

**STATE OF ARKANSAS
BOARDS AND COMMISSIONS
RESOURCE MANUAL
JULY 2015**

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INTRODUCTION

The purpose of the Boards and Commissions Resource Manual is to provide information to members of State boards and commissions about financial and administrative requirements of Arkansas State Government. The information in this manual is intended to assist in understanding the requirements and is applicable to all boards and agencies.

The information was compiled from various documents published by the Department of Finance and Administration (DFA), including:

- Office of Accounting
- Office of Budget
- Office of Personnel Management, and
- Office of State Procurement

References to laws of the State of Arkansas are 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, the designation "19-4-905," indicates the provision is in Title 19, Chapter 4, Subchapter 9, and "05" indicates section 5 of that subchapter.

Ark. Code Ann. §19-4-101 states that it is the general policy of the State to:

- Maintain on a sound financial basis the State and all of its boards, commissions, departments, and institutions
- Provide adequate accounting for all fiscal transactions, and
- Provide for uniformity in budget preparation, presentation, and execution

The information in this manual is intended to further the execution of this policy. While this manual provides general information, more specific information can be found in other documents published by the DFA.

This manual is published on the Office of Accounting website at:

<http://www.dfa.arkansas.gov/offices/accounting/Pages/default.aspx>

and is available in printed form upon request. Requests for printed copies of this manual can be made by sending an email to acctuser@dfa.arkansas.gov, calling 501-682-1675, or writing to the Office of Accounting, P. O. Box 3278, Little Rock, AR 72203.

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SECTION 1 – FINANCIAL MANAGEMENT SYSTEM

The Arkansas Administrative Statewide Information System (AASIS) is the State's financial management system. Various accounting roles are utilized in AASIS in order to provide for segregation of duties to facilitate better business practices and enable an adequate system of internal accounting controls. The assignment of AASIS security roles is at the sole discretion of the Chief Fiscal Officer of the State.

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.

State agencies, boards or commissions that do not have sufficient staffing to provide for adequate segregation of duties and internal controls are designated as SERVICE BUREAU agencies. These agencies do not have direct access to AASIS and must utilize the Service Bureau section, within the Department of Finance and Administration's (DFA) Office of Accounting, to assist with daily operations. The Service Bureau section acts as the "accounting office" for these agencies by entering deposits and invoices into AASIS and providing monthly reports. Additional detail on the business processes provided by the Service Bureau will be covered in another section of this manual.

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SECTION 2 – BASICS OF FINANCIAL MANAGEMENT

STATE AGENCY

A state agency, for the purposes of AASIS, is defined as all boards, commissions, departments, agencies, offices or officers and state-supported institutions of higher education of the State of Arkansas created or established pursuant to law and functioning under appropriations made by the General Assembly. Each state agency, or **Business Area**, has a designated four-digit code in AASIS that is used to identify that specific agency.

DEFINITION OF FUND

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.

Funds in AASIS are currently designated by a seven-digit code. The first three-digits of the code represent the “fund family”. Legal funds are those funds created in the law to be used by a specific agency for a specific purpose. Additional detail on Funds will be covered later in another section of this manual.

APPROPRIATION

An appropriation is a Legislative authorization for a state agency, board/commission or institution to make expenditures and incur obligations for specific purposes from designated resources available or estimated to be made available during a specified time period. Appropriations are only authorized for one fiscal year. The State’s fiscal year begins July 1 and ends June 30.

A **Funds Center** is a code which represents an appropriation in AASIS. An appropriation can be made up of different line-item classifications, or Commitment Items, which provide spending authority for specific purposes.

There are several types of appropriations:

- **Operating** – an appropriation used for the daily operations of a state agency, board/commission or institution that is further broken down by line-item classification (Commitment Items) such as Regular Salaries, Personal Services Matching and Maintenance/General Operations.
- **Supplemental** – an appropriation which adds to an existing appropriation and contains an emergency clause effective upon passage and approval
- **Special** – an appropriation provided for a specific purpose other than the classifications of appropriations in ACA 19-4-522 through 19-4-524.
- **General Improvement** – an appropriation that provides for one-time projects, both within and outside of State government, that is funded through an Executive or Legislative allocation from the General Improvement Fund in a funding Act specific to the projects.

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- **Capital Project** – an appropriation that provides for a one-time project at the agency level, where the funding source is something other than General Improvement funds, such as cash, federal revenue, trust or bond proceeds.
- **Reappropriation** – usually a General Improvement or Capital Project appropriation (funds centers) that is continued from one fiscal year to another for an amount equal to or less than that previously authorized.

A **Commitment Item** represents the funds center (appropriation) breakdown by line item detail as classified in accordance with the expenditure breakdown in ACA §19-4-521 through §19-4-524 below. A **Miscellaneous Commitment Item** is used for those special appropriations classified in ACA §19-4-525, which may have expenditures that cross multiple commitment items due to the nature or purpose of the appropriation. **General Ledger Codes** break the expenditures down to the lowest level of detail and are assigned only to specific commitment items, not miscellaneous commitment items.

Below are brief descriptions of each classification of expenditure and AASIS commitment item code.

- **§19-4-521 - Personal Services**

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

- **Regular Salaries (501:00:00)**

- Extra Salaries (501:00:08) - *includes all special remuneration authorized by law and appropriated by the General Assembly to be received by state employees and shall be considered to be in addition to the maximum amounts of compensation set by law for regular salaries*
- Special Compensation (501:00:00) – *includes special remuneration when authorized by law for employee suggestion awards and shall be considered to be in addition to the maximum amounts of compensation set by law for regular salaries*

- **Extra Help (501:00:01)**

This subclassification includes 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 fiscal year or less.

- **Overtime (501:00:06)**

This subclassification includes payment of services performed in excess of normal hours of work during a specific time when specifically authorized by law.

- **Personal Services Matching (501:00:03)**

This subclassification includes payment of the state agency's proportion of the amounts necessary to contribute the state agency's share or to match the deductions from the salaries of state employees for social security, retirement, group employee insurance and workers' compensation.

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- **§19-4-522 – Maintenance and General Operation**
The maintenance and general operation 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.
- **Operating Expenses (502:00:02)**
This subclassification includes items such as postage, telephone, minor repairs/maintenance, travel expenses for non-state employees and board members or state employees traveling on official business, and state-owned vehicle expense including insurance and fuel.
 - **Conference and Travel Expenses (505:00:09)**
This subclassification includes the costs associated with an employee attending a conference, seminar or training program or a state-agency sponsored or hosted conference, seminar or training program.
 - **Professional Fees (506:00:10)**
This subclassification includes 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 (i.e. Miscellaneous Technical Services).
 - **Capital Outlay (512:00:11)**
This subclassification includes the purchase of land, buildings, equipment, furniture or fixtures which are to be capitalized per the thresholds established in the [Capital Asset Guidelines](#) of the Financial Management Guide.
 - **Data Processing (509:00:12)**
This subclassification was once used for the purchase of data processing services (batch processing) by the Department of Information Systems, but is now obsolete. For budgeting purposes, appropriation is no longer authorized in this classification for state agencies but instead is usually authorized in a special appropriation/line item (590:00:44) entitled “Data Processing Services”.
- **§19-4-523 – Grants, assistance and special aid (510:00:04)**
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.
- **§19-4-524 – Construction and permanent improvements (506:00:10)**
The construction and permanent improvements 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 with the proposed project shall be deemed to be part of the

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construction costs, such as advertising for bids, architect/engineer fees or other professional services.

➤ **§19-4-525 – Special appropriations (590:00:XX)**

All other appropriations made by the General Assembly, which do not come under any of the classifications mentioned above, are considered to be special appropriations. They can be specific line items within an agency's operating appropriation or a totally separate appropriation. Except as provided by law, agencies with special line item appropriations may not expend funds from any appropriation other than from the special appropriation that was provided for that purpose.

