remitted directly to the agency to whose account they are to be credited. Upon receipt, the agency shall transmit them to the Treasurer of State who shall credit them in the State Treasury to the account of the agency.

History. Acts 1961, No. 250, § 1; A.S.A. 1947, § 13-505.1

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19-4-1804. Geological publications income.

Charges, income, receipts, or revenue derived from the sale of publications by the Arkansas Geological Commission shall be deposited in the State Treasury as a refund to expenditures.

History. Acts 1971, No. 585, § 19; A.S.A. 1947, § 13-549.

19-4-1805. Deposits for highway employees retirement.

All moneys received in the State Treasury for deposit in the State Highway Employees Retirement System Fund that are derived from the sale or redemption of stocks, bonds, or other securities, other than interest, are to be classified and handled on the books of the Treasurer of State, Auditor of State, and the Department of Finance and Administration as a refund to expenditures.

History. Acts 1975, No. 72, § 4.

19-4-1806. Grants, aids, and donations.

All State agencies are authorized to accept grants, aids, and donations and to enter into contracts to accept grants, aids, and donations. Following procedures prescribed by the Chief Fiscal Officer of the State, funds received from grants, aids, and donations may be deposited, disbursed, budgeted, and regulated.

History. Acts 1973, No. 876, § 19; A.S.A. 1947, § 13-345.

19-4-1807. Federal funds generally.

(a) In the event the Congress of the United States shall appropriate funds for the benefit of the State or any State agency or in the event any federal funds shall be paid to the State or any agency thereof for the purpose of reimbursing the State for funds previously paid out, and in the event any such federal funds are deposited in the State Treasury and there is no law providing for the depositing of such moneys in a State fund or appropriating them from a State fund, taking into consideration the provisions and requirements of the miscellaneous federal grant appropriation, then the Chief Fiscal Officer of the State shall have the authority to direct the State Treasury to establish funds, fund accounts, or accounts on the books of the various fiscal officers of the State for the purpose of handling and disbursing these federal funds.

(b) Any such federal funds shall be handled only in accordance with the purpose for which the funds were granted to, or paid over to, the State or any agency thereof. All such federal funds shall be subject to the procedures prescribed by the Chief Fiscal Officer of the State for the disbursement of funds.

History. Acts 1973, No. 876, § 24; A.S.A. 1947, § 13-350.

hyperlink in chapter 19 to this II-6.3-6.5 NEW.) NORTON

R1-19-4-1807 Cash Management Improvement Act

<u>Purpose of the Cash Management Improvement Act</u>

The purpose of the Cash Management Improvement Act is to ensure efficiency, effectiveness, and equity in the exchange of funds between the States and the federal government for federal assistance programs. The Cash Management Improvement Act of 1990 (CMIA) was enacted by Public Law 101-453, as amended by the Cash Management Improvement Act of 1992 (Public Law 102-589), codified in the United State Code (USC) at 31 U.S.C. 6501 and 31U.S.C. 6503. The implementing regulations are found in the Code of Federal Regulations (CFR) at 31 CFR Part 205. The general provisions of the Act are as follows: 1. Federal agencies must make timely fund transfers and grant awards to State agencies. 2. State agencies must minimize the time period between the deposit of federal funds in the State's account and the disbursement of funds for program purposes. 3. With some exceptions, the State is entitled to interest from the federal government from the time the State's warrants are redeemed until federal funds are deposited in the State's account. 4. The federal government is entitled to interest from the State from the time federal funds are deposited in the State's account until the State warrants are redeemed. 5. The State must enter into a Treasury-State

Agreement (TSA) with the U.S. Department of the Treasury, Financial Management Service (FMS) to set forth terms and conditions for implementing CMIA. On October 12, 2000, the FMS issued a Notice of Proposed Rulemaking (NPR) proposing revisions to the regulations implementing the Cash Management Improvement Act of 1990, as amended. The Final Rule finalizes the proposed rule, with changes that updates the current regulations, and through comments received in response to the NPR, addresses various concerns raised since the initial issuance of the regulations.

The Treasury-State Agreement defines the drawdown methods to be used by agencies.

The Department of Finance and Administration, Office of Accounting (DFA-OA) with the assistance of all affected State agencies, negotiates the TSA with FMS. The TSA outlines by program, the funding techniques and the forecast describing the amount of funds subtracted from a State's bank account on a daily basis after a State makes a disbursement. The forecast used by the State to draw down funds from the federal government is referred as a clearance pattern. Generally, conformance with the TSA assures that the State does not owe the federal government, or is not due from the federal government, interest liability on its draw downs. The State or the federal government may propose amendments to the TSA at any time during the duration of the contract. A copy of the TSA agreement may be obtained from the DFA Office of Accounting – Reconciliation Section or printed from P1-19-4-1807 (HYPERLINK).

<u>Federal assistance programs and State agencies subject to the CMIA</u>

The programs listed in the Catalog of Federal Domestic Assistance are subject to CMIA regulations. Currently, programs with $25.6 million or more in annual federal expenditures are required to be subject to the TSA (CMIA agreement). The threshold dollar amount that determines if a Federal program is required to be included in the TSA is calculated annually, using a formula furnished by FMS. The list of federal assistance programs impacted by CMIA is revised annually as federal expenditures increase or decrease from the threshold. The $25.6 million threshold was established consistent with the Cash Management Improvement Act Guide to CMIA Thresholds under the Final Rule and was utilized in the preparation of the FY2005 TSA. State agencies that administer CMIA programs are subject to CMIA regulations.

<u>Responsibilities of the DFA - Office of Accounting</u>

The responsibilities of DFA-OA are to: 1. Annually identify the State agencies and federal assistance programs that will be considered as CMIA programs and notify affected State agencies. 2. Negotiate with FMS new agreements and amendments to the existing TSA. 3. With the assistance of the Treasurer of State and affected State agencies, develop warrant clearance and redemption patterns. 4. Prepare annual interest reports for submittal to FMS (submitted in December each year for the previous State fiscal year). 5. Direct State agencies as to the payment of State interest liability and/or receipt of federal interest liability. 6. Certify, with affected agencies' concurrence, every five years that clearance patterns correspond to a program's clearance activities.

<u>Responsibilities of Agencies Administering CMIA-Covered Programs</u>

The responsibilities of the State agencies that administer CMIA programs are:

Request federal funds in accordance with the approved funding technique described in the TSA and in amounts needed for immediate payments.

Document the amount of federal funds requested and when federal funds are deposited in the State's account. If federal funds are not available when required per the TSA, process the request which will document federal funds were properly requested by the State in accordance with the TSA.

For the federal draw systems that reject requests when federal funds are not available in the system, make the request and print the rejection notice as evidence of the State's conformance with the TSA. If necessary, make appropriate phone calls to federal agencies to notify them that federal funds are not available per the TSA. Document efforts made to request federal funds per the TSA.

When federal funds are not available per the TSA, maintain documentation of the amount of State funds expended, the dates of these expenditures, the date federal funds were requested, and the date federal funds were received. Maintain this documentation for use in calculating federal interest liability on late federal funds. Note: In most cases, the State cannot calculate a federal interest liability unless the State has made a request through a federal draw system and had it rejected, or has notified the applicable federal agency that federal funds are not available per the TSA. 3. Calculate the State and federal interest liabilities by program. Notify DFA-OA of proposed changes to the funding techniques and clearance patterns. A State agency shall <u>not</u> make a change until it is reviewed and approved by DFA-OA and FMS. 4. Certify to DFA-OA-Reconciliation Section that CMIA programs conform to the drawdown methods described in the TSA. DFA-OA-Reconciliation Section requests this certification in December of each year.

<u>How to Calculate Interest Due from or Due to the federal government</u>

In cases where interest is owed to the federal government or due from the federal government, under the TSA, agencies should calculate and document interest owed (interest payable) or due. The interest rate to be used is the annualized rate equal to the average equivalent yield of 13-week Treasury Bills auctioned during the State's fiscal year. The interest rate is provided to the State by FMS. Agencies may contact DFA-OA- Section to obtain the necessary annualized rates. Agencies should be aware that interest calculations could be audited.

<u>Responsibilities of Agencies Receiving Federal Funds, But Not Designated as CMIA Programs</u>

State agencies receiving federal funds not designated as CMIA programs are subject to Subpart B of the CMIA. The principal responsibility of these State agencies is that they must minimize the time between the drawdown of Federal funds from the Federal government and

their disbursement for Federal program purposes. A State agency nor the Federal government will incur an interest liability on the transfer of funds for a Federal assistance program subject to this Subpart B.

PLEASE NOTE: See Federal/State agreement appendix P1-19-4-1807

Also see ACA§19-4-1906

19-4-1808. Federal funds for vocational schools.

Reimbursements of federal funds to the Vocational-Technical Schools Fund Account shall be construed to be income of the fiscal year in which the reimbursements were received.

History. Acts 1969, No. 620, § 15; A.S.A. 1947, § 13-513.2.

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SUBCHAPTER 19 FEDERAL GRANTS AND AIDS

19-4-1901. Submission of requests.

(a) Requests for federal funds for grants, aids, reimbursement, and direct or indirect cost reimbursement plans, other than research grants, originated by a state agency other than a state institution of higher education shall be submitted to the Department of Finance and Administration prior to their submission to the granting source.
(b) Excepting the provisions of § 19-4-1907, the remainder of this subchapter shall not be applicable to State institutions of higher education.

History. Acts 1973, No. 876, § 21; A.S.A. 1947, § 13-347; Acts 1989, No. 37, § 2.

19-4-1902. Preliminary or informal proposals.

Preliminary or informal proposals which do not commit personnel, space, facilities, or state funds may be submitted directly to the granting source. However, when the grant requested, if approved, would result in the commitment of state personnel, space, facilities, equipment, or funds, or the program to be proposed by the state agency with the resources from the federal grant has not received specific legislative authorization through an appropriation or specific enabling legislation, the requesting agency shall notify, in writing, the Director of the Department of Finance and Administration that such preliminary or informal proposal is being made and shall briefly describe it.

History. Acts 1973, No. 876, § 21; A.S.A. 1947, § 13-347.

19-4-1903. Evaluation report.

Each request submitted to the Department of Finance and Administration shall be accompanied with an evaluation report prepared by the state agency that includes information as follows, but not necessarily limited thereto:
(1) A description of the purpose of the program;

(2) An explanation of the relationship of the program or plan to the agency's total program and why the program is needed;

(3) Its priority in the total program;

(4) A Statement whether similar programs are being conducted, if known, or could be conducted in or by other agencies;

(5) An explanation of the effects of this program and the state's obligation, if any, to continue the program, and the level of continuance, in the event federal funds are curtailed;

(6) A Statement of how the agency's programs and objectives would be affected if the request is not approved; and

(7) The amount of overhead payment anticipated from federal funds, and its adequacy, to reimburse the agency and central state services for actual indirect costs reimbursements.

History. Acts 1973, No. 876, § 21; A.S.A. 1947, § 13-347.

19-4-1904. Receipt of funds.

(a) When any federal funds, grants, aids, or reimbursements, including unsolicited funds, are received by a state agency, the Department of Finance and Administration shall be notified on forms to be prescribed by the director of the department.
(b) The Department of Finance and Administration shall prescribe procedures for quarterly reporting information relative to grants, aids, reimbursement, and direct or indirect cost reimbursement plans, and research grants and aids for the institutions of higher education.

History. Acts 1973, No., 876, § 21; A.S.A. 1947, § 13-347; Acts 1989, No. 37, § 3.

DWR Part II Chapter 6.1-6.2

R1-19-4-1904 Federal Grants and Aid

General Policies and Procedures

From time to time State agencies may request or receive federal funds in the form of grants or other aid. By nature, federal grants are subject to a full range of varying yet specific post award administrative requirements. To reasonably assure compliance with State and federal law as well as accurately report financial information, State agencies should maintain effective internal control over the financial administration of federal programs consistent with the following requirements:

U.S. Office of Management and Budget (OMB) Circulars A-16 Coordination of Geographic Information, and Related Spatial Data Activities, A-87 Cost Principles for State, Local, and Indian Tribal Governments, A-97 Provisions of Specialized and Technical Services to State and Local Governments, A-102 Grants and Cooperative Agreements With State and Local Governments, A-133 Audits of States, Local Governments, and Non-Profit Organizations, the recommendations and requirements contained in the A-133 Compliance Supplement (current edition), the Cash Management Improvement Act of 1990, the regulations promulgated pursuant thereto at 31 CFR Part 205, and other relevant grants management provisions

applicable to the federal program in question, as announced in the Catalog of Federal Domestic Assistance and in The Federal Register.

Links to these essential documents and the forms discussed in the following paragraphs can be found at http://www.state.ar.us/dfa/intergovernmental/index.html

Grant or Aid Pre-application

All preliminary, pre-application or informal proposals which may result in the commitment of personnel, space, facilities, equipment or State funds shall be submitted to the Department of Finance and Administration – Intergovernmental Services ("DFA-IGS") with an Evaluation Report at the time it is submitted to the federal granting agency. DFA-IGS shall coordinate the review of any proposed program to prevent overlap, inefficiency or violation of legislative intent. (ACA § 19-4-1902, ACA § 19-4-1903)

State institutions of higher education should submit preliminary proposals to DFA-IGS at http://www.state.ar.us/dfa/intergovernmental/federal_grants/clearinghouse.html ***as informational only. ACA § 19-7-604(b)(3).***

Grant or Aid Application

All formal proposals or other applications for federal funds in the form of grants, aids and reimbursements, except research grants or request originating from a State institution of higher education, are to be submitted to DFA-IGS and the Governor's Office prior to submission to the granting source. The submission should include a summary of the application with the indirect cost rate of the applicant agency and a projection of the amount to be received as indirect cost reimbursement, if applicable. DFA-IGS is to file a summary of this submission with the Bureau of Legislative Research of the Legislative Council quarterly for review. (ACA § 19-4-1901, ACA § 19-7-604)

MFG Requirements for New or Additional Federal Funds

When new federal programs or new Comprehensive Employment and Training Act programs become available, which require the benefiting State agency to employ additional personnel or require the benefiting State agency to obtain additional appropriations so that the program meets the requirements of or performs the objectives of the program are initiated, the head of the affected agency may request additional appropriations from the Governor and the Chief Fiscal Officer of the State. The agency's request must be on a Miscellaneous Federal Grant Form ("MFG") (Hyperlink) and include supporting documentation, if applicable. The completed MFG and supporting documentation should be submitted the agency's Budget Analyst at the Department of Finance and Administration – Office of Budget. After consulting the Legislative Council or the Joint Budget Committee, the Governor may approve or modify the requests. (ACA § 19-7-502)

Quarterly Reporting Requirements

Information on all grants, aids, reimbursements and reimbursement plans, including research grants and those originating from a State institution of higher education, is to be reported to DFA-IGS quarterly. These reports shall be filed with respect to new federal programs or expansions of existing federal programs which were not in existence or which were not implemented by State participation, at the time of the adjournment of the regular session of the General Assembly and entered into prior to the convening of the next regular session of the General Assembly. The DFA Director is to report to the Legislative Council on federal funds quarterly. The report is to summarize and itemize all programs which involve the expenditure of federal funds and is to include the following:

a brief purpose of the agreement,

the amount of federal funds to be expended,

the amount of state matching funds, if required,

the name of the administering agency or department, as well as

any additional information that would assist the Legislative Council in determining the nature and purpose of the agreement.

Findings and recommendations by the Legislative Council from review of the quarterly reports are to be reported to each subsequent regular session. (ACA § 19-4-1904; ACA § 19-7-101, ACA § 19-4-1907, ACA § 19-4-1908)

<u>Funds Receipt</u>

The DFA-IGS is to be notified when a State agency receives notification or obtains any federal funds, grants, aids or reimbursements, including unsolicited federal funds. Such notification shall include reporting federal funds received for indirect cost reimbursements resulting from overhead cost of the entity or overhead cost allocated to the entity through the Consolidated Statewide Cost Allocation Plan. A summary of the notifications will be provided by DFA-IGS to the Bureau of Legislative Research of the Legislative Council for review quarterly. (ACA § 19-7-604, ACA § 19-4-1904)

All such funds are to be deposited as all other State treasury funds. Any federal funds received on behalf of public school districts shall be forwarded to the county treasurer or district treasurer as the district chooses. Federal funds received by the agencies set out in ACA § 19-5-205(b) shall be deposited in to the State Central Services Fund. (ACA §19-3-501, ACA § 19-3-518, ACA § 19-4-408, ACA § 19-5-205)

<u>Interest Earned on Federal Funds</u>

Interest earned on federal funds received under the State and Local Fiscal Assistance Act of 1972 is to be transferred from the Securities Reserve Fund at the direction of the Chief Fiscal Officer of the State based upon the related portion of the average daily balance of the federal funds on a quarterly basis. (ACA § 19-3-521)

Funds Disbursement

Disbursement made on specific funds receiving federal funding require the State Auditor to process warrants and the Treasurer of State to redeem the warrants presented for payment in accordance with the Federal Cash Management Improvement Act of 1990, Pub. L. 101-453, Oct. 24, 1990, 104 Stat. 1058, after the Chief Fiscal Officer of the State notifies them that the State agency director has certified that the Federal fund transfer request has been completed and accepted by the federal funding source and that the federal funds will be transferred for the benefit of the State fund to pay the warrants. (ACA § 19-4-1107)

In the event of actions that would adversely affect funds received or related estimates, each agency head of agencies administering federal funds is required to immediately notify the State's Chief Fiscal Officer. (ACA § 19-4-1306)

Recommendations of Governor

ACA § 19-7-504 states that the Governor will submit recommendations to the General Assembly at the beginning of each regular session of the Arkansas General Assembly for any federal programs during the following fiscal biennium. Such recommendation is to include a recommended appropriation of federal and state funds necessary for each program. In the event the General Assembly fails to appropriate the funds for any program, the State will no longer participate in such program effective June 30th following adjournment of the regular session.

Accounting

The Federal Grants & Reimbursements general ledger account, 4050004000, is the only account used to record federal grant revenue received directly from the federal grantor or sub grantor that is not another State of Arkansas agency. Grants and Aid from Other State Agencies general ledger account, 6060001000, is used to record grants received from other State Agencies. The State agency disbursing grant funds to another agency should use Grants and Aid to Other State Agencies general ledger account, 6061001000. Each agency will be required to provide the Department of Finance and Administration, Office of Accounting, CAFR Section a list of all federal funds with CFDA numbers, the general ledger account the revenue was recorded to and the related amount. For additional information on recording and tracking Federal Grants and Aid see P1-19-5-101 and Project Accounting Tutorials on the AASIS website.

PLEASE NOTE: Also refer to ACA § 19-4-2201 et seq. to review requirements for discretionary grants. Also refer to ACA § 19-7-101 et seq. for more information on Federal Funds.

Funds Disbursement

Disbursement made on specific funds receiving federal funding require the State Auditor to process warrants and the Treasurer of State to redeem the warrants presented for payment in accordance with the Federal Cash Management Improvement Act of 1990, Pub. L. 101-453,

Oct. 24, 1990, 104 Stat. 1058, after the Chief Fiscal Officer of the State notifies them that the State agency director has certified that the Federal fund transfer request has been completed and accepted by the federal funding source and that the federal funds will be transferred for the benefit of the State fund to pay the warrants. (ACA § 19-4-1107)

In the event of actions that would adversely affect funds received or related estimates, each agency head of agencies administering federal funds is required to immediately notify the State's Chief Fiscal Officer. (ACA § 19-4-1306)

19-4-1905. Research grants.

The Department of Finance and Administration shall prescribe procedures for reporting information relative to federal research grants and aids for the colleges and universities.

