

1 State of Arkansas
2 84th General Assembly
3 Second Extraordinary Session, 2003
4
5 By: Representatives Mahony, Walters
6 By: Senators Bryles, Broadway, Bisbee
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As Engrossed: S1/16/04
A Bill

Call Item 4

HOUSE BILL 1094

For An Act To Be Entitled

THE ARKANSAS EDUCATIONAL FINANCIAL ACCOUNTING AND
REPORTING ACT OF 2004.

Subtitle

THE ARKANSAS EDUCATIONAL FINANCIAL
ACCOUNTING AND REPORTING ACT OF 2004.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code Title 6, Chapter 20, is amended to add the
following subchapter:

6-20-2201. Title.

This subchapter shall be known and may be cited as the "Arkansas
Educational Financial Accounting and Reporting Act of 2004".

6-20-2202. School district budget and expenditure report.

(a)(1) The board of directors of each school district shall annually
prepare a budget of expenditures and receipts that shall be filed with the
Department of Education by September 1 of each year pursuant to the
provisions of this subchapter.

(2) Each budget shall be approved by the school district board
of directors at a legally held meeting and shall be signed by the president
of the board and the ex officio financial secretary of the school district.
The budget shall contain the information and be prepared in an electronic
format prescribed by rules of the State Board of Education governing
financial accounting for Arkansas school districts.



1 (b)(1)(A) Warrants or checks of the school district issued after the
2 date required by subsection (a) of this section shall be invalid unless a
3 budget has been filed as required by this subchapter and in compliance with
4 appropriate rules.

5 (B) The ex officio financial secretary of the school
6 district and his surety shall be liable for any warrants or checks
7 countersigned after the date required by subsection (a) of this section if a
8 budget has not been filed.

9 (2) Distribution of all grants and aids from the state for which
10 the school district may be eligible shall be suspended until the requirements
11 of this subchapter are met.

12 (c)(1) School district budgets filed pursuant to this section shall be
13 reviewed by the auditors of the financial accountability office of the
14 department to determine if the requirements of state law and the rules of the
15 state board regarding the use of school funds and expenditure requirements
16 are being met.

17 (2) Upon approval by the auditors, copies of the approved budget
18 shall be filed with the school district, the county treasurer if serving as
19 school treasurer, and the department.

20 (d)(1) The ex officio financial secretary of each school district
21 shall keep a record of the daily expenditures and receipts of the school
22 district in the manner and on the forms as may be specified by rules of the
23 state board. An annual record shall be filed by September 1 of each year
24 with the department.

25 (2) If the auditors of the financial accountability office of
26 the department determines that the financial records of any school district
27 are not properly maintained or that the financial affairs of the school
28 district are not administered in accordance with state law or state board
29 rules, grants and aids from the state to which the school district may be
30 entitled shall be withheld until it is determined that the fiscal records of
31 the school district are in order or that the financial affairs are being
32 properly administered as established by statute or by rule promulgated by the
33 board, provided that the department has met all deadlines for providing
34 information to school districts. The Division of Legislative Audit may
35 assist the auditors of the department upon request of the department.

36 (e)(1) The department may withhold state aid from any school district

1 that fails to file its budget or any other required report with the
2 department by the deadline established by statute or by rule promulgated by
3 the state board, provided that the department has met all deadlines for
4 providing pertinent information to school districts.

5 (2) The department shall submit a list of all required financial
6 accountability reports along with due dates to each school district by July 1
7 of each year.

8 (f) The state board shall promulgate the necessary rules to fully
9 implement the provisions of this section.

10 (g) The Treasurer of State shall withhold the monthly distribution of
11 county aid provided under § 19-5-602(b) from any county that fails to provide
12 in a timely manner information to the department concerning the annual
13 abstract of assessment for each school district located wholly or in part in
14 the county.

15
16 6-20-2203 Uniform budget and accounting system required.

17 (a) The State Board of Education shall adopt by rule a uniform budget
18 and accounting system consistent with the Handbook IIR2 or future revisions
19 as published by the U.S. Department of Education, Office of Educational
20 Research and Improvements, for school districts, education service
21 cooperatives, and open enrollment charter schools. The rules shall be
22 developed by the Department of Education in cooperation with representatives
23 from the Arkansas Association of School Administrators, the Arkansas
24 Association of School Business Officials, the Arkansas Education Association,
25 and the Legislative Joint Auditing Committee.