This budget control is accomplished in AASIS for special appropriations through the use of sub-Funds Centers and cost centers. A sub-Funds Center acts as a "bucket" to keep the appropriation segregated from other line items. Because special appropriations are assigned to miscellaneous commitment items, budget must be moved within the sub-Funds Center to commitment item(s) that best correspond to the purpose of the appropriation. Service Bureau agencies must contact their analyst in the DFA – Office of Budget to facilitate a budget transfer.

Each business area in AASIS is assigned a **Functional Area** which groups the agencies by activity. The 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

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SECTION 3 – BUDGETING

Amendment 86 of the Arkansas Constitution of 1874 provides that no appropriation authorized by the General Assembly can be for a period longer than one year. The amendment also provided for Regular and Fiscal Sessions of the General Assembly. The General Assembly meets in **Regular Session** on the second Monday in January of each odd-numbered year and may consider **any** bill under Arkansas Constitution, Article 5, §5(b). The General Assembly meets in **Fiscal Session** on the second Monday in February of each even-numbered year and may consider **only** appropriation bills under Arkansas Constitution, Article 5, §5(b) unless two-thirds (2/3) of the members of each house of the General Assembly approve consideration of the bill.

REGULAR SESSION

With the exception of some Constitutional Offices and the Institutions of Higher Education, each business area in AASIS prepares a detailed biennial budget request in the State's Planning Budgeting and Administrative System (PBAS). The DFA - Office of Budget (DFA-OB) and DFA - Office of Personnel Management/Classification and Compensation Division (DFA-OPM/CCD) review the request and assist the agency in its preparation.

The budget requests are presented to the Governor or Governor-Elect for review and recommendations. Once executive recommendations are received, DFA-OB prepares the budget manuals that are presented to the Arkansas Legislative Council/Joint Budget Committee (ALC/JBC) for the legislative recommendation. The budget request may be referred to a subcommittee of ALC/JBC, such as Personnel, Special Language or an "agency specific" subcommittee such as Higher Education or Human Services. The subcommittee's reports are submitted to ALC/JBC and if adopted, their recommendations are incorporated into the legislative recommendation.

Legislative recommendations are then entered into PBAS by DFA-OB and DFA-OPM/CCD and transmitted to the Bureau of Legislative Research to draft appropriation bills. DFA-OB prepares the "Silver Manual" which contains both the executive and legislative recommendations. This manual is used by the members of the General Assembly when the regular legislative session starts.

The appropriation bills are introduced to the General Assembly and can be amended while under consideration. All appropriation bills must be reviewed by Joint Budget Committee (JBC) and receive a "Do Pass" out of JBC before continuing through the process.

Once a bill reaches the Governor, three actions can take place:

- The Governor can sign the bill and send it to the Secretary of State's Office to be assigned an Act number; or
- The Governor can veto the bill and return it with a letter to its originating chamber for reconsideration; or
- The Governor can take no action for 5 days. If still in session, the bill will become law without his signature. If it can't be returned due to adjournment of the General Assembly session, then the bill becomes law after 20 days.

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The Governor also has line-item veto powers which voids the stricken item(s) and allows the remaining items to become law. The General Assembly can override an executive veto by a majority vote of both chambers.

FISCAL SESSION

Appropriation bills for all but 6 agencies are pre-filed based upon the Regular Session recommendations. The “Big 6” agencies are allowed to present new budget requests for the fiscal session. The agencies included in the group are: Department of Education – Public School Fund, Institutions of Higher Education, Department of Human Services, Department of Correction, Department of Community Correction and Department of Health.

The DFA – OB presents a manual of changes for all except the Institutions of Higher Education. The Arkansas Department of Higher Education is responsible for preparation and presentation of the institutional change requests for the fiscal session.

ANNUAL OPERATIONS PLAN

At the conclusion of each session, state agencies, boards and commissions must prepare a detailed Annual Operations Plan (AOP) in PBAS for the next fiscal year for the appropriations just passed for their agencies. Constitutional Offices and Institutions of Higher Education may prepare less detailed annual budgets.

The Office of Budget sends out AOP instruction packets in April. Once finalized and approved by both DFA – OA and OB, the budgeted numbers are transferred from PBAS into AASIS in late June in preparation for the start of the new fiscal year.

BUDGET CHANGES BETWEEN SESSIONS

The Performance Evaluation and Expenditure Review (PEER) subcommittee of the Arkansas Legislative Council (ALC) usually meets on a monthly basis to address budget adjustments, Miscellaneous Federal Grants (MFGs) and interagency contracts. State agencies can submit budget adjustments, such as cash appropriation increase requests, budget classification transfers and appropriation transfers or requests for federal appropriation (MFGs) to expense unanticipated federal funding to the DFA – OB for submission to the PEER Subcommittee for review. Budget adjustments are not made until the Arkansas Legislative Council meets later in the month to review/approve the reports of its various subcommittees.

Other subcommittees of the Arkansas Legislative Council that influence appropriation are:

- Personnel – special entry rates, personnel policy changes and pay plan
- Review – contracts, Methods of Finance and discretionary grants
- Claims – claims against the State and appealed claims
- Rules & Regulations – various state agency rules & regulations

REVENUE STABILIZATION ACT

The Revenue Stabilization Act defines the general revenues of the State. It provides:

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- A mechanism to distribute general revenues to various State agencies
- A method of prioritizing the State budget
- A method to reallocate general revenue in the event of a significant economic expansion or recession

At the end of each month, general revenues are distributed according to the Revenue Stabilization Act distribution requirements.

Besides general revenues, other sources of funding of appropriation are:

- Federal funds
- Special revenues
- Cash funds
- Non-revenue receipts

General revenue is the only funding source that requires a distribution scheme because, generally, it is not specific to any one agency. The other sources of funding listed above tend to be specific to a particular agency.

No appropriation can be used unless funded from one of these sources.

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SECTION 4 - FUNDS

TREASURY FUNDS

The State has many revenue laws that provide for the levying and collecting of taxes, licenses, fees, permits, assessments, royalties, leases, rents, fines, interest, and penalties. These revenues support the state government and its agencies, institutions, boards, and commissions. When the **law requires the funds to be deposited into the State Treasury**, they must be classified, defined and described. Doing this ensures that the revenue will be used as intended by law. (ACA §19-6-102)

Legal funds can only be created through legislation. The language used to create the fund will usually designate the type of fund (i.e. special revenue, trust or miscellaneous), the owner of the fund, the type of revenue the fund is allowed to consist of and the purpose of the fund. Once legislation is enacted and takes effect, the DFA-OA-Funds Group creates the fund using a unique three-digit alpha code to represent that fund in AASIS. The fund structure follows a hierarchy that begins with the legally designated fund and can include sub-funds; however each is a separate record in AASIS. The Chief Fiscal Officer of the State (CFO) may only create separate fund accounts of those funds already created in the law.

All funds have a specific coding structure currently comprised of seven characters and/or numbers. All funds on deposit with the Treasurer of State begin with a three-digit alpha code and ends with four numeric or alpha-numeric characters.

TREASURY FUND CLASSIFICATIONS

The classification of those funds required by law to be deposited into the State Treasury must be classified under one (1) or more of the following (ACA §19-6-108):

- (1) General revenues;
- (2) Special revenues;
- (3) Trust fund income;
- (4) Federal grants, aids, and reimbursements; and
- (5) Nonrevenue receipts.

General Revenue: A detailed list of these revenues is located in ACA §19-6-201. These revenues are deposited to the General Revenue Fund Account of the State Apportionment Fund – AGA0000 using special General Ledger coding with a prefix of (401) and remain on deposit in the State Treasury until month-end distribution. Unused allotments are reclaimed annually unless carry forward is allowed in code or special language.

Special Revenue – 3%: A detailed list of these revenues is located in ACA §19-6-301.