History. Acts 1973, No. 876, § 21; A.S.A. 1947, § 13-347.

19-4-1906. Letters of credit.

(a) As used in this subchapter, unless the context otherwise requires:
(1) "Checks-paid letter of credit" means a system which requires State warrants to be issued without federal moneys on deposit in the State Treasury. The federal share of the warrants would only become available to the Treasurer of State on the day the warrants are presented for redemption. A receipt would be processed and credited to the proper fund before the warrants are redeemed;

(2) "Delay-of-drawdown letter of credit" means a system which requires the Auditor of State to issue warrants without federal moneys on deposit in the State Treasury for specific programs primarily financed by federal moneys. Moneys are drawn upon the letter of credit and deposited with the Treasurer of State based on an agreement with the federal government establishing warrant redemption patterns. Deposits are made each day based on estimates of the amount of warrants to be redeemed each day. In the event that warrants are presented for redemption on a given day in excess of the amount deposited in the State Treasury, an additional amount of moneys may be requested on a letter of credit and deposited with the Treasurer of State to enable proper warrant redemption and to prevent deficit spending;

(3) "Federal letter of credit" means an instrument certified by an authorized official of a grantor agency which authorizes a grantee to draw funds needed for immediate disbursement in accordance with the provisions of Treasury Circular number 1075.

(b)(1) Letters of credit, either individually or under a single, unified, checks-paid, or delay-of-drawdown system may, upon approval of the Chief Fiscal Officer of the State and under procedures prescribed by him, be included and accounted for on the books of record of the Auditor of State, Chief Fiscal Officer of the State, and applicable state agency as deferred federal revenues to be treated as an asset comparable to "cash on hand." In connection therewith, the Chief Fiscal Officer of the State may direct the creation and establishment of a revolving paying account on the books of records of the applicable state's accounting records. Furthermore, upon implementation of a checks-paid or delay-of-drawdown system, the affected agency may issue vouchers, the Department of Finance and Administration may approve vouchers for payment,

and the Auditor of State may issue warrants for federal programs without regard to federal fund or paying account balances on deposit in the State Treasury.

(2)(A) In no event shall the Treasurer of State redeem any warrants without sufficient fund balances on deposit equal to the total amount of warrants presented for redemption.

(B) In no event shall the implementation of a checks-paid or delay-of-drawdown letter of credit system be construed as deficit spending.

(C) The Chief Fiscal Officer of the State, after consulting with the Auditor of State and Treasurer of State, may prescribe such rules and regulations as necessary to implement a checks-paid or delay-of-drawdown letter of credit system.

(3) No agency shall implement a checks-paid or delay-of-drawdown letter of credit system except upon approval of the Chief Fiscal Officer of the State and upon advice of the Legislative Council.

History. Acts 1973, No. 876, § 21; 1981, No. 572, § 1; A.S.A. 1947, § 13-347.

19-4-1907. Quarterly reports.

(a) The Director of the Department of Finance and Administration shall file quarterly reports with the Legislative Council itemizing and summarizing all contracts or agreements entered into by the Governor of the State of Arkansas with the federal government, or any agencies or instrumentalities thereof, whereby the State of Arkansas is to participate in any program involving the expenditure of federal funds. These reports shall be filed, whether or not state funds are obligated in connection therewith, with respect to new federal programs or expansions of existing federal programs which were not in existence or which were not implemented by state participation, at the time of the adjournment of the regular session of the General Assembly and entered into prior to the convening of the next regular session of the General Assembly.
(b) The report shall list, with respect to each such contract or agreement:

(1) A brief Statement of the purposes of the agreement;

(2) The amount of federal funds to be expended thereunder;

(3) The amount of any state matching funds required in connection with such program, if any;

(4) The name of the agency that will administer the program; and

(5) Such additional information as will enable the members of the Legislative Council to determine the nature and purposes of the agreement.

History. Acts 1973, No. 876, § 21; A.S.A. 1947, § 13-347.

19-4-1908. Review and continuance of programs.

(a) The Legislative Council shall review the quarterly reports filed by the Director of the Department of Finance and Administration as required in this subchapter. The Legislative Council shall submit such findings and recommendations to each succeeding regular session of the General Assembly for enabling legislation to implement, restrict, or prohibit the state's participation in any such new federal program or expanded federal program which was

implemented by contract or agreement entered into by the Governor subsequent to the adjournment of the preceding session of the General Assembly.
(b) In the event the next regular session of the General Assembly shall fail to prohibit or restrict the state's participation in any new or expanded program implemented by contract or agreement signed by the Governor with the federal government during the interim since the immediately preceding regular session of the General Assembly, then the state may continue to participate in the federal program. On the other hand, if the General Assembly shall restrict or prohibit the state's participation in any new or expanded federal program implemented by contract or agreement subsequent to the last regular session, then it shall be unlawful for the state to continue to participate in or to expend any state funds in connection with any such program. All contracts or agreements entered into by the Governor or any agency of the state acting under authority of the Governor shall be void and the state's participation therein shall cease upon the adjournment of the General Assembly, or at such later date if a later date for the termination of the state's participation therein has been prescribed by law.

History. Acts 1973, No. 876, § 21; A.S.A. 1947, § 13-347.

SUBCHAPTER 20 LOSSES AND RECOVERIES

19-4-2001. Notice and proof of loss.

It shall be the duty of the Chief Fiscal Officer of the State to give notice and make proof of loss to, and demand payment of, the surety of any bond executed by any State officer or employee in which the audit report by the Legislative Joint Auditing Committee of the records and accounts shows that such officer or employee and his surety may in any way be liable.

History. Acts 1973, No. 876, § 18; A.S.A. 1947, § 13-344.

19-4-2002. Payment of loss.

(a) Within a reasonable time after the Chief Fiscal Officer of the State has given notice and made proof of loss and demand for payment as prescribed in this subchapter, the surety shall make payment to the Chief Fiscal Officer of the State of the amount so found to be due. He shall forthwith transmit the amounts so received to the Treasurer of State with instructions to credit it to the fund, fund accounts, or accounts entitled to such funds.
(b) If the amounts so recovered are funds that are not required by law to be deposited in the State Treasury, then the funds shall be transmitted by the Chief Fiscal Officer of the State to the agency to which the recovered funds belong, with instructions to credit it to the accounts entitled to such funds.

History. Acts 1973, No. 876, § 18; A.S.A. 1947, § 13-344

19-4-2003. Legal action.

In the event any surety shall fail or refuse to pay over the amounts so found to be due, the Chief Fiscal Officer of the State shall give notice of the failure or refusal to the Attorney General. The Attorney General shall immediately take such legal action as shall be necessary to collect the amount so found to be due from the officer or employee and his surety.

History. Acts 1973, No. 876, § 18; A.S.A. 1947, § 13-344.

19-4-2004. Auditor's testimony.

(a) In all criminal or civil actions brought as the result of the findings set forth in an audit report, the auditors making the audit shall give testimony upon request of the proper officers of the court and otherwise make their services available in the prosecution of any action.
(b) Auditors shall not be entitled to witness fees for giving testimony.

History. Acts 1973, No. 876, § 18; A.S.A. 1947, § 13-344.

s II – 19.1&19.2 Brenda

REPORTING AND RECOVERY OF LOSSES OR SHORTAGES

R1-19-4-2004 Responsibility for Reporting and Recovery of Losses Discovered Prior to Audit

The bonded disbursing officer for each State agency, board, commission or institution is responsible for, and held accountable for reporting any losses of State funds to the Chief Fiscal Officer (CFO) of the State of Arkansas and to the Division of Legislative Audit (DLA). Losses include apparent unauthorized disbursements of State funds or the apparent theft or misappropriation of State funds or property.

No State agency, board, commission or institution has the authority to negotiate with any officer or employee for settlement of any losses of State funds without the approval of the CFO of the State.

The CFO of the State and the Director or Chief Officer of the respective agency, in coordination with the advice of the Attorney General (AG), has the duty to determine and initiate the appropriate action that is necessary to collect any amount found to be due the agency.

The recovery of losses under surety bonds must be coordinated with the CFO of the State and the DLA.

<u>Recovery of monies lost through improper redemption of warrants/checks</u>

If a vendor or individual (the payee) receives a replacement warrant/check and cashes both the replacement and original, the agency shall attempt to obtain repayment from the payee.

Evidence of the collection attempt(s) shall be documented in writing. If attempts to collect fail, the agency shall report the incident to the CFO of the State, the DLA and the AG's office.

If an individual, who is not the payee, cashes a warrant/check, the agency shall report the incident to the CFO of the State, the DLA, and the AG's office and to their local law enforcement office.

Recovery of lost assets (not warrants/checks)

If theft of assets occurs, the agency shall report the incident to the CFO of the State, DLA, and the AG's office and to their local law enforcement office.

R2-19-4-2004 Recoveries of Losses Discovered by an Audit

Notice and proof of losses – Investigations – Restitution

The DLA, with the approval of the Legislative Joint Auditing Committee, will give notice and proof of loss to the Governmental Bonding Board on fidelity bonds. This is done when the audit report reflects apparent unauthorized disbursements or unaccounted-for funds or property for which the public official, officer, or employee may be liable. (ACA 21-2-708)

The DLA may request the appropriate prosecuting attorney or the AG to assist the State or the appropriate political subdivision in obtaining restitution when the audit report reflects apparent unauthorized disbursements or unaccounted-for funds or property for which the public official, officer, or employee may be liable.

The Self-Insured Fidelity Bond Program and the participating governmental entity are considered victims. Restitution may be awarded to the participating governmental entity for the entire amount of its un-reimbursed losses and to the Self-Insured Fidelity Bond Program for the entire amount of its payment to the participating governmental entity in the event that any criminal prosecution against the official or employee causing the loss, where such official or employee enters a plea of guilty or nolo contendere, or, where such official or employee is found guilty following a trial.

Disposition of Bond Proceeds

When the Board receives proof of loss from the DLA, the Governmental Bonding Board will determine whether the loss is covered under the Fidelity Bond Program. (ACA 21-2-709)

When determined that the loss is covered under the Fidelity Bond Program, the Insurance Commissioner will authorize fidelity bond loss payments from the fund to the participating governmental entity on a timely basis.

All disbursing documents for bond claim payments must include, as supporting documents:

1. ***A copy of the payment recommendation by the State Risk Manager.***

2. ***A copy of the proof of loss from the DLA.***

Any loss payment may be adjusted by any applicable deductibles, restitution payments, or coinsurance payments.

When a loss payment is made from the Fidelity Bond Fund, all rights and claims that the recipients of the loss payment may have against the official, officer, or employee involved will be assigned to the Fidelity Bond Fund.

The Insurance Commissioner must timely notify the DLA and the agency when the Board determines that the loss is, or is not, covered under the Fidelity Bond Program.

An asset that is no longer in possession of the agency must be removed from the agencies books. The agency must notify the Department of Finance and Administration - Office of Accounting (DFA-OA) using P3-19-4-1503 "Credit for State Property" Form (Hyperlink) that the asset needs to be removed from the asset listing. The agency must give a full description of the lost asset. Once approval to remove the asset has been given, the agency must remove the asset and retain the correspondence for an audit trail. If, in the current year, an agency has been reimbursed for the loss and the property has been replaced, a refund to expenditure is done by the DFA-OA. The agency must provide proof of the deposit and a copy of the invoice that replaced the property in order to have the appropriation restored. If the agency is reimbursed for a prior year loss, the agency would debit cash and credit account 6990003000 (prior year refunds to expenditures) when the money is deposited. This only restores the funds and not the appropriation.

Refer to P1-19-4-2004(Hyperlink) for sample journal entries to record restitution and Fidelity Bond Insurance payments.

<u>Fidelity Bond Premiums</u>

Risk Management Division of Insurance Department works with each agency to determine the number of employees for the bond each year. The flat rate is applied to that number and DFA Administrative Services receives the information and sends it to DFA OA Funds Group.

The DFA OA Funds Group compiles the information on a per fund basis for the agencies. The Funds Group manager sends the proposed funds and transfer amounts to those agencies that want specific cost centers or funds to be charged. The Funds Group changes the spreadsheet and transfers the funds to the various funds from which Administrative Services will issue the disbursements for the Bond Premiums. This transfer is usually done in December of each fiscal year. (A.C.A 21-2-710)

R3-19-4-2004 Returned Checks

<u>Funds deposited to Treasury</u>:

When a check that was originally deposited into a Treasury fund is returned for insufficient funds, the Treasurer of State shall reverse the receipt of those funds, and notify the agency of the returned check by sending the check back to the agency with a letter telling the agency the fund, revenue code, and amount that was reduced. The Treasurer of State shall send a copy of the letter to DFA-OA for the correction to be made into the State Accounting System.

<u>Funds deposited to commercial bank accounts</u>:

When an agency is notified by the financial institution that a check has been returned, the agency will adjust its cash fund by debiting the revenue account and crediting the cash account in the cash fund where originally deposited.

Agencies shall diligently and actively pursue the collection of returned checks. Written agency procedures shall be developed and filed with DFA-OA within 90 days from the effective date of this regulation. The procedures must be followed to ensure the returned checks are followed up promptly and in a manner that is cost-effective.

Employees with access to cash receipts and the recording of cash receipts should not have access to returned checks. In situations where it is impractical to separate duties due to the small number of employees, compensating controls should be implemented. Examples of compensating controls include review of returned checks and collection efforts made, or having an individual without access to the system and cash receipts be the custodian of the returned checks.

II-21.1-21.2 - (CHARGE-OFF PROCEDURES) Teri

R2-19-4-2004 ACCOUNTS AND NOTES RECEIVABLE

State agencies must promptly record amounts due for delivery of goods and services, licenses, unpaid taxes, student loans, special assessments, accounts receivable, notes receivable, and capital leases receivable.

Collection procedures shall be developed and followed to ensure that all receivables are collected promptly in a cost-effective manner. Written procedures shall be filed with the Department of Finance and Administration - Office of Accounting (DFA-OA) within 90 days from the effective date of this regulation.

Agencies shall diligently and actively pursue the collection of receivables. Diligently and actively pursuing the collection of these accounts may include, but is not limited to:

(1) Contacting debtor by phone or letter within a reasonable time after an account is deemed delinquent; or

(2) Referring an account to a licensed collection agency or an attorney for collection with a remuneration not exceeding fifty percent (50%) for accounts of five hundred dollars ($500) or less and not exceeding thirty-three and one-third percent (33⅓%) for accounts in excess of five hundred dollars ($500). If an agency is unable to procure the services of a collection agency or attorney for the collection of any account in excess of five hundred dollars ($500) for a fee of one-third (⅓) of the amount recovered as authorized in this subsection, the agency may report this fact to the Legislative Joint Auditing Committee, and the Committee may authorize the agency to pay a higher fee for collecting the account, not to exceed fifty percent (50%); or

(3) Pursuing setoff of debt against State income tax refunds for eligible agencies as allowed by §§ 26-36-301 - 26-36-320; or

(4) Pursuing all other available means of collection if deemed feasible and economically justifiable by the agency.

(ACA §19-2-305)

Agencies are to document all efforts made toward the collection of receivables. Agencies are to prepare aging reports at least monthly. Aging reports are required to be reviewed by management and such review documented on the report as to the action taken.

Accounts receivable records may contain personal information about citizens. Safeguarding and disposition of personal information must be consistent with federal and State laws/regulations applicable to the information.

Allowance for Doubtful Accounts

Generally Accepted Accounting Principles (GAAP) require that a determination be made between receivables deemed to be collectible and those considered not economically collectible, including those not collectible at all. Agencies are to develop and follow written criteria for the determination of uncollectability. These written procedures shall be filed with the DFA-OA within 90 days from the effective date of this regulation. Estimates of total uncollectible receivables are to be made at fiscal year-end and adjusting entries are to be recorded in the agency's accounting records to the allowance for uncollectible receivables.

Abatement Procedures

The procedures that must be followed by State agencies, departments, boards, commissions, and institutions to "charge off" monies owed to them are prescribed in ACA§19-2-301 through 19-2-307. The provisions contained in the law must be complied with before any accounts or notes receivable may be abated. If, after the State agency has pursued collection of the debt owed it as set out above, and such debt or partial debt is decreed to be uncollectible, then the debt shall be referred to the Chief Fiscal Officer of the State for abatement. Before any debt will be considered for abatement, the State agency shall certify in writing that the above procedures have been complied with and submit detailed support of collection attempts. A Statement must be included justifying why any of the above methods was not used and the agency shall provide a copy of the letter from the attorney or collection agency stating they were unable to collect the bad debt, if applicable.

The Chief Fiscal Officer of the State shall verify that all efforts to collect the indebtedness have been fulfilled. He/she may then, by written approval, declare the debt or remaining debt uncollectible and notify the State agency and Legislative Joint Auditing Committee of abatement of the debt.

Refer to appendix P2-19-4-2004 (HYPERLINK) for transaction instructions.

PLEASE NOTE: Refer and adhere to the provisions of ACA§ 19-2-301 Et seq. in applying the above regulation

SUBCHAPTER 21 STATE FUNDED EXPENSES OF CONSTITUTIONAL OFFICERS

19-4-2101. Definition.

For purposes of this subchapter the term "constitutional officers" means the Governor, Lieutenant Governor, Attorney General, Secretary of State, Treasurer of State, Auditor of State, and the Commissioner of State Lands.

History. Acts 1991, No. 768, § 1.

19-4-2102. Documentation required.

(a) For all expenditures exceeding twenty-five dollars ($25.00), all constitutional officers and their employees shall hereafter file with their disbursing officers the following documents to substantiate expenditures for transportation, lodging, food, or any other expense to be paid from the maintenance and operations moneys appropriated by the General Assembly:
1) A copy of the vendor's invoice or receipt;

(2) A Statement of the purpose of the expenditure; and

(3) The names of all persons for which the expenditure was incurred.

(b) For all expenditures not exceeding twenty-five dollars ($25.00), all constitutional officers and their employees shall hereafter file with their disbursing officers the following documents to substantiate expenditures for transportation, lodging, food, or any other expense to be paid from the maintenance and operations moneys appropriated by the General Assembly:

(1) A Statement of the purpose of the expenditure;

(2) The amount of such expense;

(3) The date, place, and nature of such expense; and

(4) The business relationship of any persons for whom the expenditure was incurred, including such person's identity, title, or other information sufficient to establish such relationship.

History. Acts 1991, No. 768, § 2.

19-4-2103. Expenditures to be for official State business only - Exemptions.

(a) No constitutional officer or employee of a constitutional officer shall expend for personal use any moneys appropriated by the General Assembly for the maintenance and operation of the office, and the moneys appropriated for the maintenance and operation of the offices of the constitutional officers shall be expended only for official State business.
(b) This subchapter does not apply to the purchase, maintenance, and operation of State-owned motor vehicles.

History. Acts 1991, No. 768, § 3.

19-4-2104. Expenditures - Disapproval**.**

No disbursing officer of State funds shall approve any expenditure from maintenance and operation funds for expenses for a constitutional officer or an employee of a constitutional officer unless the request for the expenditure is accompanied by the documentation required by this subchapter.

History. Acts 1991, No. 768, § 4.

19-4-2105. Retention of documentation**.**

The constitutional officers and their employees shall retain the original documentation required by this subchapter for a period of three (3) years after the date of the request for expenditure.

History. Acts 1991, No. 768, § 5.

SUBCHAPTER 22 REVIEW OF DISCRETIONARY GRANTS

19-4-2201. Definitions - Review generally - Exempt grants.