26 (b) The definitions contained in the Federal Handbook IIR2 shall be
27 used for school districts in Arkansas and shall be used to allow for valid
28 comparisons of expenditures among schools and among school districts.

29 (c) In addition the State Board of Education shall adopt by rule
30 “Arkansas Revisions” to the Federal Handbook IIR2. The rules shall be
31 developed by the Department of Education in cooperation with representatives
32 from the Arkansas Association of School Administrators, the Arkansas
33 Association of School Business Officials, the Arkansas Education Association,
34 and the Legislative Joint Auditing Committee. Arkansas Revisions shall
35 include but not be limited to:

36 (1) Categories to allow for the gathering of data on separate

1 functions and programs;

2 (2) Categories and descriptions of expenditures that each school
 3 or school district shall report on its annual school performance report
 4 authorized by the School Performance Report Act, § 6-5-1401 et seq. The
 5 reported expenditures shall include, but not be limited to, the following
 6 categories:

7 (A) Total Expenditures;

8 (B) Instructional Expenditures;

9 (C) Administrative Expenditures;

10 (D) Extracurricular Expenditures;

11 (E) Capital Expenditures; and

12 (F) Debt Service Expenditures; and

13 (3) Categories and descriptions of school and school district
 14 expenditures that allow for the gathering of data on separate functions and
 15 programs provided by law.

16 (d) The department shall have the authority to analyze and inspect the
 17 financial records of any school or school district in order to verify that a
 18 school or school district is correctly and accurately reporting expenditures.

19 (e) By November 1 of each year, the Department of Education shall
 20 submit a report to the State Board of Education, the Governor, and the Senate
 21 and House Interim Committees on Education concerning public school and public
 22 school district expenditures required by law.

23 (f) All rules, regulations, and revisions adopted under this
 24 subchapter shall be adopted and published prior to the start of any fiscal
 25 year for which they are applicable and shall allow for an implementation
 26 schedule consistent with the method outlined in § 6-20-2206.

27
 28 6-20-2204. Required training.

29 (a)(1) Any person whose job responsibility includes preparing the
 30 budget or recording expenditures of a school or school district shall obtain
 31 training and instruction necessary to demonstrate basic proficiency, as
 32 determined by the Department of Education, in, including, but not limited to:

33 (A) School laws of Arkansas;

34 (B) Laws and rules governing the expenditure of public
 35 education funds, fiscal accountability, and school finance;

36 (C) Ethics; and

1 (D) Financial accounting and reporting of local education
2 agency expenditures.

3 (2) Each year thereafter, any person whose job responsibility
4 includes preparing the budget or recording expenditures of a school or school
5 district shall obtain by December 31 of each calendar year, additional hours
6 of training and instruction as required by the department in order to
7 maintain basic proficiency in the topics described in subdivision (a)(1) of
8 this section.

9 (3)(A) The instruction may be received from an institution of
10 higher education in this state, from instruction sponsored by the Department
11 of Education, or by an in-service training program conducted by the Arkansas
12 Association of School Business Officials, or from another provider.

13 (B) Any instruction provider other than the department
14 shall request pre-approval as to form and content by the department.

15 (4)(A) If a person fails to obtain the required training by the
16 end of the calendar year and fails to cure the deficiency by March 1 of the
17 following calendar year without filing a request for extension of time, as
18 determined from the records of the department, the department shall
19 immediately notify the superintendent of the employing school district by
20 certified mail, return receipt requested, with a copy to the board president.

21 (B) The superintendent shall notify the person by
22 certified mail, return receipt requested, and the person shall be unable to
23 continue in his or her position from the date of receipt of notification by
24 the superintendent.

25 (5) If the person fails to obtain all required training by
26 December 31, this failure shall constitute one (1) citation against the
27 school district as measured by the Standards for Accreditation of Arkansas
28 Public Schools issued by the department.

29 (6) If the person is unable to obtain the required training
30 because of military service or illness as verified by a written sworn
31 statement of the person's attending physician, the department shall grant an
32 extension permitting the person additional time to obtain the required
33 training. The issuance of an extension shall not constitute a citation
34 against the school district as measured by the Standards for Accreditation of
35 Arkansas Public Schools issued by the department and shall not operate to
36 remove the person from his or her job.

1 (b)(1) A school district board of directors is authorized to pay per
2 diem and reimburse the expenses of a person required to obtain training under
3 this section.

4 (2) The expenses must be incurred in attending in-service
5 workshops, conferences, and other courses of training and instruction
6 necessary for completing the hours of instruction required under this
7 section.

8 (3) Payments may be made from funds belonging to the school
9 district.

10 (c) The State Board of Education shall modify the Standards for
11 Accreditation of Arkansas Public Schools issued by the department as may be
12 required by this section.

13 (d) It is the responsibility of the department to receive and maintain
14 records of instructional hours obtained by any individual covered under this
15 section.

16 (e) The state board is authorized to promulgate rules and regulations
17 consistent with the provisions of this section.

18
19 6-20-2205. Penalties.

20 Any school district that does not follow the provisions of this
21 subchapter shall be placed in fiscal distress as provided by law.

22
23 6-20-2206. Miscellaneous provisions.

24 (a) If the Department of Education determines that an overpayment has
25 been made to a school district in any funding category authorized by law, the
26 department is authorized to withhold the overpayment from future funding of
27 the school district and is authorized to transfer the amount withheld for the
28 overpayment to the line item appropriation from which the overpayment was
29 initially made.

30 (b) Each school district shall prepare an annual statement of the
31 financial conditions and transactions of the school district as of June 30 of
32 each year in accordance with generally accepted accounting principles.

33 (c) In order for a school district to be entitled to state aid as
34 provided by law, each school district shall satisfy the following
35 requirements:

36 (1) Expenditures for any fiscal year shall not exceed the legal

1 revenues for that year;

2 (2) The school district shall maintain such records and make
3 such reports relative to attendance, receipts, and disbursements and other
4 reports as required by the rules and regulations of the State Board of
5 Education;

6 (3) The school district shall maintain proper financial records
7 in accordance with the state's school accounting manual and regulations
8 promulgated by the State Board of Education;

9 (4) The school district shall file annually with the State Board
10 of Education a salary schedule for its certified employees which recognizes a
11 minimum level of training and experience. This schedule shall reflect the
12 actual pay practices of the school district, including all *fringe benefits*
13 and *supplemental salary schedules*. Salary increments for experience or
14 education, or both, shall be identified on the schedule; and

15 (5)(A) All pupil attendance records shall be kept in their
16 original form and shall be public records.

17 (B) Pupil attendance records shall be kept according to
18 law and regulations, on paper or electronic forms either furnished or
19 approved by the department.

20 (C) Original pupil attendance records shall be kept on
21 file in the office of the superintendent of schools after the school term is
22 ended for a period of three (3) years and these records shall be available
23 for monitoring purposes during any day of the school term by the teachers or
24 other persons designated to keep attendance.

25 (d) School districts may not include the cost of substitute teachers,
26 extended contracts for extracurricular activities, or supplementary pay for
27 extracurricular activities in meeting the expenditures requirement for
28 student classroom teacher salaries.

29 (e) Any licensed classroom teacher or administrator that provides
30 false expenditure information may have his or her license placed on
31 probation, suspended, or revoked pursuant to rules promulgated by the State
32 Board of Education.

33
34 6-20-2207. Rule-making authority.

35 (a)(1) Before the 2004-2005 school year, the State Board of Education
36 shall promulgate rules governing and providing compliance with an established

1 uniform chart of accounts for budgeting of school and school district
2 revenues and expenditures and financial reporting in order for school
3 districts to comply with § 6-20-2202.

4 (2) These rules shall be applied to all school districts on a
5 pilot basis for the 2004-2005 school year.

6 (b) For the 2005-2006 school year and subsequent school years, the
7 Department of Education shall amend, prior to the beginning of any fiscal
8 year, as necessary, the rules provided for in subsection (a) of this section
9 in order for school districts to comply with this subchapter.

10 (c) Any school district that fails to comply with state law or rules
11 governing and providing a uniform chart of accounts for budgeting of revenues
12 and expenditures and financial reporting shall be deemed to be in fiscal
13 distress and subject to the applicable enforcement provisions as provided by
14 law.

15 (d) Any school district that fails to comply with the expenditure
16 requirements of any public school or public school district funding law shall
17 be deemed to be in fiscal distress and subject to the applicable enforcement
18 provisions as provided by law.

19
20 *SECTION 2. Arkansas Code § 6-15-2101, as added by Section 9 of Act 35*
21 *of 2003, Second Extraordinary Session, is amended to read as follows:*

22 *6-15-2101. Best financial management practices for school districts—*
23 *Standards—Reviews—Designation of school districts.*

24 ~~*(a) The purpose of best financial management practices reviews are to*~~
25 ~~*improve Arkansas school district management's use of resources and to*~~
26 ~~*identify cost savings. The Department of Education and the Division of*~~
27 ~~*Legislative Audit of the Legislative Joint Auditing Committee of the General*~~
28 ~~*Assembly are directed to develop a system for reviewing the financial*~~
29 ~~*management practices of school districts. In this system, the division shall*~~
30 ~~*assist the department in examining district operations to determine whether*~~
31 ~~*they meet "best financial management code practices".*~~

32 ~~*(b) The best financial management practices adopted by the State Board*~~
33 ~~*of Education may be updated periodically after consultation with the*~~
34 ~~*Legislative Council, the Governor, the department, school districts, and the*~~
35 ~~*division. The department shall submit to the state board for review and*~~
36 ~~*possible adoption proposed revisions to the best financial management*~~

1 ~~practices adopted by the state board and reviewed by the Legislative Council,~~
2 ~~Revised best financial management practices adopted by the state board shall~~
3 ~~be used in the next scheduled school district reviews conducted according to~~
4 ~~this section. The best financial management practices, at a minimum, shall~~
5 ~~be designed to instill public confidence by addressing the school district's~~
6 ~~use of resources, identifying ways that the district could save funds, and~~
7 ~~improving districts' performance accountability systems, including public~~
8 ~~accountability. To achieve these objectives, best practices shall be~~
9 ~~developed for, but need not be limited to, the following areas:~~

- 10 ~~(1) Management structures;~~
- 11 ~~(2) Performance accountability;~~
- 12 ~~(3) Efficient delivery of educational services, including~~
13 ~~instructional materials;~~
- 14 ~~(4) Administrative and instructional technology;~~
- 15 ~~(5) Personnel systems and benefits management;~~
- 16 ~~(6) Facilities construction;~~
- 17 ~~(7) Facilities maintenance;~~
- 18 ~~(8) Student transportation;~~
- 19 ~~(9) Food service operations;~~
- 20 ~~(10) Cost control systems, including asset management, risk~~
21 ~~management, financial management, purchasing, internal auditing, and~~
22 ~~financial auditing;~~
- 23 ~~(11) Athletics; and~~
- 24 ~~(12) Other extra-curricular activities.~~

25 ~~(c) The department shall conduct the reviews or contract with a~~
26 ~~private firm selected through a formal request for proposal process to~~
27 ~~perform the review. At least one (1) member of the private firm review team~~
28 ~~shall have expertise in school district finance. The scope of the review~~
29 ~~shall focus on the best practices adopted by the state board pursuant to~~
30 ~~subsection (b) of this section.~~

31 ~~(d) The state board shall consult with the department throughout the~~
32 ~~best practices review process to ensure that the technical expertise of the~~
33 ~~department benefits the review process and supports the school districts~~
34 ~~before, during, and after the review.~~

35 ~~(e)(1) Each school district shall be subject to a best financial~~
36 ~~management practices review. The General Assembly also intends that all~~

1 ~~school districts shall be reviewed biennially by on-site visits and shall be~~
2 ~~given one of the following designations:~~

3 ~~(A) "A", schools comprehensively complying with best~~
4 ~~financial practices;~~

5 ~~(B) "B", schools complying with best financial practices~~
6 ~~at significant levels;~~

7 ~~(C) "C", schools adequately complying with best financial~~
8 ~~practices;~~

9 ~~(D) "D", schools less than adequately complying with best~~
10 ~~financial practices; or~~

11 ~~(E) "F", schools failing to comply with best financial~~
12 ~~practices.~~

13 ~~(2) The department shall prepare annual reports of the results~~
14 ~~of the best financial management practices reviews and shall post to its~~
15 ~~website the school and the district financial grades. The report, which~~
16 ~~shall be part of the overall school and district report card requirement~~
17 ~~pursuant to § 6-15-1806, shall include both revenue sources and~~
18 ~~expenditures. The reporting of expenditures shall include breakdowns of~~
19 ~~administrative, instructional, support, and operations expenditures, as well~~
20 ~~as any other financial commitments of the school and district.~~

21 ~~(f) The Legislative Council may adjust the schedule of districts to be~~
22 ~~reviewed when unforeseen circumstances prevent initiation of reviews~~
23 ~~scheduled.~~

24 ~~(g) The department, subject to funding by the General Assembly, may~~
25 ~~contract with a private firm to conduct best financial management practices~~
26 ~~reviews.~~

27 ~~(h) Reviews shall be conducted by the division, the department, or the~~
28 ~~consultant. Funds may be used for the cost of reviews by the division and~~
29 ~~private consultants contracted by the state board. Costs may include~~
30 ~~professional services, travel expenses of the department and of the staff of~~
31 ~~the division, and any other necessary expenses incurred as part of a best~~
32 ~~financial management practices review and as preapproved by the department.~~

33 ~~(i) Districts shall complete a self-assessment instrument provided by~~
34 ~~the department that indicates the school district's evaluation of its~~
35 ~~performance on each best practice. The district shall begin the self-~~
36 ~~assessment no later than sixty (60) days prior to the commencement of the~~

1 ~~review. The completed self-assessment instrument and supporting~~
2 ~~documentation shall be submitted to the department no later than the date of~~
3 ~~commencement of the review as notified by the department. The best practices~~
4 ~~review team will use this self-assessment information during their review of~~
5 ~~the district.~~

6 ~~(j) During the review, the department or the consultant conducting the~~
7 ~~review, if any, shall hold at least one (1) advertised public forum as part~~
8 ~~of the review in order to explain the best financial management practices~~
9 ~~review process and obtain input from students, parents or guardians, the~~
10 ~~business community, and other district residents regarding their concerns~~
11 ~~about the operations and management of the school district.~~

12 ~~(k) District reviews conducted under this section shall be completed~~
13 ~~within six (6) months after commencement. The department shall issue a final~~
14 ~~report to the Legislative Council regarding the district's use of best~~
15 ~~financial management practices and cost savings recommendations within sixty~~
16 ~~(60) days after completing the reviews. Copies of the final report shall be~~
17 ~~provided to the Governor, the state board, the district superintendent, and~~
18 ~~the districts' school board members. The district superintendent shall~~
19 ~~notify the press that the final report has been delivered. The notification~~
20 ~~shall state the department's website address at which an electronic copy of~~
21 ~~the report is available.~~

22 ~~(l)(1) If the district is found not to conform to best financial~~
23 ~~management practices, the report shall contain an action plan, taking public~~
24 ~~input into consideration, detailing how the district could meet the best~~
25 ~~practices within two (2) years. The district school board shall develop and~~
26 ~~approve the implementation schedule within sixty (60) days after receipt of~~
27 ~~the final report. If a district fails to vote on the action plan within~~
28 ~~sixty (60) days, the district superintendent and school board members shall~~
29 ~~be required to appear and present testimony before the state board and the~~
30 ~~Legislative Council.~~

31 ~~(2) Within sixty (60) days after the receipt of the final~~
32 ~~report, the district school board shall notify the state board and the~~
33 ~~department in writing of the implementation schedule for the action plan.~~
34 ~~The department shall contact the school district, assess the situation, and~~
35 ~~offer technical assistance, if needed.~~

36 ~~(m) After a district school board votes to implement the action plan:~~

1 ~~(1) No later than six (6) months after receipt of the final best~~
2 ~~financial practices report, the district school board shall submit an initial~~
3 ~~status report to the Governor, the state board, the division, the department~~
4 ~~and the Legislative Council on progress made toward implementing the action~~
5 ~~plan and whether changes have occurred in other areas of operation that would~~
6 ~~affect compliance with the best practices; and~~

7 ~~(2)(A) A second status report shall be submitted by the school~~
8 ~~district to the Governor, the state board, the division, the department, and~~
9 ~~the Legislative Council no later than six (6) months after submission of the~~
10 ~~initial report, and every six (6) months thereafter, until status reports are~~
11 ~~not required.~~

12 ~~(B) Status reports are not required once the state board~~
13 ~~concludes that the district is using best financial management practices and~~
14 ~~the district is designated a grade category "A" for its financial practices.~~

15 ~~(n) School districts that are determined in their review to be using~~
16 ~~the best practices and are graded a category "A" pursuant to subsection (e)~~
17 ~~of this section, shall receive a "Seal of Best Financial Management". The~~
18 ~~state board designation shall be effective until a district's financial~~
19 ~~accountability grade decreases. The state board shall revoke the designation~~
20 ~~of a district school board at any time if it determines that a district is no~~
21 ~~longer complying with the state's best financial management practices.~~

22 ~~(o) District school boards that receive a best financial management~~
23 ~~practices review shall maintain records that will enable independent~~
24 ~~verification of the implementation of the action plan and any related fiscal~~
25 ~~impacts.~~

26 ~~(p) Unrestricted cost savings resulting from implementation of the~~
27 ~~best financial management practices shall be spent at the school and~~
28 ~~classroom levels for teacher salaries, teacher professional development,~~
29 ~~improved classroom and school facilities, student supplies, textbooks,~~
30 ~~classroom technology, and other direct student instruction activities. Cost~~
31 ~~savings identified for a program that has restrictive expenditure~~
32 ~~requirements shall be used for the enhancement of the specific program. If~~
33 ~~the district is in fiscal distress, the cost savings may be used in~~
34 ~~accordance with the fiscal distress plan.~~

35 (a)(1) In order to improve the use of resources by Arkansas school
36 districts, the Department of Education shall formulate rules concerning the

1 best financial management practices and associated indicators for
2 presentation to the State Board of Education for review and adoption.

3 (2) In formulating the rules required by this section, the
4 department shall consult with various stakeholders, including the state
5 board, educators, educational associations, the House Interim Committee on
6 Education, the Senate Interim Committee on Education, and experts in each
7 area for which practices and indicators are being developed under § 6-15-
8 2102.

9 (3) The department shall hold advertised public forums
10 throughout Arkansas to obtain input from students, parents or guardians, the
11 business community, and other interested parties.

12 (4) The department shall periodically report to the House
13 Interim Committee on Education and the Senate Interim Committee on Education
14 on the progress of developing the rules required by this section.

15 (b) Within nine (9) months after the effective date of this section,
16 and prior to submitting proposed rules to the state board for adoption, the
17 department shall present the proposed rules to the House Interim Committee on
18 Education, the Senate Interim Committee on Education, the Legislative
19 Council, and the Legislative Joint Auditing Committee for review and
20 comments.

21 (c) Within one (1) year after the effective date of this section, the
22 state board shall adopt rules concerning best financial management practices
23 and associated indicators for school districts.

24
25 SECTION 3. Arkansas Code Title 6, Chapter 15, Subchapter 21 is amended
26 to add new sections to read as follows:

27 6-15-2102. Best financial management practices -- Content.

28 (a) The best financial management practices, at a minimum, shall be
29 designed to:

30 (1) Instill public confidence by addressing the school
31 district's use of resources;

32 (2) Identify ways that the school district could save funds; and

33 (3) Improve school districts' performance accountability
34 systems, including public accountability.

35 (b) Best practices shall be developed for areas which include, but are
36 not limited to:

1 (1) Management structures;

2 (2) Performance accountability;

3 (3) Efficient delivery of educational services, including
4 instructional materials;

5 (4) Administrative and instructional technology;

6 (5) Personnel systems and benefits management;

7 (6) Facilities construction;

8 (7) Facilities maintenance;

9 (8) Student transportation;

10 (9) Food service operations;

11 (10) Cost control systems, including asset management, risk
12 management, financial management, and purchasing;

13 (11) Athletics; and

14 (12) Other extra-curricular activities.

15 (c) After presentation to the House Interim Committee on Education,
16 the Senate Interim Committee on Education, the Legislative Council, and the
17 Legislative Joint Auditing Committee for review and comment, the Department
18 of Education shall present proposed amendments of the best financial
19 management practices to the State Board of Education for review and adoption.

20
21 6-15-2103. Implementation of best financial management practices.

22 (a) The State Board of Education shall adopt an implementation
23 schedule for all school districts to comply with the rules concerning best
24 financial management practices.

25 (b) If not required by the state board to be implemented sooner,
26 school districts shall begin implementing the rules in the 2005-2006 school
27 year.

28 (c) School districts shall implement all rules concerning best
29 financial management practices by the beginning of the 2006-2007 school year.

30
31 6-15-2104. Pilot review program.

32 (a) The Division of Legislative Audit shall develop a pilot plan for
33 reviewing certain school districts' compliance with the rules concerning best
34 financial management practices adopted by the State Board of Education.

35 (b) The pilot plan shall be approved by the Legislative Joint Auditing
36 Committee, following review by the House Interim Committee on Education, the

1 Senate Interim Committee on Education, and the Legislative Council.

2 (c)(1) The pilot plan shall include a self-assessment plan document
3 developed by the division.

4 (2) Within sixty (60) days of receipt of the self-assessment
5 document, a school district subject to review shall complete the self-
6 assessment document and return it to the division.

7 (d) The financial management best practice review reports shall be
8 prepared by the division and presented to the Legislative Joint Auditing
9 Committee and forwarded to the Department of Education and the House Interim
10 Committee on Education and the Senate Interim Committee on Education.

11 (e)(1) If the review report prepared by the division indicates that a
12 school district has not substantially complied with all the provisions of the
13 financial management best practices rules adopted by the state board, the
14 school district board of directors shall adopt a compliance action plan
15 within ninety (90) days after the report has been presented to the
16 Legislative Joint Auditing Committee.

17 (2) The department may assist a school district in the
18 development and implementation of an action plan. All action plans shall be
19 forwarded to and reviewed by the department.

20 (3) Within thirty (30) days of receipt of an action plan from a
21 school district, the department shall review the school district's action
22 plan and submit the action plan to the division for presentation to the
23 Legislative Joint Auditing Committee. The division shall submit all action
24 plans to the House Interim Committee on Education and the Senate Interim
25 Committee on Education.

26
27 6-15-2105. Best financial practices review program.

28 (a) The Division of Legislative Audit shall utilize information and
29 knowledge gained through the pilot review program to determine resources and
30 procedures necessary to implement a fully operational system for reviewing
31 school districts for compliance with the adopted best financial management
32 practices rules.

33 (b) The division's determinations regarding necessary resources and
34 procedures shall be presented for approval to the Legislative Joint Auditing
35 Committee. A copy of the determinations shall also be submitted to the House
36 Interim Committee on Education and the Senate Interim Committee on Education.

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6-15-2106. Best financial management practices for educational cooperatives.

(a) In order to improve the use of resources by Arkansas educational cooperatives, the Department of Education shall formulate rules concerning the best financial management practices and associated indicators for presentation to the State Board of Education for review and adoption.

(b) Within one (1) year after the effective date of this section, the state board shall adopt rules concerning best financial management practices and associated indicators for educational cooperatives.

(c) The rules shall be developed for areas listed in § 6-15-2102(b) and shall identify ways in which educational cooperatives could save funds and improve performance accountability systems.

(d) The department shall establish an implementation schedule for educational cooperatives to comply with the rules beginning with the 2005-2006 school year.

(e) The Division of Legislative Audit may establish by rule a pilot review program for educational cooperatives similar to the program established in § 6-15-2104.

/s/ Mahony