The law requires that certain special revenues are held in the Special Revenue Fund Account of the State Apportionment Fund – ASA0000 – before being deposited to the benefiting fund. These revenues have a 3% fee deducted and are assigned a special

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General Ledger code beginning with a prefix of (402). The revenues that are charged a 3% fee **are collected by** the DFA-Revenue Division or another Constitutional and Fiscal Agency Fund agency or an agency in the State Central Services Fund on behalf of another agency. The fee deducted from these collections is used to support State Central Services Fund and Constitutional Officers Fund ranges from 3-4% by law. Special revenue can be carried forward if not used in the current fiscal year.

Special Revenue – 1½ %: This revenue is also detailed in ACA §19-6-301 and is the same as type (2) above except a smaller deduction is made at month end. The deduction is less because the agency **collecting the revenues is not** the DFA-Revenue Division or another 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 and are assigned a General Ledger code beginning with a prefix of (403). The fee deducted from these collections is to support State Central Services Fund and the Constitutional Officers Fund ranges from 1½ % to 2%.

Trust Fund Income: Consists of monies received or collected and dedicated by law for specific purposes or certain bequests made to the State.

Other Revenue, Grants & Reimbursement: Other Revenue, Grants & Reimbursement include 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 §19-6-601) These revenues are assigned a General Ledger Code beginning with a prefix of (405).

Non-Revenue Receipts: This revenue is used to account for receipts received that are deemed non-revenue. A list of receipts that are statutorily required to be non-revenue is detailed in ACA §19-6-701. They are assigned a General Ledger code beginning with a prefix of (404).

CASH FUNDS

Taxes, licenses, fees, permits, or other income collected by any board, agency, or commission under of the authority of the State of Arkansas at times are designated by law to be deposited into a **depository other than the State Treasury**. These deposits are classified as **cash funds** and are revenues of the State and must be used as required and expended only for such purposes determined by law. (ACA §19-6-103)

Commercial Bank Accounts

All **Cash in Bank** funds begin with a three-digit numeric code and end with four numeric characters. AASIS has the capability of up to ten characters/numbers for fund structure.

Fees

ACA §19-5-206 requires certain state agencies whose cash funds are in a commercial bank account to pay a service charge of 1½% on their total operating expenditures from the previous calendar quarter to the State Treasury for deposit into the State Central

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Service Fund. Only agencies with annual revenues in excess of \$25,000, per a previous year's audit, are required to pay the service charge.

Cash in State Treasury

Unless otherwise specified in law, state agencies can elect to move their cash funds into the State Treasury. These funds begin with a three-digit alpha code starting with an "N" followed by four numeric characters. Interest is earned and distributed monthly to each agency's fund. Funds on deposit in the State Treasury are generally deposited as nonrevenue receipts and not subject to a percentage deduction unless the source of the revenue is specifically classified as special revenue. (ACA §19-4-503)

MISCELLANEOUS REVENUE

The term Miscellaneous Revenue is used to address the classification of all fines, penalties, interest, or court costs that have been received in connection with the collection of any revenue. These items should be classified the same as the revenue classification which the fines, penalties, interest, or court costs are levied.

Also any proceeds from the rental of real or personal property owned by the State of Arkansas must be classified as special revenues and belongs to the fund account that the property prior to sale or rental belongs unless otherwise specified by law. (ACA §19-6-109)

Finally, all nonrevenue receipts as defined in ACA §19-6-701 derived from proceeds from the sale of property, income received on account of services being provided by an agency of the state, or any other miscellaneous earnings of any state agency shall be credited to the fund or fund account from which the agency draws its support unless specified otherwise by law.

MISCELLANEOUS AGENCIES FUND ACCOUNT [ACA §19-5-302 (9) (A)]

Boards and Commissions can also be funded by general revenue, usually from the Miscellaneous Agencies Fund (HUA) account. This fund is comprised of multiple agency or board and commission fund accounts. The DFA – Office of Budget prepares a schedule showing each agency and the allocation of funding they will receive. The DFA Funds Group manages the cash flow to the individual funds based upon their daily invoices. Below are some examples of the funding sources and purposes that HUA funding is used for [ACA §19-5-302 (9) (A)].

Funding Sources for HUA Funds:

- General Revenue Allotment
- Budget Stabilization loans allowed with the procedure in ACA §19-5-501
- Federal reimbursement
- Special revenues
- That portion of forfeited registration fees for beer kegs sold for off-site consumption
- Any other funds provided by law

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Uses for HUA Funds:

- Expenditures/transfers related to the state's membership in regional or national associations,
- grants to certain organizations,
- maintenance, operations, and improvements
- Expenditures/transfers related to the Miscellaneous Agencies' operations

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SECTION 5 – PROCUREMENT

DEFINITION OF PROCUREMENT

Procurement is the buying, purchasing, renting, leasing, or otherwise obtaining of any commodities or services.

The procurement of commodities and services by the State of Arkansas is governed by Arkansas Procurement Law. (ACA §19-11-201)

STATE PROCUREMENT DIRECTOR

The State Procurement Director is the principal procurement officer of the State of Arkansas (ACA §19-11-217). Among other things, he or she is responsible for making sure that commodities and services meet necessary specifications, terms, and conditions.

CONTRACTS

Contracts are state agreements for the purchase of goods and services and for the disposal of surplus goods and services.

Mandatory Contracts

The Director is exclusively responsible for establishing state contracts for certain commodities and services (ACA §19-11-222). The procurement of these commodities and services through the established state contract is mandatory. These commodities and services include

- items subject to Arkansas Constitution, Amendment 54 (printing, stationery and supplies)
- wholesale gasoline, oil, and related products
- tires
- passenger motor vehicles and trucks
- paper products
- school buses
- a P-Card and T-Card program

In addition to these contracts, the Director may also award a state contract for goods or services not within his or her jurisdiction under ACA §19-11-222 when substantial savings may be realized by quantity purchasing.

Non-Mandatory Contracts

A state agency is not required to participate in such state contracts beyond the scope of ACA §19-11-222 if it can show geographical or volume-buying advantage (ACA §19-11-223).

Professional Services Contracts and Consultant Services Contracts are between a state agency and an independent contractor or organization. The agency has no managerial control over the contractor, and the contractor is not a state employee.

Consultant Services Contracts are primarily for the giving of advice by the contractor.

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Professional Services Contracts are for the rendering of personal services by the contractor which are professional in nature.

Design Professional Contracts are for the procurement of architectural, engineering, and professional services. They are primarily for:

- minor projects that are time critical; and
- minor remodeling projects that do not exceed one million dollars

Technical and General Services Contracts are not professional in nature.

- Work is done by skilled individuals involving time, labor, and a degree of expertise.
- Special skills or extensive training are not required.

Sole Source Contracts are awarded when it's determined that there is only one source for the required commodity or service.

WSCA – Western States Contracting Alliance creates multi-state contracts for use by public agencies in order to reduce the cost of quality products and services. This allows for efficient acquisition of products and services and reduces individual state administrative costs.

Dollar Amounts and Bidding

“Small procurements” means any procurement not exceeding a purchase price of ten thousand dollars (\$10,000). Small purchases may be procured without seeking competitive bids or competitive sealed bids. (ACA §19-11-204 (13) (A) (i))

- Competition must be used to the maximum extent practical.
- Items under state contract are excluded.

Contracts in which the purchase price exceeds ten thousand dollars (\$10,000) and is less than or equal to fifty thousand dollars (\$50,000) may be awarded by use of competitive bidding procedures. However, in any such instances, competitive sealed bidding is permitted. (ACA §19-11-234(b)(1))

Contracts exceeding an estimated purchase price of fifty thousand dollars (\$50,000) shall be awarded by competitive sealed bidding unless a determination is made in writing by the agency procurement official or the State Procurement Director that this method is not practicable and advantageous and specifically states the reasons that this method is not practicable and advantageous. (ACA §19-11-229 (b)(1))

All state agencies may lease commodities with the exclusion of vehicles if the cost does not exceed \$10,000.

Ratification of Contracts

Executive Order 98-04 established mandatory guidelines for contracts and purchasing to prevent waste, abuse, or the appearance of impropriety. All contractors and subcontractors are required to complete and sign a [Contract and Grants Disclosure Form](#). This form is designed to report any connections to current or former members of: the general assembly, constitutional officers, board or commission members, state employees or any of their immediate families.

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Methods of Source Selection (ACA §19-11-228)

All contracts shall be awarded by competitive sealed bidding except for the following situations:

- Competitive sealed proposals
- Small procurements
- Proprietary or sole source procurements
- Emergency procurements
- Competitive bidding
- Multiple awards contracts
- Special procurements

Authorized State Credit Cards

Purchasing Card (P-Card)

The State Purchasing Card, or P-Card, is a better way to help agencies manage small-dollar purchases.

- They may only be used for official business purchases for the State of Arkansas.
- The default limit per individual cardholder is \$2,000 per billing cycle.
- The P-Card allows cardholders to obtain various supplies and some services directly from vendors without using a purchase order.
- The program reduces the workload and processing costs related to the purchase and payment of supplies.

When making a P-Card purchase, the agency should check as many sources as reasonable to assure the best price, quality, service and delivery is in the best interest of the State.

Some examples of allowable items/goods purchased with the P-Card:

- books
- general office supplies
- lab supplies
- postage
- subscriptions
- UPS
- FedEx

Non-allowable P-Card purchases:

- alcoholic beverages
- cash advances
- personal-type purchases
- printing subject to Amendment 54
- unauthorized travel or travel-related expenses
- vehicle rentals (unless authorized by Credit Card Manager)
- Any items listed on mandatory agency or state contracts without vendor approval.
- Split purchases
- Any purchase that would involve a trade-in

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Travel Cards (T-Cards)

The Travel Card Program provides travelers a safe, effective, convenient, and commercially available method to pay for expenses incidental to official travel, including local travel. The travel card is intended for official state travel-related use only and should never be used for personal purchases or to pay for someone else's travel expenses.

WEX Cards

The State fuel card can only be used for official state business. The card can also be used for minor or routine vehicle maintenance including oil changes, windshield repair and tire servicing. The fuel card also carries access to roadside assistance through North American Fleet Services. The fuel card is not to be used for purchasing food, beverages, novelty items, personal items, or tires. This card cannot be used to fuel a private vehicle.

Printing/Printing Guidelines

Printing, stationery, and supplies are subject to Amendment 54 which states:

“The printing, stationery, and supplies purchased by the General Assembly and other departments of government shall be under contracts given to the lowest responsible bidder, below such maximum price and under such regulations as shall be prescribed by law. No member or officer of any department of government shall in any way be interested in such contracts.”

The Financial Management Guide states that “*Commodities subject to the Arkansas Constitution, Amendment 54 (printing, stationery and supplies) may be purchased only by the State Procurement Director or his designee.*”

There are three ways that agency personnel can procure printing:

1. A Delegation Order allows agency personnel, after training by OSP, to competitively bid the agency's own printing, subject to an authorized threshold.
2. State Agency Print Shops may be used by an agency. It is recommended that a price comparison be done between two or more state print shops.
3. Purchase requests may be sent to the Office of State Procurement. If an Agency has a delegation order, all requisitions greater than the threshold must be sent to OSP.

Surplus Commodities

Marketing and Redistribution (AR State Surplus) is a division of the DFA Office of Procurement. M&R oversees the sale of state surplus property between state agencies, tax-supported entities, and the general public. This applies only to surplus personal property, not surplus real property of the State

All state agencies, boards, commissions, departments, and colleges/universities are required, unless specifically exempted in writing by the Director of the Office of State Procurement, to utilize the services of M&R.

Excess commodities (other than computers and electronic equipment) in serviceable use may be made available to others. During a 21-day hold period, commodities shall

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be sold to agencies, tax-supported entities, or not-for-profit organizations by Marketing and Redistribution. After the 21-day hold period, they may be made available to the general public. Proceeds from the sale may be expended only by the selling or transferring agency.

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SECTION 6 – SERVICE BUREAU

State agencies, boards or commissions that do not have sufficient staffing to provide for adequate segregation of duties and internal controls are designated as SERVICE BUREAU agencies. These agencies do not have direct access to AASIS to enter financial information and must utilize the Service Bureau section, within the Department of Finance and Administration's (DFA) Office of Accounting, to assist with daily operations. The Service Bureau section acts as the "accounting office" for these agencies by entering deposits and invoices into AASIS and providing monthly reports.

DAILY PROCESSES

Deposits

Monies collected by Service Bureau agencies must be recorded in AASIS. For monies held at the State Treasury, this process not only records the information in AASIS but also creates a deposit slip which must accompany all deposits that are taken to the State Treasury for receipting. For monies held in commercial bank accounts, this process records the revenue in AASIS.

In order to record the monies collected, the Service Bureau agencies must submit a Revenue Receipts Deposit form to Service Bureau. This form contains the necessary information (I.E. General Ledger Code, Cost Center, Amount, etc.) to record the deposit in AASIS. After the deposit is recorded in AASIS, the form is updated with the document number and date and returned to the Service Bureau agency. If the deposit is for a Treasury fund, the Arkansas Revenue Receipts Deposit Form along with any monies is taken to the State Treasurer's Office for receipting (NOTE: For ACH deposits, only the Arkansas Revenue Receipts Deposit Form would be delivered to Treasury). If the deposit is for a commercial bank account, the forms are kept in house. Copies of all forms should be maintained by the Service Bureau agency for audit purposes.

Invoices

There are two types of invoices in AASIS used to pay vendors, Purchase Order Invoices and Direct Invoices.

- **Purchase Order Invoices** are the final step in the purchase order process of paying for goods and services. When state agencies are purchasing goods and services, a purchase order is used to commit the agency's appropriation. It is also the method in AASIS used to record contracts. Purchase Orders are created by Service Bureau agencies via DFA – Office of State Procurement. Once a purchase order has been created and the goods are received and receipted in AASIS (both done by DFA-OSP via request from the Service Bureau agency), the Service Bureau agency submits a Purchase Order Invoice/Credit Memo form to the Service Bureau. Service Bureau enters the invoice in AASIS and records the document number and date on the form which is then returned to the Service Bureau agency to be maintained in their files for audit purposes.
- **Direct Invoices** are used to record invoices for the purchase of items that are not made using the purchase order process. Examples of direct invoices are employee/board member travel, grant payments, payments to other state agencies, etc. Service Bureau agencies submit a Direct Invoice/Credit Memo

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form to the Service Bureau to pay invoices using direct invoices. Service Bureau enters the invoice in AASIS and records the document number and date on the form which is then returned to the Service Bureau agency to be maintained in their files for audit purposes.

Purchase Order Invoices and Direct Invoices must be used regardless of whether or not the agency's funding is held in the State Treasury or in commercial bank accounts. For monies held in the State Treasury, warrants will be issued by the Auditor of State's Office the following morning if there are sufficient funds available to process the payment. For monies held in commercial bank accounts, it is up to the agency to issue a check for the payment. The check should not be mailed to the vendor until confirmation is received back from Service Bureau that the invoice was processed in AASIS.

Assets

Assets are items purchased by state agencies which meet or exceed the amounts stated in the Capital Asset Guide. Assets also include items that are below those same thresholds but are easily susceptible to pilferage (i.e. laptops, tablets, etc.). For items that should be recorded as assets on the agencies records, the Service Bureau agency must submit a Create Asset Master Record form. Service Bureau will then create the asset in AASIS and enter the asset number on the form and return the form to the agency. Those items recorded as assets should be labeled by the agency and will be maintained on the agency's asset list.

