



STATE OF ARKANSAS

DEPARTMENT OF FINANCE AND ADMINISTRATION

OFFICE OF ACCOUNTING

FINANCIAL MANAGEMENT GUIDE

EFFECTIVE JULY 1, 2023



Preface

The purpose of the Financial Management Guide (Guide) is to provide an accounting procedures manual to assist with the design of adequate internal controls and increased accountability over financial and administrative affairs of Arkansas State Government. State funds are entrusted to the head of an agency, department, board, commission, office, institution, authority, council, or system. The term “agency” is used throughout this manual to denote any of these entities. The agency head is primarily responsible for the receipt and expenditure of public monies in accordance with Arkansas Code and federal laws and regulations, where applicable. Each department head makes decisions and exercises authority relative to the expenditure of funds within the bounds of the department's appropriation(s) and legal function. This manual is intended to aid state officials in complying with laws and rules that apply to the fiscal administration of state agencies.

The Guide also assists agencies in gathering and maintaining information needed for management decision-making and financial reporting. The policies and procedures in this Guide are the minimum requirements that State agencies must maintain. An agency may adopt additional policies and procedures that are more restrictive, greater in detail, or use additional or alternative supporting documentation, as long as the department meets the required minimum standards.

The Secretary of the Department of Finance and Administration (Secretary) is required by the General Provisions of the Public Finance Law (Ark. Code Ann. § 19-1-207) to exercise supervision over the general accounting system of the State and of State agencies. The Secretary also serves as the Chief Fiscal Officer of the State.

The Guide resides on the Department of Finance and Administration's web site at this [link](#)¹ or can be obtained in print form upon request. Requests for printed copies of the Guide may be made by email to Department of Finance and Administration – Office of Accounting at acctuser@dfa.arkansas.gov or made in writing to: Department of Finance and Administration – Office of Accounting, P.O. Box 3278, Little Rock, AR 72203.

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

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

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

The Department of Finance and Administration adheres to the spirit and letter of the Freedom of Information Act of 1967 as stated in Ark. Code Ann. §§ 25-19-101 – 25-19-112.

¹ <https://www.dfa.arkansas.gov/accounting-office/financial-management-guide/>



Table of Contents

Introduction	1
Use and Access of Agencies	2
Definitions	2
Commonly Used Acronyms	3
Commonly Used AASIS Transactions	3
Title 19 – Public Finance	16
Chapter 4 – State Accounting and Budgetary Procedures	16
Subchapter 1 – General Provisions	16
Subchapter 2 – Duties and Responsibilities Generally	17
Subchapter 3 – Chief Fiscal Officer of the State	19
Subchapter 4 – Auditor of State and Treasurer of State	23
Subchapter 5 – Financial Management System	34
Subchapter 6 – Annual Operations Plans of State Agencies	70
Subchapter 7 – Expenditures Generally	82
Subchapter 8 – Depositories for Public Funds	96
Subchapter 9 – Travel Regulations	115
Subchapter 10 – State Credit Cards	123
Subchapter 11 – Approval of Expenditures	131
Subchapter 12 – Disbursement of Public Funds	139
Subchapter 13 – Monitoring for Deficit Spending	147
Subchapter 15 – Property and Equipment Inventory	150
Subchapter 16 – Salaries and Payroll Disbursement	152
Subchapter 18 – Reimbursements, Collections, and Refunds	166
Subchapter 19 – Federal Grants and Aids	176
Subchapter 20 – Losses and Recoveries	184
Subchapter 21 – State-Funded Expenses of Constitutional Officers	189
Subchapter 22 – Review of Discretionary Grants	191
Chapter 5 – Revenue Stabilization Law	192
Subchapter 1 – General Provisions	192
Subchapter 7 – Reimbursement of Unemployment Compensation Benefits	206
Subchapter 8 – Reimbursement of Workers' Compensation Benefits	210
Subchapter 10 – Miscellaneous Funds	215
Chapter 6 – Revenue Classification Law	216
Subchapter 1 – General Provisions	216
Chapter 9 – Public Obligations	223



Subchapter 2 – State Obligations	223
Chapter 10 – Claims Against the State	228
Subchapter 2 – General Provisions	228
Title 22 – Public Property	231
Chapter 8 – Motor Vehicles	231
Subchapter 1 – General Provisions	231
Title 25 – State Government	233
Chapter 1 – General Provisions	233
Subchapter 1 – General Provisions	233
Subchapter 4—Arkansas Financial Transparency Act	235



Introduction

The format of the Guide, to the extent possible, is law, followed by policy and procedure.

The Arkansas Law that has a direct impact on State financial management practices appears in the form of Arkansas Code. The Arkansas Code appears in non-italicized type. The codification system used corresponds to the numbering of the Arkansas Code of 1987 Annotated. The title, chapter, subchapter, and section of the code references are contained within the number. Thus, in the designation "19-4-905," the "19" indicates the provision is in Title 19, the "4" indicates chapter 4, and the "9" in 905 means sub-chapter 9, with the "05" indicating the fifth section of the sub-chapter. Following the printed code, or excerpts of the code (excerpts include quotation marks at the beginning and end of the excerpts), will be policy and procedures, if applicable. The entire Title 19 Chapter 4 is included in this document notwithstanding if a regulation exists to address each particular subtitle of the Code.

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

At the beginning of a policy (P), the number of the policy, numbered in sequence, identifies the code it accompanies (e.g., P1-19-4-905). The text of policy and procedures appear in italicized type.

Any form or other document is identified with numeric designations that are reflective of the Guide language that referenced the applicable document (appendix).

All forms or other related documents are labeled with an "F" at the beginning and refer to a form, process, or link to other information. The number following the "F" identifies the Arkansas Code or policy to which the form or other document applies (e.g., F1-19-4-905).

The purpose of the forms or other related documents is to provide pertinent material that is subject to frequent change, particularly items that are related to the State's Financial Management System.

In addition to changes in material located outside of this document (appendices), references to computer system screen titles, transaction codes, and General Ledger accounts may be changed (updated) from time to time in the Guide as considered necessary. These changes are considered to be technical in nature.



Use and Access of Agencies

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

Department Type	AASIS Use and Access
USER AGENCY	An agency that has direct online access to AASIS. All types of transactions are entered on a real time basis by the department.
SERVICE BUREAU AGENCY	Generally, a small agency that utilizes the DFA-OA Service Bureau to enter transactions into AASIS and provide reports. These agencies have minimal direct access to AASIS.
REPORTING AGENCY	An agency that uses a stand-alone or legacy accounting system as its original books of record for its accounting transactions. The agency transfers, deposits, checks, and processes journal entries to AASIS through an electronic interface process for budgetary control purposes. Some reporting agencies have limited online access such as deposit and journal entry functions.

Definitions

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

Public Fund – Any and all kinds of funds handled by or revenue generated by state resources.

Public Purpose – The State or agency cannot, within the limits of due process, appropriate public funds to a private purpose.



Commonly Used Acronyms

Annual Comprehensive Financial Report	ACFR
Arkansas Administrative Statewide Information System.....	AASIS
Business Area	BA
Code of Federal Regulation	CFR
Continuing Professional Education	CPE
Department of Finance and Administration.....	DFA
Department of Transformation and Shared Services.....	DTSS
Empowering Arkansas State Employee.....	EASE
Generally Accepted Accounting Principles	GAAP
Governmental Accounting Standards Board.....	GASB
Government Financial Officers Association	GFOA
Office of Accounting.....	OA
Office of Administrative Services	OAS
Office of Budget	OB
Office of Personnel Management	OPM
Office of State Procurement.....	OSP
Work Breakdown Structure	WBS

Commonly Used AASIS Transactions

TRANSACTION CODE	REPORT NAME	DESCRIPTION
<i>Financial Reports and Accounts Payable Reports</i>		
FB03	Display Document	Can be used to display either parked or posted documents (FBV3 is also for parked documents). This report can be run by business area, user ID, dates, etc. Once the report is generated it can also display entry times, text information, reversal information, etc.
FCHN	Check Register	Shows the warrant or check numbers, the payees, the amounts, the date of issue, and the dates of encashment.
FCH1	Check Display	Displays a specific check or warrant if the check or warrant number is known.
FBL1N	Vendor Line-Item Display	Displays a list of vendor open and/or cleared items. List can be formatted to pull specific criteria (by business area, by fiscal year, by document number, etc.)
FK10N	Display Vendor Balances	Allows a user to view all business done with a particular vendor by periods. This report allows a user to view a summary of each period or view all line items for each period by drilldown (double clicking).



TRANSACTION CODE	REPORT NAME	DESCRIPTION
S_ALR_87012994	Orders: Current Period/Cumulative	Reports current period and cumulative totals for cost elements; includes both plan and actual amounts.
S_ALR_87012997	Orders: List: Cost Elements by Order	Reports plan and actual expenditures or revenue by internal order; reports for more than one cost element per internal order.
S_ALR_87013532	Project Plan Actual Variance	Lists calculated difference from actual vs planned expenditures.
S_ALR_87013611	Cost Center Plan vs. Actual Report	Shows plan and actual expenditures for cost centers by cost element.
S_P99_41000099	Payment List	Lists "exceptions" for a payment run. The exceptions are FI documents that have been released for payment but have encountered errors or shortages of funds which would not allow these documents to pay. (Example: Fund BAA---- has a current cash balance of 0; document posting aborted so that fund won't go negative).
Y_DEV_80000007	Statement of Net Assets	View total debits and credits (including carryforward debit or credit balance from prior year) and ending balance at date specified for general ledger asset accounts, liability accounts and fund balances. Can drill down to view source documents.
Y_DEV_80000025	Trial Balance	Report can be run on an individual fund basis or an agency wide basis for any period or a range of periods. This report shows the total debits, credits and ending balance for each relevant general ledger account. Carryforward balances are included in the balance sheet accounts. Details of each general ledger account can be obtained by drilling down on the amount shown in the balance column. The report is organized in sections with assets beginning with a "1", liabilities beginning with a "2", fund balance beginning with a "3", revenues beginning with "4", expense beginning with a "5", and other items beginning with a "6".
Y_DEV_80000026	Statement of Activities	View revenue and expenses by agency, fund, and period. Can drill down to view source documents.
Y_DEV_80000036	Actual Line Items for Table ZFINLEDT	Report can be customized by cost centers, internal orders, WBS elements, GL Accounts or by commitment items.



TRANSACTION CODE	REPORT NAME	DESCRIPTION
Y_DEV_80000037	Plan Line Items for Table ZFINLEDT	Report can be customized by cost centers, internal orders, WBS elements, GL Accounts or by commitment items.
Y_DEV_80000047	Revenues	Displays the clearing of revenues in Funds Management by FM account assignment. This tool is helpful for accounts receivable information.
ZWARR_DETAIL	Warrant Detail Report	This is a warrant detail report, much like a disbursement journal. It includes warrants and treasury ACH payments to vendors. This report also includes payroll and error corrections. This report has many selection options for a broad view of agency operations all the way down to one transaction.
ZOPENITEMAP	Open Item List for Payment	Lists items sent for payment but have no warrants or ACH deposits issued.
ZOSW	Outstanding Warrants Report	Lists warrants that have been issued but have not been redeemed by the Treasury.
ZF_VEND_INV01	Parked Vendor Invoice Report	This report shows parked vendor invoices. It's more flexible and much faster than using FBL1N for reporting parked vendor invoices.
ZAP4	Open GL Balances with Fund	This report shows open item in GL accounts and can be run by fund. It should be used for clearing GL account. This report does not work for vendors or customers.
ZGLP	Documents Posted but Not Parked	This report should be used to monitor internal controls and determine if inappropriate documents were posted without first having been parked.
ZFBAL	Fund Balance Report	This report produces a summary of cash balances for the selected funds (money only, not appropriation). It does not have drill down functionality and does not provide details, just fund code, and cash balance.
ZPOVP	Purchase Order Vendor Payment Report	This report will assist a user in finding mistakenly entered direct payments (created with FB60) that were intended against purchase orders and should have been created with transaction MIRO.
ZWARR_ACH	Warrants and ACH Postage Report by Business Area	Provides a total number of warrants and ACH's for each business area mailed out by the Auditor's Office to determine the correct amount of postage owed by each business area.