(a) For the purposes of this subchapter:
(1)”Discretionary grant" means a grant in which the recipient of the grant funds or the formula for the grant award is not specifically stated in the legislation authorizing the grant;

(2) "Nondiscretionary grant" means a grant in which the recipient of the grant funds or the formula for the grant award is specifically stated in the legislation authorizing the grant, or in specific agency regulations promulgated by the agency and reviewed by the Legislative Council, or in the case of federal funds, in the statute, regulation, or other federal directive which restricts the disbursement of the funds according to federal guidelines; and

(3) "State agency" means:

(A) Every board, commission, department, division, or office of state government whether executive, legislative, or judicial; and

(B) All state-supported post-secondary educational institutions, including, but not limited to, colleges and universities, vocational and technical schools, and community colleges.

(b) Hereafter, no state agency shall award any discretionary grant prior to review by the Legislative Council between legislative sessions or by the Joint Budget Committee during legislative sessions. However, if a state agency determines that an emergency exists requiring the discretionary grant to be awarded prior to review, it may award the discretionary grant prior to

the review by the Legislative Council or the Joint Budget Committee, and shall immediately notify the Legislative Council between legislative sessions, or the Joint Budget Committee during legislative sessions, as to the facts constituting the emergency.

(c) Grants exempt from review shall include:

(1) Grants for which the total consideration is less than or equal to ten thousand dollars ($10,000);

(2) Nondiscretionary grants as determined by the agency;

(3) Grants to another governmental entity such as a state agency, public educational institution, federal governmental entity, or body of a local government;

(4) Disaster relief grants;

(5) Grants identified as not requiring review by the Legislative Council between legislative sessions, or the Joint Budget Committee during legislative sessions;

(6) Grants containing confidential information, the disclosure of which is determined by the agency to constitute a violation of other provisions of law regarding disclosure; and

(7) Any scholarship or financial assistance award to, or on behalf of, a post-secondary student.

History. Acts 1999, No. 1032, § 1.

19-4-2202. Review of nonexempt grants.

The Legislative Council between legislative sessions, and the Joint Budget Committee during legislative sessions, shall review all nonexempt discretionary grants by State agencies, and notify the agencies as to the results of the review. The Legislative Council or the Joint Budget committee shall notify agencies of any other grants identified as not requiring review.

(a) For the purposes of this subchapter:
(1)”Discretionary grant" means a grant in which the recipient of the grant funds or the formula for the grant award is not specifically stated in the legislation authorizing the grant;

(2) "Nondiscretionary grant" means a grant in which the recipient of the grant funds or the formula for the grant award is specifically stated in the legislation authorizing the grant, or in specific agency regulations promulgated by the agency and reviewed by the Legislative Council, or in the case of federal funds, in the statute, regulation, or other federal directive which restricts the disbursement of the funds according to federal guidelines; and

(3) "State agency" means:

(A) Every board, commission, department, division, or office of state government whether executive, legislative, or judicial; and

(B) All state-supported post-secondary educational institutions, including, but not limited to, colleges and universities, vocational and technical schools, and community colleges.

(b) Hereafter, no state agency shall award any discretionary grant prior to review by the Legislative Council between legislative sessions or by the Joint Budget Committee during legislative sessions. However, if a state agency determines that an emergency exists requiring the discretionary grant to be awarded prior to review, it may award the discretionary grant prior to

the review by the Legislative Council or the Joint Budget Committee, and shall immediately notify the Legislative Council between legislative sessions, or the Joint Budget Committee during legislative sessions, as to the facts constituting the emergency.

(c) Grants exempt from review shall include:

(1) Grants for which the total consideration is less than or equal to ten thousand dollars ($10,000);

(2) Nondiscretionary grants as determined by the agency;

(3) Grants to another governmental entity such as a state agency, public educational institution, federal governmental entity, or body of a local government;

(4) Disaster relief grants;

(5) Grants identified as not requiring review by the Legislative Council between legislative sessions, or the Joint Budget Committee during legislative sessions;

(6) Grants containing confidential information, the disclosure of which is determined by the agency to constitute a violation of other provisions of law regarding disclosure; and

(7) Any scholarship or financial assistance award to, or on behalf of, a post-secondary student.

History. Acts 1999, No. 1032, § 1.

TITLE 19

CHAPTER 5 REVENUE STABILIZATION LAW

SUBCHAPTER 1 General Provisions

19-5-101. Title.

This chapter shall be known and cited as the "Revenue Stabilization Law".

History. Acts 1973, No. 750, § 1; A.S.A. 1947, § 13-501.

PLEASE NOTE: Go to http://www.arkleg.State.ar.us/NXT/gateway.dll?f=templates&fn=default.htm&vid=blr:code (Revenue Stabilization Law) to view the entire language of the code on this subject.

II-4.1-4.5 Connie

R1-19-5-101 Funds, Revenue Distribution, Transfers ,and Loans

FUNDS

Two definitions of fund exist within the State of Arkansas. The first type of fund is one established by Arkansas Law or the Chief Fiscal Officer of the State. The second type of fund is one established by Governmental accounting standard for financial reporting.

There are two categories of funds per Arkansas Law: agency cash in bank funds and funds on deposit with the Treasurer of State.

Agency Cash in Bank Funds

Moneys belonging to the State of Arkansas that are permitted to be kept in financial institutions other than the Treasurer of State. The funds may be either appropriated or non-appropriated. The Chief Fiscal Officer of the State must approve the creation of non-appropriated funds. See section R1-19-4-805 for information regarding management of cash funds.

Funds on Deposit with the Treasurer of State

Funds on deposit with the Treasurer of State are established primarily and individually in either the Revenue Stabilization (19-5-101 et seq.) or Revenue Classification Acts (19-6-101 et seq.). The remaining funds on deposit with the Treasurer of State are established individually by general or appropriation acts or by the Chief Fiscal Officer of the State as a result of authority granted to him to accomplish the intent of legislative enactment. The types of funds on deposit with the Treasurer of State are as follows:

A. Monies as outlined in ACA 19-6-201 and ACA 19-6-301 will be on deposit in one of the following funds until distributed to the various operating funds of agencies in accordance with ACA 19-5-201.

1. General Revenue Fund Account – Revenue holding fund account of the State Apportionment Fund that is termed AGA0000. The fund consists of revenues derived from taxes, permits, royalties, leases, fees, licenses, and the sale of confiscated goods for the common good and operation of the State government, as listed in ACA 19-6-201.

2. Special Revenue Fund Account – Revenue holding fund account of the State Apportionment Fund that is termed ASA0000. The fund consists of revenues derived from taxes, permits, fees, and licenses for the operation of specific programs or purposes, as listed in the ACA 19-6-301.

3. Revenue Holding Fund Account –Fund account of the State Apportionment Fund that is termed ARH0000. This fund consists of taxes, licenses, fees, penalties, interest, or other income which, at the time of being deposited with the Treasurer of State, cannot be determined to be either Special or General revenues. The revenues deposited to ARH are specifically nominated or determined by DFA to be deposited and/or adjusted to or from that fund group. An example of this is certain Insurance Department deposits.

B. Fees deducted as outlined in ACA 19-5-202(b)(2)(B)(i) will be distributed to the following funds.

1. Constitutional Officers Fund and State Central Services Fund – The Constitutional Officers Fund is termed MCF0000 and the State Central Services Fund is termed HSC0000. These funds receive specific revenues and a proportionate share of certain fees calculated on General and Special Revenues. Additionally, the State Central Services Fund receives a service charge from agencies with cash funds.

C. After the deduction of the applicable fees, the remaining general and special revenues will be deposited into one of the following types of operating funds of the various State agencies.

1. General Revenue Operating Funds – Funds that consist of revenue as set forth in the ACA 19-5-101 et seq. and the ACA 19-6-101 et seq.

a. State General Government Funds

b. Institutions of Higher Education Funds

c. Education Funds

d. Public School Fund

e. Department of Human Services Funds

f. Public Health Fund

g. Technical College Funds

2. Special Revenue Funds – Funds that consist of special revenues from taxes, permits, fees, and licenses for the operation of certain programs or for specific purposes as defined in the ACA 19-6-301.

D. Moneys collected that are not defined as general or special revenue in ACA 19-6-301 et seq. are deposited into one of the following types of funds for specific agencies.

1. Trust Funds – Funds that consist of moneys received or collected and dedicated by law for specific purposes or certain bequests made to the state.

2. Federal Funds – Funds that consist of moneys granted to the State or any of its agencies under the Acts of Congress or by any Federal agency.

3. Miscellaneous Revenue Funds – Funds that consist of fines, penalties, interest, or court costs for collection of any revenue, rental income, or non-revenue as defined in the ACA 19-6-101 et seq.

4. Paying Funds – Funds that mix State, Federal and other moneys to pay for programs out of one fund with various match rates.

5. Cash in Treasury Funds – Funds, commonly known as "N" funds, were formerly Cash in Bank Funds that are now held by the Treasurer of State and earn interest which is distributed in the Treasurer of State's system and posted by the Department of Finance and Administration – Office of Accounting (DFA-OA) Funds Group into AASIS at the end of each month.

Fund Structure

Fund structure follows a hierarchy that begins with the legally designated fund and includes all sub-funds. Funds are established by law and are set up by the DFA-OA Funds Group. All funds have a specific coding structure comprising of seven characters and/or numbers. All funds on deposit with the Treasurer of State begin with three alpha characters and end with four numeric or alphanumeric characters. All Cash in Bank funds begin with three numeric characters and end with four numeric characters.

Creation of Funds

All requests for the creation of a fund or fund account must be sent to DFA-OA Funds Group Manager after approval from the agency's Budget Analyst in the Department of Finance and Administration – Office of Budget (DFA-OB). The "Create Fund Form" is located at P1-5-101 hyperlink. The DFA-OA Funds Group will review the fund type requested by the agency. The DFA-OA CAFR Section Manager/Assistant Manager or their designee also must approve the fund type. The DFA-OA-Funds Group will notify the Treasurer of State and the Auditor of State when appropriated funds are established so that both offices may also establish the fund on their books of record.

PLEASE NOTE: Also refer to R1 19-5-104 (Establishment of other funds or accounts).

Financial Reporting Fund Types

The Governmental Accounting Standards Board (GASB), which replaced the National Council on Governmental Accounting (NCGA), prescribes the fund type structure to be used in financial reporting. Funds must be typed as defined in NCGA Statement 1 and GASB Statement 34. The financial reporting fund type should be listed on the "Create Fund Form" hyperlink. The types of financial reporting funds are as follows:

***General* - To account for all financial resources, except those required to be accounted for in another fund.**

PLEASE NOTE: DFA-OA has the final decision regarding the fund type assigned to each fund. Funds that are material to the Comprehensive Annual Financial Report (CAFR) will be classified using the following fund types:

***Special Revenue* – To account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purpose. The most common example would be the federal grant funds that begin with a letter "F".**

***Capital Projects* – To account for financial resources to be used for the acquisition or construction of major capital facilities. The most common example would be major construction that is financed by bonded indebtedness such as road or real estate and its improvements. Routine type capital asset purchases should not be accounted for in the capital projects fund.**

***Debt Service* – To account for the accumulation of resources for, and the payment of, general long term debt principal and interest. An example would be a fund of the Treasurer of the State that makes principal and interest payments for a bond issue of the Soil and Water Conservation Commission.**

***Permanent Funds* – To account for resources that are legally restricted to the extent that only investment earnings, and not principal, may be used for purposes that support the reporting government's program, that is, for the benefit of the government or its citizenry.**

***Agency* – To account for situations where the government's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. An example would be child support payments collected for custodial parents by DFA or prisoner funds held by the Department of Correction.**

***Pension Trust* – To report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contributions plans, and other post employment benefit plans. An example would be the Arkansas Public Employees Retirement System.**

***Investment Trust* – To account for an investment pool or specific investments that belong to entities outside the government but are held by the government.**

***Private Purpose Trust* – To report any trust arrangement not properly reported in a pension trust fund or an investment trust fund under which principal and income benefit individuals, private organizations, or other governments.**

***Enterprise* – To account for any activity for which a fee is charged to external users for goods or services. Also, to account for any activity whose principal revenue sources meet any of the following criteria. 1) Debt backed solely by fees and charges. 2) Legal requirement to recover costs and 3) Policy decision to recover costs. DF-OA has adopted the policy that only agencies that as a whole meet the criteria will be called enterprise. An example would be a university, the Employment Security Department, or the Workers Compensation Commission.**

***Internal Service* – To report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units or to other governments, on a cost-reimbursement basis. An example would be the Department of Information Systems.**

A list can be generated in AASIS by using Transaction S_KI4_38000039 which will display the Index of Funds. The layout of the report can be changed to display the fund type.

REVENUE DISTRIBUTION

Distribution of General and Special Revenues

Moneys collected that are deposited with the Treasurer of State and are defined as general and special revenue in ACA 19-6-201 and 19-6-301 are credited to the State Apportionment Fund and are deemed to be Gross Revenue. The following distributions are made on the last working day of the month in accordance with ACA 19-5-401 through 19-5-406. The Treasurer of State determines the distributions and the DFA-OA posts the transactions in AASIS.

1. ***General Revenues***
   a. ***Claims, taxes erroneously paid, and returned checks are deducted from the Gross General Revenues to arrive at the "Net General Revenue."***
   b. ***Various deductions are made from "Net General Revenue" as specified in the Revenue Stabilization Act to arrive at "General Revenues Available for Distribution."***
      (1) ***Certifications that adjust the General Revenues***
      (2) ***Pursuant to ACA 19-5-202, the Treasurer of State shall deduct one percent (1%), which is transferred to the Constitutional Officers Fund. An appropriate percentage of not less than two percent (2%) and not to exceed three percent (3%), as determined from time to time by the Chief Fiscal Officer of the State as being the amount required to support the estimated commitments and expenditures of the State Central Services Fund for the current fiscal year, will be transferred to the State Central Services Fund.***
   c. ***The "General Revenues Available for Distribution" are allocated to the funds on deposit with the Treasurer of State in accordance with the allocations authorized***

by ACA 19-5-101 through 19-5-107 after deducting any advances given during the month. Advances may be made on the agency's estimated monthly allotment of General Revenue when funds are available. The amount advanced shall never exceed 80% of the estimated monthly allotment.

2. ***Special Revenues (generally funded back to the specific State agencies; however, certain fees are withheld to fund the State Central Services Fund and the Constitutional Officers Fund as outlined below)***
   a. ***Claims, taxes erroneously paid, and returned checks are deducted from the Gross Special Revenues to arrive at the "Net Special Revenue."***
   b. ***Pursuant to ACA 19-5-203, the Treasurer of State shall then deduct the same percentage as determined to be deducted from the net general revenues in 19-5-202 and be transferred under the same procedures as set forth in 19-5-202 from each net special revenue collected by any of those agencies enumerated in 19-5-205(b) and one-half (1/2) of the percentage deductions as set out in 19-5-202 and transferred in the same proportion to the State Central Services Fund and the Constitutional Officers Fund, from each net special revenue collected by any other department, board, agency, or commission.***
   c. ***The funds to which the special revenues were originally deposited receive the balance of the revenues collected after said deduction.***

TRANSFERS

<u>Fund Transfers</u>

The ACA 19-5-101 et seq. (ACA 19-5-106(a)) provides for transfers to be made under certain circumstances. Transfers may be made for one of the following reasons:

1. ***To correct accounting errors.***
2. ***To make loans to authorized funds, fund accounts, and for repayment of such loans as they become due and payable as authorized by law as outlined in the Temporary Loan section.***
3. ***To reimburse the Miscellaneous Revolving Fund or successor fund(s) or fund account(s) for the payment of any claims, refunds, or any other disbursements authorized by law.***
4. ***For the Chief Fiscal Officer to certify to the State Auditor and State Treasurer the transfer of funds from any fund(s) on deposit in the State Treasury containing operating moneys of any of the following delinquent political entities to the fund that is owed said funds:***
   a. ***Any political entity, including any State agency, board, commission, department, institution, State supported community college or college or university of State government that fails, neglects, or refuses to make proper and timely settlements of moneys due or fails to submit on a timely basis required reports to the State agency responsible for administering Federal***

Social Security and State retirement programs for public employees, public school teachers, highway employees, State police employees.

b. ***Any political sub-division of the State, including a regional, county, or municipal government that fails, neglects, or refuses to make proper and timely settlements of moneys due or fails to submit on a timely basis required reports to the State agency responsible for administering Federal Social Security and State retirement programs for public employees, public school teachers, highway employees, State police employees.***

c. ***Any school district that fails, neglects, or refuses to make proper and timely settlements of moneys due or fails to submit on a timely basis required reports to the State agency responsible for administering Federal Social Security and State retirement programs for public employees or public school teachers.***

5. ***To transfer funds between grantee agencies and sub-grantee agencies in order to eliminate the double accounting of receipts and expenditures which occurs under the method of issuing vouchers.***
6. ***For any other purposes as may be specifically authorized by law.***

DFA-OA also permits transfers between each agency's legal Treasury fund group for the purpose of moving cash to the fund where obligations will be expended.

Fund Transfer Procedures

If it is determined that a proposed transfer qualifies under one or more of the reasons listed above, the following procedure should be followed:

A. If the transfer is from one account in the agency's legal Treasury fund group to another account in that agency's same legal fund group, the agency is allowed to post the transfer on a ZT document type. An example of this type of transfer is a transfer from BAA0000 to BAA0100. The nonuser agencies should send an "Intra-agency Transfer Form" located P2-19-5-101(HYPERLINK).

A. If the transfer is from one legal fund to another legal fund, such as from BAA0100 to DBA0000, then the agency, if an AASIS user agency, must park the document and request that DFA – OA Funds Group Manager post that document. The nonuser agencies should send an "Intra-agency Transfer Form" (transfer within one state agency) or an "Inter-agency Transfer Form" (transfer between two state agencies) located at P3-19-5-101 hyperlink to DFA-OA.

1. ***When an agency parks a document, the transfer form must be emailed as support. Do not send duplicates, unless it is requested. For instance, do not email a request and then fax or mail the same request.***
2. ***DFA-OA will post the transfer after approving it and will notify the agency upon completion of the transfer with the document number.***
3. ***DFA-OA will notify the agency if the transfer is rejected.***
4. ***Emergencies: A transfer may be requested by telephone, but must be followed by a written confirmation that includes the request form that the information***

that this is a follow up on a phone request made by whom and on what date and time.

5. ***DFA-OA Funds Group and the agency shall both maintain supporting documentation.***

PLEASE NOTE: There are certain fund groups in which the first three letters are the same, but more than one agency has a fund account in that group. The agency should not park or post those transfers. Examples of this type of fund groups are the HSC, HUA, MCF and MTA funds. The funding comes from the DFA fund and DFA must make the transfer after logging it into its tracking spreadsheets.

Please review hyperlink P1-19-5-101 & P2-19-5-101 which outlines the proper procedures for recording certain items as transfers versus as an expenditure.

LOANS

Temporary Loans

The ACA 19-5-101 et seq. provides for temporary loans to be made to certain funds from the Budget Stabilization Trust Fund. Generally, those funds that are eligible to receive such loans under certain circumstances are:

(1) Those funds that receive General Revenue as outlined in ACA 19-5-401. Provided that loans may be made to the Institutions of Higher Education for operational purposes only after meeting the requirements of ACA 19-5-501.
(2) The Department of Corrections Farm Fund for farm production purposes.
(3) The Department of Corrections Industry Fund
(4) The Tax Refund Funds
(5) The various federal accounts of State agencies upon certification of the pending availability of federal funding by the director of the State Agency making the request. However, the requests shall be limited to those occasions whereby the continued operations of the State agency programs would be seriously impaired and unnecessary hardships would be created due to either administrative oversight, delays by the federal government in forwarding the moneys, or by problems created by the federal fiscal year conversion.
(6) Funds specifically cited in legislative acts.

PLEASE NOTE: State agencies supported solely from special revenues are not eligible to apply for or receive loans from the Budget Stabilization Trust Fund.

Temporary Loan Procedures

If it is determined that the loan requests qualifies under one or more of the reasons listed above, the following procedure should be followed:

1. ***Send a written request via email, fax or letter to the DFA–OA, Funds Group Manager.***

2. ***The loan request should be completed on either the "Loan Request Form" located at P4-19-5-101 (Hyperlink) or the "General Revenue Advance Request Form" located at P5-19-5-101 hyperlink and included with the written communication.***
3. ***If funds are available, DFA-OA will post the loan and notify the agency of the completion with the document number if approved or that the loan was not approved.***
4. ***Emergencies: A loan may be requested by telephone, but must be followed by a written communication that includes the request form. The written confirmation should also include the information that this is a follow up on a phone request made by whom and on what date and time.***
5. ***Loan documents are never parked by agencies.***
6. ***DFA-OA and the agency shall both maintain supporting documentation.***

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R2-19-5-101 Cash Funds Service Charge

ACA §19-5-206 requires certain State agencies, whose cash funds, whether appropriated or not, and whose annual revenues as reflected in the previous year's audit exceeds $25,000, shall remit on the first day of each calendar quarter a 1 ½% service charge to the Treasurer of State. Such funds shall be deposited into the State Central Services Fund (HSC0000), held by the Treasurer of State. Requirements of this service charge, the method of computation and agencies included (excluded) are as follows:

State agencies subject to this statutorily required service charge shall include all boards, commissions, departments, agencies, institutions, offices, or officers, and any other office or unit of the State of Arkansas created or established pursuant to law or pursuant to any action of the Governor, functioning under appropriation of the General Assembly or functioning as a representative of the State of Arkansas without appropriation of the General Assembly. Excluded from this service charge are the Office of the Commissioner of State Lands, the Department of Parks and Tourism, the Department of Education and any of its divisions, community colleges and branches thereof, universities and branches thereof, technical colleges, technical institutes, post secondary vocational-technical schools, comprehensive lifelong learning centers, funds received from the federal government, funds held in trust, and funds of the various State retirement systems, and funds received by the Department of Arkansas Heritage from voluntary donations and non-federal grants shall also be excluded.

The service charge, to be remitted on the first day of each calendar quarter, shall equal 1 ½ % of the total expenditures of the previous calendar quarter from all cash funds as defined in ACA §19-4-801. These quarterly expenditures are exclusive of any expenditure which paid the previous quarter's service charge.

In case funds are held outside the State Treasury, remittance shall be in the form of a check, payable to the Treasurer of State, coded as an operating expense (commitment item 502:00:02) (general ledger account 5080005000). The Treasurer of State shall deposit each check as a non-revenue receipt in the State Central Services Fund to provide financial support for certain required administrative functions of State government.

If cash funds are on deposit within the State Treasury ("N" funds) then the amount required under this section shall be transferred from the state agencies treasury fund to the State Central Services Fund.

19-5-104. Establishment of other funds or accounts.

The Chief Fiscal Officer of the State may only establish such other funds or fund accounts on his books and on the books of the Treasurer of State and Auditor of State for making payments that are composed of funds derived from more than one (1) fund or fund account as established by this chapter. He may also establish paying accounts on the books of the Treasurer of State and Auditor of State for making payments that are composed of funds derived from more than one (1) source. However, he may establish on his books accounts within funds or fund accounts carried on the books of the Treasurer of State and Auditor of State that he deems are necessary for the accounting system of his office. Nothing in this section shall prevent the establishment of new funds composed solely of federal grants, aids, reimbursements, or any other moneys received from the United States Government that are to be used for specific purposes.

History. Acts 1973, No. 750, § 9; 1979, No. 1013, § 8; 1979, No. 1077, § 2; A.S.A. 1947, § 13-535.

R1 19-5-104 The Department of Finance and Administration, Office of Accounting, "Funds Group" (DFA-OA-FU) assists agencies in establishing, managing and maintaining "Treasury Funds". A "Treasury Fund" is monies on deposit in the State Treasurer's Cash Accounts that is available to be expended in the manner detailed in the related appropriation authorized by the General Assembly. Payments made from the "Treasury Fund" are always by State warrant issued by the Auditor of State at the direction of the agency that owns the "Treasury Fund." The primary processes involved in funds management are detailed below:

<u>To establish a new Treasury Fund</u>

Treasury Funds are established in two manners: 1) Authorization by new legislation from the Arkansas General Assembly creates a new legal fund. These funds are designated by a seven digit alpha numeric code. The first three digits are alpha and remaining four digits are always four zeros, to designate the legal or "high level" fund. 2) The agency Chief Fiscal Officer may request that a new fund be created as a "sub fund" of a legal fund which is owned by the agency. Generally this request is a result of specific business processes of the agency itself, not a legal requirement.

In both instances the completion of the form must be the first step in the process (Create Treasury Fund Request Form) to set up a new fund for receipting and expensing funds. The original form is submitted to the agency's DFA Office of Budget Analyst (OB) for review. The Manager of the DFA-OA-FUNDS GROUP may initiate the establishment of new legal funds or the Chief Fiscal Officer or Director of the agency requesting a new sub-fund may initiate the process. The Budget Analyst approves the form by placing his/her initials on the fund

request form and submitting it to the DFA-OA-FUNDS GROUP Manager. The information provided on the form is reviewed. Items that are incomplete are researched and corrected by the Funds Group Manager or DFA-OA-Funds Group staff.

The Funds Group Manager assigns an alpha numeric code to the fund as necessary to comply with the general naming convention used for all funds held by State agencies. After DFA-OA-Funds Group enters the new fund information into AASIS, the information contained on the request form is entered into a template and emailed to the Treasurer of State for entry into their system. The beginning date for usage is the date following entry into the AASIS system. The end date is always the biennium end date. The information contained on the funds request form is entered into the "Funds Control Log".

A copy of the email is sent to the Auditor of State, Attorney General's Office, DFA Comprehensive Annual Financial Report Unit Manager (CAFR) who verifies the fund type assigned, and DFA-OA Funds/Appropriations Manager. A copy is filed in the DFA-OA-FUNDS GROUP files. The original printed e-mail letter is signed and faxed to the AUDITOR OF STATE.

When the Treasurer of State has completed entry into their system, a return email is made to the Funds Group Manager and the DFA-OA-FUNDS GROUP "funds" log is updated to reflect the date of the "establishment" or "fund created" date. When the DFA- CAFR Section Manager responds with the correct fund type the Funds Manager updates the fund type as necessary in AASIS and logs and files the response in the "saved e-mail" inbox.

The original fund request form is returned to DFA- OB after it is signed and dated for filing.

<u>Establishing New General Ledger Codes</u>

Additions to the existing general ledger chart of accounts are a result of either new legislation from the General Assembly (request will be by DFA-OA) or a request from an agency, DFA-OA, DFA-Budget Office, or the AASIS Support Center staff. The form to request a new general ledger code is completed and signed by the originating party and transmitted by printed or electronic copy to the DFA-OA-Reconciliation Manager. The appropriate name, legal authority and the AASIS coding structure for the new general ledger code is added onto the request form by the DFA-OA-Reconciliation Manger if the request is for an expenditure or balance sheet code. If the request is for a revenue code the appropriate name, legal authority and AASIS coding structure is added to the request form by the Funds Group Manager. After establishing the code in AASIS the DFA-OA-Reconciliation Manager notifies the Funds Group Manager by delivery of an initialed copy of the request form. The Funds Group Manager enters the information onto an e-mail letter template that is sent to the Treasurer of State. The Treasurer of State emails a verification notice to the Fund Unit Manager that the general ledger account code has been added to the Treasurer of State's system.

<u>Deposits to TreasuryDetail</u>

The reporting agencies, user agencies or Department of Finance and Administration Office of Accounting Service Bureau Unit (in the case of agencies that have their accounting process

performed by DFA) enter their receipts of income into cash journals for posting, which in turn creates the deposit slip for the agency to submit to the Treasurer of State with the corresponding checks, cash or warrants for non –Electronic Funds Transfer deposits. Entries to record receipts of income or federal funds transfers that are received through the Electronic Funds Transfer (EFT) process also create cash journals and the corresponding deposit slips, however additional identifying information about the draw, such as the transfer document number from the Federal Reserve System must be on the face of the deposit slip. The deposit slips are to be made on the day of the federal funds transfer request and presented to the Treasurer of State. These deposit slips are then matched to the incoming federal funds transfers and recorded into the Treasurer of State's records.

The agency submits the original deposit slip and three copies to the Treasurer of State. The Treasurer's staff records the Treasury receipt number on the third copy of the deposit slip, which is given to the agency for filing in their records. The remaining copies are maintained in the Treasurer of State's records.

The Treasurer of State's posting of deposits and transfers ends at 2:00 p.m. each weekday, except for the last workday of the month, which ends at 12 noon. Deposits delivered to the Treasurer's Office after those times will be posted the following business day. Processing of the receipts and disbursements into the proper funds follows. When all processing and daily reconciliation is complete, the Treasurer of State files the original deposit receipt, provides one copy to the Auditor of State and the final copy to the DFA- OA-FU. The DFA- OA-FU files the receipt copies in "daily batches".

The DFA-OA-FUNDS GROUP files are used to provide an agency a copy of misplaced receipts. If the DFA-OA-FUNDS GROUP Manager issues a revenue receipt correction, the Treasury receipt number will be obtained from these files and entered on the receipt correction sent to the Treasurer of State.

Revenue Receipt Corrections

Revenue receipt corrections are initiated by agency personnel to correct an incorrect characterization of the revenue or transfer of monies receipted by the agency. This is accomplished by completing the Revenue Receipt Correction Form and recording it in both AASIS and the Treasurer of State's records. The electronic template is provided on the DFA website http://www.state.ar.us/dfa/accounting/3revenue_receipt_correction_form_-

_instructions.xls. The revenue receipt corrections requested by an agency is sent by e-mail to DFA-OA-FUNDS GROUP and accompanied by the electronic template with all pertinent information. The detailed instructions appear on the Excel template.

The Funds Group Manager reviews the information provided and any missing information is requested from the agency person initiating the request. When completed the deposit record is researched thoroughly to ensure the correcting entry will be accurate. DFA-OA- FU staff will post the correction into AASIS.

Revenue receipt corrections that involve either general or special revenue or those in which cash is taken from one fund and deposited into another fund require correction in the Treasurer of State's records. This is accomplished by the DFA-OA-FUNDS GROUP Manager forwarding a copy of the revenue receipt correction to the Treasurer of State's office to be posted.

The Treasurer of State and the Auditor of State choose to process certain documents manually rather than accept interfaces with updated records to process within their systems. The actual documents are printed out and the Funds Group Manager enters those document numbers in a document log. These documents, the list, and the log are faxed to the Auditor of State and Treasurer of State for manual entry.

After the Auditor of State and Treasurer of State have entered them into their systems, they fax the log with the entry date on it to the Funds Group Manager. The document log is updated in the DFA- OA-FU computer files maintained by the Funds Group staff. The printed lists, logs and fax coversheets are filed in the Funds Group.

PLEASE NOTE: Revenue Receipt Correction forms for transactions http://www.state.ar.us/dfa/accounting/3revenue_receipt_correction_form_- .

PLEASE NOTE: The Treasurer of State investment policy may be viewed as appendix P1- 19-5-104.

PLEASE NOTE: Other forms applicable to the management of funds in the State Treasury are located on the DFA-OA website at http://www.state.ar.us/dfa/accounting/index.html

Returned Checks

Refer to R3-19-4-2004 "Returned Checks" (hyperlink) for discussion of returned checks.

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UNEMPLOYMENT AND WORKERS' COMPENSATION CONTRIBUTIONS -

TRUST FUNDS

PART A

UNEMPLOYMENT COMPENSATION CONTRIBUTIONS - TRUST FUNDS

SUBCHAPTER 7 REIMBURSEMENT OF UNEMPLOYMENT COMPENSATION BENEFITS

19-5-701. Purpose.

It is the purpose of this subchapter that all programs, regardless of their funding source, contribute equally to the cost of unemployment compensation benefits charged to the State agencies operating such programs. It is not the intent of this subchapter that the State of Arkansas relinquish its status as a nontaxable reimbursable employer under the Arkansas Employment Security Law, § 11-10-101 et seq.

History. Acts 1977, No. 608, § 1; A.S.A. 1947, § 13-554.

PLEASE NOTE: The Unemployment Compensation regulations are a compilation of ACA§ 19-5-701et seq. and may be reviewed in their entirety in the Arkansas Code.

Sections:

Purpose, Authority, History and Administration

Applicable Arkansas Code

Contributions Policy

Rate Calculation Procedure

Contribution Accounting Procedure (Attachment P1-19-5-701)

Fiscal Year-End Accrual Procedure

Purpose

All programs of State government shall contribute their fair share to the cost of unemployment benefits charged to the State agencies operating such programs. To do this, each State agency receiving an appropriation of Regular Salaries, Extra Help, or Authorized Overtime from Treasury or Cash Funds shall contribute from their Personal Services Matching Funds a percentage of their gross payroll.

Authority:

Unemployment Compensation Revolving Fund Law and Reimbursement of Unemployment Compensation Benefits – ACA §19-5-939 and 19-5-701 through 19-5-710.

History:

Unemployment Compensation requirements for Arkansas State Government were established under the authority of Acts 608 of 1977 and 697 of 1979, and incorporated into ACA § 19-5-701 through 19-5-710 and 19-5-939.

Administration

The Department of Finance and Administration, Office of Administrative Services (DFA-OAS), administers this program for the Chief Fiscal Officer of the State of Arkansas.

<u>Applicable Arkansas Code:</u>

ACA § 19-5-701 Purpose

"It is the purpose of this subchapter that all programs, regardless of their funding source, contribute equally to the cost of unemployment compensation, benefits charged to the State agencies operating such programs. It is not the intent of this subchapter that the State of Arkansas relinquish its status as a nontaxable reimbursable employer under the Arkansas Employment Security Law, ACA § 11-10-101 et seq."

ACA § 19-5-702 Definitions

1. "Payroll means the gross total amount expended for a payroll period for regular salaries, extra help, and authorized overtime payments;

2. Contributions means a percentage of payroll expenditures paid to the Unemployment Compensation Revolving Fund by a State agency in order to provide current and timely reimbursements of benefits paid by the Arkansas Employment Security Department for unemployment benefits charged the agency.

3. Experience rate means the process of adjustment in a future period of the contribution rate of an agency based on the difference of the amounts paid to the revolving fund for a fiscal year compared to the amounts of unemployment benefits charged to the agency for a fiscal year in order to recover deficits and refunds surpluses; and

4. State agency means any State agency, board, commission, department, institution, college, university, and community junior college receiving an appropriation for regular salaries, extra help, and authorized overtime payable from funds deposited in State Treasury or depositories other than the State Treasury by the General Assembly."

ACA § 19-5-704 Administration

"This subchapter shall be administered by the Chief Fiscal Officer of the State. Upon certification to the Chief Fiscal Officer of the State by the Arkansas Employment Security Department of unemployment compensation benefits paid during a benefit period and charged to a State agency, the Chief Fiscal Officer of the State shall direct that reimbursement be made to the Arkansas Employment Security Department from the Unemployment Compensation Revolving Fund for such amounts as are properly certified. The Chief Fiscal Officer of the State shall have the authority to make such rules and regulations as are necessary to enforce the provisions of this subchapter."

ACA § 19-5-705 Benefits claims investigation

"The Arkansas Employment Security Department shall investigate all claims for benefits filed by State employees whether or not the employing State agency lodges a protest to the payment

of such benefits. Such investigation shall result in a determination of the eligibility of the employee for benefits payments."

ACA § 19-5-707 Contributions generally

"Each State agency shall make contributions to the Unemployment Compensation Revolving Fund, using the experience rate determined in accordance with ACA § 11-10-704, from personal services matching costs funds within fourteen (14) calendar days following the end of each calendar quarter. The experience rate for each even-numbered fiscal year will be used to fix the rate for the next even-numbered fiscal year. Each odd-numbered fiscal year's experience rate will be used to fix the next odd-numbered fiscal year rate. If during any fiscal year the Chief Fiscal Officer of the State determines that the contributions rate for any agency will result in a significant surplus or deficit for that fiscal year, he shall have the authority to adjust the agency contribution rate to reduce such surplus or recover any such deficit, subject to the provision of ACA § 19-5-708."

ACA § 19-5-708 Maximum Contributions

"In no event shall any experience rate result in a State agency making contributions of more than three percent (3%) of its gross payroll expenditures. In the event that an agency builds a deficit which would require a contribution rate greater than three percent (3%), then that agency shall continue to make contributions at the rate of three (3%), even though eligible for an experience rate reduction, until any deficit owed the fund is repaid. Only then shall the actual experience rate be used to compute such agency contributions."Contributions Policy

Notification of the next fiscal year's contribution rate for each State agency shall be distributed by March 1 of each year. These rate assignments shall be forwarded to the DFA - Office of Budget as well.

A newly established agency shall be assigned a contribution rate equal to the experience rate of State government agencies as a whole (the total claims divided by the total salaries). Contribution rates for second and subsequent years' shall be established through experience rating. The rate calculation method is outlined herein.

To each agency's current balance:

Add each agency's pro-rata share of accrued interest.

Add the projected interest through the next fiscal year.

Add the contributions yet due from current year rates.

Subtract projected claims through the next fiscal year.

Subtract the desired fund level (75% of the last 2 year average of claims).

These steps will have established the amount of contributions due for the next fiscal year. Each agency's contribution rate is determined by dividing the contributions due amount by the projected salaries for the fiscal year.

Maximum Contributions

Unemployment contribution rates may not exceed 3% of agency's total gross salaries.

Rate Calculation Procedure

A. At the time a new agency is appropriated salaries, it shall be assigned a contribution rate equal to the experience rate of State government agencies as a whole. (The total claims divided by the total salaries). Second and subsequent years' contribution rate shall be established in accordance with the rate calculation process below.

B. Contributions rates for the upcoming fiscal year shall be calculated and these rates shall be sent to the agencies by March 1 of each fiscal year. These rate assignments shall also be sent to the Office of Budget.

C. The following is a general outline of the rate calculation process:

1. Compute the last 2 year average of expenditures.

75% of this total is the desired funding level.

2. Distribute interest to each account using the agencies' pro-rata share of the fund balance.

3. Project expenditures for the next fiscal year using the agencies' pro-rata share of the last 2 years of expenditures.

4. Project the contributions yet due based on the current fiscal year rates.

5. To the current balance (after interest has been distributed):

Add the projected interest through the next fiscal year.

Add the contributions yet due from current year rates.

Subtract projected expenditures.

Subtract the desired fund level.

6. These steps will have established the amount of contributions to be collected the next fiscal year.

7. Divide the agencies contributions requirement by the salary projections for the next fiscal year to determine the contribution rates.

Contribution Accounting Procedure

Quarterly contributions are due within 14 calendar days following the end of each calendar quarter.

At the end of each quarter, agencies with unemployment compensation rates other than zero shall receive an invoice from the DFA-OAS for the amount of the contribution due made payable to:

DFA-UNEMPLOYMENT COMPENSATION

1515 WEST 7th, ROOM 700

PO BOX 2485

LITTLE ROCK, AR 72203

The vendor code is 9996101 for unemployment contributions. The general ledger code is 5010008000 for unemployment contributions. Unemployment and Workers' compensation contributions may not be combined on a single State warrant or check.

The State of Arkansas' Accounting System provides the Gross amount expended for a payroll period for all State agencies. Gross amount expended for a payroll period for Unemployment Compensation purposes is downloaded from State of Arkansas' Accounting System into an invoice. These invoices are generated by the DFA-OAS and are distributed to the agency each quarter through messenger service, e-mail or regular mail. Copies of invoices shall be sent only with checks. The agency number and the quarter ending date shall be provided on the State warrant stub by keying this information in the text box on the basic tab when processing the payment in State of Arkansas' Accounting System. (See Attachment P1-19-5-701) (HYPERLINK)

The DFA-OAS deposits these warrants and checks to the Unemployment Compensation Trust Fund (TUC). The TUC trust fund shall be used by the DFA-OAS to reimburse the Employment Security Department for Unemployment Claims paid to former State employees, charged to the applicable agency.

Call the DFA-OAS Fiscal Accounting Section at (501) 324-9060 with any questions about unemployment compensation contributions.

Call the ESD Unemployment Insurance Section at (501) 628-3257 with any questions about Employer Accounts.

Fiscal Year-End Accrual Procedure

Each State agency shall record a journal entry utilizing the State of Arkansas' Accounting System's transaction ENTER GL ACCOUNT DOCUMENT, for the amount of the accrued, but unpaid quarterly unemployment contribution to be provided by DFA-OAS. Conversely, the Unemployment Compensation Trust Fund will record a reciprocal amount due from all the agencies for the unpaid accrual.

The Department of Finance and Administration – Office of Administrative Services – Fiscal Accounting (DFA-OAS-FA) shall distribute the 4th fiscal quarter invoices to the agencies after the fiscal quarter's close. Agency contributions are due 14 days after the fiscal quarter closes. A memo shall be attached to each agency invoice reminding the agencies to book the fiscal year end liability in the State of Arkansas' Accounting System and to reverse the prior fiscal year's liability accrual entry. An advance payment memo shall be attached to the invoices applicable to those agencies which prepay the 4th fiscal quarter invoice prior to the quarter's close in order to avoid erroneously booking a year end accrual entry.

DFA-OS-FA shall record a receivable for agency unemployment contributions due reduced for amounts received as advance payments.

PART B

WORKERS' COMPENSATION CONTRIBUTIONS - TRUST FUNDS

SUBCHAPTER 8 REIMBURSEMENT OF WORKERS COMPENSATION BENEFITS

19-5-801. Purpose.

It is the purpose of this subchapter that all programs, regardless of their funding source, contribute equally to the cost of workers' compensation benefits charged to the State agencies operating such programs.

History. Acts 1977, No. 924, § 1; A.S.A 1947, § 13-1407.1.

PLEASE NOTE: The Workers' Compensation regulations are a compilation of ACA§ 19-5-801et seq. and may be reviewed in their entirety within the Arkansas Code.

Sections:

Purpose, Authority, History and Administration

Applicable Arkansas Code

Contributions Policy

Rate Calculation Procedure

Contribution Accounting Procedure (P1-19-5-801, P2-19-5-802, and P2-19-5-803)HYPERLINK

Fiscal Year-End Accrual Procedure

Purpose

All programs of State government shall contribute their fair share to the cost of workers' compensation benefits charged to the State agencies operating such programs. To do this, each State agency receiving an appropriation of Regular Salaries, Extra Help, or Authorized Overtime from Treasury or Cash Funds shall contribute from their Personal Services Matching Funds a percentage of their gross payroll.

Authority:

Workers' Compensation Revolving Fund Law and Reimbursement of Workers' Compensation Benefits – ACA § 19-5-940 and19-5-801 through 19-5-809.

History:

Workers' Compensation requirements for Arkansas State Government were established under the authority of Acts 924 of 1977, 807 of 1979, and 25 of 1981, and incorporated into ACA § 19-5-940 and 19-5-801 through 19-5-809.

Administration

The Department of Finance and Administration, Office of Administrative Services (DFA-OAS), administers this program for the Chief Fiscal Officer of the State of Arkansas.

Applicable Arkansas Code:

ACA § 19-5-801 Purpose

"It is the purpose of this subchapter that all programs, regardless of their funding source, contribute equally to the cost of workers' compensation benefits charged to the State agencies operating such programs."

ACA § 19-5-802 Definitions

1. "Payroll means the gross total amount expended for a payroll period for regular salaries, extra help, and authorized overtime payments;

2. Contributions means a percentage of payroll expenditures paid to the Workers' Compensation Revolving Fund by a State agency in order to provide current and timely reimbursements of benefits paid by the Arkansas Workers' Compensation Commission for workers' compensation benefits charged the agency.

3. Experience rate means the process of adjustment in a future period of the contribution rate of an agency based on the difference of the amounts paid to the revolving fund for a fiscal year compared to the amounts of workers' compensation benefits charged to the agency for a fiscal year in order to recover deficits and refunds surpluses; and

4. State agency means any State agency, board, commission, department, institution, college, university, and community junior college receiving an appropriation for regular salaries, extra help, and authorized overtime payable from funds deposited in State Treasury or depositories other than the State Treasury by the General Assembly."

ACA § 19-5-804 Administration

"This subchapter shall be administered by the Chief Fiscal Officer of the State. The Chief Fiscal Officer of the State shall have the authority to establish procedures and to make such rules and regulations as are necessary to enforce the provisions of this subchapter."

ACA § 19-5-806 Contributions generally

"Each State agency shall make contributions to the Workers' Compensation Revolving Fund, using the experience rate determined in accordance with this section, from personal services matching costs funds within fourteen (14) calendar days following the end of each calendar quarter. The experience rate for each even-numbered fiscal year will be used to fix the rate for the next even-numbered fiscal year. Each odd-numbered fiscal year's experience rate will be used to fix the next odd-numbered fiscal year rate. If during any fiscal year the Chief Fiscal Officer of the State determines that the contributions rate for any agency will result in a significant surplus or deficit for that fiscal year, he shall have the authority to adjust the agency contribution rate to reduce such surplus or recover any such deficit, subject to the provision of ACA § 19-5-807."

ACA § 19-5-807 Maximum Contributions

"In the event a State agency builds a deficit which would require a contribution rate greater than two percent (2%), the agency shall continue to make contributions at the rate of two percent (2%) until any deficit owed the fund is repaid. In the event that an agency's experience rate exceeds two percent (2%) for one (1) full fiscal year; their contributions rate shall be adjusted to equal their experience rate, not to exceed a maximum of five percent (5%). Their contributions shall remain at that level until their experience rate decreases and their accumulated deficit is repaid."

Contributions Policy

Notification of the next fiscal year's contribution rate for each State agency shall be distributed by March 1 of each year. These rate assignments shall be forwarded to the DFA - Office of Budget as well.

A newly established agency shall be assigned a contribution rate equal to the experience rate of State government agencies as a whole (the total claims divided by the total salaries). Contribution rates for second and subsequent years' shall be established through experience rating. The rate calculation method is outlined herein.

To each agency's current balance:

Add each agency's pro-rata share of accrued interest.

Add the projected interest through the next fiscal year.

Add the contributions yet due from current year rates.

Subtract project claims through the next fiscal year.

Subtract the desired fund level (75% of the last 2 year average of claims).

These steps will have established the amount of contributions due for the next fiscal year. Each agency's contribution rate is determined by dividing the contributions due amount by the projected salaries for the fiscal year.

Maximum Contributions

Workers' compensation rates may not exceed 5% of the agency's total gross salaries.

Rate Calculation Procedure

A. At the time a new agency is appropriated salaries, it shall be assigned a contribution rate equal to the experience rate of State government agencies as a whole. (The total claims divided by the total salaries). Second and subsequent years' contribution rate shall be established in accordance with the rate calculation process below.

B. Contributions rates for the upcoming fiscal year shall be calculated and these rates shall be sent to the agencies by March 1 of each fiscal year. These rate assignments shall also be sent to the Office of Budget.

C. The following is a general outline of the rate calculation process:

1. Compute the last 2 year average of expenditures.

75% of this total is the desired funding level.

2. Distribute interest to each account using the agencies' <u>pro-rata share of the fund balance.</u>

3. Project expenditures for the next fiscal year using the agencies' pro-rata share of the last <u>2 years of expenditures.</u>

4. Project the contributions yet due based on the current fiscal year rates.

5. To the current balance (after interest has been distributed):

Add the projected interest through the next fiscal year.

Add the contributions yet due from current year rates.

Subtract project expenditures.

Subtract the desired fund level.

6. These steps will have established the amount of contributions to be collected the next fiscal year.

7. Divide the agencies contributions requirement by the salary projections for the next fiscal year to determine the contribution rates.

<u>Contribution Accounting Procedure</u>

Quarterly contributions are due within 14 calendar days following the end of each calendar quarter.

At the end of each quarter, agencies with workers' compensation rates other than zero shall receive an invoice from the Arkansas Department of Finance and Administration for the compensation due amount payable to:

DFA-WORKERS' COMPENSATION

1515 WEST 7th, ROOM 700

PO BOX 2485

LITTLE ROCK, AR 72203

The vendor code is 9990613 for workers' compensation contributions. The general ledger code is 5010009000 for workers' compensation contributions. Unemployment and Workers' compensation contributions may not be combined on a single State warrant or check.

The State of Arkansas' Accounting System provides the Gross amount expended for a payroll period for all State agencies except the Drug Task Forces. Gross amount expended for a payroll period for Workers' Compensation purposes is downloaded from State of Arkansas' Accounting System into an invoice. These invoices are generated by the DFA-OAS and are distributed to the agency each quarter through messenger service, e-mail or regular mail. Copies of invoices shall be sent only with checks. The agency number and the quarter ending date shall be provided on the State warrant stub by keying this information in the text box on the basic tab when processing the payment in State of Arkansas' Accounting System. (See P1-19-5-801) (HYPERLINK)

In the event an agency does not participate in State of Arkansas' Accounting System, the agency must complete pro-forma invoices that will be mailed out to the agency each quarter. These pro-forma invoices must be submitted to the payee along with the remittance. (See P2-19-5-802 and P2-19-5-803) (HYPERLINK)

The DFA-OAS deposits these warrants and checks to the Workers' Compensation Revolving Fund (TUW). The TUW trust fund shall be used by the Public Employee Claims Division of the State Insurance Department to pay for workers' compensation claims of State employees, charged to the applicable agency.

Call the DFA-OAS Fiscal Accounting Section at (501) 324-9060 with any questions about workers' compensation contributions.

Call (501) 371-2700 with any questions about workers' compensation claims.

Fiscal Year-End Accrual Procedure

Each State agency shall record a journal entry utilizing the State of Arkansas' Accounting System's transaction ENTER GL ACCOUNT DOCUMENT, for the amount of the accrued, but unpaid quarterly Workers Compensation contribution to be provided by DFA-OAS. Conversely, the Workers Compensation Trust Fund will record a reciprocal amount due from all the agencies for the unpaid accrual.

The Department of Finance and Administration – Office of Administrative Services – Fiscal Accounting (DFA-OAS-FA) shall e-mail the 4th fiscal quarter invoices to the agencies after the fiscal quarter's close. Agency contributions are due 14 days after the fiscal quarter closes. A memo shall be attached to each agency invoice reminding the agencies to book the fiscal

year end liability in the State of Arkansas' Accounting System and to reverse the prior fiscal year's liability accrual entry. An advance payment memo shall be attached to the invoices applicable to those agencies which prepay the 4th fiscal quarter invoice prior to the quarter's close in order to avoid erroneously booking a year end accrual entry.

DFA-OAS-FA shall record a receivable for agency workers compensation contributions due reduced for amounts received as advance payments.

Workers Compensation Administrative Cost Reimbursements

Each state agency's share of the administrative costs of processing the Worker's Compensation claims attributable to that agency is to be transferred to State Insurance Department – Public Employee Claims Division (PECD). The Insurance Department computes the amounts and the request for the transfer of funds is sent to DFA- OA Funds Group. The computations also include those amounts due by public school employees and it is administered by the Department of Education. The Treasurer of State administers the charges for the county and municipal employees.

This funds transfer is usually done in the first month of each quarter for the previous quarter. Since the amount due for the last quarter of each fiscal is not computed until July of the following fiscal year, the amount due should be accrued in the closing books as soon as DFA OA Fund Group sends the amount.

Procedure

The Insurance Department – PECD sends a worksheet with the calculations per agency and fund. Since funds and appropriations may change over time, the DFA OA Funds Group Manager sends a spreadsheet to the agencies that may have changes to make. Any changes requested are made. The Funds Group transfers the funds to the Insurance Department PECD fund from the agency's funds within a week after the notification. The information is sent to DFA- Office of Budget. (A.C.A 11-9-307)

SUBCHAPTER 10 MISCELLANEOUS FUNDS

ACA§ 19-5-1002 Motor Vehicle Acquisition Revolving Fund

(a) There is established on the books of the Treasurer of State, Auditor of State, and the Chief Fiscal Officer of the State a fund to be known as the Motor Vehicle Acquisition Revolving Fund.

(b) This fund shall be used for the purpose of acquiring motor vehicles as authorized by § 22-8-201 - 22-8-209. ET SEQ.

(c) The fund shall be financed by:

(1) Its proportionate share of moneys made available from the allocation of general revenues as authorized by the Revenue Stabilization Law, § 19-5-101 et seq.;

(2) Moneys made available upon the disposal of used vehicles, which moneys shall be deposited to the credit of the Motor Vehicle Acquisition Revolving Fund rather than being deposited to the owing State agency's fund;

(3) Deposits of moneys from benefiting State agencies; and

(4) Transfers from other Treasury funds and fund accounts of benefiting State agencies.

History. Acts 1973, No. 750, § 7; 1985, No. 888, § 9; A.S.A. 1947, § 13-523.

R1 19-5-1002 Motor Vehicle Acquisition

The Director of the Department of Finance and Administration (DFA Director) designated the Department of Finance and Administration – Office of Information Services as his agent authorized to purchase new and used vehicles for all State agencies, boards, commissions, departments, and institutions of higher education (agencies). Such purchases shall be made from the Motor Vehicle Acquisition Revolving Fund (MMV Fund) which was established for the purpose of acquiring motor vehicles of the State. The amounts deposited into this fund include a portion of State general revenues as authorized by the Revenue Stabilization Law, amounts received upon the disposal of used vehicles and deposits or transfers from benefiting agencies. (ACA §19-5-1002, ACA §22-8-206 (a-c), ACA §22-8-207)

PLEASE NOTE: See additional information regarding vehicles in R1-19-4-1503 Property Management and R1-19-11-243 Marketing and Redistribution.

TITLE 19

CHAPTER 6 REVENUE CLASSIFICATION LAW

SUBCHAPTER 1 General Provisions

19-6-101. Title.

This chapter shall be referred to and may be cited as the "Revenue Classification Law" of Arkansas.

History. Acts 1973, No. 808, § 1; A.S.A. 1947, § 13-503.

PLEASE NOTE: Go to http://www.arkleg.State.ar.us/NXT/gateway.dll?f=templates&fn=default.htm&vid=blr:code (Revenue Classification Law) to view the entire language of the code on this subject.

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R1- 19-6-101 Revenue Classification

Revenue is classified by general ledger account number. All general ledger accounts are identified by a ten (10) digit account number and an appropriate account description. The ten 10 digit account number is designed to identify the revenue receipt(s) of a State entity. The revenue accounts may be used by any agency to record a receipt and, with only a few exceptions, may be used for any fund. The account number is broken down into four main parts: the financial statement type, the revenue type, the revenue source and a unique identifier.

All revenue accounts begin with "4". The type of revenue is identified by the third digit of the account number. The fourth digit of the account number indicates the revenue source. The remaining six digits are assigned by the Department of Finance and Administration – Office of Accounting (DFA-OA) in a systematic manner to uniquely identify the account.

Revenue Type

The revenue type (the third digit in the account number series) is established in accordance with the Revenue Classification Law to provide a basic breakdown of the revenues. The revenue types are General Revenues, Special Revenues, Non-revenue Receipts and Other Revenue, Grants and Reimbursements. (ACA §19-6-108) A description of each revenue type is listed below.

PLEASE NOTE: The revenue type directs the Treasurer of State's distribution process. The use of an incorrect revenue type will cause incorrect distribution of the related funds.

Revenues deposited in revenue account types "1", "2" or "3" remain on deposit with the Treasurer of State until the end of the month. At that time a percentage (either 3% or 1½%), as specified by law, is deducted for the Constitutional and Fiscal Agencies Fund and the State Central Services Fund. The remaining balance after deduction of fees is distributed to the designated fund. Revenue receipt deposits with account types "4" or "5" are credited to the designated fund at the time the receipt is processed in AASIS and these revenues may be utilized as soon as posting is complete.

Series	*Revenue Type*	*Description*
(40)1	*General Revenues*	*Used only when the revenue(s) is to be deposited into the General Revenue Fund Account of the State Apportionment Fund – AGA0000. A detailed list of these revenues is located in ACA §19-6-201.*

(40)2	***Special Revenues - 3%***	***As required by law, certain special revenues are held in the Special Revenue Fund Account of the State Apportionment Fund – ASA0000 prior to being credited to the special revenue fund as provided on the receipt document. The revenues recorded in this manner are usually collected by the Revenue Division or another Constitutional and Fiscal Agency Fund agency or an agency in the State Central Services Fund on behalf of another agency. A detailed list of these revenues is located in ACA §19-6-301.***
(40)3	***Special Revenues - 1½%***	***Same as type "2" except a smaller deduction is made at month end. Typically, the agency collecting the revenue(s) is usually an agency other than a Constitutional and Fiscal Agency Fund agency or an agency in the State Central Services Fund. The revenues recorded in this manner are usually funds of the collecting agency. A detailed list of these revenues can be found in ACA §19-6-401 et seq.***
(40)4	***Non-Revenue Receipts***	***Used to account for receipts received that are deemed non-revenue. A list of receipts that are statutorily required to be non-revenue are detailed in ACA §19-6-701.***
(40)5	***Other Revenue, Grants & Reimbursement***	***Other Revenue, Grants & Reimbursement includes all other revenues not determined by legislation to be General or Special Revenues or Non-Revenue Receipts. This includes ad valorem taxes collected for the benefit of local governments and federal funds and receipts for federal grants, aid or reimbursements received directly from the federal government. (ACA §19-6-501)***

<u>Revenue Source</u>

The revenue source number (the fourth digit in the account number series) is established to designate the basic source of the revenue. The types of sources with their related description follow:

Series	***Description***
(40X)0	***Taxes***

(40X)1	***Fees***
(40X)2	***Fines and Penalties***
(40X)3	***Licenses and Permits***
(40X)4	***Rents, Royalties and Leases***
(40X)5	***Grants and Federal Reimbursements***
(40X)6	***Non-Revenue***
(40X)7	***Miscellaneous***
(40X)8	***Sale of Property (whether purchased or produced)***
(40X)9	***Interest on investments***

An updated listing of revenue account numbers can be obtained any time by running a Chart of Accounts Report in AASIS. To obtain only revenue account numbers enter "4*" in the GL Accounts field. Agencies that do not have direct access to AASIS may request a copy of the listing from the DFA-OA – Service Bureau at any time.

Additional accounts may be requested by completing the General Ledger Account Request Form located at http://www.arkansas.gov/dfa/aasis_forms/formFIglacctreq.html. After completion, the form should be submitted to the DFA-OA-Reconciliation Section. DFA-OA reserves the right to limit the adding of new accounts.

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R3-* 19-6-101 *Revenue Receipts and Deposits

All cash, checks and legal tender received by a State agency, board, commission or institution must be immediately deposited with the Treasurer of State or one of the agency's bank or investment accounts. Additionally, all cash, checks and legal tender receipts must be immediately recorded in AASIS (through direct access, interface software, or by the Service Bureau).

Trust and agency funds must also be posted to a cash or investment account in, using a fiduciary fund type. In creating journal entries, the offsetting debit or credit for agency funds will be the "Agency Fund Liability" account (general ledger #2114004000). Additions and deductions to trust-type funds must be recorded in the appropriate general ledger accounts.

Procedures for Posting Receipts in the AASIS

Cash Journals are used by AASIS for revenue receipts. The AASIS operation records revenue receipts in a Cash Journal. Each Cash Journal is assigned a specific general ledger account, which is updated by cash journal receipts and deposits. Thus, the purpose of the Cash

Journal is to keep track of revenue received in various forms and to post the revenue to the appropriate general ledger account.

A revenue code must be designated in AASIS for all cash receipt transactions. It is important to select the correct revenue code based on the type of revenue. Note that General Revenue codes begin with 401, and Special Revenue codes begin with 402 or 403. All General Revenue is deposited to fund AGA0000, using cost center 383359 and Business Area number 0610. Special Revenue funds are receipted to the agency's Fund and subsequently transferred to fund ASA0000 daily by the Treasurer of State. At the end of each month, Special Revenues are distributed back to the agency's Fund less the corresponding treasury fee (3% for 402 and 1.5% for 403 revenue codes).

General ledger accounts that begin with 404 and 405 identify Other Revenue. Other Revenue must be deposited directly to the agency's Fund. General ledger accounts that begin with 601 through 699 will be used for other financing sources (such as Refunds to Expenditure, Intra-Agency Transfers, and Inter-Agency Transfers).

Recording a revenue receipt requires selecting a business transaction in the Cash Journal corresponding to the appropriate revenue code. A cost center is required on the entry of a revenue receipt and will derive the fund assigned in AASIS. Check to be sure the desired fund is derived from the cost center. If the monies are to be deposited to a different fund, the cost center must be modified. As appropriate, the revenue receipt will debit "Cash in Treasury - Incoming", "Cash in Bank - Incoming", or a "Non-AASIS House Bank" account and credit the selected revenue account.

Recording the receipt of a customer's payment requires information to be obtained from the customer's account in AASIS. The customer number, assignment number, fund and cost center must be entered. The cost center, fund and general ledger revenue account fields shall be the same as those recorded in AASIS for the original invoice which has now been paid.

Since the initial accounts receivable transaction debited the customer account and credited the appropriate revenue account, the receipt of a customer payment will credit the customer's account and debit the "Cash in Treasury – Incoming" or agency bank account.

<u>Authorized Individuals</u>

Agencies determine role needs and request roles from the AASIS Security Department. Roles available for Cash Receipting are the Agency Cash Receipt Specialist and the Agency Cash Deposit Specialist. Security roles determine the transactions that a user can perform. Features within permissible transactions can be further configured for security purposes. Transactions for Cash Journals have two security roles -- one for recording and saving entries and one for posting and preparing deposits.

To maintain internal control, receipts are to be entered and saved by the role of Cash Receipt Specialist, and then posted by the role of Cash Deposit Specialist. Smaller agencies with limited personnel, which are unable to provide for an adequate segregation of duties, may be granted an exception to this requirement by obtaining an approval of their applicable

mitigating controls from the Department of Finance and Administration – Office of Accounting (DFA-OA).

Procedure for Treasury Deposits

The AASIS transaction ZBCJ is used to print a deposit ticket for Treasury deposits. Printing of deposit tickets in ZBCJ will trigger the posting of Special Revenue to Fund ASA0000. PLEASE NOTE: Caution must be taken when re-printing a deposit ticket not to make a duplicate posting of Special Revenue. Deposit tickets must have an AASIS document number in order for the Treasurer of State to accept the deposit.

Refer to the AASIS web site http://www.aasis.State.ar.us/ and their transaction training tutorials for detailed instructions regarding the preparation and printing of a deposit ticket.

PLEASE NOTE: Once a deposit has been processed by the Treasurer of State, that deposit transaction may only be reversed with approval of the Department of Finance and Administration – Office of Accounting (DFA-OA).

Deposit tickets relative to funds on deposit with the Treasurer of State must only contain treasury fund related transactions. Refer to AASIS website http://www.aasis.State.ar.us/ and their transaction training tutorials for detailed instructions regarding the proper procedures to omit cash fund related deposits from treasury fund deposit tickets.

Procedure for Cash Fund Deposits

Procedures for cash fund deposits are identical to those for treasury deposits except for the fact that the funds are not transferred to the Treasurer of State. Additionally, the agency has the option to print a deposit ticket using AASIS as supplemental supporting documentation to its pre-printed bank deposit tickets.

Refund to Expenditures

A "Request for Refund to Expenditure" Form (downloadable from the AASIS website (http://www.State.ar.us/dfa/aasis_forms/request_for_refund_to_expenditure.pdf) must be used for Refund to Expenditure receipts. The "Request for Refund to Expenditure" Form must be forwarded to the DFA-OA. If the "Refund to Expenditure" Form is approved, DFA-OA performs journal entries to reduce the expenditures and restore the appropriation. If the refund to expenditure is for a prior year transaction, a "Prior Year Non-Reclaimable Certification Form" P1-19-6-101(HYPERLINK) must be completed and submitted to DFA-OA, and the appropriation shall not be restored, unless it involves a carry-forward appropriation item.

If a warrant from a prior year is cancelled or refund to expenditure from a prior year is deposited into a reclaimable fund, it is reclaimed based upon the appropriate procedures.

R4- 19-6-101 Sales and Use Tax

It is the responsibility of the agency to accurately accrue and pay to the Department of Finance and Administration – Office of Accounting (DFA-OA) sales and use tax by the 15th of each month. It is the responsibility of DFA-OA to accurately report and remit sales and use tax for State agencies to the Department of Finance and Administration – Revenue Division (DFA-RD).

Sales Tax, also referred to as Gross Receipts Tax, is a tax levied against the sale of tangible personal property and various services. Sales tax is the responsibility of the seller to collect and remit to the State.

Use Tax, also referred to as Consumer Use Tax, is a tax levied against the purchase of tangible personal property from out of state vendors who are not registered with the State to remit sales and use tax. Use tax is the responsibility of the buyer to accrue and remit to the State.

DFA-OA must report and remit sales and use tax by the 20th of each month to DFA-RD. Therefore, it is imperative that agencies remit the payment of their sales and use tax to DFA-OA no later than the 15th of each month.

Refer to P4-19-6-101 (hyperlink) for further information.

TITLE 19

CHAPTER 9 PUBLIC OBLIGATIONS

SUBCHAPTER 2 State Obligations

19-9-201. Authority of State Board of Finance.

The State Board of Finance is authorized to:
(1) Take such action as may be provided by law for the issuance of refunding bonds for outstanding obligations to the State of Arkansas;

(2) Issue replacement bonds, either typewritten, printed, or lithographed, for lost, mislaid, destroyed, or stolen bonds of the State of Arkansas in the manner and within the limitations provided by § 19-9-102;

(3) Take such action as may appear necessary or desirable to collect any funds which may have been in the hands of paying agents for a period of three (3) years or longer and to invest any funds so collected in the manner provided by §§ 19-9-103 - 19-9-105; and

(4) Take such other action, not inconsistent with law, as may appear necessary or desirable to:

(A) Retire the direct bonded debt of the State of Arkansas in an orderly manner;

(B) Safeguard State funds pledged for the payment of such obligations; and

(C) Maintain and improve the credit standing of the State of Arkansas.

History. Acts 1955, No. 338, § 11; 1965 (1st Ex. Sess.), No. 12, § 13; A.S.A. 1947, § 13-411.

NEW- Brenda

R1-19-9-202 Long-Term Debt

Article 16, Section 1 of the Constitution of Arkansas States: "Neither the State nor any city, county, town or other municipality in this State shall ever lend its credit for any purpose whatever; nor shall any county, city or town or municipality ever issue any interest bearing evidences of indebtedness, except such bonds as may be authorized by law to provide for and secure the payment of the indebtedness existing at the time of the adoption of the Constitution of 1874, and the State shall never issue any interest-bearing treasury warrants or scrip. [As amended by Const. Amends. 13 and 62.]"

Amendment 20 to the Constitution of Arkansas States: "Bonds prohibited except when approved by majority vote of electors. – Except for the purpose of refunding the existing outstanding indebtedness of the State and for assuming and refunding valid outstanding road improvement district bonds, the State of Arkansas shall issue no bonds or other evidence of indebtedness pledging the faith and credit of the State or any of its revenues for any purpose whatsoever, except by and with the consent of the majority of the qualified electors of the State voting on the question at a general election or at a special election called for that purpose. This Amendment to the Constitution of Arkansas shall be self-executing and require no enabling act, but shall take and have full force and effect immediately upon its adoption by the electors of the State."

Bonds shall be the direct general obligations of the State of Arkansas, for the payment of the debt service on which the full faith and credit of the State of Arkansas are irrevocably pledged so long as any such bonds are outstanding. The bonds shall be payable from the general revenues of the State as termed in the Revenue Stabilization Law § 19-5-101 et seq., and general revenues that are necessary for the payment of debt service on the bonds shall be and remain pledged for such purposes. (ACA 6-62-718, ACA 15-22-615, ACA 15-22-714)

Authorization to Borrow

The Arkansas Development Finance Authority (ADFA) has been given the authorization to borrow money and issue bonds to provide financing for a specific activity or particular project which are secured by and payable solely from the bonds, lease payments, or other obligations issued by or payable to the State agencies and political subdivisions of the State. The specific activities or particular projects may include capital improvement facilities, educational facilities or health care facilities. (ACA 15-5-301, ACA 15-5-207)

PLEASE NOTE: If the long-term debt is financed through ADFA, contact the Department of Finance Administration-Office of Accounting-CAFR Section (DFA-OA-CAFR Section) for further instructions.

Long-term obligations may be backed by the full faith and credit of the State or specific revenue as defined in authorizing legislation. Generally, long-term debts are not expected to be paid within the next twelve months.

Depending on the nature of the obligation, long-term obligations of the State are accounted for in one of two ways. Long-term obligations related to, and expected to be paid from;

proprietary and fiduciary fund type funds are accounted for in those funds. All other long-term debt will be identified as a general liability and accounted for in Fund 7006101 for inclusion in the government-wide Statement of Net Assets financial Statements.

<u>Types of Bonds</u>

General Obligation Bonds are statewide bond issues that are secured by an unconditional pledge of the full faith and credit of the State.

Revenue Bonds are bond issues secured by specific sources of revenue and do not involve a pledge of the full faith and credit of the State but require legislation authorizing the specific revenue. They are payable from identified sources of revenue which are generally derived from the assets acquired or constructed with the bond proceeds.

Refunding Bonds are issued to retire bonds already outstanding. Refundings are classified as current or advance refundings.

<u>New Issues</u>

Generally accepted accounting principles (GAAP) direct that the proceeds from long-term debt be treated as an "other financing source" rather than as revenue in governmental fund types. The amount reported as an "other financing source" should be equal to the face amount of the debt. For accounting and financial reporting purposes, a long-term debt issue is considered to have taken place as of the closing date. Consequently, bond or loan proceeds should be reported as an "other financing source" as of the closing date. The amount of cash received is typically less than the face amount of the debt due to withheld underwriter's fees and/or the debt issued at a discount. A discount arises when the stated rate of interest on the debt is less than the market rate of interest for similar securities when the debt was issued. AASIS uses "6" series general ledger account numbers to record "other financing sources" as well as "other financing uses".

"Other financing uses" is a category used to isolate certain non-routine outflows that might otherwise distort the analysis of expenditure trends. Discount, premiums, issuance costs such as amounts withheld for underwriters' fees should be recorded as "other financing uses" in governmental fund types.

<u>Modified Accrual</u>

A long-term debt would be recorded at the closing date as:

A debit to a cash account for the amount of the bond or loan proceeds plus or minus the bond premium or discount, respectively, and less the bond issuance costs. (actual cash received)

A debit or credit to a bond discount or premium account for the amount of the discount or premium, respectively.

A debit to a bond issuance costs account for the amount of the issuance costs, which would include underwriters' fees.

A credit to "proceeds from" bonds or loan account for the amount of the bonds or loan.

<u>Full Accrual</u>

At the end of the fiscal year, the bonds or loan proceeds, bond discount or premium, bond issuance costs would be reclassified to bonds or loans payable, unamortized bond discount, unamortized bond premium and unamortized bond issuance costs, respectively, in accounting period "15" using Fund 7006101. The entry to reclassify the proceeds would be done by debiting the "proceeds from" bonds or loan account and crediting the payable account. The amortization of the discounts, premiums and issuance costs are also recorded in accounting period "15" using Fund 7006101. Discounts, premiums and issuance costs are amortized over the life of the debt using the "straight-line method". Amortization amounts due in the next year need to be reclassified as current. The reclassification is recorded in accounting period "15" using Fund 7006101.

Interest owed but not yet due (interest payable) will be accrued and recorded in accounting period "15" using Fund 7006101.

<u>Refunding Issues</u>

When advantageous and permitted by Arkansas code or bond covenants, the State will refund outstanding bond issues. Refundings are transactions to take advantage of changes in interest rates, the maturity date or escape onerous debt covenants by issuing new debt to refinance existing (old) debt. Current refundings immediately applies the proceeds of the refunding debt to redeem the old debt. When the proceeds of the refunding debt are placed into an escrow account pending the call date or maturity of the old debt, the refunding is called advance refunding. Most advance refundings result in the defeasance of the old debt. For accounting purposes, the debt is treated as though it had been redeemed. GAAP direct that the proceeds of refunding bonds, whether used for redemption or placed in escrow, be reported as an "other financing use" rather than as an expenditure (payments to escrow agents).

<u>Modified Accrual</u>

A long-term debt would be recorded as:

A debit to the "payments to refunding escrow agent" account for the amount of the old bond or loan or the amount that was paid to the refunding escrow agent.

A debit to a cash account for the amount of the bond or loan proceeds plus or minus the bond premium or discount, respectively, and less the bond issuance costs and amount paid to the escrow agent.

A debit or credit to a bond discount or premium account, respectively for the amount of the discount or premium, respectively.

A debit to a bond issuance costs account for the amount of the issuance costs.

A credit to "proceeds from" bonds or loan account for the amount of the bonds or loan.

<u>Full Accrual</u>

At the end of the fiscal year, the bond or loan proceeds, bond discount or premium, bond issuance costs would be reclassified to bonds or loans payable, unamortized bond discount,

unamortized bond premium and unamortized bond issuance costs, respectively, in accounting period "15" using Fund 7006101. The entry to reclassify the proceeds would be done by debiting the "proceeds from" bonds or loan account, crediting the "payments to refunding escrow agent" account and crediting the bonds or loan payable account for the difference. The amortization of the discounts, premiums and issuance costs are also recorded in accounting period "15" using Fund 7006101. Discounts, premiums and issuance costs are amortized over the life of the debt using the "straight-line method". Amortization amounts due in the next year need to be reclassified as current. The reclassification is recorded in accounting period "15" using Fund 7006101.

If material, the difference between the cost of refunding the old bonds (the outstanding principal of the old debt plus any associated costs) and the proceeds of the refunding bonds is deferred and amortized over the remaining life of the old debt or the life of the refunding debt, whichever is shorter (deferred loss on refunding). The amortization of the "deferred loss on refunding" is recorded in accounting period "15" using Fund 7006101. Amortization amounts due in the next year need to be reclassified as current. The reclassification is recorded in accounting period "15" using Fund 7006101.

Interest owed but not yet due (interest payable) will be accrued and recorded in accounting period "15" using Fund 7006101.

<u>New and Refunding Issues</u>

All bond issue payments include principal and interest. The classification of the principal and interest payment as both being expenses or the interest being an expense and the principal reduction of debt is determined by the financial reporting statements.

<u>Modified Accrual</u>

The payment of a long-term debt should be recorded as principal and interest expense following an amortization schedule.

<u>Full Accrual</u>

At the end of the fiscal year, the expense for the principal portion will be reclassified as a reduction of the debt. Principal payments due on all long-term debt in the next year need to be reclassified as current. The reclassification is recorded in accounting period "15" using Fund 7006101.

<u>Responsibility of agencies to provide DFA-OA-CAFR long-term debt information</u>

The various State agencies, departments and entities are each responsible for safeguarding assets in its charge, the execution of only properly authorized transactions, and the maintenance of the necessary financial information to document the discharge of its responsibilities. Therefore, the primary responsibility for the collection, maintenance,

recording and transmission of information to permit the DFA-OA-CAFR Section to prepare GAAP financial Statements lies with each agency.

It is imperative that agencies and institutions also maintain:

An adequate internal control structure to reduce the risk that errors or irregularities may occur and not be corrected timely in the normal course of agency staff business.

An audit trail that can readily trace the information transmitted to DFA-OA and amounts recorded in the State Financial Management System to the original source transaction information.

Therefore, each agency and institution should design their process to compile needed GAAP information to its own circumstances and document those processes for future training and audits.

At the close of each fiscal year, DFA-OA-CAFR Section will send a debt service packet out to the agencies to gather information needed to compile the State's comprehensive annual financial report (CAFR).

Journal entries to record long-term debt are found in appendix P1-19-9-201 (HYPERLINK)

TITLE 19

CHAPTER 10 CLAIMS AGAINST THE STATE

SUBCHAPTER 1 General Provisions

19-10-101. Investigatory powers.

The Director of the Department of Finance and Administration, as soon as he learns of facts from which he concludes that a claim, other than for personal injury or death of a State employee, may be filed under this chapter against the State or any of its agencies, departments, or institutions, whether or not the claim has already been filed, is authorized and directed to investigate and take evidence concerning the claim. The director is, for this purpose, authorized to exercise all necessary investigatory powers conferred upon him by this chapter. All information acquired by him shall be made available to the Arkansas State Claims Commission prior to the hearing and determination thereof.

History. Acts 1949, No. 462, § 12; 1951, No. 373, § 7; A.S.A. 1947, § 13-1412.

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R1-19-10-101 Claims, Judgments & Other Contingent Liabilities

Claims and judgments are obligations related to the payment of claims declared or court imposed awards. Generally, the events creating these obligations have already occurred and one can reasonably determine their future impact. Contingent liabilities are potential future

amounts to be paid based on conditions that existed as of the financial statement date. The circumstances related to contingent liabilities have occurred but their future impact may not be certain for a variety of reasons, including but not limited to a claim not being asserted or the amount owed not being determinable. Examples of claims, judgments and other contingent liabilities may include, but are not limited to, claims brought before or awards made by the Arkansas State Claims Commission (ASCC) or other courts where jurisdiction may reside, accrued leave, potential benefits under the State Workers' Compensation Program and disputed costs in connection with federal funding.

Federal Claims & Judgments

Federal awards shall be paid upon receipt of a court order. In the absence of a court order, claims may be paid upon receipt of an out-of-court settlement recommendation made in writing by the Attorney General of the State, after an investigation by the Chief Financial Officer determines that payment will be in the best interest of the State, and upon receiving favorable review from the Legislative Council or Joint Budget Committee. (ACA §21-9-203)

PLEASE NOTE: Also refer to ACA §19-4-1614 and ACA §19-4-1615 for claims and judgments related to wages or salaries for personal services rendered.