WBS (Work Breakdown Structure) Elements/Internal Orders

WBS Elements/Internal Orders are tools in AASIS which allow an agency to track expenditures/revenues to different programs, offices, etc. WBS Elements **must** be use for the following:

- To record the receipt and disbursement of federal funds
- For construction projects in order to settle the costs at year end to the asset

Larger state agencies, such as the Department of Human Services or the Department of Health may use internal orders to track the receipt and disbursement of their federal funds. In all other instances, WBS Elements/Internal Orders can be used by state agencies as "buckets" to gather information for various purposes. Service Bureau agencies using WBS Elements/Internal Orders must complete the necessary paperwork to have these created and in many instances will need to work with their DFA-Office of Budget - Budget Analyst. Once all paperwork is completed and submitted to Service Bureau, Service Bureau will create the WBS Element/Internal Order and notify the agency that it has been created.

MONTHLY PROCESS

Reports

The Service Bureau produces various monthly reports for Service Bureau agencies and their board members.

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- Monthly Expenditures – This report reflects all expenditures of the agency for the prior month including the vendor paid and amount. This report should be reviewed to verify there were no inappropriate expenditures.
- Monthly Revenues – This report reflects all revenues recorded in AASIS for the prior month. This report should be reviewed and validated against in house records to ensure all revenue collected was receipted and deposited correctly.
- Available Budget – This report reflects the original budget which was approved by the legislature, any adjustments to that original budget, any committed amounts (open purchase orders, unpaid invoices, etc.), expenses and available budget. This report should be used to determine if there is sufficient appropriation to support the agency's expenditures for the remainder of the fiscal year.
- Trial Balance – This report reflects cash available to spend as well as revenues collected and expenditures in summary detail by general ledger code. This report will also reflect assets and any transfers that have been made. For agencies whose funds are held in commercial bank accounts, this report will not include any reconciling items for the commercial bank account reconciliation; those items will be included in the following month's trial balance. The Trial Balance report covers the agency as a whole as well as each fund that the agency maintains for not only the prior month, but also the entire fiscal year to date.
- Asset Report – This report reflects all assets that have been purchased by the agency. This report should be used to verify that there are no missing assets and that all assets have been appropriately recorded.
- Salary Report – This report reflects the employees of the agency and the salary paid to those employees during the prior month. Due to the state having bi-weekly pay periods this report will vary from 2-3 pay cycles per report. This report should be used to validate employee pay.

Bank Statement Reconciliations

Service Bureau agencies whose monies are held in commercial bank accounts are required to submit copies of their bank statements and reconciliations to the Service Bureau by the 15th of each month. DFA-OA-Reconciliation will use the bank statement and reconciliation to reconcile the bank account to AASIS monthly. If any reconciling items are found, DFA-OA-Reconciliation contacts the Service Bureau agency to have those items addressed; this may include recording voided checks in AASIS, recording interest or service charges in AASIS or various other items.

CD statements should also be submitted as received in order for the balances to be accurately maintained in AASIS.

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SECTION 7 – PERSONNEL

POSITION CREATION AND CLASSIFICATION

State law requires all state positions of agencies, boards, commissions, and institutions of higher education to be governed by a Uniform Classification and Compensation Plan (Pay Plan), unless specifically exempted by a line-item entry in the agency's appropriation act. Excluded from the Pay Plan are:

- Constitutional officers and their employees
- General Assembly and its employees
- Members and employees of judicial offices
- State Highway and Transportation Department employees
- Certain military personnel

Each biennium, the General Assembly establishes, by law, the classification titles to be used in the Pay Plan and the maximum salary for all unclassified positions. Unclassified positions are positions not covered by the Pay Plan. Between legislative sessions, the Legislative Council shall review the establishment and implementation of any new classification titles proposed due to program changes. The Joint Budget Committee will review the staffing levels of all agencies and institutions and submit to the General Assembly any proposed revisions, modifications or additions to the Pay Plan.

The Office of Personnel Management is responsible for administering and maintaining the statewide classification and compensation laws. These responsibilities include:

- Developing written class specifications based on assigned duties and responsibilities and requirements necessary to satisfactorily perform the duties;
- Assuring that all positions assigned to agencies and institutions adhere to the statewide classification and compensation laws;
- Providing assistance to state agencies not covered by the statewide classification and compensation system which may want to voluntarily establish its positions in a similar manner;
- Authorizing reclassification of positions having substantial changes in duties and responsibilities;
- Reviewing and monitoring the effectiveness of the statewide classification and compensation system and submitting recommendations for revisions, modifications, or additions.

STATE PAY PLAN

Pay levels established by the Pay Plan are for compensation management purposes and are not to be considered a contract, right, or other expectation of actual employee salary determination.

It is not the intent of the Pay Plan that salary increases are automatic or that any employee has a claim or right to pay increases. Management in each agency or institution determines if the employee is eligible for the increase authorized by law. This determination considers the experience, ability and work performance of the employee.

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No employee shall be paid at a rate of pay higher than the appropriate rate in the grade assigned to the position's class and no employee shall be paid more than the highest pay level established for the position's grade, unless otherwise provided.

Positions covered by the Uniform Classification and Compensation system will fall into one of two plans:

- The Career Service Pay Plan;
- The Professional and Executive Pay Plan.

Every position will be assigned to a job classification that is assigned a grade for the purpose of employee compensation. Every agency and institution appropriation act will provide a list of authorized positions by job classification. Employee salary compensation must be implemented and function in compliance with fiscal control laws of this State.

OVERTIME AND COMPENSATORY TIME

Overtime is the hours worked in excess of forty (40) hours in a work week. Any overtime work necessary shall be managed in the most efficient and economic manner possible.

An exempt employee is not eligible for overtime compensation, unless otherwise authorized.

Nonexempt employees fall into one of two categories and are eligible for overtime compensation:

1. Those whose normal work period is a 40-hour work week;
2. By virtue of their job activities, employees that are considered seasonal, fire fighters or law enforcement.

Overtime compensation can be accomplished by cash payment (overtime pay) or compensatory time.

Overtime Pay

Overtime pay is a cash payment for hours worked in excess of forty (40) hours in a work week.

All state departments, agencies, boards, commissions, and institutions (except the Highway and Transportation Department) may pay overtime to its employees under the provisions of the federal Fair Labor Standards Act. The Chief Fiscal Officer of the State will specify those specific employees eligible to receive overtime compensation and the circumstances under which overtime pay is allowed. The Chief Fiscal Officer may establish rules and regulations considered necessary and appropriate to comply with the Fair Labor Standards Act, after seeking the advice of the Legislative Council. The Director of the Highway and Transportation Department shall make these determinations for positions of the Highway and Transportation Department, after seeking the advice of the Legislative Council.

Compensatory Time

Compensatory time is leave earned for work performed in excess of forty (40) hours in a work week. It may not be earned in less than fifteen (15) minute increments. This is the

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most desirable method of overtime compensation. Compensatory time may be earned only with prior approval of the agency director, institution head, or their designee.

Nonexempt employees are eligible for compensatory time in lieu of a cash overtime payment. Except for firefighters and law enforcement, nonexempt employees performing qualifying work shall accrue compensatory time at a rate of 1.5 times the number of hours worked in excess of 40 hours in a work week.

Seasonal employees cannot accrue more than 240 hours of compensatory time. Firefighters and law enforcement cannot accrue more than 480 hours of compensatory time. If an employee exceeds these limits, they must be compensated by cash payment for the compensatory time in excess of the applicable limit.

Compensatory time must be earned before it can be used. All time used must be in 15-minute increments. When used, the employee shall be paid at their current grade. Compensatory time may be used in lieu of sick leave or annual leave.

When an employee transfers from one agency to another or transfers from a nonexempt position to an exempt position within the same agency, and compensatory time was earned at the original agency or nonexempt position, that agency shall pay the employee a lump sum payment for the balance of the compensatory time accrued.

Upon termination of employment, the employee is to receive cash payment for any remaining compensatory time at a rate which is the higher of the following:

- The average regular pay rate received by the employee during the last three years of employment;
- The final regular rate of pay received by an employee.

HIRING PROCESS

All positions on the Career Service Pay Plan must be advertised. Positions classified on the Executive and Professional Pay Plan are not required to be advertised. All state offices, departments, and agencies must use the Arkansas Government Jobs website to advertise job vacancies. It is the responsibility of the advertising agency to assure the accuracy of the information posted on the website.

Job vacancies may not be advertised without prior approval of the Governor's Office (Executive Order issued January 14, 2015).

The following are excluded from these advertising requirements.

- The General Assembly and their employees
- Any position in the Judicial branch
- Institutions of higher education
- All constitutional offices
- Members and staff of multimember boards, commissions, or committees
- Highway and Transportation Department employees
- Game and Fish Commission employees

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Discrimination

According to State law, no State agency or institution shall discriminate in hiring or other employment practices based on the individual's race, creed, religion, national origin, age, sex or gender.

Federal law provides that it is illegal to discriminate against a job applicant because of the person's race, color, religion, sex (including pregnancy), national origin, age (40 or older) disability or genetic information.

Arkansas law protects employees who are at least forty years of age or older from discrimination based on age. No State agency or institution shall refuse to hire an employee or otherwise discriminate with respect to compensation or terms of employment due to the individual's age.

Every state agency, board, commission, institution of higher education and constitutional office shall adopt and pursue a comprehensive equal employment hiring program designed to achieve a goal of increasing the percentage of minority employees to a level that approximates the percentage of minorities in the state's population.

Selective Service Status

No individual who is required to register with the Selective Service System shall be eligible for employment by any State agency or institution unless the individual has signed a statement of selective service status.

Background Checks

Hiring appropriate employees is a key point in successfully preventing fraud. Proactive hiring procedures should include the following:

- Conducting background investigations on individuals being considered for employment;
- A thorough check of an applicant's education, employment history, and personal references;
- Training of successful applicant in the entity's values and code of ethics.

Limitations on Hiring Relatives

State law prohibits the hiring of relatives by public officials and prohibits a state agency or institution employee from supervising a relative.

A public official shall not appoint, employ, promote, advance, or advocate for such, in or to a position in the State agency that the public official serves or which the public official exercises jurisdiction or control over any person who is a relative of the public official.

No employees who are related shall be placed within the same line of supervision. If as a result of marriage, employees are in violation of this law, the situation must be resolved in one of the following ways:

- Transferring one of the employees to another position within the agency;
- Transferring one of the employees to another agency;
- Resignation of one of the employees.

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State law requires the applicant to disclose specific relatives who are employed by the State and disclose their benefit or any relative's benefit from a state contract or award. The nepotism section of the employment application shall be fully completed listing the name, relationship, and job title of all relatives currently employed by the agency. The human resources function of the agency will review the information to determine if a violation of the law may occur if the applicant is hired.

Violation of this law is a Class A misdemeanor.

For purposes of this policy, an employee is an individual whose employment is not seasonal or temporary and whose job responsibilities require 1,000 hours or more during a fiscal year.

A supervisory employee is an individual having:

- Authority to hire, transfer, suspend, layoff, recall, promote, discharge, assign, reward, or discipline other employees;
- Responsibility to direct other employees;
- Authority to adjust their grievances;
- Effective authority to recommend an action if the exercise of authority is not merely routine or clerical in nature, but requiring independent judgment.

A public official is any of the following:

- Any elected state-wide constitutional office (Governor, State Treasurer, etc.)
- A member of the General Assembly
- The executive head of any agency, department, board, commission, institution, bureau, or council of this State

A relative is any of the following:

- Husband
- Wife
- Mother, mother-in-law, or stepmother
- Father, father-in-law, or stepfather
- Brother, stepbrother, half-brother, or brother-in-law
- Sister, stepsister, half-sister, or sister-in-law
- Daughter, stepdaughter, or daughter-in-law
- Son, stepson, or son-in-law
- Uncle or aunt
- Nephew or niece
- First cousin

Drug Testing and Physicals

Employers may require applicants to submit to either a physical examination or drug testing as a condition of employment or continued employment. The employer is required to pay all costs and to provide the employee a free copy of the medical report.

If an employee tests positive for an illegal drug, the employer and employee may agree in writing as to who will bear the cost of future testing required as a condition of continued employment.

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Veteran's Preference

State agencies and institutions are required to give preference to certain qualified veterans, their spouses, or the surviving spouse of a deceased qualified veteran in hiring and employment.

For purposes of this policy, a veteran is either of the following:

1. A person honorably discharged from a tour of active duty, other than active duty for training only, with the armed forces of the United States;
2. A person who has served honorably in the National Guard or reserve forces of the United States for a period of at least six years, whether the person has retired or been discharged or not.

The person requesting the preference must be a citizen and resident of the State. A surviving spouse of a deceased veteran must remain unmarried at the time the preference is being sought. Such applicant shall be entitled to employment preference over other applicants after meeting substantially equal qualifications.

If an examination, evaluation, or similar method is given to establish a list of candidates qualifying for an interview, the applicant entitled to a veteran's preference and obtaining a passing grade shall have five (5) points added to their final earned rating. If the scoring method does not have a numerical score, the selection authority shall demonstrate how the veteran's preference was applied in developing the interview list and the final selection.

A disabled veteran, a disabled veteran over age 55 and entitled to a pension or compensation, or the spouse of a disabled veteran shall have ten (10) points added to the final rating score.

If requested by a veteran applicant, the hiring official or selection authority shall submit in writing to the veteran the reason veteran was not selected for an interview, or not selected for the position. The written reason shall become part of the employment application record.

EMPLOYEE EVALUATIONS

State law requires every state employee to have an annual job performance evaluation.

These evaluations are conducted after twelve months of continuous employment in a regular full-time position. A part-time employee in a regular position is eligible for a performance evaluation after twelve months.

All state agencies must submit an employee performance plan to the Office of Personnel Management for approval.

All state agencies shall use the following job performance evaluation categories:

- Unsatisfactory – performance is consistently unacceptable in quality, accuracy, and timeliness;
- Satisfactory – demonstrates competency in performance of duties and responsibilities;

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- Above average – demonstrates competency in performance of duties and responsibilities which is above satisfactory level;
- Exceeds standards – demonstrates competency in performance of duties and responsibilities at a level exceeding an above average evaluation.

Each agency is to develop (and revise as needed) an evaluation process suitable to its mission as follows:

- The employee evaluation is conducted annually;
- The process of evaluation begins at least 90 days before the employee's eligibility date (refer to OPM guidelines);
- The evaluation is completed 30 days prior to the employee's eligibility date unless extended for good cause;
- The evaluation identifies performance according to the scale above;
- The evaluation process complies with OPM guidelines and is approved by OPM

MERIT PAY

Merit Pay refers to pay and performance evaluation standards that establish criteria for lump sum payments to employees who meet required performance categories.

The merit increase eligibility date for an employee depends on their hire date. For an employee hired before October 1, 2006, their merit increase eligibility date is October 1 of each year. For an employee hired on or after October 1, their merit eligibility date is their hire date, beginning one year after their initial date of hire.

Employee performance evaluations are conducted annually as described in the previous section. Employee merit increases are awarded based upon that evaluation according to the following schedule:

Performance Rating	Percentage Increase
Unsatisfactory	0%
Satisfactory	1.5%
Above average	3.0%
Exceeds standards	4.5%

Employees who receive a written performance-based or disciplinary reprimand during the 12-month rating period are not eligible for a merit increase.

The Chief Fiscal Officer of the State (CFO) determines whether general revenues are sufficient to implement an authorized merit increase. Upon approval of the Governor, the CFO may reduce the percentage of authorized merit increases for all state employees without regard to the funding source (general or special revenues, federal funds, or trust funds).

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If sufficient revenues become available at any time during the fiscal year to provide for merit increases regardless of funding source, the CFO may authorize full or partial implementation of the merit increases.

Employees in positions defined as non-classified and those assigned to the professional and executive pay plan shall receive their merit increase in a lump sum payment in the last pay period of the fiscal year in which awarded. It has been the practice to award merit lump sum increases to employees in positions assigned to the career service pay plan. An employee must be in active service in that pay period to receive the merit increase. The merit payment shall not be considered as exceeding the maximum salary.

DISCIPLINARY ACTIONS

Discipline actions should have the goal of improving employee behavior, not punishment. Should disciplinary actions become necessary, they should be immediate, consistent and impartial. All disciplinary actions should be recorded in the employee's personnel file, whether verbal or written.

Discipline measures should be applied in a progressive manner. In order, this could be a verbal warning, a written warning, suspension, and, finally, termination. Some violations may require a more severe initial measure, including immediate termination.

Unless otherwise excluded, employees in regular positions (except probationary employees) may appeal disciplinary actions through a grievance procedure.

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SECTION 8 – INTERNAL CONTROLS

It is the objective of the State of Arkansas to assure proper internal accounting controls are in place. Internal controls aid in the prevention of fraud, errors, theft and embezzlement. State agencies must have an established system of internal control that provides reasonable assurance the following objectives are achieved:

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

The head of the agency has ultimate responsibility to ensure the internal control system is effective.

RECEIPTING

Cash receipts must be processed under strict control. To the extent possible, the tasks of collecting, recording, depositing and reconciling cash receipts should be assigned to different employees. No one person should be in a position to influence all aspects of cash receipting.

When staffing levels do not permit a strict segregation of duties, compensating controls should be put in place to ensure assets are safeguarded. Management review of deposit and accounting records is an example of a compensating control.

In context of this section, “cash” refers to currency, coins, checks, money orders and credit card receipts.

For cash received in person, a receipt is to be issued for each payment received. Receipt forms are to be pre-numbered by a printer. A printer’s certificate is to be obtained and retained for audit purposes. Off-the-shelf receipt books are never acceptable.

Receipts should note the date, amount, name of the person or entity making payment, purpose of payment, fund or funds to be credited, and signature of the employee receiving the payment. The original receipt is to be given to the payor and at least one duplicate receipt should be maintained in the receipt book in numerical order. Additional copies of the receipt may be created for administrative purposes.

Cash registers and similar devices may be used if they accomplish the same purpose as pre-numbered receipt.

For cash received through the mail, the mail should be opened in a controlled environment. All mail should be opened in the presence of at least two employees. Cash received in the mail can be documented in a cash log that collects the same information as on a pre-numbered receipt. The cash log should be completed in duplicate and maintained in the controlled area.

All checks and money orders must be endorsed immediately with a restrictive endorsement. All receipts are to be deposited to a commercial bank account or the State Treasury, whichever is applicable. Daily deposits are a good practice. However,

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weekly deposits are allowed if receipt amounts are minimal. Receipts waiting to be deposited should be kept in a safe or other locking storage device.

Deposits should be prepared by someone not involved with collecting, recording or reconciling cash receipts. Items should be deposited in the same form as received. Checks should not be cashed out of cash receipts.

Bank accounts should be reconciled monthly. Reconciling should be done by an employee independent of collecting, depositing or recording receipts.

ACCOUNTS PAYABLE

Each agency is responsible for establishing adequate internal controls and procedures to ensure prompt and accurate payment of obligations. Procedures should be in place to ensure that payment is not made unless the payment has been prepared in accordance with applicable purchasing and fiscal laws, rules and regulations.

At a minimum, procedures should be in place that determine the following:

- Services, material, supplies, and equipment received comply with specifications on purchase documents;
- Quantities indicated on the invoice agree with the receiving report;
- Unit prices agree with purchase documents;
- Extensions and total on invoices are accurate;
- The voucher or check are prepared in sufficient time to take advantage of available discounts;
- Appropriations and funds are sufficient to make payment;
- All applicable purchasing and fiscal laws were complied with;

Every payment for an obligation, either by voucher or check, should be approved in advance by the agency's disbursing officer or their designee. All vouchers and checks should be supported by appropriate documentation. Documentation must be maintained for audit purposes.

TIME ENTRY/APPROVAL

The Office of Personnel Management (OPM) has overall responsibility for management of the State's payroll.

User agencies are responsible for creating and updating financial, human resource and employee benefit master records in AASIS. This includes entry of time worked.

The agency should establish a work schedule for all employees. This schedule should specify the work day and work week.

For hourly employees, a time sheet should be completed. All time sheets are to be signed by the employee and approved by the employee's supervisor.

FIXED ASSETS

The executive head of the agency has the responsibility to maintain a record of all property belonging to the agency. All user and service bureau agencies must use

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AASIS for the recording of fixed assets. All reporting agencies must record fixed assets on their books of record.

All acquisitions, sales, transfers, and deletions must be entered promptly in the record. Deletions may include lost or stolen items, destroyed items, and items sold. The Capital Asset Guidelines manual provides general information and guidance on fixed asset accounting.

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 with a useful life of more than one year and whose historical cost meets the capitalization threshold. Leased assets may need to be capitalized if specific criteria are met.

A low-valued asset is an asset whose historical cost is less than the capitalization threshold. These items are usually highly susceptible to pilferage. Low-valued assets include computer equipment, firearms, camera equipment, tools, cell phones, radios, and any other items easily susceptible to theft or loss. Low-valued assets should be recorded in the fixed asset record as either Low Value Equipment or Low Value High Risk Equipment depending on their value.

When assets are no longer considered usable by the agency, contact the Marketing and Redistribution Section (M&R) for disposition. M&R is to be contacted for any situation where equipment will be transferred to another agency.

If capital assets cannot be located, the agency must determine if the items have been lost, stolen, misplaced, or improperly recorded on the fixed asset record. The head of the agency must appoint a supervisor or manager to conduct an investigation to try and determine what happened to the items. If at any time it is suspected an item has likely been stolen, the investigator must immediately notify the agency head. If the agency head agrees that a theft has likely occurred, it should be reported to law enforcement.

If the investigation does not locate the items, a written report of the investigation should be submitted with a Credit for State Property form to the DFA Office of Accounting Administrator. If the investigation concludes the property was stolen, a police report must be attached to the written report. If the Administrator approves the Credit for State Property form, the item may be removed from the fixed asset record.

If the investigation locates the items, the fixed asset record should be updated to note any change in location. The investigator should complete a written report that includes any recommendations for improvements to policies or procedures and submit it to the agency head.

The agency should have a policy to conduct a periodic review of the fixed asset inventory. The scope and nature of the inventory depends on the size of the agency and the type of equipment. The review can be a full count of all inventory items to a review of fixed asset records. Because the AASIS record is a perpetual inventory record, the review does not have to occur on June 30. It can be done as of any date. The goal is to have the fixed asset record be an accurate record. The review should be documented in writing and maintained for review by auditors. Any discrepancies noted in the review should be corrected in the record.

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TRAVEL

The board or commission in charge of an agency or the administrative head has the authority and is responsible for authorizing and approving all travel expenses. Originals of all travel documentation are to be maintained on file by the agency for audit purposes. Travel documentation includes authorizations to travel and required receipts.

The board or commission or the agency head may designate another responsible official to act as travel administrator. This approval must be in writing and maintained on file by the agency.

The agency may adopt travel regulations that are more restrictive than policies established by the Chief Financial Officer of the State (Director of DFA). The agency cannot adopt travel regulations that are less restrictive than State policy.

An agency may have specific legislation on travel allowances that do not apply to other agencies. It is the responsibility of the administration of the agency to be aware of these special provisions and strictly apply them.

Each employee should be assigned an "official station" for purposes of travel. This is the physical location where the employee reports for work or spends a majority of their productive time. No expenses for meals shall be allowed within the city of the employee's official station, unless approved in writing by the agency head. The approval must note the business benefit.

All travel reimbursement claims must be completed by the employee requesting reimbursement. An employee cannot request reimbursement for the expenses of another employee.

Travel reimbursement is not a per diem. Only actual expenses for meals and lodging can be claimed. The reimbursement request for meals and lodging cannot exceed the maximum allowable rate in the Federal Travel Directory.

The maximum allowance for meals includes taxes and up to 15% tip reimbursement. Meals cannot be reimbursed without an overnight stay, except by special authorization of the agency head. On the first and last day of travel, the maximum allowance is 75% of the daily limit.

The maximum allowance for lodging does not include taxes and can be exceeded up to the amount of the taxes. The lodging maximum cannot otherwise be exceeded except by special authorization of the agency head. Reimbursement is limited to the single room rate.

Transportation should be by the most economical and advantageous means. Travel by commercial air shall be reimbursed at the coach rate, unless first or business class is more economical. Checked baggage fees may be reimbursed for only one bag. For travel by private car, the mileage reimbursement should be limited to the map mileage determined by the agency for the shortest major highway route. Rental vehicles may be used when more economical than taxi, bus or shuttle services. The statewide contract for rental vehicles must be used if in force. Mileage cannot be claimed when a state-owned vehicle is used.

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Travel agencies may be used to obtain transportation, lodging and related travel expenses. Direct billing to the agency is encouraged. In addition, the Business Travel Card may be used to purchase travel services, except meals.

Miscellaneous expenses may be reimbursed when justified. Receipts are required. Expenses for personal entertainment, flowers, valet service, laundry, alcoholic beverages, cleaning, or similar services are not reimbursable.

Petty cash funds cannot be used to make travel advances or reimbursements.

An official guest of the State may be reimbursed for actual expenses when their activities or services benefit the State. Travel reimbursement must be submitted on a travel reimbursement form and accompanied with a written explanation of the benefit. It is the responsibility of the travel administrator to ensure that the individual is not being reimbursed from any other source for their travel expenses.

An agency director may be reimbursed for meals purchased for official guests. The request for reimbursement must be on a travel reimbursement form must include a written explanation.

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SECTION 9 – ETHICS

It is each agency's responsibility to create a culture of honesty and high ethics. Such a culture is grounded in a strong set of core values that provides the foundation for how the agency conducts its business. A culture of honesty and high ethics includes:

1. The tone at the top
2. A positive workforce environment
3. Hiring and promotion of appropriate personnel
4. Training
5. Periodic confirmation of the code of ethics
6. Discipline

Tone at the Top

The cornerstone of this culture is a strong value system founded in integrity. This is usually prompted by communications from the top-level management and, if applicable, the governing board. A code of ethics is a prime example of this communication. Each agency should develop a code of ethics and communicate it to its employees. Each employee should sign a statement that they have received and understand the code of ethics.

Positive Workplace Environment

A positive workplace environment boosts employee morale which affects an employee's attitude about committing fraud against the agency. Factors that diminish a positive workplace environment include:

- Negative feedback and lack of recognition
- Perceived inequities
- Fear of delivering bad news
- Less-than-competitive compensation
- Poor training and promotion opportunities
- Lack of clear organizational responsibilities
- Poor communication

Hiring and Promoting Appropriate Employees

Each employee has a unique set of personal values and ethics. When faced with sufficient pressure and a perceived opportunity, an employee may act dishonestly rather than face negative consequences of honest behavior. An agency must have effective policies that minimize the chance of hiring or promoting an inappropriate employee. The policies should encourage or require thorough review of resumes, background checks, periodic training in the code of ethics, and regular performance reviews.

Training

New employees should be trained in the agency's code of ethics upon hiring. This training should explicitly cover what is expected of the employee, what matters they should communicate to management, and how such communication should occur.

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Period Confirmation

Periodically, the code of ethics should be reviewed with the employee. Each employee should sign an annual acknowledgement that they understand the code of ethics and have complied with it. This confirmation should be obtained at the time of the annual employee performance review.

Discipline

The consequences of committing fraud must be clearly communicated to all personnel. For each alleged incident of fraud, a thorough investigation should be conducted. If the allegation is substantiated, then appropriate and consistent action must be taken. Fraud allegations shall be reported to the DFA Office of Internal Audit.

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SECTION 10 – FREEDOM OF INFORMATION ACT

The Freedom of Information Act (FOIA) was adopted to ensure that citizens are informed about the actions of the State. It applies to any bureau, office, commission, board, department, or agency of the State that expends public funds. It addresses public meetings and public records.

PUBLIC MEETINGS

Unless specifically exempted by the FOIA, all meeting of a governing body of a state entity must be open to the public, whether formal or informal, regular or special. Public notice must be given for all meeting with exceptions specified for special or emergency meetings. Strict adherence to open meeting requirements is essential to maintaining credibility and trust.

Executive sessions are meeting that are closed to the public and are allowed only in specific situations. One such situation is for the purpose of discussing confidential personnel matters. If an executive session is to be held, the presiding officer of the board must announce the specific purpose before the executive session begins. Any votes taken in executive session must be repeated in public session with all votes being the same.

PUBLIC RECORDS

Public records are any data compilations in any medium required by law to be kept or are otherwise kept that constitute a record of performance or lack of performance of official functions. This includes writings, recorded sounds, film, tapes, and any electronic or computer-based information. All records maintained in public offices or by public employees within the scope of their employment shall be presumed to be public records.

Unless otherwise specified, all public records shall be open for inspection and copying by any citizen of the State of Arkansas during regular business hours of the custodian of the records. Requests to inspect, copy, or receive copies of public records may be made in person, by telephone, by mail, by facsimile transmission, by electronic mail, or by other electronic means provided by the custodian. The request shall be sufficiently detailed to enable the custodian to locate the records with reasonable effort. If a public record is in active use or storage and, thus, not available at the time of the request, the custodian shall certify this fact in writing to the requesting party and set a date and time within three working days when the record shall be available.

The FOIA should be broadly applied in favor of disclosure unless it provides a specific exemption. It is the responsibility of the administration of the affected state agencies to be cognizant of these exemptions and strictly apply them.

The Office of Attorney General provides resources on compliance with the FOIA.

RECORD RETENTION

Act 918 of 2005 requires all state agencies, boards, and commissions to comply with the Arkansas General Records Retention Schedule (Schedule). The Schedule is

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published on the website of the DFA Office of Intergovernmental Services. It establishes the minimum retention requirements of records common to state agencies, boards, and commissions. It does not require the creation of those records and does not address records unique to a particular agency, board, or commission.

State agencies, boards, and commissions need to create, manage, and maintain records that are accessible for business and other purposes.

The purpose of the Schedule is provide a guide for preservation of records common to most state agencies, boards, and commissions that need to be maintained for disclosure under the FOIA, for historical purposes, and for efficient operation of state government (ACA §25-18-601). The Schedule does not require disclosure of public records exempt from disclosure by federal or State law.

Retention periods listed in the Schedule are minimum periods. An individual agency, board, or commission may establish longer retention periods for their records. The retention period only applies to the official version of a record. Copies of the official version are not subject to the retention period.

The Schedule applies to all record formats and media (electronic, paper, film, or other media). With regards to retention, the form of the record does not matter.

The Electronic Record Guidelines were developed to assist state agencies, boards and commissions in adopting electronic record management practices that provide proper controls over the creation and maintenance of records according to the Schedule. The Electronic Record Guidelines manual is published on the DFA Office of Intergovernmental Services website.