TRANSACTION CODE	REPORT NAME	DESCRIPTION
ZFI_1099VEN	Vendor Payments by Agency with Tax codes	1099 report for vendors, except Benefit Vendors.
ZFI_BENVEN	Benefit Vendor Payments by Agency with Tax Codes	1099 report for Benefit Vendors.
ZVENDTAXID	Tax ID Search	This report is used to search for a vendor number by the vendor's Federal Tax Identification Number.
ZVENDBANK	Bank Account Search Report is used to search	Shows bank data on a particular vendor.
Funds Management Reports		
Y_DEV_80000029	Appropriation Manual (Agency/Fund /FC)	View current and next year's appropriated budget.
Y_DEV_80000046	Budget/Actual Available Budget	This report lists original budget, blocks, adjustments, adjusted appropriation, commitments, expenses, and available budget. This report can be selected by Customer for fund, FM account assignment and period. The column titled "Available Budget" shows the remaining amount that can be spent providing the agency has sufficient funds.
Y_DEV_80000049	Appropriation/ Allotment Worksheet (Agency/Fund/ FC)	View original appropriation, changes, adjusted appropriation, deferments.
ZFM1	Assignments to Cost Centers	Shows which cost centers are mapped to which funds / funds centers.
ZFM2	Assignments to WBS Elements	Shows which WBS Elements are mapped to which funds / funds centers.
FMRP_RFFMEP1AX	Commitments /Actuals All Postings	View line items that affect budget.
FMRP_RFFMAV01X	Commitments/ Actuals for Assigned Budget-Annual Budget	View total distributable budget by commitment item.
FMRP_RFFMTO30X	Commitments and Actuals with Budget - Totals Records	View annual budget, payments by fund/funds center and commitment item.
FMRP_RFFMEP30X	Commitments and Actuals with Budget - Line Items	View budget line items by fund/funds center, commitment item, cumulative year to date totals by commitment item.



TRANSACTION CODE	REPORT NAME	DESCRIPTION
Z000	Special Transactions & Reports (State of Arkansas)	This transaction code, typed in the command field, allows access to additional transactions for agency data when reports are not available through the standard SAP Easy Access menu.
Y_DEV_80000047	Commitments/Actuals for Revenues	View current FY revenues by fund and revenue GL account. Separates current FY revenue by open AR invoices and cash received. Drill down capabilities to open invoices.
ZCMT	Open commitment Line-Item Report	Displays open commitment items (PR, PO, Invoice) in FM
Y_BCS_46	BCS Key Figures Reporting Tool	Budget Key Figures Report Tool displays data much like the other budget reports, but also allows a user to budget objects by grant or functional area.
ZBCS_ZFMB	BCS Available Budget Report	This report lists original budget, blocks, adjustments, adjusted appropriation, commitments, expenses, and available budget. This report can be selected by Customer for fund or FM account assignment. The column titled "Available Budget" shows the remaining amount that can be spent providing the agency has sufficient funds. This report is in ALV grid view and has no drilldown capabilities.
Y_BCS_80000046	Available Budgets Report	This report lists original budget, blocks, adjustments, adjusted appropriation, commitments, expenses, and available budget. This report can be selected by Customer for fund, FM account assignment and period. The column titled "Available Budget" shows the remaining amount that can be spent providing the agency has sufficient funds.
Y_BCS_80000029	Appropriation Manual Report	View current and next year's appropriated budget.
Accounts Receivable Reports		
S_ALR_87012172	Customer balances in local currency	This report shows the individual balances of customer accounts.
S_ALR_87012173	List of customer open items	This report generates a list of those open items that can be accrued within a given time period. The list contains those customer items posted by the specified key date and are still open on this key date.
S_ALR_87012174	List of customer open items	This is another report listing open items that can be accrued in time. Info is pulled differently from database.



TRANSACTION CODE	REPORT NAME	DESCRIPTION
S_ALR_87012175	Open items - customer due date forecast	Sorts customer open items by the number of days in which they are due net per company code and business area. Amounts are output in respective company codes. This report forecasts due dates of open items but does not include open items that are overdue.
S_ALR_87012176	Customer evaluation with OI sorted list – Not Used	Analysis of customer payment history with a sorted list of open items. This report is used to determine which customers require special attention in monitoring their credit.
S_ALR_87012177	Customer payment history	Provides detailed payment history of customers; also contains a forecast of payment volumes and payment arrears, based on existing payment history.
S_ALR_87012178	Customer open item analysis by balance of overdue items	Allows the selection and analysis of customer open, overdue items which exceed an amount you predefine.
S_ALR_87012197	List of customer line items	This report creates a list of the line items which can be accrued in time. The list contains customer items which were posted to the selected period.
S_ALR_87012198	List of cleared customer items	This report shows cleared items from a certain time period, by account name.
S_ALR_87012179	Customer list	This report shows the master data for customers. You can narrow down the number of customers by selecting account number, company code, and time interval for the selection criteria.
S_ALR_87012180	Address list	Shows a list of customer addresses.
S_ALR_87012182	Display changes to customers	Displays changes to the customer master record data across accounts.
S_ALR_87012183	Display/confirm changes	<i>Description of this report is unavailable in AASIS or at website.</i>
S_ALR_87012195	Customer master data comparison	Customer master data comparison enables you to compare the different ways in which accounts have been maintained in the financial accounting and sales departments.
ZFAR	Customer Accounts Receivable	This report shows aging of customer receivables.
ZCAJO	Cash Journal	This report shows all cash journal postings.



TRANSACTION CODE	REPORT NAME	DESCRIPTION
ZCEV	Customer Evaluation Report	Shows all activity associated with a customer account. Report is broken down by reason code for the receivable and has beginning balances, payments and/or account adjustments, and account aging. This report also allows drilldown to the original invoice.
ZFIN	GL Report with Customer Data	This report shows customer data allowing you to produce a report of abatements. These are account balances eligible to be written off.
FBL5N	Customer Open Item Report	This report generates a list of those open items that can be accrued within a given time period. The list contains those customer items posted by the specified key date and are still open on this key date.
Asset Management Reports		
AR01	Asset Balances	This report displays values of all assets in a depreciation area. Detail shown per asset includes cumulative acquisition value at beginning of fiscal year, accumulated depreciation including planned depreciation for the current fiscal year, and planned book value at the end of the reporting year.
S_ALR_87012052	List of Asset Retirements	This report displays, per asset, the retirement documents in the fiscal year. Each document shows the: retired acquisition and production costs, retired quantity, retired proportional depreciation, earned revenue, gain/loss, possible retirement cost.
S_ALR_87012048	List of Asset Transactions	This report displays all transactions in a fiscal year by asset. For each document, the report shows: the change to the acquisition and production costs, value adjustments, and the ordinary and special depreciation planned for the transaction.
S_ALR_87012050	List of Asset Acquisitions	This report displays all acquisition documents in a fiscal year per asset. The following is displayed for each document: acquired APC, acquired quantity, planned ordinary and special depreciation.
S_ALR_87012056	Directory of Unposted Assets	This report lists asset shells which were created but not used, e.g., asset not purchased. Also lists shells with no values posted.
ZFI_FALIST	Fixed Asset List	Shows list of fixed assets and fixed asset data using various selection and processing options.



TRANSACTION CODE	REPORT NAME	DESCRIPTION
ZFAHR	Asset Master Data Change Report	This program is used to track changes to asset master data that have been made in the system. This can also be used to measure employee's data entry accuracy and performance.
Fiscal Control Reports		
CJI3	Project Actual Costs Revenues	Shows actual expenses for a project or WBS.
CJI5	Project Commitment Line Items	Displays commitments for a Project or WBS element
CN41	Project Structure Overview	Shows what WBS elements are used with a particular project.
S_ALR_87013543	Project: Actual/Plan/Variance	Shows actual, plan and variance for a project or WBS.
S_ALR_87100185	Project: Actual Costs for Each Month	By WBS, displays monthly costs and line items. You can produce graphs with this report.
KSB1	Display Actual Cost Line Items	Shows line items for cost centers.
KSB2	Display Commitment Line Items	Shows commitments by cost center or cost center group.
S_ALR_87012993	Orders Actual/ Plan/ Variance	Shows plan, actual costs, and variance for internal orders.
S_ALR_87012994	Orders Current Cumulative	Shows current period and cumulative totals for internal orders.
S_ALR_87012995	List Orders	Shows actual, plan and variance for list of internal orders.
S_ALR_87013531	Project: Costs/Rev/Exp/Receipts	Shows monthly activity of WBS, line-item details, and drills down to source documents.
S_ALR_87013532	Projects: Plan / Actual / Variance	Shows data for project or WBS by period, business transaction or currency; can drill down to source document.
S_ALR_87013611	Cost Center Actual / Plan/ Variance	Shows actual costs, plan, and variance amounts by cost center.
S_ALR_87013612	Area Cost Centers	Shows actual costs, plan and variance amounts by area cost centers



TRANSACTION CODE	REPORT NAME	DESCRIPTION
S_ALR_87013613	Area Cost Elements	Shows totals by cost element for individual cost centers.
S_ALR_87013614	Cost Centers: Current Period / Cumulative	Compares actual cost to planned costs; shows plan created in controlling; shows cost by cost element.
S_ALR_87013620	Cost Centers Actual Plan Commitments	Lists commitments as well as actual expenditures.
ZFM1	Assignments to Cost Centers	Shows what cost centers are mapped to which funds / funds centers.
ZFM2	Assignments to WBS Elements	Shows what WBS Elements are mapped to which funds / funds centers.
Y_DEV_80000036	Actual Line Items in SPL	Shows actual line items within the SPL based upon selection criteria entered.
ZWARR_DETAIL	Warrant List	List of warrants according to agency, date, cost center, WBS element, or internal order.
ZCO1	WBS Element Settlement Rules Report	List to show the settlement rules for WBS Element associated with construction projects.
ZCOG	Cost Object Coding Guide	List of cost objects for the agency.
Y_DEV_80000023	Plan/Actual cost center & order	Show transaction related to the combination of cost objects.
Y_DEV_80000024	Plan/Actual cost center & projects	Show transaction related to the combination of cost objects.
Y_DEV_80000002	Plan/Actual cost center	Show transaction related to the cost center.
Y_DEV_80000013	Plan/Actual orders	Show transaction related to the internal order.
Y_DEV_80000015	Plan/Actual project	Show transaction related to the WBS element.
Y_DEV_80000019	Plan data cost center & order	Show plans related to the combination of cost objects.
Y_DEV_80000020	Plan data cost center & project	Show plans related to the combination of cost objects.
Y_DEV_80000016	Plan data cost center	Show plans related to the cost center.
Y_DEV_80000017	Plan data orders	Show plans related to the internal order.
Y_DEV_80000016	Plan data projects	Show plans related to the projects.



TRANSACTION CODE	REPORT NAME	DESCRIPTION
GD13	Total Record Display	List total records for SPL – summary.
GD20	Select Line Item	List line-item records for SPL.
Human Resource Reports		
ZCATS_DA	Time Approval	Report selected using Personal Data.
FCHN	Check Register	Lists all warrants and direct deposits that have been expended.
PC00_M10_CLJN	Payroll Systems Management Results	Generates a Payroll Systems Management Journal, Earnings Register, Deductions Register, or Payroll Systems Management Register.
PC00_M10_CPL3U0	Generate Garnishment Statistics	Provides statistics on garnishments.
PC00_M99_CWTR	Generate a Wagetype Report	Lists specific information about wage types per payroll results.
PC00_M99_CLGA09	Generate a Wagetype Statement	Lists dollar amount for wage types paid per payroll results.
PT40	Display Time Data (multiple reports available: see description to right)	Multiple reports available, depending on display chosen: the "Multiple Entry" view displays a list of time entry for multiple employees; the "Calendar View" shows the time management pool; the "Time Management Pool" view documents 14 different time reports.
PT_BAL00	Display Balances for Extra Help	Displays number of hours worked by Extra Help over 1,000-hour limit and displays yearend balances for Extra Help worked.
PT_QTA10	Absence Quota Information	Lists leave balances.
PT64	Attendance/Absence Overview	Provides summary data on attendance and absences.
ZLOCK	Locked records report for IT0003	Displays all personnel numbers with locked It0003 records.
ZPDC	Technical error report	Displays all technical errors produced from Time Evaluation.
ZSIC	Leave liability of sick leave for retirees	Provides a list of employees that meet the criteria for sick leave payout upon retirement.



TRANSACTION CODE	REPORT NAME	DESCRIPTION
ZCOMP_ABSENCES	Leave Liability	Provides a list of agency liability for annual, holiday, compensatory time, and birthday quotas.
Z001	Locked records report for IT2001 (absences)	Displays all personnel numbers with locked IT2001 records.
Z002	Locked records report for IT2002 (attendances)	Displays all personnel numbers with locked IT2002 records.
PT_ERL00	Time Evaluation Message	Displays time evaluation messages.
ZCAT	Catastrophic Leave	Displays an agency's balance for catastrophic leave.
ZGARN_DETRPT	Garnishment Details	Lists employees and their garnishments by vendor.
ZPYUSR0002_A	Missing Infotype	Lists missing infotype for employees.
ZPYUSR0003	Missing Deductions	Lists employees with deductions that were not taken but were scheduled to deduct during payroll processing. This is due to insufficient earnings to cover the amount of the deductions.
ZTES	Time Entry Status	Displays status of time entry
<i>Procurement Reports</i>		
ME80FN	Purchasing Documents, General Evaluation (PO)	Displays Purchase Orders by document date, document type, document category, purchasing document, purchasing group, purchasing organization and vendor Agency
ME80RN	Purchasing Documents, General Evaluation (OA)	Displays Outline Agreements by document date, document type, document category, purchasing document, purchasing group, purchasing organization and vendor
ME5A	Requisition, List Display by General Criteria	Displays Requisition by purchasing group, material, required tracking number, account assignment, account category, closed requisitions, etc.
ME2K	Purchase Order, List Display by General Criteria	Displays Purchase Order by cost center, purchasing group/organization, delivery/document date, vendor, material, etc.
ME3K	Outline Agreement, List Display by General Criteria	Displays Outline Agreements according to cost center, purchasing



TRANSACTION CODE	REPORT NAME	DESCRIPTION
ME4S	RFQ, List Display by Collective Number	Display RFQ by vendor, purchasing group/organization, material, etc.
ME2N	Purchasing Document per Document Number	Displays Purchasing Document by purchasing document, purchasing organization, purchasing group, account assignment, vendor, etc.
MELB	Purchasing Transactions per Requirement Tracking Number	Displays a list of all procurement documents (requirements, RFQ's, outline agreements, and purchase orders) associated with a specific Requirements Tracking Number
MCE1	Purchase Order Analysis by Purchasing Group	Displays purchase order by purchasing group, purchasing organization, vendor, month/year, and currency
ZMM11	Vendor Deliver Address Report	Minority Vendor Report shows minority vendor data and their associated material groups.
ZMM7	Req to Check Report	Req. to check report.
ZMM19	Contract Expiration Report	Contract Expiration Report supports the Outline Agreement Approval and Rebidding process. Necessary for the agencies to identify the OA/Contracts that are nearing expiration so that a renewal can go through the necessary approval process and, if required, the bidding process before it expires.
ZMM8	Purchasing Document Approval Status Report	PO Approval Status Report shows the approval status that a procurement document may be at a given time.
ZMM8_EXTN	Expanded Purchasing Document Approval Status Report	This transaction supports the Purchase Requisition Approval process reporting function. It is open to all AASIS users. This transaction is used to report the approval status of a purchase requisition as well as the approval times for each approval step. In addition, the transaction can also report on historical approvals of a purchase requisition. It provides approval times for each approver as well as the processing times of requestors performing the selection of approver(s).
ZOA_STATUS_RPT	Outline Agreement Status Report	The report provides detailed data surrounding open outline agreements to support the tracking of contract term limits and value thresholds. Provides the agency with detail data regarding an outline agreement. The program displays the total value of an outline agreement and total value of purchase orders created against the agreement.



TRANSACTION CODE	REPORT NAME	DESCRIPTION
ZOPENREQ	Open Purchase Req Report	Report that provides detail information on open Requisitions
ZPOVP	Purchase Order Vendor Payment Report	Report shows vendor payment information on purchase orders.



Title 19 – Public Finance

Chapter 4 – State Accounting and Budgetary Procedures

Subchapter 1 – General Provisions

19-4-101 – Title

This chapter shall be referred to and may be cited as the “General Accounting and Budgetary Procedures Law”.

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

19-4-104 – Rules

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

History: Acts 1973, No. 876, § 28; A.S.A. 1947, § 13-354; Acts 2019, No. 315, § 1707

P1-19-4-104 Open Government Policy

The DFA-OA conducts its business in accordance with the Freedom of Information Act as outlined below:

General

The Freedom of Information Act was adopted in 1967 to ensure that citizens are informed about the actions of the State. The law applies to any department of the State, or any political subdivision of the State, including municipalities, counties, townships, school districts, boards of education, and all other boards, bureaus, commissions, or organizations in the State of Arkansas, except grand juries, supported wholly or in part by public funds or expending public funds. Ark. Code Ann. §§ 25-19-101 – 25-19-112

Open Meetings

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

Executive sessions, closed to the public, are allowed only in certain limited circumstances such as when certain confidential personnel matters are being discussed. If an executive session is permissible, the person presiding over the meeting must announce the specific purpose of the executive session in public before going into session. Strict adherence to open meeting



requirements is essential to an informed citizenry, maintaining credibility and trust in government. Ark. Code Ann. § 25-19-106

Subchapter 2 – Duties and Responsibilities Generally

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

(a) Proportionate Amounts. In those instances in which any constitutional or elective official of the State of Arkansas is due to retire from office and another constitutional official is to take his or her place, the appropriations and funds provided by the General Assembly for the operation of any such office shall be conserved so as to provide his or her successor in office with a proportionate amount of available appropriations and funds for the remainder of the fiscal year during which the change of office takes place. For the purpose of carrying out the provisions of this section it is provided that:

- (1) No constitutional official shall cause, or cause to be incurred, any obligation or issue any voucher against the appropriations of his or her agency in excess of a true proportion which his or her time of service during the fiscal year of retirement bears to the fiscal year. For the purpose of establishing the time of service of any such official, the time of retirement shall be construed to be that established by the Arkansas Constitution and statutes of this state for the retirement of the constitutional and elective officials of this state;
- (2)
 - (A) Within thirty (30) days after each general election, the Auditor of State shall notify all retiring constitutional officials that they will be required to file in his or her office a statement, duly sworn to, setting out:
 - i. The total of all vouchers issued against the appropriations of the agency;
 - ii. A list of all outstanding obligations; and
 - iii. A detailed list of all proposed expenditures to be made prior to the time of retirement.
 - (B) In the event that the Auditor of State is retiring, the Chief Fiscal Officer of the State shall notify the Auditor of State to file the aforementioned statement required of the Auditor of State with the office of the Chief Fiscal Officer of the State; and
- (3) The Auditor of State shall not issue any warrant in payment of the voucher of any agency coming under the provisions of this section in excess of the proportion provided for in this section. The Auditor of State shall be liable under his or her official bond for issuing any such warrant in excess of such proportion. However, in cases of calamity or emergency, the Governor may, by proclamation, authorize any agency to exceed the limitations of this section. Under such conditions the Auditor of State and the disbursing officer shall be relieved of any liability under this section if, in making the proclamation,



the Governor states the reasons for the emergency and the probable amount of the excess obligations which the agency is authorized to incur.

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

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

P1-19-4-206 General Conservation Activities

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

P2-19-4-206 Governor-Elect Transition Guidelines

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

General Limitations

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

Specific Guidelines

A budget for proposed use of such funds must be prepared by the Governor-Elect and presented to the Secretary of DFA prior to the release of transition funds. The individual(s) authorized to disburse the funds will be designated in writing by the Secretary of DFA. Person(s) authorized to approve the following items must be designated in writing by the Secretary of DFA: employment and payroll documents, purchasing documents, contracts, invoices for payment, and travel reimbursement requests.

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

The business affairs of the transitional team must comply with the policies, regulations and procedures established by the Secretary of DFA for the conduct of State business. All financial transactions shall be recorded on the State's Financial Management System, and all original documentation shall be kept on file in the Office of the Chief Fiscal Officer of the State.



Subchapter 3 – Chief Fiscal Officer of the State

19-4-301 – Duties and responsibilities

The Chief Fiscal Officer of the State shall carry out the following duties and responsibilities:

- (1) Assist the Governor or Governor-elect in the preparation of the comprehensive program and financial plan, including the coordination and analysis of state agency programs, goals, and objectives;
- (2) Develop procedures to produce the information needed for effective policy decision-making by the General Assembly and the Governor or Governor-elect;
- (3) Assist agencies in developing their statement of goals and objectives, their preparation of program plans and budget requests, and their systems of evaluating and reporting of program performance;
- (4) Provide the General Assembly or its interim committees with any information they may request;
- (5) Between sessions of the General Assembly, keep the Legislative Council and any interim committees of the General Assembly that request this information informed of the actual expenditures of agencies as compared to their approved budgets and of the actual performance of these agencies as compared to that predicted in the program budget requests, along with the reasons for any deviations which exist; and
- (6) Administer his or her responsibilities under the program budget provisions of this chapter so that the policy decisions and budget determinations of the General Assembly and Governor are effectively implemented.

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

19-4-302 – Designing budget information forms

To accomplish his or her duties and responsibilities, the Secretary of the Department of Finance and Administration, in cooperation with the Legislative Council, shall design budget information forms so that comparative data of the last fiscal year, the current fiscal year, and the next biennium are presented so that state agencies can best express budgetary and program information that will be most useful to the Governor or Governor-elect and the General Assembly in order to facilitate program formulation, execution, and accountability by:

- (1) Focusing attention upon the general character and relative importance of the program to be accomplished or upon the service to be rendered and what the program or service will cost;
- (2) Employing functional classifications, where practical to do so, in order to present budgets by broad program categories;
- (3) Presenting budget requests by organizational units;



- (4) Grouping expenditures and budget estimates by major objects of expenditures;
- (5) Stating goals and objectives of agency programs;
- (6) Presenting proposed plans to implement the goals and objectives, including proposed modification of existing program services and establishment of new program services, and the estimated resources required to implement the goals and objectives;
- (7) Including a report of the receipts during the prior fiscal year, an estimate of the receipts during the current fiscal year, and an estimate for each year of the succeeding biennium;
- (8) Presenting requested legislation required to implement the proposed programs and financial plans; and
- (9) Supplying any other information necessary to carry out the purposes of this chapter.

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

PLEASE NOTE: DFA-OB forms can be found at this [link](#)².

19-4-303 – Aids for budget estimates

The Secretary of the Department of Finance and Administration, in cooperation with the Legislative Council, shall:

- (1) Prepare a budget calendar or time schedule so that the submission and presentation of budget estimates will be accomplished within the desired time limits; and
- (2) Prepare a budget instructional manual to establish uniformity for presentation of budget estimates by state agencies.

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

19-4-304 – Regular and fiscal session preparations

- (a) Immediately after July 1 of each even-numbered calendar year, or earlier if determined necessary, the Secretary of the Department of Finance and Administration shall:
 - (1) Issue budget information forms, budget estimating instructions, and a budget calendar which has been approved by the Legislative Council, plus a budget policy letter from the Governor containing some or all of the following:
 - (A) Establishing maximum limitations on expenditures for the year in which estimates are being requested;

² <https://www.dfa.arkansas.gov/budget/forms/>



- (B) Setting out the policies which will determine the Governor's priorities in the allocation of available resources;
 - (C) Outlining the effects of economic changes pertaining to price levels, population changes, and pending federal legislation; and
 - (D) Containing a review of current fiscal conditions and a prognostication of fiscal conditions for the future;
- (2)
- (A) Visit and inspect the properties and facilities of any or all state agencies and request the administrative head or any employee of the agency to appear before him or her to explain any matters concerning the budgetary and program requirements of the agency.
 - (B) If any agency fails or refuses to furnish any information with respect to budget estimates or program formulation, as and when it shall be requested by the Chief Fiscal Officer of the State, then he or she shall have the authority to prepare and submit his or her own recommendations as to the budgetary or program requirements of the agency;
- (3) Assist agencies in the preparation of their budget proposals. This assistance may include:
- (A) Technical assistance;
 - (B) Organization of materials;
 - (C) Centrally collected accounting, budgeting, personnel, and purchasing information standards and guidelines;
 - (D) Population and other required data; and
 - (E) Any other assistance that will help the agencies produce the information necessary for efficient agency management and decision making by the General Assembly and the Governor or the Governor-elect;
- (4) Analyze the budget estimates to evaluate and assess the priority and accuracy of agency requests in relation to policy and program objectives and the financial condition of the state and make recommendations for modifications and revision of the budget request if, in their opinion, the facts before them would justify such proposed revisions. The Chief Fiscal Officer of the State in making recommended changes shall not alter the original request unless requested to do so by the administrative head of the agency affected but shall report the original request, together with his or her own recommendations and the reasons therefor, to the Governor, so that all agency budget estimates may be made available to the Governor or Governor-elect, the Legislative Council, and the General Assembly for their consideration;



- (5) Prepare an estimate of the general and special revenues for the next fiscal year, along with comparative data for the then-current fiscal year and past fiscal year; and
- (6) Submit the budget studies, together with his or her recommendations, to the Legislative Council and to the Governor or Governor-elect for such further recommendations as the Governor or Governor-elect may care to make.

(b) The secretary shall submit the annual revenue forecast to the Legislative Council:

- (1) By December 1 of the year preceding a fiscal session that is held in a year in which the preferential primary election will be held in May under § 7-7-203;
- (2) By February 1 of a year preceding a fiscal session that is held in a year in which the preferential primary election is held in March under § 7-7-203; and
- (3) No later than sixty (60) days before the start of a regular session.

History: Acts of 1973, Act 876, § 6; Acts of 2009, Act 962, § 38; Acts of 2015 (1st Ex. Sess.), Act 5, § 4; Acts of 2019, Act 910, §§ 3451, 3452; Acts of 2019, Act 545, § 9; A.S.A. 1947, § 13-332

19-4-305 – Preliminary budget report contents

The Chief Fiscal Officer of the State shall prepare the described preliminary budget report so that it shall include the following:

- (1) The budget requests as submitted by the legislative branch, the judicial branch, the elective constitutional officers, the Arkansas Department of Transportation, and the Arkansas State Game and Fish Commission;
- (2) The budget requests of all other state agencies, as submitted by each agency, together with the Chief Fiscal Officer of the State's analysis of the budget estimates and the executive recommendations;
- (3) A recapitulation and summary of all budget information as required in this subchapter and the recommendations of the Chief Fiscal Officer of the State; and
- (4) A detailed statement of the revenues and other sources of income of the state government for the past complete fiscal year, the estimated revenues of the state under existing laws, and the Governor's proposals for revisions in any tax laws necessary to balance the budget.

History: Acts of 1973, Act 876, § 6; Acts of 2017, Act 707, § 42; A.S.A. 1947, § 13-332



19-4-306 – Creation of necessary procedures

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

History: Acts of 1973, Act 876, § 6; A.S.A. 1947, § 13-332

Subchapter 4 – Auditor of State and Treasurer of State

19-4-402 – Disbursing officer – Certain appropriations

The Auditor of State shall act as disbursing officer for the appropriations made for:

- (1) Circuit judges;
- (2) Prosecuting attorneys;
- (3) Retired circuit and chancery judges; and
- (4) The Lieutenant Governor.

History: Acts of 1973, Act 876, § 27; Acts of 2005, Act 1962, § 78; A.S.A. 1947, § 13-353

19-4-403 – Issuance of warrants

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

History: Acts of 1973, Act 876, § 27; Acts of 2001, Act 1453; A.S.A. 1947, § 13-353

P1-19-4-403 Warrant Cancellations

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

The excess funding in certain General Revenue funds is subject to reclaim per Ark. Code Ann. § 19-5-1004. Since some expenditures are often refunded or the warrants are cancelled



subsequent to the close of the fiscal year, the deposits or journal entries that restore the funds expended in the previous year are also subject to reclaim.

Warrant Cancellation/Reissue Matrix									
What do you want to do?	Warrant in Hand?	Warrant Cancellation Form	Complete the Journal Entry Form. Do not enter, park or post.	Original Affidavit of Forgery	Original Bond for Reissue	Send Original Affidavit of Forgery with Documentation to DFA-OA or OPM	Send Documentation to Office of Accounting	Send Documentation to Office of Personnel Management	Auditor to call Agency when Warrant is Ready to be Picked up
Cancel a Current Year Warrant - Expense/AASIS Non Payroll - No reissue	Yes	X					X		
Cancel a Current Year Warrant - Expense/AASIS Non Payroll - No reissue	No	X		X		X	X		
Cancel a Current Year Warrant - AASIS Payroll - No reissue	Yes	X						X	
Cancel a Current Year Warrant - AASIS Payroll - No reissue	No	X		X		X		X	
Cancel a Prior Year Warrant - Expense/AASIS Non Payroll - No reissue	Yes	X	X				X		
Cancel a Prior Year Warrant - Expense/AASIS Non Payroll - No reissue	No	X	X	X		X	X		
Cancel a Prior Year Warrant - AASIS Payroll - No reissue	Yes	X	X					X	
Cancel a Prior Year Warrant - AASIS Payroll - No reissue	No	X	X	X		X		X	
Cancel a Current Year Warrant - Expense/AASIS Non Payroll - Reissue	Yes	X					X		
Cancel a Current Year Warrant - Expense/AASIS Non Payroll - Reissue	No	X		X		X	X		
Cancel a Current Year Warrant - AASIS Payroll - Reissue	Yes	X						X	
Cancel a Current Year Warrant - AASIS Payroll - Reissue	No	X		X		X		X	
Reissue a Prior Year Warrant - Expense/AASIS Non Payroll	No	X		X	X	X	X		X
Reissue a Prior Year Warrant - AASIS Employee Payroll Only	No			X		X		X	X
Reissue a Prior Year Warrant - AASIS Third Party Payroll Related	No			X	X	X	X		X

(X= Required)

Non-Payroll Warrant Cancellation

DFA-OA is responsible for the cancellation of all Non-Payroll Warrants. All original forms must be sent to DFA-OA where they will be processed and forwarded to the Auditor of State – Warrant Division.

There are two general categories for Non-Payroll Warrant Cancellations, those to be re-issued and not to be re-issued. These categories may include warrants that the agency have in hand or those that are lost or forged. Form F1-19-4-403 is located at the DFA-OA website located at this [link](#)³.

PLEASE NOTE: Generally, Automatic Clearing House (ACH) warrants cannot be cancelled. ACH Warrants are payments that are made by direct deposit into a vendor’s commercial bank

³ <https://www.dfa.arkansas.gov/accounting-office/forms/>



account. If an agency requests the cancellation of an ACH warrant and that request cannot be processed, the agency must then contact the vendor for a refund of the ACH warrant. Once the agency receives the refund, a refund to expenditure must be completed and a deposit prepared and sent to the Treasurer of State – Receiving Section to record the receipt of funds for both the prior year and the current fiscal year warrants. Appropriation will be restored for current fiscal year warrants only.

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

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

If the original warrant is redeemed prior to an “Affidavit of Forged Warrant” Form being filed with the Treasurer of State – Warrant Division and the reissued warrant is also redeemed, the Treasurer of State – Warrant Division will attempt to receive a refund of moneys for the original warrant from the commercial bank. If the commercial bank denies the “Affidavit of Forged Warrant” Form, the agency will be charged for both the original and the reissued warrant. The agency must then contact the vendor to collect the overpayment. Once the overpayment has been collected, the originating agency will deposit the refund in the originating fund and complete a refund to expenditure. If the original expenditure was for the current year, the money should be deposited to the vendor number the warrant was issued to. The general ledger account to use is 6080001000 Refund to Expenditure – Current Year. The agency then must submit a “Refund to Expenditure” Form located at this [link](https://www.dfa.arkansas.gov/accounting-office/financial-management-guide/)⁴, to DFA-OA – Reconciliation Manager. The “Refund to Expenditure” Form is then used to adjust the appropriation for the current year. If the original expenditure was for prior year, the general ledger account to use is 6990003000 Prior Years. There is no adjustment of appropriation for prior year.

⁴ <https://www.dfa.arkansas.gov/accounting-office/financial-management-guide/>



Non-Payroll Warrant Cancellation with Reissue

Prior Year

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

To cancel a prior year warrant that is being reissued, the agency must submit a “Non-Payroll Warrant Cancellation” Form, an original “Affidavit of Forged Warrant” Form, and an original “Bond for Reissuing Warrant” Form, to DFA-OA. These forms are available at this [link](#)⁵. When a prior year warrant cancellation is submitted with a request for reissue and the Auditor of State – Warrant Division issues a duplicate warrant, no journal entries are made.

Current Year

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

If a current year warrant is cancelled, a new warrant can be issued by the agency.

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

PLEASE NOTE: *All forms must be submitted to DFA-OA – Reconciliation Manager. Forms identified below can be located at the [link](#)⁶ provided.*

Prior Year Warrant Cancellations with Reissue Forms Needed:

- *Non-Payroll Warrant Cancellations Form*
- *Affidavit of Forged Warrant (Original)*
- *Bond for Reissuing Warrant (Original)*

⁵ <https://www.dfa.arkansas.gov/accounting-office/financial-management-guide/>

⁶ <https://www.dfa.arkansas.gov/accounting-office/financial-management-guide/>



Non-Payroll Warrant Cancellation without Reissue

Prior Year

For a prior year warrant cancellation (void), the agency must submit a “Non-Payroll Warrant Cancellation” Form, and either the original warrant or an “Affidavit of Forged Warrant” Form. If the moneys were expensed from a fund that is supported by General Revenue and a portion of the moneys should not be reclaimed, a “Prior Year Non-Reclaimable Certification” Form must also be submitted to DFA-OA. Instructions and form for the “Prior Year Non-Reclaimable Certification” Form can be found at this [link](#)⁷. If the “Prior Year Non-Reclaimable Certification” Form is not submitted, all moneys will be reclaimed at month end.

Agencies that have funds from both general revenue and federal resources will have warrants containing both sources of funds. The portion of the Prior Year Warrant Cancellation that is related to the federal monies will not be reclaimed. Therefore, it is necessary for the agency to certify to the DFA-OA – Funds Group the portion included in the warrant amount that is not reclaimable. The certification form must be submitted to DFA-OA – Funds Group when a Prior Year Warrant is cancelled in either the General Revenue Fund or its related paying account.

Prior year warrant cancellations require journal entries to be created and the warrant to be voided by DFA-OA-Reconciliation Manager. The following entry is made as of current date to the originating fund:

*Debit 1100001000 Cash in State Treasury
Credit 6990002000 Prior Year Warrants Cancelled*

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

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

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

The agency will need to provide a contact person, phone number (with area code) and e-mail address in the space provided on the “Non Payroll Warrant Cancellation” Form that is submitted to DFA-OA – Reconciliation Manager.

Current Year

For a current year warrant cancellation, the agency must submit a “Non-Payroll Warrant Cancellation” Form, located at this [link](#)⁸, and either the original warrant or an “Affidavit of Forged Warrant”, located at this [link](#)⁹, to DFA-OA – Reconciliation Manager.

⁷ <https://www.dfa.arkansas.gov/accounting-office/financial-management-guide/>

⁸ <https://www.dfa.arkansas.gov/accounting-office/financial-management-guide/>



Agencies that have funds from both general revenue and federal resources will have Prior Year Refunds to Expenditures containing both sources of funds. The portion of the Prior Year Refunds to Expenditures that is related to the federal monies will not be reclaimed. Therefore, it is necessary for the agency to certify to the DFA-OA the portion included in the refund amount that is not reclaimable. The certification form that accompanies this letter must be used to certify the non-reclaimable share of each Prior Year Refunds to Expenditure deposited in either the General Revenue Fund or its related paying account.

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

The certifications of the non-reclaimable Prior Year Warrant Cancellations or Prior Year Refunds to Expenditure must be sent to DFA-OA – Funds Group by the 5th of the month following the month of cancellation or deposit.

Payroll Warrant Cancellation

DTSS -OPM is responsible for the cancellation of all payroll warrants. All forms must be sent to DTSS -OPM where they will be processed.

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

An “Affidavit of Forged Warrant” Form, located at this [link](#), must be completed by the employee and submitted to the issuing agency for Payroll Warrant Cancellations where the employee is claiming that the warrant is lost or that the warrant has been forged. The original “Affidavit of Forged Warrant” Form must then be sent either by mail, inter-office mail, or personal delivery to DTSS-OPM – Payroll Section. The “Affidavit of Forged Warrant” will not be accepted by DTSS-OPM – Payroll Section until the 6th day after the issuance of the warrant and after the agency contacts the Treasurer of State – Warrant Division either by phone or by e-mail to verify that the warrant has not been redeemed.

Upon receipt of the Affidavit of Forged Warrant” Form, DTSS-OPM – Payroll Section will review and enter any action necessary in AASIS (e.g., voiding of warrant, reversal of payment). The “Affidavit of Forged Warrant” Form will then be delivered to the Treasurer of State-Warrant Division to be held in the event that the corresponding warrant is redeemed. If the Treasurer of State – Warrant Division has the original “Affidavit of Forged Warrant” Form and the original

⁹ <https://www.dfa.arkansas.gov/accounting-office/financial-management-guide/>



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

If the original warrant is redeemed prior to an “Affidavit of Forged Warrant” Form being filed with the Treasurer of State – Warrant Division and the reissued warrant is also redeemed, the Treasurer of State – Warrant Division will attempt to receive a refund of moneys for the original warrant from the commercial bank. If the commercial bank denies the “Affidavit of Forged Warrant” Form, the agency will be charged for both the original and the reissued warrant. The agency must then contact the employee to collect the overpayment. Once the overpayment has been collected, the originating agency will deposit the refund in the originating fund and complete a refund to expenditure. If the original expenditure was for the current year, the money will be credited to the employee personnel number. The agency then must submit a “Refund to Expenditure” Form, located at this [link](#)¹⁰, to DFA-OA – Reconciliation Manager. The “Refund to Expenditure” Form is then used to reinstate the appropriation for the current year. If the original expenditure was for prior year, the general ledger account to use is 6990003000 Prior Year Refunds to Expenditures. There is no adjustment of appropriation for prior year.

Payroll Warrant Cancellation with Reissue

Prior Year

For prior year payroll warrant cancellation, the agency must submit to DTSS-OPM – Payroll Section a “Request for Reverse Payment Void” Form, a copy of the “Remuneration (REM) Statement,” “Affidavit of Forged Warrant” Form and an additional two copies of each form. Both forms can be found at this [link](#)¹¹. If the warrant cancellation is considered a forgery, the agency must also submit a “Bond for Reissuing Warrant” Form. DFA-OPM – Payroll Section will forward the “Affidavit of Forged Warrant” Form to DFA-OA – Reconciliation Manager for the determination of whether a duplicate warrant can be reissued.

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

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

Current Year

For current year payroll warrant cancellation, the agency must submit to DTSS-OPM – Payroll Section an “Affidavit of Forged Warrant” Form and attach one copy. If the warrant cancellation is

¹⁰ <https://www.dfa.arkansas.gov/accounting-office/financial-management-guide/>

¹¹ <https://www.dfa.arkansas.gov/accounting-office/financial-management-guide/>



for a forgery, the agency must also submit a “Bond for Reissuing Warrant” Form. DTSS-OPM – Payroll Section will forward the “Affidavit of Forged Warrant” Form to DFA-OA – Reconciliation Manager to make the determination of whether a duplicate warrant can be reissued.

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

Outlawed Warrants

Refer to this [section](#)¹² for “Outlawed Warrant Process” in this Guide. Questions concerning the outlawed warrant process should be directed to DFA–OA – Reconciliation Manager. A list can be provided detailing all warrants that were outlawed by DFA-OA upon request.

19-4-404 – Forms--Vouchers and receipts

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

History: Acts of 1973, Act 876, § 27; A.S.A. 1947, § 13-353

19-4-405 – Records--Examination and comparison

- (a) It is the duty of the Auditor of State to examine and verify the disbursement and redemption records of the Treasurer of State daily and compare them with the records in his or her own office and with the Auditor of State’s redeemed warrants.
- (b) As each redeemed warrant is examined and found to compare with the disbursement records, it shall be stamped over the signature of the Auditor of State. The stamp shall contain the words “VOID, STATE AUDITOR”, and shall be at least one-half inch by one and one-half inches (½ " x 1 ½ ") in size.

History: Acts of 1973, Act 876, § 27; A.S.A. 1947, § 13-353

¹² See Outlawed Warrant Policy on page 85



19-4-406 – Storage of warrants

- (a)
 - (1) The Auditor of State shall place all redeemed warrants in a secure place or vault in the Auditor of State’s office, subject to the inspection by any interested citizen.
 - (2)
 - (A) Except as provided in subdivision (a)(2)(B) of this section, the Auditor of State shall keep a warrant intact and without further alteration for a period of one (1) year from the close of the fiscal year in which the warrant was issued.
 - (B)
 - (i) If the Auditor of State makes an electronic copy of the warrant, the original warrant shall be kept for three (3) months.
 - (ii) The electronic copy of the warrant shall be maintained for a period of ten (10) years from the close of the fiscal year in which the warrant was issued.
- (b) If the Legislative Auditor or the State Historian requests retention of an original warrant or the electronic copy of a warrant in excess of the time periods provided under subsection (a) of this section, the warrant shall be retained by the Auditor of State for such period of time as required by the Legislative Auditor or the State Historian.
- (c) If federal law or regulations require the retention of certain warrants for a period longer than the period prescribed in this section, warrants shall be retained for the period prescribed by the federal law or regulations.

History: Acts of 1973, Act 876, § 27; Acts of 1983, Act 305, § 1; Acts of 2007, Act 269, § 1; Acts of 2009, Act 251, § 9; A.S.A. 1947, § 13-353

19-4-407 – Transfer of electronic warrants

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

History: Acts of 1991, Act 421, §§ 1 to 3



P1-19-4-407 Electronic Warrants

Overview

Electronic warrants must be formatted to comply with Automated Clearing House (ACH) requirements. Circumstances occasionally arise that require deletions or reversals from the ACH transmittal file after it is created by the Statewide accounting system. The difference between a reversal or deletion of an ACH item is determined based upon the timing of the request. If an ACH item has not been distributed to the Federal Reserve by the bank, the ACH item will be deleted. If an ACH item has been distributed to the Federal Reserve, it will be reversed if possible. ACH items are distributed to the Federal Reserve two (2) business days prior to the effective date if the bank has the item at that point. For example, if an ACH item is transmitted and the Request for Reversal/Deletion of an ACH Item form is faxed to the bank on Monday and the ACH item has an effective date of Thursday or later, the ACH item will be deleted. If an ACH item is transmitted and the Request for Reversal/Deletion of an ACH Item form is faxed to the bank on Monday and the ACH item has an effective date of Wednesday or earlier (but no earlier than five (5) business days prior), the ACH item will be reversed.

Deletions/reversals from an ACH file can only be processed by the DFA-OA. In order to request a deletion/reversal of an ACH, the agency must properly complete the "Request for Reversal/Deletion of an ACH Item" form and submit the form via fax to DFA-OA. The "Request for Reversal/Deletion of an ACH item" form must be signed by two authorized agency personnel who are on file with DFA-OA as authorized personnel. Requests for deletion/reversal of an ACH item must be processed immediately following knowledge of an error.

PLEASE NOTE: *To comply with National Automated Clearing House Association (NACHA) Rules, the Reversal/Deletion Request must be received by the bank in time to be processed within two (2) business days of the original entry settlement date. (The cutoff time is 5:00 PM Central Time on the 2nd business day after settlement.)*

After two DFA-OA authorized personnel review and sign their approval to the "Request for Reversal/Deletion of an ACH item" Form, DFA-OA will contact the bank and submit a formal request for a reversal/deletion of an ACH item. Pending bank approval, the moneys will be returned to the Vendor ACH Return Account, the Payroll ACH Return Account or the Income Tax ACH Return Account.

If the moneys are returned to the Vendor ACH Return Account, the requesting agency will be notified by DFA-OA and issued a check from the Vendor ACH Return Account to be processed as a refund to expenditure to the fund, fund center, commitment item, WBS element and/or internal order of original issuance.

If the moneys are returned to the Payroll ACH Return Account, a check will be issued to the Payroll paying fund and deposited into the Treasurer of State's office.

If the moneys are returned to the Income Tax ACH Return Account, a check will be issued to DFA – Revenue – Individual Income Tax and deposited into the Treasurer of State's office as a refund to expenditure.



Reversal/Deletion of an ACH item

The purpose of this process is to delete or reverse an ACH item once the file has reached the bank. This must be done within two (2) working days of the settlement or pay date of the deposit.

The requesting agency must complete the "Request for Reversal/Deletion of an ACH item" Form and submit via FAX to the DFA-OA. Two persons from the approved agency personnel list must sign the request form prior to submission to the DFA-OA.

DFA staff will approve the request for submission to the bank. Designated DFA-OA staff will fax the official "ACH Reversal/Deletion Request" Form to the bank for processing.

Deletion of an item is possible if done prior to 5 PM Central Time on the day of transmittal of the ACH file by the Auditor of State. If an item is deleted, it will not be presented for reimbursement to the Treasurer of State, and Bank of America will return no money to the State. Cancellation of the electronic "warrant" will be necessary. No further payments should be issued until the DFA-OA confirms the reversal.

Reversal of an item is at the discretion of the receiving bank. If the reversal is honored, money will be returned to the Treasurer of State's bank settlement account and subsequently transferred to either the Vendor ACH Return Account or the Payroll ACH Return Account. At that point a check will be written to reimburse the agency for the funds or the Payroll Paying Account and deposited as a refund to expenditure, either current or prior year.

19-4-408 – Public school districts--Distributions by electronic warrants transfer

(a)

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

(2) The determination of the categories of funds to be distributed shall be made by the Commissioner of Education.

(3)

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

(B)

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

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



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

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

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

History: Acts of 1993, Act 540, §§ 1 to 5; Acts of 1995, Act 232, § 8

Subchapter 5 – Financial Management System

19-4-501 – Establishment – Purpose

(a) In order to provide necessary financial information for the Governor, members and committees of the General Assembly, and other interested state agencies, the Chief Fiscal Officer of the State is directed to establish a comprehensive financial management system for appropriated and cash funds of agencies.

(b) The financial management system shall provide for an adequate control over receipts, expenditures, and balances to the end that information may always be currently available as to the financial condition of the state and its various subdivisions. The system shall:

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

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

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

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

History: Acts of 1973, Act 876, § 12; A.S.A. 1947, § 13-338

P1-19-4-501 Proper Internal Accounting Controls

It is the objective of the State of Arkansas to assure proper internal accounting controls are in place, to safeguard the State's assets and to prevent fraud, errors and defalcations (theft and embezzlements). The Arkansas Administrative Statewide Information System (AASIS) utilizes various accounting roles in order to provide for an adequate segregation of duties to facilitate better business practices and enable an adequate system of internal accounting controls. 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.

The following AASIS User Security Forms and Aid Documents can be found on the AASIS [website](#)¹³.

- *FI Title, Conflicts, and Descriptions – Detailed list of applicable FI roles*
- *HR Title, Conflicts, and Descriptions – Detailed list of applicable HR roles*
- *Security Authorization Form – AASIS Role change Request Spreadsheet*
- *Security Liaison by Agency - Detailed list of Department Security Liaisons*
- *Append or change Agency Security Liaison – Agency form to change designated Security Liaison*

P2-19-4-501 Agency Security Liaison

The security liaison will assign roles to any new accounting team employee upon his/her commencement of employment. New role assignments or revisions to current role assignments will be submitted to the AASIS Security Administrator for review and entry into the AASIS system. If a conflict or an excessive number of security role assignments are discovered in the review process, the AASIS Security Administrator will forward the request to the DFA-OA – Financial Reporting Section for approval of a proposed solution or design of mitigating controls to be implemented.

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

Upon termination or any change in status of employment, the AASIS system automatically sends these actions to a nightly job that end dates all professional roles; however, it is the Agency Security Liaison responsibility to assess security roles annually.

P3-19-4-501 Temporary Security Role Assignments

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

¹³ <https://www.dfa.arkansas.gov/aasis/asc-security/>



P4-19-4-501 Cash Receipts Internal Control

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

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

Cash Received in Person

A receipt must be issued for each payment received in person. The following minimum standards must be met. Receipts are to be pre-numbered by the printer with the number sequence noted on the invoice and retained for audit purposes. The receipts should be stored in a secure manner by the highest fiscal official and assigned to the staff whose duties are receipting.

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

- *Date*
- *Amount of receipt*
- *Name of person or company from whom moneys was received*
- *Purpose of payment*
- *Fund(s) to which receipt is to be credited*
- *Signature of employee receiving moneys*

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

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

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

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

Cash Received Through the Mail

The mail must be opened in a monitored environment. All checks should be numbered, marked, or endorsed as soon as possible.



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

One copy of the cash log shall be kept in the area and the other should accompany the deposit. Cash must be stored in a safe or other locked storage device until deposited.

Balancing of Cash Receipts

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

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

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

Preparation of Deposits

Someone not involved with collecting, recording, or reconciling must prepare the deposit. Cash must be recorded on the deposit slip in the appropriate space.

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

Good internal controls dictate daily deposits to Treasury and/or a commercial bank account. Weekly deposits are allowable if an agency receives only minimal amounts of cash and/or checks. However, in the last week of the month all deposits keyed into the State's accounting system must be delivered to the Treasurer of State or the commercial bank for deposit prior to noon on the last business day of the month.

Reconciliation of Cash Collected

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

19-4-502 – Chief Fiscal Officer's duties

The Chief Fiscal Officer of the State shall:



- (1) Review postaudits of state agencies conducted by the Legislative Joint Auditing Committee and advise the Governor and the Attorney General or prosecuting attorney for legal action, if appropriate, of any improper or illegal practices;
- (2) Assist the various agencies in complying with the recommendations of the Legislative Joint Auditing Committee for improving their accounting systems;
- (3) Establish a uniform chart of accounts and issue an accounting procedures manual governing statewide accounting and reporting policies and procedures;
- (4) Prepare analysis and evaluation reports of the financial management system and fiscal control procedures to determine compliance with generally accepted governmental accounting principles;
- (5) Adapt the financial management system to meet the particular needs of each agency while maintaining the overall integrity of the system and comparability of coding and reporting for all agencies utilizing the system; and
- (6) Design accounting and reporting forms for use by agencies in effecting proper fiscal control procedures.

History: Acts of 1973, Act 876, § 12; Acts of 1985, Act 365, § 1; A.S.A. 1947, § 13-338

P1-19-4-502 Internal Revenue Service Form 1099-Miscellaneous (1099-MISC) Reporting

It is the policy of the State of Arkansas to adhere to the Internal Revenue Code guidelines for 1099-MISC reporting contained in Internal Revenue Service (IRS) Publication 1220 as revised each calendar year. Internal Revenue Service 1099-MISC forms are produced to satisfy Sections 6041 through 6050N of the Internal Revenue Code, which requires states and state agencies to file informational returns on reportable payment types of non-wage compensation paid to reportable payees.

IRS Form W-9 is the foundation for meeting the 1099 reporting requirements of the IRS. A Form W-9 must be provided to the DTSS-OSP for all statewide vendor numbers requested as outlined in the OSP policies and procedures located on DTSS [website](#)¹⁴.

The vendor master record designates each vendor's tax status based on the information provided on the W-9. The tax code is automatically populated on each payment transaction based on the tax status identified on the vendor master record. The tax code can be changed by the agency on any transaction when necessary for proper 1099 reporting. It is the agency's responsibility to ensure the accuracy of the tax code on each payment transaction.

Agencies classified as "user" or "service bureau" in AASIS which are included within the Statewide Federal Tax Identification Number are responsible for providing accurate information for 1099-MISC reportable vendors and vendor payments to DFA-OA. Any payments of penalties

¹⁴ <https://www.transform.ar.gov/wp-content/uploads/2021/09/Procurement-Law-and-Rules-updated-09032021final-1.pdf>



and interest arising from inaccurate information provided by the agency will be charged back to the individual agency by a fund transfer initiated by the DFA-OA. The DFA-OA's sole responsibility is the consolidation of all payment information provided by State agencies to the vendor's payee tax identification number and the resulting printing, mailing, and reporting of the 1099-MISC forms.

An updated informational 1099 package will be available on the web site when the final rules are made available by the IRS for the upcoming calendar year and will be located on DFA-OA [website](#)¹⁵.

Agencies classified as "user" or "service bureau" in AASIS that operate independent programs with their own tax identification number are responsible for all tasks necessary to report the 1099-MISC forms. Payments made by warrant from these programs must use "one-time" vendor numbers to avoid duplication in the statewide reporting of 1099s performed by DFA-OA.

Agencies classified as "reporting" in AASIS cannot use the Statewide Federal Tax Identification Number and are responsible for creating and reporting IRS Form 1099-MISC under their own assigned Tax Identification Number. Reporting agencies may use statewide vendor numbers, but these payments and vendors will automatically be excluded from the statewide reporting of 1099s.

19-4-503 – State agency deposits – Classification

- (a) The Chief Fiscal Officer of the State shall have the authority, upon request of a state agency having funds on deposit in a depository other than the State Treasury, to authorize the agency to deposit the moneys into the State Treasury.
- (b) The Chief Fiscal Officer of the State shall determine the classification of the funds and shall designate or create the State Treasury fund into which the moneys are to be deposited.
- (c) The appropriation acts which appropriated the cash moneys shall be construed to be in conformity with Arkansas Constitution, Article 5, § 29, and Arkansas Constitution, Article 16, § 12, for withdrawing moneys from the State Treasury.
- (d) All moneys deposited into the State Treasury under the provisions of this section shall be deposited as nonrevenue receipts and shall not be subjected to the provisions of § 19-5-205(e) unless the source of the revenue is specifically classified in § 19-6-201 or § 19-6-301.
- (e) If any moneys classified as trust funds under the provisions of this section earn interest, then that interest shall be credited to the trust fund.

History: Acts of 1973, Act 876, § 12; Acts of 1977, Act 486, § 2; A.S.A. 1947, § 13-338

PLEASE NOTE: Refer to 19-5-104 for additional circumstances under which the Chief Fiscal Officer of the State may establish funds.

¹⁵ <https://www.dfa.arkansas.gov/accounting-office/1099-guidelines-and-instructions/>



19-4-504 – System requirements

The financial management system shall at all times:

- (1) Reflect the unencumbered balances of all State Treasury funds, fund accounts, and accounts and appropriations payable from the State Treasury;
- (2) Reflect the appropriations and allotments as approved by the General Assembly;
- (3) Reflect the distribution and allocation of the state revenues under the Revenue Stabilization Law, § 19-5-101 et seq., and other revenue laws of the state; and
- (4) Provide a record of the expenditures, disbursements, and receipts of all state agencies.

History: Acts of 1973, Act 876, § 12; A.S.A. 1947, § 13-338

P1-19-4-504 Overview of the Financial Management System

The State of Arkansas uses a financial management system designed to be a database resource management tool that encompasses many types of information for management use in addition to accounting data, such as budgeting, purchasing and human resource management in an integrated fashion. The current operating platform is SAP software. AASIS gives the State the ability to report financial results on an individual agency or statewide basis to comply with financial reporting requirements promulgated by the GASB. The system is utilized on-line by most agencies of Arkansas State Government. There are some small agencies that do not have the resources to utilize the system. For those small agencies, boards, and commissions, DFA-OA processes all transactions and produce financial reports.

Reporting agencies, (e.g., colleges and universities, certain constitutional offices, Department of Transportation, etc.) do not use AASIS as their original books of record. They have their own separate and independent accounting systems. These systems must have the capability to present the reporting agency's trial balances and related financial statements based on financial reporting requirements for the ACFR of the State of Arkansas in accordance with authoritative pronouncements of the GASB. Reporting agencies interface certain items within AASIS for budgetary control and for other financial reporting purposes. Each reporting agency, excluding the colleges and universities, shall make adjusting journal entries to agree with AASIS trial balance to their books of record, preferably on an interim basis, but not less frequently than annually as of June 30th of each fiscal year.

P2-19-4-504 E-Commerce, Electronic Records and Signatures

Ark. Code Ann. §§ 25-31-101- 25-31-105, known as the "Arkansas Electronic Records and Signatures Act" and Ark. Code Ann. §§ 25-32-101 – 25-32-122, the "Uniform Electronic Transactions Act" details the definitions and guidelines relating to the authority and the use of electronic records, signatures, and transactions. Acceptance and/or disbursement by State agencies of State funds via electronic means, including Internet transactions, also referred to as electronic commerce (e-commerce) must, at a minimum, be conducted in accordance with the



above referenced Arkansas Code sections and other applicable laws, rules and policies contained in this Guide. E-commerce includes, but is not limited to, acceptance of credit cards and debit cards, use of purchase cards, receipt and transmittal of purchase orders and invoices. For additional guidance in securing of payment card transactions, please refer to standards and best practices made available by the Payment Card Industry Security Standards Council¹⁶. For additional guidance in management of cryptographic keys and encryption, please refer to National Institute of Standards and Technology (NIST) Special Publication 800-57 current revision¹⁷ which provides recommendations for cryptographic key management best practices.

19-4-505 – Generally accepted accounting principles

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

History: Acts of 1973, Act 876, § 12; Acts of 1979, Act 833, § 3; Acts of 2001, Act 1453, § 6; A.S.A. 1947, § 13-338

P1-19-4-505 Internal Control and Ethics Requirements

Introduction

The General Accounting and Budgetary Procedures Law of Arkansas (Ark. Code Ann. §§ 19-4-101 – 19-4-2202) requires the Chief Fiscal Officer of the State establish rules to provide for adequate accounting of all fiscal transactions and methods of internal accounting controls by establishing and supervising the accounting systems of State agencies. The Chief Fiscal Officer of the State is empowered to make, amend, and enforce such reasonable rules, not inconsistent with law, as he shall deem necessary and proper to effectively carry out these provisions.

Responsibility for implementing internal controls at each agency begins with the secretary or director, managers, and finance officers of each agency (agency leadership) and extends to all staff in the agency. Agency leadership is responsible for the design, implementation, maintenance, and communication of an internal control system that encompasses all agency fiscal programs and related activities.

To assist in the establishment of internal controls, the state has adopted the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework for internal controls. COSO has issued two key standards documents which an agency head should

¹⁶ <https://www.pcisecuritystandards.org/>

¹⁷ <https://csrc.nist.gov/publications/detail/sp/800-57-part-1/rev-5/final>



reference 1) *Internal Control — Integrated Framework (May 2013)* and 2) *Enterprise Risk Management – Integrating with Strategy and Performance (June 2017)*. Staff responsible for implementing internal controls should review these documents for a deeper conceptual understanding of internal controls.

Internal control should be designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- *Effectiveness and efficiency of operations.*
- *Reliability of financial and non-financial reporting.*
- *Compliance with applicable laws and regulations.*

Because internal controls are a means to an end, they should help a agency reach its objectives. Before designing and implementing internal controls, agency leadership should consider the following:

- *Internal controls should benefit the organization.*
- *Internal controls must make sense within each agency’s unique operating environment.*
- *Internal controls are not stand-alone practices. Agency leadership and staff should incorporate internal controls in their day-to-day responsibilities.*
- *Internal controls should be cost effective.*

General Information on Agency Audit

Government auditing provides independent evaluations for legislators, government officials, and the public. Such assessments include how:

- *government manages public resources and maintains compliance with laws and rules, and regulations,*
- *government services are being provided efficiently, economically, effectively, ethically, and equitably, and*
- *government managers are fully accountable for their use of public resources.*

All audits are conducted in conformance with the Statements on Auditing Standards (SAS). SAS 122, Statements on Auditing Standards: Clarification and Recodification, contains a detailed discussion of internal control and the following five interrelated components of internal control: the control environment, risk assessment, control activities, information and communication, and monitoring. The auditing standard is applicable whenever an auditor expresses an opinion on financial statements.

SAS 122 requires the auditor to communicate in writing significant deficiencies and material weaknesses to management and those charged with governance. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements timely. A significant deficiency is a deficiency, or combination of deficiencies, in internal control, which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected timely.



Although compensating controls mitigate the effects of a deficiency in internal control, they do not eliminate the deficiency in internal control.

Internal Controls and Financial Audit

Auditors must gain an understanding of internal controls. A written documentation of the internal control system will provide auditors with an understanding much faster than if they must gather all the information themselves through inquiries and observations. Additionally, a well-documented internal control system also provides guidance to employees in the performance of their duties and guidance on effective monitoring.

Processes versus Controls in Internal Control System

Processes are the actions performed by agency staff which are not controls. For example, a receiving clerk receives payments through the mail and in person. Controls are the actions that safeguard state assets and provides reasonable assurance of financial accuracy. For example, the cashier might restrictively endorse a check "For Deposit Only" and create a receipt. These are controls. An agency could receive payments without controls, however state resources could be stolen, lost, or recorded incorrectly. In short, controls lessen misstatements in the financial statements and theft.

In summary, processes are the actions performed to get something done. By contrast, controls ensure that the resulting numbers are correct and that assets are secure from theft.

Five Components of Internal Controls

The COSO Report identifies five components of internal controls. Each agency's internal control system will be unique. However, all internal control systems should include the five components. These components are interrelated, which means each component affects and is affected by the other four. The five components are:

- Control Environment – sets the tone of the organization and influences the effectiveness of internal controls within the agency.*
- Risk Assessment – the process used to identify, analyze and manage the potential risks that could hinder or prevent an agency from achieving its objectives.*
- Control Activities – the structure, policies, and procedures which an organization establishes so identified risks do not prevent the organization from reaching its objectives.*
- Information and Communication – Pertinent information must be identified, captured and communicated in a form and timeframe that enable agency leadership to carry out their responsibilities.*
- Monitoring – a process that assesses the quality of the internal control system's performance over time. Internal controls must be adaptable to change.*

Control Environment

The Control Environment is the foundation of all other components of the internal control system. The control environment includes management's philosophy and operating style, integrity and ethical values, organizational structure, assignment of authority and responsibility, commitment to competence, and human resource development.



Agency Leadership's Philosophy (Tone at the Top)

Agency leadership's philosophy is the set of shared beliefs and attitudes characterizing how the agency handles daily functions, from developing and implementing strategy to day-to-day activities. This philosophy reflects the agency's values, influencing its culture and operating style, and affects how well fiscal programs can implement, maintain, and enforce control.

Agency leadership's philosophy is communicated in policy statements, oral and written statements, and decision-making. Agency leadership strengthens the philosophy with everyday actions.

Integrity and Ethical Values

An agency's implementation of strategy and objectives evolve from agency leadership's preferences, value judgments, and styles. Management's commitment to ethics influences these preferences and judgments, which translate into behavioral expectations. To protect a agency's reputation and to preserve the trust and respect that the public has for the governing process, standards of behavior must exceed mere compliance with law. Agencies that actively and continually support a culture of integrity and ethical values communicate these core values through a [code of ethics](#)¹⁸.

Agency Structure

An agency's organizational structure provides the structure to plan, execute, control and monitor activities. Although generally restrained by law, an agency's organizational structure defines key areas of authority and responsibility, while providing lines of reporting.

Assignment of Authority and Responsibility

Assignment of authority and responsibility involves the degree to which staff members are authorized to be resourceful in accomplishing tasks or objectives and solve problems. It includes establishing authorization procedures, issuing policy that assigns appropriate staff, and allocating resources to do each job.

Staff Competence

Staff Competence reflects the skills, knowledge, and experience needed to meet agency objectives. Providing continual training and education can ensure staff is informed of changes in their field of expertise.

Risk Assessment

Risk assessment begins with the identification of the agency's primary responsibilities and functions through the development of a mission statement and strategic plan. To communicate

¹⁸ <https://www.dfa.arkansas.gov/accounting-office/financial-management-guide/>



the agency's mission statement and goals, risks must be identified both externally and internally.

Agency leadership should establish specific objectives within the confines of legal authority. Activity objectives need to complement one another, while considering staff and resource capacities. Similarly, the programmatic goals of the smallest unit need to be consistent with the agency's overall strategic plan. Once the agency develops a mission statement, the objectives of the agency's functions must be identified.

They consist of the following three categories:

- Operations objectives help staff achieve the agency's basic statutory responsibilities.*
- Financial and non-financial objectives set standards to assess agency leadership's performance, allocate resources, produce statistics, and protect assets.*
- Compliance objectives include public obligations as well as operational practices, as defined by federal and state laws, rules, or regulations.*

In risk assessment, leadership considers the mix of potential events relevant to the agency and its activities in the context of the agency's risk profile, which includes size, operational complexity, and regulatory restraints. Many events are routine, recurring, and already addressed in leadership's programs and operating budgets.

Management must assess the risk of unexpected potential events and any expected events that could have a significant impact. Risk assessment is a continuous and repetitive interplay of actions occurring throughout the agency.

Agency leadership should not take risks that would knowingly jeopardize their ability to meet obligations for financial management, financial reporting, or compliance with laws, regulations, policies, and procedures.

Response to risk is divided into four categories:

- Avoiding risk - ending those activities that give rise to risk.*
- Reducing risk - implementing everyday leadership decisions including setting control activities.*
- Sharing risk - transferring a portion of likelihood or impact to another party.*
- Acceptance risk - deciding to accept a risk because of cost or other considerations.*

Once risks are identified, agency leadership considers their significance, the likelihood of their occurrence, and how they should be managed. Risks in different activities may be within a division's acceptable risk levels but, taken together from a agency-wide prospective, may exceed the acceptable risk level.

All agencies should have established financial operations objectives. The process of risk assessment as it relates to a agency's internal control system provides an opportunity to review, revise, and explicitly recognize these objectives. An agency's risk assessment process regarding financial objectives should consider the events and circumstances that may occur and adversely affect its ability to record, process, summarize and report financial information.



The managing of risks via the internal control system should provide reasonable assurance that financial processing functions work as intended.

Control Activities

Control activities include approvals, authorizations, verifications, reconciliations, security over assets, and segregation of duties. Control activities are directly related to control objectives. Control objectives include the following:

- *Strategic – provide reasonable assurance that program goals and objectives are met.*
- *Operational – make the most effective and efficient use of fiscal resources and other assets.*
- *Reporting – provide reasonable assurance of the integrity and reliability of financial reporting.*
- *Compliance – enhance compliance with applicable laws and regulations.*
- *Stewardship – safeguard assets or reduce fraud, waste, and abuse in the use of assets.*

Control activities are designed to reflect the appropriate risk level so that risk responses are executed properly and on time. It is important for leadership to consider cost versus benefit for control activities over processes that are vital to achieving financial reporting or regulatory compliance objectives.

Type of Control Activities

Control activities can be classified in the following seven categories:

- *Authorization – provide reasonable assurance that all transactions are within the limits set by policy or that exceptions to policy have been granted by the appropriate officials.*
- *Review and approval – encompass a variety of computer and manual controls.*
- *Reconciliation – provide reasonable assurance of the accuracy of financial records.*
- *Physical Security over Assets –assets are safeguarded and protected from loss or damage.*
- *Segregation of Duties – reduce the risk of error and fraud by requiring that more than one person completes a particular fiscal process.*
- *Education, Training, and Coaching –ensuring that personnel have the proper education and training to perform their duties effectively.*
- *Performance Planning and Evaluation – establish key performance indicators for the agency that may be used to identify unexpected results or unusual trends in data.*

Control activities may include:

- *Preventive controls are designed to stop inappropriate transactions before execution.*
- *Detective controls are designed to identify error transactions on a timely basis after they have occurred.*
- *Control activities over automated information systems include:*
 - *General controls including controls over information technology management, infrastructure, security management, and software acquisition, development, and maintenance.*



- *Application controls focus directly on the capture and processing of complete, accurate, authorized, and valid data. Thus, application controls help to prevent, detect, and correct errors.*

Agency leadership and fiscal staff remain directly responsible for understanding and maintaining internal control over all fiscal policies, regardless of the infrastructure used to perform those processes. Agency leadership is ultimately responsible for the final determination of significance and must rely on their experience and professional judgment in identifying significant processes.

Transaction amounts for a process may be insignificant individually or in total, but a qualitative factor may raise the importance of the process in terms of the need for stringent control activities. Therefore, decisions about significance should consider not only quantitative, but also qualitative factors.

Information and Communication

Successful communication occurs up, down, and across the agency. This process is only effective if all staff receive a clear message from agency leadership that internal control system must be taken seriously. Information enables change management, strategy, identifying events, analyzing risks, selecting risk responses, and performing other management activities.

Internal Communication

Clear internal communication conveys the agency's code of ethics, internal control philosophy and approach, and delegation of authority. Communication channels should ensure that front-line staff could communicate information across divisions in addition to their supervisory staff. Staff must believe agency leadership seeks to understand problems and resolve them.

External Communication

Open external communication channels allow citizens and suppliers to provide valuable input on quality and design.

Monitoring

Monitoring is built into normal, recurring operating activities, is performed on a real-time basis, reacts dynamically to changing conditions, and is ingrained in the agency. The monitoring process also includes an analysis of whether exceptions are reported and resolved quickly.

Fraud, Waste, and Abuse

Fraud is defined as the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets.

Waste is defined as the loss or misuse of State resources that results from deficient practices, system controls, or decisions.



Abuse is defined as the intentional, wrongful, or improper use of resources or misuse of rank, position, or authority that causes the loss or misuse of resources, such as tools, vehicles, computers, copy machines, etc.

The State of Arkansas has zero tolerance for the commission of acts of fraud, waste, and abuse. Agency staff should be encouraged to report such acts through agency leadership, hot line, or other easily accessed system that promotes confidentiality and anonymity to the extent allowed by law. The Department of Inspector General – Office of Internal Audit has an online form on its [website](#)¹⁹ that allows any citizen to report fraud, waste and abuse.

All reported acts of fraud, waste and abuse should be investigated thoroughly by agency leadership, Arkansas Legislative Audit, or other named state investigative body. Whistleblower protection is granted to employees who report suspected fraud, waste, and abuse per Ark. Code Ann. § 21-1-601. Retaliation against such employees who file a report of alleged fraud, waste and abuse in good faith is strictly prohibited.

Agency Policy

Agency should establish a policy about fraud, waste and abuse that depicts the agency's responsibilities and facilitates employee participation in the prevention and detection of fraud, waste, or abuse. All reports of suspected fraud must be handled under the strictest confidentiality. An agency staff member should not destroy, or allow to be destroyed, any document or record of any kind that the staff member knows may be relevant to a past, present, or future investigation of fraud, waste, or abuse.

Evaluation of Processes and Controls

SAS 122, Statements on Auditing Standards: Clarification and Recodification requires auditors to consider fraud in financial statement audit. Neither fraudulent financial reporting nor misappropriation of assets can occur without a perceived opportunity to commit and conceal the act. Organizations should be proactive in reducing fraud opportunities by:

- *Identifying and Measuring Fraud Risks - Management has primary responsibility for establishing and monitoring all aspects of the entity's fraud risk-assessment and prevention activities. Fraud risks should be considered as part of an agency-wide risk assessment program.*
- *Mitigating Fraud Risks - Once risk areas are identified by management; it is necessary to evaluate the adequacy of existing internal control activities and determine if further controls or changes to existing controls are required to reduce or eliminate the risk.*
- *Implementing and Monitoring Appropriate Preventative and Detective Internal Controls - Agency leadership is responsible for implementing appropriate oversight functions to monitor the activities carried out by employees. Managers are responsible for the internal controls built into systems and processes that identify, assess, control, and mitigate fraud risks. Agency leadership is responsible for providing additional monitoring activities, based upon their additional expertise and process knowledge, to support the management of fraud risks.*

¹⁹ <https://ig.arkansas.gov/internal-audit/what-is-fraud-waste-and-abuse>



Conclusion

Control activities within your agency may include the following:

- *Implementing segregation of duties where duties are divided (segregated) among different people, to reduce the risk of error, fraud, waste, or abuse. No one person should have control over all aspects of any financial transaction.*
- *Making sure transactions are authorized by a person delegated approval authority when the transactions are consistent with policy and funds are available.*
- *Ensuring records are routinely reviewed and reconciled, by someone other than the preparer, to determine that transactions have been properly processed.*
- *Making certain that equipment, inventories, cash, and other property are secured physically, counted periodically and compared with item descriptions shown within the trial balance.*
- *Providing employees with appropriate training and guidance to ensure that they (1) have the knowledge necessary to carry out their job duties, (2) are provided with an appropriate level of direction and supervision and (3) are aware of the proper channels for reporting suspected fraud, waste, or abuse.*
- *Making sure agency policies and procedures are formalized and communicated to employees. Documenting policies and procedures and making them accessible to employees helps provide day-to-day guidance to staff and promotes continuity of activities in the event of prolonged employee absences or turnover.*

PLEASE NOTE: *The above internal controls definition was developed from the Committee of Sponsoring Organizations of the Treadway Commission (COSO).*

19-4-506 – Governmental accounting system requirements

A governmental accounting system must make it possible both to:

- (1) Present fairly and with full disclosure the financial position and results of financial operations of the funds and account groups of the governmental unit in conformity with generally accepted accounting principles; and
- (2) Determine and demonstrate compliance with finance-related legal and contractual provisions.

History: Acts of 1973, Act 876, § 12; Acts of 1979, Act 833, § 3; A.S.A. 1947, § 13-338

P1-19-4-506 Reporting Capabilities of System

AASIS has the ability to produce many reports. A table which outlines the available reports is located in the Introduction to this guide. The table is categorized by report type and includes the following: financial and accounts payable reports, funds management reports, accounts receivable reports, asset management reports, fiscal control reports, human resources reports, and procurement reports.



P2-19-4-506 General Reporting and Year End Closing Procedures

Purpose

This portion of the Guide establishes the State reporting policies and procedures governing the accumulation of accounting data for reporting purposes and the preparation of the State of Arkansas ACFR.

Applicability & Responsibility

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

- 1. Notification of missing or erroneous data where possible.*
- 2. Detailed written communications will be distributed prior to fiscal year end from the DFA-OA – Financial Reporting Section, complete with the comprehensive closing package instructions, electronic spreadsheet templates, examples of closing accrual and reversing journal entries, and detailed transactional year-end cutoff requirements and their related deadlines. Access the DFA-OA web site for further guidance at the following [link](#)²⁰.*
- 3. Resolving certain processing problems.*
- 4. Training and continuing education regarding State policies, procedures, and regulations for accounting and related topics.*

Each agency is responsible for:

- 1. Ensuring that it is in a position to respond to problems encountered with the integrity and/or transmission of data during critical times, such as fiscal yearend cutoff.*
- 2. Exercising appropriate control over data security.*
- 3. Completion of a management representation letter that certifies the completeness, accuracy, and integrity of data submitted, signed by the Director and Chief Fiscal Officer.*
- 4. Notifying the DFA-OA or AASIS support staff if data problems arise.*
- 5. Notifying the DFA-OA – Financial Reporting Section when the Arkansas Legislative Audit or any external financial auditor commences field work, so the DFA-OA – Financial Reporting Section agency liaison can assist with accounting issues which may arise and make arrangements to be present at the audit exit conference in order to be knowledgeable of audit findings which are communicated by the auditor so resolution or solutions can be accomplished on a timely basis.*

²⁰ <https://www.dfa.arkansas.gov/accounting-office>



Component Units

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

Blended component units are reported as part of the primary State government just like a normal State agency.

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

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

19-4-507 – Fund accounting systems

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

History: Acts of 1973, Act 876, § 12; Acts of 1979, Act 833, § 3; Acts of 2019, Act 315, § 1709; A.S.A. 1947, § 13-338

19-4-517 – Financial statements and reports

- (a) Appropriate interim financial statements and reports of financial position, operating results, and other pertinent information should be prepared to facilitate management control of financial operations, legislative oversight, and where necessary or desired, for external reporting purposes.
- (b) A annual comprehensive financial report covering all funds and account groups of the governmental unit, including appropriate combined, combining, and individual fund statements; notes to the financial statements; schedules; narrative explanations; and statistical tables should be prepared and published.
- (c) General purpose financial statements may be issued separately from the annual comprehensive financial report. These statements should include the basic financial statements and notes to the financial statements that are essential to fair presentation of financial position and operating results and changes in financial position of proprietary funds and similar trust funds.

History: Acts of 2023, Act 88, § 2; Acts of 1973, Act 876, § 12; Acts of 1979, Act 833, § 3; A.S.A. 1947, § 13-338



19-4-518 – Design of system

- (a) The financial management system shall be designed to record transactions in accordance with generally accepted accounting principles as established by the Governmental Accounting Standards Board. The financial management system shall provide a suitable analysis of the operation, maintenance, and improvement of all state agencies and their functions. This system shall furnish a breakdown and itemization of all financial transactions in accordance with the appropriations and allotments of the General Assembly, federal grants, and bank funds of the agencies.
- (b) The Chief Fiscal Officer of the State shall prepare a general ledger manual covering the system of classifying financial transactions and shall supply all agencies with a copy of this manual.

History: Acts of 2023, Act 88, § 3; Acts of 1973, Act 876, § 12; Acts of 2001, Act 1453; A.S.A. 1947, § 13-338

P1-19-4-518 General Ledger Chart of Accounts

The Financial Management System General Ledger Chart of Accounts contains the asset, deferred outflow, liability, deferred inflow, net position or fund balance, revenue, expense or expenditure, operating transfer, other financing sources or uses, and prior period adjustment accounts necessary for operating purposes and financial statement presentation for the State of Arkansas. These accounts record the dollar value of the business transactions completed by State agencies.

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

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

Types of General Ledger Accounts

Asset Accounts

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

Assets are recorded in the general ledger account number range 1000000000 to 1889999999 and 1900000000 to 1999999999.

Asset accounts may have budget relevant commitment items.

Run AASIS report S_KI4_38000036 to obtain the commitment item for all accounts.



Deferred Outflows of Resources Accounts

Deferred outflows of resources are consumption of net position by the government that is applicable to a future reporting period.

Deferred outflows of resources are recorded in the general ledger account number range 1890000000 to 1899999999.

The commitment items for all deferred outflow of resources are non-budget relevant, also referred to as statistical.

Liability Accounts

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

Liabilities are recorded in the general ledger account number range 2000000000 to 2889999999 and 2900000000 to 2999999999.

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

Deferred Inflows of Resource Accounts

Deferred inflows of resources are the acquisition of net position that is applicable to a future reporting period.

Deferred inflows of resources are recorded in the general ledger account number range 2890000000 to 2899999999.

The commitment items for all deferred inflows of resources are non-budget relevant.

Net Position Accounts

Net position accounts are the difference between a fund's assets plus deferred outflows of resources less liabilities less deferred inflows of resources. In governmental funds, it is referred to as fund balance.

Net position is recorded in the general ledger account number range 3000000000 to 3999999999.

The commitment items for all fund equity accounts are non-budget relevant.

Revenue Accounts

Revenues are inflows or other enhancements of assets during a period from delivering or producing goods, rendering services, or carrying out other activities that constitute an agency's operations. Revenues are recognized in the accounting period in which they become



measurable and available for modified accrual and when they become measurable and earned for full accrual. Moneys receipted should be recorded as revenue upon the first receipt. Generally, movements of moneys between State agencies or an agency's fund groups should not be recorded as revenue. They should be recorded as transfers. The GASB requires that, if goods or services are provided between agencies and the value is approximately what it would be to receive the same goods or services from an outside source, the transaction be recorded as an expense to the paying agency and revenue to the receiving agency.

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

The commitment items for all revenue accounts are non-budget relevant.

Expense Accounts

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

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

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

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

Operating Transfer Accounts

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

Operating transfers are recorded in the general ledger account number range 6000000000 through 6999999999 along with Other Financing Sources/Uses and Prior Period Adjustments.



Operating Transfers can have both budget relevant and non-budget relevant commitment items.

Other Financing Sources/Uses Accounts

Other Financing Sources/Uses Accounts are used to record inflow/outflow of resources that are not revenue/expense.

Other Financing Sources/Uses are recorded in the general ledger account number range 6000000000 through 6999999999 along with operating transfers and prior period adjustments.

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

Prior Period Adjustments

Prior Period Adjustments are the net effect of changes resulting from the correction of errors which occurred in prior fiscal years. No Prior Period Adjustment shall be recorded by an agency without prior authorization from DFA-OA.

Prior period adjustments are recorded in the general ledger account number range 6000000000 through 6999999999 along with operating transfers and other financing sources/uses.

All Prior Period Adjustment accounts are non-budget relevant.

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

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

P2-19-4-518 Journal Entries

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

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



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

- 1. