

Title 6. Education

Chapter I. Division of Elementary and Secondary Education

Subchapter I. Finance

Part 275. Rules Governing Procedures for Best Financial Management Practices Review for Public School Districts

Codification Notes. This part as promulgated prior to codification into the Code of Arkansas Rules provided as follows:

"1.00 Regulatory Authority

1.00 These rules shall be known as the Arkansas Department of Education Rules Governing the Process and Procedures for Best Financial Management Practices Review for Public School Districts.

1.01 These rules are enacted pursuant to the Arkansas State Board of Education Authority under Arkansas Code Ann. §6-11-105 and Section 9 of Act 35 of the Second Extraordinary Session of 2003."

"June 2004"

Subpart 1. Generally

6 CAR § 275-101. Purpose.

(a) The purpose of this part is to set forth the process and procedures for establishing and implementing a system for reviewing the financial management practices of public school districts.

(b) The purposes of best financial management practices reviews are to:

- (1) Improve Arkansas school district management's use of resources; and
- (2) Identify possible cost savings.

Authority. Arkansas Code §§ 6-11-105, 6-15-2301.

6 CAR § 275-102. Definitions.

For purposes of this part and unless otherwise specifically stated herein, the following terms shall mean:

- (1) "Administrative technology" means use of technology for administrative management functions;
- (2) "Department" means the Department of Education;
- (3) "Instructional technology" means the use of technology to support or to enhance classroom instruction;
- (4) "Legislative Audit" means Arkansas Legislative Audit and the Legislative Joint Auditing Committee;
- (5) "Management structures" means the organizational model used to administer the school district;
- (6) "Performance accountability" means the accountability system that ensures that students are progressing in academic achievement;
- (7) "Public accountability" means procedures in place to ensure that the public is accurately informed regarding:
 - (A) The school; and
 - (B) Its comprehensive educational plan to improve student achievement;
- (8) "Self-assessment instrument" means an evaluation instrument developed by the Department of Education that guides the district in assessing the district's status on each of the identified best practices; and
- (9) "State board" means the State Board of Education.

Authority. Arkansas Code §§ 6-11-105, 6-15-2301.

6 CAR § 275-103. Implementation of system for reviewing financial management practices.

(a) The Department of Education shall comply with the following deadlines for implementation of the system of review:

(1) The department shall develop the best financial management practices review criteria by March 31, 2005;

(2) The department shall develop a self-assessment instrument regarding each of the adopted best financial management practices by June 30, 2005;

(3) The department shall develop the grading criteria by December 31, 2005;

(4) Once each of the criteria has been developed, the department shall work with selected districts that have volunteered to pilot the review procedures to establish and improve the implementation of the system of review;

(5) The department shall present the best financial management practices review criteria to the State Board of Education by May 31, 2006; and

(6) The department shall begin the best financial management practices reviews during the 2007 fiscal year.

(b) The department shall develop the best financial management practices review criteria, grading criteria, and self-assessment instrument in cooperation with:

(1) The Arkansas Association of School Administrators;

(2) The Arkansas Association of School Business Officials;

(3) Arkansas Legislative Audit; and

(4) Other education interest groups.

(c) The best financial management practices review criteria, grading criteria, and self-assessment instrument shall comply with the terms of this part.

(d) The department shall develop the definitions of the designations in 6 CAR § 275-108(c) of this part with input from members of:

(1) The Arkansas Association of School Administrators;

(2) The Arkansas Association of School Business Officials;

(3) Arkansas Legislative Audit; and

(4) Other education interest groups.

Authority. Arkansas Code §§ 6-11-105, 6-15-2301.

6 CAR § 275-104. Areas included in best financial management practices.

Best financial management practices shall be developed for, but need not be limited to, the following areas:

- (1) Management structures;
- (2) Performance accountability;
- (3) Efficient delivery of educational services, including instructional materials;
- (4) Administrative and instructional technology;
- (5) Personnel systems and benefits management;
- (6) Facilities construction;
- (7) Facilities maintenance;
- (8) Student transportation;
- (9) Food service operations;
- (10) Cost control systems, including:
 - (A) Asset management;
 - (B) Risk management;
 - (C) Financial management;
 - (D) Purchasing;
 - (E) Internal auditing; and
 - (F) Financial auditing;
- (11) Athletics; and
- (12) Other extracurricular activities.

Authority. Arkansas Code §§ 6-11-105, 6-15-2301.

6 CAR § 275-105. Responsibility.

(a) The Department of Education and Arkansas Legislative Audit are directed to develop a system for reviewing the financial management practices of public school districts.

(b) Arkansas Legislative Audit shall assist the department in examining districts' operations to determine if public school districts meet the best financial management practices as established.

(c) The State Board of Education shall adopt the best financial management practices in those areas set forth in 6 CAR § 275-104.

Authority. Arkansas Code §§ 6-11-105, 6-15-2301.

6 CAR § 275-106. Periodic review and revision.

(a) The best financial management practices adopted by the State Board of Education may be updated periodically after consultation with:

- (1) The Governor;
- (2) The Legislative Council;
- (3) School districts;
- (4) Arkansas Legislative Audit and the Legislative Joint Auditing Committee;

and

- (5) The Department of Education.

(b) The department shall submit proposed revisions to the state board for review.

(c) The state board may adopt, revise, or reject the proposed revisions to the best financial management practices.

(d) Revised best financial management practices adopted by the state board shall be used in the next scheduled school district reviews conducted.

Authority. Arkansas Code §§ 6-11-105, 6-15-2301.

6 CAR § 275-107. District self-assessment.

(a) The Department of Education shall develop a self-assessment instrument regarding each of the adopted best financial management practices.

(b) The district must begin the self-assessment sixty (60) days prior to the beginning of the district's review of best financial management practices.

(c) The completed self-assessment instrument and supporting documentation shall be submitted to the department no later than the date of commencement of the review.

(d) The self-assessment information will be used by the review team during the review.

Authority. Arkansas Code §§ 6-11-105, 6-15-2301.

6 CAR § 275-108. Reviews.

(a)(1) The Department of Education shall conduct the reviews of best financial management practices.

(2) All public school districts shall be reviewed biennially by an onsite visit.

(b) The scope of the review shall focus on the best financial management practices adopted by the State Board of Education.

(c) Each public school district reviewed shall be given one (1) of the following designations:

(1) "A", schools comprehensively complying with best financial practices;

(2) "B", schools complying with best financial management practices at significant levels;

(3) "C", schools adequately complying with best financial management practices;

(4) "D", schools less than adequately complying with best financial management practices; or

(5) "F", schools failing to comply with best financial management practices.

(d)(1) The department may:

(A) Request Arkansas Legislative Audit and the Legislative Joint Auditing Committee to conduct the reviews; or

(B) Contract with a private firm to perform the required reviews.

(2) The private firm must be selected through a formal request for proposal process.

(e) The department shall prepare annual reports regarding the results of the best financial management practices reviews.

(f) Grades awarded to school districts regarding their best financial management practices review shall be posted to the department's website.

(g) The report regarding a district's results from the best financial management practices review shall be part of the district's annual report card as required by Arkansas Code § 6-15-1806 [repealed].

(h) The report shall include both revenue sources and expenditures.

(i) The expenditures report shall include a breakdown of administrative, instructional, support, and operations expenditures.

(j) District best financial management practices reviews shall be completed within six (6) months after commencement.

(k) The department shall issue a final report to the Legislative Council regarding a district's use of best financial management practices within sixty (60) days after completing the review.

(l) Copies of the final report for each district's review of best financial management practices shall be provided to the:

- (1) Governor;
- (2) State board;
- (3) District superintendent; and
- (4) District's school board members.

Authority. Arkansas Code §§ 6-11-105, 6-15-2301.

6 CAR § 275-109. Required remedial action plan.

(a) If a district receives a designation of "F" from the review of best financial management practices, then the final report must contain an action plan detailing how the district can meet the best financial management practices within two (2) years.

(b) The district school board shall develop an implementation plan and approve the plan within sixty (60) days after receipt of the final report.

(c) Failure to adopt the action plan within sixty (60) days after the receipt of the final report will require that the district superintendent and school board members

appear before the State Board of Education and the Legislative Council to present testimony regarding their failure to comply.

(d) Within sixty (60) days after receipt of the final report, the district school board shall notify the state board and the Department of Education in writing regarding the implementation schedule for the action plan.

(e) The district shall submit an initial status report to the Governor, the state board, Arkansas Legislative Audit and the Legislative Joint Auditing Committee, the department, and the Legislative Council outlining progress made toward implementing the action plan.

(f)(1) A second status report shall be submitted no later than six (6) months after submission of the initial report to:

(A) The Governor;

(B) The state board;

(C) Arkansas Legislative Audit and the Legislative Joint Auditing Committee;

(D) The department; and

(E) The Legislative Council.

(2) This process shall continue every six (6) months thereafter until status reports are not required.

(g) Status reports are not required once the district is designated a grade category of "A" for its financial practices.

(h) Districts shall maintain documentation to enable independent verification of the implementation of the action plan.

Authority. Arkansas Code §§ 6-11-105, 6-15-2301.

6 CAR § 275-110. Public notice.

(a) During the district review of best financial management practices, the Department of Education or the consultant conducting the review shall hold at least one (1) advertised public forum as part of the review.

(b) The purpose of the public forum will be to:

- (1) Explain the best financial management practices review process; and
- (2) Obtain input from students, parents, the business community, and other stakeholders regarding their concerns about the operations and management of the school district.

(c)(1) The district superintendent shall notify the press when the district's final report from the review of the district's best financial management practices has been received.

(2) The notification shall state the department's website at which an electronic copy of the report is available.

Authority. Arkansas Code §§ 6-11-105, 6-15-2301.

6 CAR § 275-111. Seal of best financial management.

(a) School districts determined in their best financial management practices review to be using the best practices and that are awarded a grade of "A" shall receive a "Seal of Best Financial Management".

(b) The designation shall be effective until a district's financial accountability grade decreases.

(c) The State Board of Education shall revoke the designation of a district at any time if it is determined that the district is no longer complying with the adopted best financial management practices.

Authority. Arkansas Code §§ 6-11-105, 6-15-2301.

6 CAR § 275-112. Cost savings.

(a) Unrestricted cost savings resulting from implementation of the best financial management practices shall be spent at the school and classroom levels for:

- (1) Teacher salaries;
- (2) Professional development;

- (3) Facilities;
- (4) Student supplies;
- (5) Textbooks;
- (6) Classroom technology; and
- (7) Other direct student instructional activities.

(b) Cost savings identified for a restricted expenditure shall be used to enhance that specific program.

(c) If a district is in fiscal distress, the cost savings may be used in accordance with the fiscal distress plan.

Authority. Arkansas Code §§ 6-11-105, 6-15-2301.