ASCC Claims & Judgments
When the Director of the Department of Finance and Administration is made aware of a potential claim that may be filed with the ASCC, he/she shall investigate such claims, other than those involving personal injury or death of a state employee. Any information obtained from such investigation will be made available to the ASCC prior to the related hearing. (ACA §19-10-101)

Awards, other than those related to wages and salaries, are to be paid upon order by the ASCC. If the award is $10,000 or less, the DFA-OA-Funds Group will reimburse the ASCC fund that paid the award via a funds transfer from the paying agency's fund to be charged for the expenditure of the judgment. Awards involving wages and salaries are processed through the State's payroll system to insure the appropriate reporting and payments for payroll tax purposes. All awards, including awards for wages and salaries, in excess of $10,000 require an appropriation from the General Assembly prior to payment. (ACA §19-10-215)

When a valid claim is to be paid from funds not in the State Treasury, the ASCC Clerk will notify the agency, board, commission or institution of higher education that the claim is charged. Upon receipt of the notification, the agency, board, commission or institution of higher education is required to deliver a check to the ASCC Clerk from the agency, board, commission or institution of higher education's cash funds. The check is to be deposited into the Miscellaneous Revolving Fund as a non-revenue receipt for disbursement to the complainant. (ACA §19-10-213)

When an agency admits liability to a claim filed with the ASCC and the claim involves a contract or the claim exceeds $7,500, the State agency, board, commission or institution of

higher education responsible for the payment of the settlement or judgment shall file a written report to the Litigation Subcommittee of the Arkansas Legislative Council within 30 days after adjudication by ASCC. The report shall include a statement of facts surrounding the claim and an explanation of the agency, board, commission or institution of higher education's liability. (ACA §19-10-212)

Contingent Liabilities
Generally Accepted Accounting Principles (GAAP) require disclosure and, in some cases, recording of claims, judgments and other contingent liabilities that are reasonably possible (i.e. more than remote; less than likely). The liability for claims, judgments and other contingent liabilities should be recognized (or recorded) when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. As such, if not previously recorded, judicial awards shall be recorded as liabilities when judgment is rendered. Failure to disclose or record such would cause a misstatement in the financial statements. It is imperative that agencies that believe they may have circumstances that meet the criteria for claims, judgments and other contingent liabilities contact the agency's liaison in the DFA-OA-CAFR Section (CAFR Section) to discuss the circumstances and obtain assistance in determining if the item can or should be recorded as a liability of the agency. A listing of agencies with their designated CAFR Section liaison is located on the DFA web site. (include hyperlink)

All judicial awards and contingent liabilities shall be recorded by each State agency, board, commission or institution of higher education utilizing the appropriate accounts, funds and periods as instructed in the Fiscal Year-End Closing Instructions unless instructed otherwise in writing by the CAFR Section. All items that are recorded as liabilities or may be considered claims or contingent liabilities if the liability may exceed $500,000 shall be disclosed to the CAFR Section in the agency's Year-End Disclosure Package returned to the CAFR Section. Additionally, disclosure may be required if the aggregate liability exceeds $500,000. The disclosure should take the form of completing the Claims and Judgments/ Contingencies Questionnaire Section of the Year-End Disclosure Package. Regardless of whether the circumstances for the potential claim or liability existed before or after the end of the fiscal year, if an agency determines that a liability should be recorded or the agency becomes aware of a potential claim or contingent liability after completion and submission of the Year-End Disclosure Package to the CAFR Section, the agency should contact their agency's liaison in the CAFR section to disclose the determination made and the additional details identified to arrive at such decision.

Recording Contingent Liabilities
All contingent liabilities that are probable (The future event or events are likely to occur.) and the related loss can be reasonably estimated should be recorded by each agency board, commission or institution of higher education at or before year-end. All contingent liabilities should be recorded in non-budget relevant accounts in period 15 to fund 7006101. All amounts expected to be paid within one year of the fiscal year end should be recorded as current liabilities. Any prior year entries to record the claims, judgments or contingent liabilities should be reversed prior to recording current year items. Examples of general journal entries to record some common contingent liabilities follow.

Accrued Leave

5010091000 Accrued Compensated Absence Expense
2230002000 Non-Current Accrued Compensated Absences
2115007000 Compensated Absences Current

Claims/Judgments

5110015000 Taxes/Claims
2114003000 Claims incurred but not reported

Questioned Costs related to be federal awards expected to be repaid

4050004100 NBR – Grant Revenue
2114003000 Claims incurred but not reported

PLEASE NOTE: These examples are for illustrative purposes only. The nature of the claim or contingent liability will determine what accounts should be used for recording the liability. Please contact the CAFR Section for assistance in recording the liability.

TITLE 19

CHAPTER 11 PURCHASING AND CONTRACTS

SUBCHAPTER 2 Arkansas Purchasing Law

19-11-217. Powers and duties of director.

(a) The State Procurement Director shall serve as the principal procurement officer of the State.
(b)(1) Except as otherwise provided in this subchapter and upon the approval of the Director of the Department of Finance and Administration, the State Procurement Director shall have the authority and responsibility to promulgate regulations consistent with this subchapter.

(2) In addition, consistent with the provisions of this subchapter, the State Procurement Director may adopt rules governing the internal procedures of the Office of State Procurement.

(c) Except as otherwise specifically provided in this subchapter, the State Procurement Director, within the limitations of this subchapter and the rules and regulations promulgated under authority of this subchapter:

(1) Shall procure or supervise the procurement of all commodities and services for each State agency not having an agency procurement official and, when requested to do so by such an official, procure commodities and services not otherwise under State contract;

(2) Shall manage and establish internal procedures for the office;

(3) Shall sell, trade, or otherwise dispose of surplus commodities belonging to the State;

(4) Shall have the authority to establish and maintain programs for the inspection, testing, and acceptance of commodities and services;

(5) Shall establish and manage a list of vendors desiring written notice of invitations for bid;

(6) May establish, by regulation, a fee for receiving a written or electronic notice of invitations for bid; and

(7) Shall ensure compliance with this subchapter and implementing regulations by reviewing and monitoring procurements conducted by any designee, department, agency, or official delegated authority under this subchapter.

History. Acts 1979, No. 482, § 15; A.S.A. 1947, § 14-243; Acts 1991, No. 1018, § 2; 2001, No. 1237, § 9.

Deanna II-27.1-27.4

R1-19-11-217 ***Vendor Maintenance***

Each vendor that is paid through the State's accounting system is required to have a Vendor Master Record. The Vendor Master Record is used to store a variety of information on each of the State's vendors. One of the primary uses of the Vendor Master Record is to track payments for the processing of Internal Revenue Service Form 1099 and its related reporting.

All disbursements should generally utilize previously established vendor master record numbers, which is linked to the vendor's master record. However, a "one time" vendor may be utilized when the vendor is expected to only be paid once or the vendor is expected to be paid on a very infrequent basis.

The Department of Finance and Administration – Office of State Procurement Vendor Maintenance Policy can be accessed at http://www.arkansas.gov/dfa/purchasing/agency.html.

Instructions for determining if a vendor has established a Vendor Master Record are in the Vendor Database Tutorial which can be accessed at http://www.arkansas.gov/dfa/purchasing/agency.html.

11-29.1 – 29.3 CSH

R2-19-11-217 ***Internal Revenue Service Form 1099-Miscellaneous (1099-MISC) Reporting***

It is the policy of the State of Arkansas to adhere to the Internal Revenue Code guidelines for 1099-MISC reporting contained in Internal Revenue Service (IRS) Publication 1220 as revised each calendar year. http://www.irs.gov/pub/irs-pdf/i1099.pdf

1099-MISC forms are produced to satisfy Sections 6041 through 6050N of the Internal Revenue Code, which requires States and State agencies to file informational returns on reportable payment types of non-wage compensation paid to reportable payees.

IRS Form W-9 is the foundation for meeting the 1099 reporting requirements of the IRS. A Form W-9 must be provided to the Office of State Procurement (OSP) for all Statewide vendor numbers requested as outlined in the OSP policies and procedures located at http://www.arkansas.gov/dfa/purchasing/index.html.

The vendor master record designates each vendor's tax status based on the information provided on the W-9. The tax code is automatically populated on each payment transaction based on the tax status identified on the vendor master record. The tax code can be changed by the agency on any transaction when necessary for proper 1099 reporting. It is the agency's responsibility to ensure the accuracy of the tax code on each payment transaction.

Agencies classified as "user" or "service bureau" in AASIS which are included within the Statewide Federal Tax Identification Number (TIN) are responsible for providing accurate information for 1099-MISC reportable vendors and vendor payments to the Department of Finance and Administration, Office of Accounting(DFA-OA). Any payments of penalties and interest arising from inaccurate information provided by the agency will be charged back to the individual agency by a funds transfer initiated by the DFA-OA. The DFA-OA' s sole responsibility is the consolidation of all payment information provided by State agencies to the vendor's payee tax identification number and the resulting printing, mailing and reporting of the 1099-MISC forms.

An updated informational 1099 package will be available on the website when the final rules are made available by the IRS for the upcoming calendar year. http://www.accessarkansas.org/dfa/accounting/index.html

Additional detailed information regarding vendors/vendor payments may be found on the AASIS website. http://aasis.State.ar.us/default.htm

Agencies classified as "user" or "service bureau" in AASIS that operate independent programs with their own tax identification number are responsible for all tasks necessary to report the 1099-MISC forms. Payments made by warrant from these programs must use "one-time" vendor numbers to avoid duplication in the statewide reporting of 1099's performed by DFA-OA.

Agencies classified as "reporting" in AASIS cannot use the Statewide Federal TIN and are responsible for creating and reporting IRS Form 1099-MISC under their own assigned Tax Identification Number. Reporting Agencies may use statewide vendor numbers, but these payments and vendors will automatically be excluded from the Statewide reporting of 1099's.

19-11-238. Multiyear contracts.

(a) Specified Period. Unless otherwise provided by law, a contract for commodities or services may be entered into for periods of not more than seven (7) years if funds for the first fiscal year of the contemplated contract are available at the time of contracting. Payment and performance obligations for succeeding fiscal years shall be subject to the availability and appropriation of funds therefor.
(b) Determination Prior to Use. Prior to the utilization of a multi-year contract, it shall be determined in writing that:

(1) Estimated requirements cover the period of the contract and are reasonably firm and continuing; and

(2) Such a contract will serve the best interests of the State by encouraging effective competition or otherwise promoting economies in State procurement; and

(3) In the event of termination for any reason, the contract provides for cessation of services and/or surrender by the State of the commodities and repayment to the State of any accrued equity.

(c) Termination Due to Unavailability of Funds in Succeeding Years. Original terms of such multiyear contracts shall terminate on the last day of the current biennium, and any renewals by the State based upon continuing appropriation shall not exceed the next succeeding biennium. When funds are not appropriated or otherwise made available to support continuation of performance in a subsequent year of a multi-year contract, the contract for such subsequent year shall be terminated and the contractor may be reimbursed for the reasonable value of any nonrecurring costs incurred but not amortized in the price of the commodities or services delivered under the contract. The cost of termination may be paid from:

(1) Appropriations currently available for performance of the contract;

(2) Appropriations currently available for procurement of similar commodities or services and not otherwise obligated; or

(3) Appropriations made specifically for the payment of such termination costs.

History. Acts 1979, No. 482, § 43; A.S.A. 1947, § 14-267; Acts 1995, No. 317, § 5; 1995, No. 340, § 5; 1995, No. 912, § 1.

II-25.1-25.4 Leases (capital leases) ***Teri***

R1-19-11-238 LEASES OF TANGIBLE PERSONAL PROPERTY (EQUIPMENT)

Provisions for leasing of equipment by State agencies are contained in Arkansas Code Annotated §19-11-238. Agencies should review lease contracts before signing and insure that they are not committing their agencies to make lease payments beyond the end of a biennial period. The contract should include language to allow termination of the lease in the event sufficient appropriations or funding does not exist to fulfill the obligation. Contractual questions concerning leasing equipment should be directed to the Department of Finance and

Administration - Office of State Procurement. Accounting questions should be directed to the Department of Finance and Administration - Office of Accounting.

<u>Lease Type Determination</u>

A lease agreement that meets one or more of the following four criteria is a capital lease:

1. The lease transfers ownership of the property to the lessee by the end of the lease term.

2. The lease contains a bargain purchase option. A bargain purchase option exists when the lessee can either buy the property at a minimal amount or renew the lease at very low rental payments relative to market rates.

3. The lease term is equal to 75% or more of the life of the leased asset. (For example, the lease term is six years and the estimated remaining useful life is eight years). The life of a used leased asset will be calculated using 75% of the suggested useful life in the State's capital assets policy.

4. The present value of rental and other minimum lease payments equals or exceeds 90% of the fair value amount of the leased asset (for example, the present value of the rental and other minimum lease payments equals $9,000 and the fair value is $10,000). Instructions on how to calculate the present value of minimum lease payments follow the example below. The fair value is the amount at which the asset could have been purchased.

The last two criteria are not applicable when the beginning of the lease term falls within the last 25% of the total estimated remaining useful life of the leased property.

The lease is accounted for as an operating lease if it does not meet the State's capitalization threshold, or does not meet the criteria of a capital lease.

Example

As an example, a lease with the following details would be a capital lease:

1. The term of the lease is five years, requiring equal rental payments of $50,000.00 at the beginning of each year.

2. The equipment has a fair value at the inception of the lease of $208,493, an estimated remaining useful life of 5 years, and no residual value.

3. Lessee pays all of the executory costs directly to third parties.

4. The lease contains no renewal options and the equipment reverts to Lessor Company at the termination of the lease.

5. The State's incremental borrowing rate (and the lessor's implicit interest rate) is 10%.

The lease meets the criteria for classification as a capital lease for the following reasons: (1) the lease term of 5 years, being equal to the equipment's estimated remaining useful life of 5 years, satisfies the 75% test. (2) The present value of the minimum lease payments ($208,493 as computed below) exceeds 90% of the fair value of the property ($208,493).

Present Value of Minimum Lease Payments Computation

Calculate the present value of the minimum lease payments using Excel. In a cell in an Excel worksheet:

Select the "fx" button

Under "function category" select "financial"

Under "function name" select "PV"

"Rate" is the interest rate per payment period. For example, if you enter into a capital lease agreement for an automobile at a 10 percent annual interest rate and make monthly payments, your interest rate per payment period is 10%/12, or 0.83%, or 0.0083. The rate in the example is 10%. Agencies should use prime rate as the annual interest rate unless the lessor's implicit interest rate can be determined and it is less than prime rate. The prime rate can be found at http://research.stlouisfed.org/fred2/series/MPRIME.

"Nper" is the total number of payment periods. For example, a four-year car lease with monthly payments has 48 payment periods. For the example nper is 5.

"Pmt" is the payment made each period and cannot change over the life of the lease. Typically, pmt includes principal and interest but no other fees or taxes. For the example, the payments are $50,000. You would enter –50,000 into the formula as the pmt.

Leave "Fv" blank

Set Type is 0 if payments are due at the end of the period.

Set Type is 1 if payments are due at the beginning of the period.

For the example Set Type is 1.

Select "O.K."

Excel will calculate the present value of the minimum lease payments, which in the example is $208,493.

<u>Accounting for Leases</u>

Accounting for an operating lease consists of recording rental payments as a normal operating expenditure/expense on a monthly basis. Each agency will be required to provide the amount of operating lease payments for the year, as well as future operating lease payments annually for inclusion in the Comprehensive Annual Financial Report (CAFR).

<u>Capital leases are accounted for as follows</u>:

An Outline Agreement is created in the Arkansas Administrative Statewide Information System (AASIS) at the inception of the lease. Office of State Procurement personnel create the Outline Agreement for leases of $25,000 or more, and agency procurement personnel create the Outline Agreement for leases less than $25,000. The material numbers for principal (10119371) and interest (10119370) must be used in the outline agreement.

The agency personnel responsible for asset management creates an asset master record in AASIS using transaction AS01" Create Asset Master Record" and selects the appropriate NBR (non-budget relevant) asset class. On the allocation tab, select the class code for Capital Lease 000000. This class code allows the State to collect capital lease information on a statewide level.

If the lease agreement transfers ownership of the asset to the lessee (criterion 1) or contains a bargain purchase option (criterion 2), the leased asset is depreciated over the recommended useful life of the class code the asset would have been assigned to if the asset had been purchased. If the lease does not transfer ownership or does not contain a bargain purchase option, then the asset is depreciated over the term of the lease.

To record the acquisition value of the asset, perform transaction ABSO Miscellaneous Transactions. Enter the non budget relevant asset class. The document date will be the capitalization date of the asset. The transaction type will be 100. Enter the quantity. Credit

Other Financing Sources (6990004200). The text field can be used to record information about the lease. Use document type "aa". The leased asset should not be booked at more than its fair-market value, therefore, use the lower of (1) the present value of the minimum lease payments (excluding executory costs) or (2) the fair market value of the leased asset at the inception of the lease. The asset should be booked in the fund code from which the lease payments will be made.

To record the liability, use transaction FB50 G/L Acct Pstg: Single Screen Trans. into Fund 7006101, which has been set up to carry all long-term liabilities for the State, with each agency having its own cost center within the fund. Use document type "sa". Debit Other Financing Sources (6990004200). Credit Non-Current Capital Leases (222005000).

Capital lease payments are budgeted under Capital Outlay (commitment item 11).

For financial Statement purposes, accounts 5120012100 CI11 Interest Expense Capital Lease and 5120012200 CI11 Principal Expense Capital Lease are used to record the capital lease payments. The lease payments are recorded as expenditures of the fund from which the lease payments are made. An amortization schedule must be prepared to distinguish the principal and interest portion of the lease payments. An amortization schedule based on the example is presented below:

AMORTIZATION SCHEDULE

DATE PAYMENTS ARE DUE	LEASE PAYMENT AMOUNT	INTEREST PORTION OF THE PAYMENT (10% X AMOUNT OF LONG-TERM DEBT)	PRINCIPAL PORTION OF THE PAYMENT (PAYMENT AMOUNT LESS INTEREST)	BALANCE
6/30/x1				$208,493.00
6/30/x1	$50,000.00		$50,000.00	158,493.00
6/30/x2	50,000.00	$15,849.00	34,151.00	124,342.00
6/30/x3	50,000.00	12,434.00	37,566.00	87,776.00
6/30/x4	50,000.00	8,678.00	41,322.00	45,454.00
6/30/x5	50,000.00	4,546.00	45,454.00	

User agencies must utilize the purchase order system for all lease payments. The purchase order can cover an entire year's worth of payments so as to reserve budget and enter the remaining year's payments faster. The year you enter the purchase order into the system is the year your budget will be encumbered.

A single lease may be for several pieces of equipment, with the payments apportioned to more than one cost center. An amortization schedule showing the principal and interest portion applicable to each cost center may be required.

Purchase orders for capital lease payments should reference the outline agreement number, the "our reference" number, and the "your reference" number.

To make the 6/30/X1 down payment, create a purchase order. Use Material Number 10119371 to access the proper principal expense account. For this payment, there is only principal expense of $50,000.00.

To make the 6/30/02 payment, create a purchase order. Use material Numbers 10119371 and 10119370 to access the proper principal and interest expense accounts. The principal expense will be $34,151.00, and the interest expense will be $15,849.00.

<u>Year-end Reporting for the CAFR</u>

As part of the year-end closing process, each agency will be required to provide the asset acquisition values and accumulated depreciation at year-end, as well as principal and interest amounts due in subsequent years for inclusion in the CAFR.

Year-end Closing Entries

Two closing entries must be made to properly classify capital lease payments for CAFR purposes.

The first entry is made in period 15 of Fund 7006101 in your agency's cost center to reclassify the principal portion of capital lease payments. The 6/30/X2 entry for the example follows:

	DR	CR
2220005000 Non-current Capital Lease Payable	$ 84,151.00	
5120001200 Accrued Debt Service Principal		$ 84,151.00

(To reclassify capital lease principal payments to reduce the

Liability)

The second entry is made in period 15 of Fund 7006101 in your agency's cost center to reclassify the current portion of the lease payable. The 6/30/X2 entry for the example follows:

	DR	CR
2220005000 Non-current Capital Lease Payable	*$ 37,566.00*	
2114001000 Capital Lease Payable - Current		*$ 37,566.00*

(To reclassify the current portion of the capital lease payable)

See Section R2-19-4-506 (hyperlink) for further discussion of year-end closing procedures including year-end closing entries.

Definitions:

Executory costs--

Usually insurance, maintenance, and taxes paid in connection with the leased property. If the lessor pays these "ownership-type costs," a portion of each lease payment that represents executory costs should be excluded in computing the present value of the minimum lease payments because it does not represent payment on or reduction of the obligation. If the portion of the minimum lease payments that represents executory costs is not determinable from the provisions of the lease, an estimate of such amount must be made. Many lease agreements, however, specify that executory costs be paid to the appropriate third parties directly by the lessee; in these cases, the rental payment can be used without adjustment in the present value computation.

Lessee's incremental borrowing rate—-

The rate of interest that the lessee would have had to pay at the inception of the lease to borrow the funds, or similar terms, to purchase the leased property. It is the policy of the State of Arkansas to use the prime rate for an agency's incremental borrowing rate.

Summarized Capital Lease Procedures

Capital Lease Determination

Apply the four capital lease criteria.

If any one of the four capital lease criterion is met, it is a capital lease; otherwise, it is an operating lease.

Recording the Capital Lease

Transaction AS01 – Creates asset master record.

Transaction ABSO – Record the asset in the fund from which the lease payments will be made

Transaction FB50 ENTER GL ACCOUNT DOCUMENT - Record the liability in Fund 7006101 in your agency's

cost center

Recording the Lease Payments

Create an amortization schedule to allocate principal and interest portions of each lease payment.

Create a purchase order.

Note that the same purchase order can be used for a year's worth of lease payments.

Year-end reporting

Provide asset acquisition values and accumulated depreciation at year-end, as well as principal and interest amounts due in subsequent years for inclusion in the CAFR Year-end closing entries

Reclassify principal expense as a reduction of the liability in Period 15 in Fund 7006101 in your agency's cost center.

Reclassify the current portion of the liability from the non-current portion in Period 15 in Fund 7006101 in your agency's cost center.

19-11-243. Proceeds from surplus commodities.

The State Procurement Director shall promulgate regulations for the allocation of proceeds from the sale, lease, or disposal of surplus commodities, to the extent practicable, to the using agency which had possession of the commodity.

History. Acts 1979, No. 482, § 56; A.S.A. 1947, § 14-275.2; 2001, No. 1237, § 33

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R1-19-11-243 Marketing and Redistribution

PLEASE NOTE: Also see ACA§ 19-4-1503.

Purpose

The Marketing and Redistribution Section (M&R), is a section of the Department of Finance and Administration-Office of State Procurement (DFA-OSP). The Section is responsible for the proper disposal and sale of equipment, property and other tangibles that are determined to be surplus to the needs of the various State agencies. The Department of Finance and Administration Office of Accounting (DFA-OA) is responsible for transfer of equipment, property and other tangibles where no monies are involved (such as inter-agency transfers). Equipment is offered for sale by the competitive bid method on site as well as an on-line auction site at www.arStatesurplus.com.

Authority (ACA 19-11-242)

The State Procurement Director shall promulgate regulations governing:
The sale, lease, or disposal of surplus equipment by public auction, competitive sealed bidding, or other appropriate method designated by regulation, and no employee of DFA, or member of their immediate family shall be entitled to purchase any such equipment; and transfer of excess equipment within the State.

Regulations

The State Procurement Director is authorized by ACA 19-11-243 to adopt regulations regarding the allocation of proceeds from the sale, lease, or disposal of property and other tangibles. The regulations may be found on the DFA-OSP web site at http:www.arkansas.gov/dfa/purchasing/mr/m_r_regs.doc.

Proceeds From Sale

Proceeds from the sale, transfer, or rental of property by the State Procurement Director (M&R) shall be accounted for as follows:

The purchasers, transferees, and lessees of property available shall transmit to the OSP the agreed sale price, service charge, or rental fee.

The OSP shall deposit the full amount of proceeds received in the State Treasury in the manner as provided by law.
Proceeds from the sale or transfer of property deposited in the State Treasury shall be

classified as non-revenue receipts and be credited to the Property Sale Holding Fund therein created on the books of the Treasure of State as a trust fund. (25-8-106)

Funds deposited in the Property Sale Holding Fund may be expended only by the selling or transferring agency under procedures established by the Chief Fiscal Officer of the State and appropriations provided by the General Assembly. (ACA 19-11-255)

Funds deposited in the Property Sale Holding Fund from the sale of property purchased from agency cash funds may be refunded to the agency cash fund from which the original expenditure was made by the issuance of a warrant under procedures established by the Chief Fiscal Officer of the State and the Auditor of the State to be payable from appropriations provided by the General Assembly for disposition of the proceeds. (ACA 25-8-106)

<u>Insurance Proceeds</u>

Property other than vehicles.
The proceeds received from an insurance policy for loss of property due to fire, storm, or other causes, owned by an agency, must be processed through M&R. This is done through the use of a Certificate of Property Disposal (CPD). The Agency must keep a copy of the completed CPD for an audit trail.

Vehicles.
The insurance claim and monies must be processed through M&R when damage occurs that results in a total loss of the vehicle. Once an agency loses a vehicle they cannot replace it until they receive the insurance proceeds. The monies cannot be given to the agency until M&R has deposited the insurance proceeds into the MMV fund. This is done monthly when M&R processes the "Letters of Transmittal". M&R sends a report to DFA-OA, requesting funds to be transferred. A "special" letter of transmittal for insurance proceeds on totaled vehicles only can be done by M&R. Doing a "special" letter of transmittal for totaled vehicles helps the agency replace the vehicle quicker.

PLEASE NOTE: In those cases where proceeds are received on the loss of a vehicle purchased with "agency" funds, the funds are first deposited to the MMV Fund and then a refund to the paying agency (that purchased the vehicle) would be reimbursed by the MMV Fund.

<u>Allocation of proceeds from sale or disposal of surplus equipment</u>

Using agency – The allocation of proceeds from the sale, lease, or disposal of surplus equipment, less appropriate fees, will be made and deposited monthly to the using agency which had possession of the equipment.

Fee schedule – The OSP will develop a fee schedule to defray the costs of the equipment management program. The fee schedule will set forth various charges for services rendered.

Proceeds from the sale of property may be used by the using agency only to purchase items from the Sub-classifications of M&O, Commitment items 02, 11 and 12 (Operating Expense,

Capital Outlay, and Data Processing). Commitment items 09 Conference Fees and Travel and 10 Professional Fees and Travel may not be paid for with M&R Proceeds.

<u>Disbursement of revenues</u>
Funds generated from the sale of agency surplus computer and electronic equipment to State employees, public schools, or by other sale, shall be allocated as follows:

If the sale of surplus computer or electronic equipment is made within the agency:
Sixty percent (60%) of the proceeds shall be returned to the owning agency.
Fifteen percent (15%) of the proceeds shall be deposited with M&R.
Twenty-five (25%) of the proceeds shall be deposited in the Computer and Electronic Recycling Fund established by ACA 25-34-108.

If the sale of surplus computer or electronic equipment is outside the agency and conducted by M&R.
Fifty percent (50%) of the proceeds shall be returned to the owning agency.
Twenty-five percent (25%) of the proceeds shall be deposited with M&R.
Twenty-five percent (25%) of the proceeds shall be deposited in the Computer and Electronic Recycling Fund established by ACA 25-34-108.

Procedure for Revenue Disbursement Agencies that establish a policy for selling surplus computer and electronic equipment to either their employees or to Arkansas public schools will use the following procedure for revenue disbursement.

The agency will create a customer receipt for the sales price and calculate sales tax.
Record the receipt in the cash journal as a customer payment.
Request a funds transfer through DFA-OA from the receipting agency's fund to: M&R, cost center 383333, Fund MPH0000 – 15 % of the sales price. Arkansas Department of Environmental Quality, cost center 451346, Fund MER0100 – 25% of the sales price.

The sales tax will be paid when DFA-OA does their (owning agency's) monthly billing for Sales & Use Tax.

<u>Sales made through M&R on behalf of the agency</u>.
M&R will create a customer receipt to record sales price and sales tax.
Record the receipt as a customer payment in the cash journal.
Request funds transfer through DFA-OA from: M&R, cost center 383333, Fund MPH0000 to the agency's fund and cost center – 50% of the sales price. Arkansas Department of Environmental Quality, cost center 451346, Fund MER0100 – 25% of the sales price.

The sales tax due will be included in the DFA monthly report of Sales & Use Tax.
To record all revenue from sale of surplus property except for equipment sold through M&R on behalf of the agencies, the agency will debit their cash account and credit account number 4048003000, Sale of Surplus Property, in their proper fund using their cost center.

An agency purchases an item at M&R. M&R records the sale in AASIS and issues an invoice. The invoice is sent to the accounts payable section and is paid like any other vendor invoice. The general ledger code used will depend on what item is purchased, ex. office supplies, equipment, etc.

An agency turns in items to M&R. M&R will keep records of what items belongs to each agency. When an item is sold, M&R records the sales and notes the original State agency. At the end of the month, M&R totals all sales by each State agency, deducts M&R's fees, and

arrives at the amount to be returned to the agency. M&R compiles two lists of funds to be returned to State agencies, one for treasury fund agencies and the other for cash fund agencies. The treasury fund list is processed by DFA-OA with funds and appropriation being returned to the agencies. The cash fund list is processed by the Office of Administrative Services with warrants being returned to the agencies. M&R finally prepares a memo stating the total amount of their monthly fees and this amount is transferred from their holding fund to their operating fund.

Surplus Disposal Form (SDF)

M&R requires a Surplus Disposal Form (SDF) to be completed to schedule the pick-up and delivery of State surplus items. This is a web-based form that is accessible by all State agencies and Institutions of Higher Education at http://www.arkansas.gov/eforms/index.php. After completed on-line by the agency, the SDF is submitted electronically to M&R. The SDF will be reviewed and the agency will be notified either by e-mail or telephone of the date and time the delivery or pick-up will take place. Two copies of the SDF form must accompany the surplus item. One copy will be signed by a representative of M&R and kept by the agency and one will be kept by M&R. This signed document verifies that M&R has made property pick up.

Procedure Description

This web-based form allows a State agency to create a list of items to be disposed of per M&R instructions. Using this form, an agency may request one of the following actions: delivery, pick-up or request a move. Upon completion, this form automatically notifies M&R of the agency's request. Each agency person accessing and completing the SDF must have prior authorization through M&R.

Upon receipt of the completed SDF the agency asset manager must complete transaction ABAVN (Scrapping) to delete the asset from the agency's fixed asset inventory. Transaction ABAVN must be done in the same month the SDF is received from M&R. Transaction AS02 (Change Asset Master Record) must be completed to change the status of the asset from on hand to transferred to M&R.

The above-mentioned transactions will only be completed if the status of the asset on the completed SDF is marked "REC" for received. Assets marked with "DNR", did not receive, should not be deleted from the agency's inventory. Assets must be removed within the month the SDF is received.

The agency must keep a copy of the completed SDF for an audit trail.

SUBCHAPTER 10 PROFESSIONAL AND CONSULTANT SERVICES CONTRACTS

19-11-1005. General guidelines and regulations.

The State Procurement Director, after soliciting suggestions from State agencies and after seeking and receiving the advice of the Attorney General and review by the Legislative Council or by the Joint Budget Committee, if the General Assembly is in session, shall publish general guidelines for the procurement of professional and consultant services contracts and general regulations governing the use of each type of contract.

History. Acts 2003, No. 1315, § 13.

II-10.1-10.7(5) Contract services DCK, Old) 15.10 (New)

R1-19-11-1005 Professional and Consultant services Contracts

Act 1315 of 2003 repealed ACA §19-4-1701 - 19-4-1717, et seq. relating to professional and consulting service contracts between the State of Arkansas and all of its agencies, boards, commissions, departments and institutions. The responsibilities for the maintenance of policies and procedures for this area have thus been assigned by State statute to the Office of State Procurement. The State Purchasing Director is authorized by ACA § 19-11-1008 to adopt regulations regarding the competitive bidding process, requests for proposals, approval of professionals, etc. The regulations relative to professional and consultant services contracts can be found on the Office of State Procurement's web site at:

http://www.arkansas.gov/dfa/purchasing/contracts.html

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R2-19-11-1005 Procurement Codes

Procurement Codes

Procurement codes are used to assist in the tracking of procurement activity. Proper use of the codes enables the Office of State procurement (OSP) to automatically track purchases by category and provide required reports. Procurement codes must be included in all transactions paying for goods and services purchased by the State. Inquiries regarding further definition of these codes should be directed to the OSP.

Procurement codes can be found on the OSP web site:
http://www.arkansas.gov/dfa/purchasing/lawsandregs/_APPENDIX_3.

Updates to the procurement codes can be found on the OSP Web site:
http://www.State.ar.us/dfa/purchasing/general.html.

TITLE 22

CHAPTER 2 ARKANSAS BUILDING AUTHORITY

Arkansas Building Authority (ABA) was established under ACA §22-2-104. Guidance on other areas of responsibility of ABA can be found in R1-19-4-524 "Construction and Permanent Improvements" (hyperlink) and R1-19-4-1415 "Procedures for Approval of Design Professionals" (hyperlink

SUBCHAPTER 1 Leasing

22-2-114. Leasing responsibilities.

(a) It is the intent of the General Assembly that State agencies be housed, whenever possible, in public buildings as soon as space and facilities in public buildings are available and that the acquisition and granting of leasehold interests in land be regulated and supervised by the Arkansas Building Authority. The authority and all other State agencies are authorized and directed to implement that intent as follows:

(1)(A) The authority is given the authority and responsibility to act as the leasing agent for all State agencies and component parts thereof, acting either as lessor or lessee, and to act as the agent for leasing space in all public buildings located in the State of Arkansas.

(B) In addition, the authority is given the authority and responsibility to act as the leasing agent for any non-agency State entity if requested in writing by a non-agency State entity to act in that manner and if the responsibility for the services is accepted in writing by the authority.

(C)(i) After July 1, 1975, no State agency shall enter into or renew or otherwise negotiate a lease between itself as lessor or lessee and a nongovernmental or other government lessor or lessee.

(ii) The authority shall determine the needs of the State agency, locate appropriate rental space, and act as the agent for the State agency in negotiating the lease for the rental space;

(2) All State agencies and component parts thereof, when requested by the authority, shall execute and enter into leases with the authority for the leasing or renting of space and facilities in any public buildings. The leases may be upon such conditions, for such terms, for such rentals, and may contain such other provisions as may be determined by the Arkansas Building Authority Council and the State agency involved to be appropriate and in the best interests of all concerned;

(3) Any State agency or component part thereof needing new or additional space shall notify the authority, and the authority shall prepare a lease for the space based upon the standards and criteria as adopted by the council. If space is available in a public building, the lease will be negotiated for placement in the public building;

(4) If the Leasing Section of the authority determines that adequate space is not available in public buildings, it shall act as provided in subdivision (a)(1) of this section to obtain adequate space from a privately owned facility;

(5)(A)(i) The council shall adopt standards and criteria for the leasing and utilization of space and the allocation of space to State agencies.

(ii) These standards and criteria shall be used as a basis for all planning, leasing of space, allocation of space to State agencies, or advising State agencies on leasing considerations.

(iii) These standards and criteria shall include, but not be limited to, equipment, work stations, private offices, conference rooms, reception areas, general equipment, vaults, and the necessary space to ensure adequate and effective circulation within and access to all State agencies, including parking and traffic patterns.

(B) In cities and towns having a population of less than twenty-five thousand (25,000) according to the last federal decennial census, for those State agencies providing direct public access

services, preference shall be granted to lease space located in existing buildings in the central business district, as defined by the locality's planning commission, or, in the absence thereof, by the municipality's governing body, except in cases where location within the central business district would impair or restrict the intent of the services being provided to the public or the State's proximity to other State or nongovernmental services or where rental rates justify other locations;

(6) Leases as to office space, buildings, structures, parking lots, and grounds from private individuals, firms, and corporations by State agencies and component parts thereof shall be on a standard lease form approved by the council. The standard lease form shall contain all terms and conditions deemed necessary based on the type and purpose of the leased property. The council also shall adopt a standard lease form to be used by State agencies when subleasing from the authority. Both standard lease forms shall be approved as to the legality of form and content by the Attorney General before becoming a requirement; and

(7) The authority shall obtain and maintain files of all leases in existence from and after July 1, 1975, to which a State agency or component part thereof is a party.

(b) All leases referred to in this section and all covenants and agreements contained therein shall be binding in all respects upon the parties thereto and their successors, and all the provisions thereof shall be enforceable by mandamus and other remedies provided by law.

(c) This section shall not apply to the State Highway Commission, the Arkansas State Highway and Transportation Department, or the Arkansas State Game and Fish Commission.

History. Acts 1975, No. 716, § 8; 1979, No. 411, § 1; A.S.A. 1947, § 5-1025; Acts 1999, No. 859, § 1; 2001, No. 238, § 1.

II-9.1-9.2 Rentals and Leases – Space Teri

R1-22-2-114 Leases of Office Space, Buildings, Structures, Parking Lots and Grounds

Agencies should review lease contracts before signing and insure that they are not committing their agencies to make lease payments beyond the end of a biennial period. The contract should include language to allow termination of the lease in the event sufficient appropriations or funding does not exist to fulfill the obligation.

Arkansas Building Authority (ABA) is specifically given the authority to act as the leasing agent for State agencies for leases of space, buildings, structures, parking lots, and grounds. Agencies are prohibited from negotiating directly with the Lessor or Lessee. ACA §22-2-114

State agency is defined under the authority of ABA as any board or commission, agency, department, institution of higher education including colleges, universities, and vocational-technical schools, or other State institutions. "State agency" shall not include any county, municipality, school district, subdivision, or unit thereof of the State of Arkansas, the Arkansas State Highway and Transportation Department, the State Highway Commission, Arkansas State Game and Fish Commission or asset held as an investment of any retirement system. ACA §22-2-102, §22-2-103(a), and §22-2-114.

While Constitutional Offices are not defined as a State agency under Ark. Code Ann. 22-2-114(a) (1) (B), ABA has the authority to enter into agreements with other State entities, such as Constitutional Offices to act as their leasing authority.

Leasing regulations may be found on the ABA website and are referenced as §5-100 through §5-104 within the ABA Minimum Standards and Criteria. Questions regarding lease issues other than accounting should be directed to the ABA Real Estate Services Administrator. Access to the ABA website can be found at: www.arkansasbuildingauthority.com.

ABA will provide a document to the agency with any proposed lease that sets out clearly the terms of the lease that will indicate the following determinations:

1. Whether the ownership of the property transfers to the lessee at the end of the lease term.

Whether the lease contains a bargain purchase option.

Whether the lease term is equal to 75% or more of the life of the leased asset. The life of a used leased asset will be calculated using 75% of the suggested useful life in the State's capital assets policy.

Whether the present value of rental and other minimum lease payments equals or exceeds 90% of the fair market value amount of the leased asset. ABA shall require the lessor to obtain an appraisal to determine the fair market value of the property or calculate the fair market value. An appraisal is good for two years.

If the determination is made that the lease is in fact a capital lease, the Department of Finance and Administration–Office of Accounting will provide an amortization schedule to the agencies and assist with proper accounting.

PLEASE NOTE: For detailed accounting procedures refer to the Leases of Tangible Personal Property (Equipment) section R1-19-11-238 (hyperlink).

Signed this _____ day of _____ 2004 in the City of Little Rock, Pulaski County, Arkansas.

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Richard A. Weiss, Director
Department of Finance and Administration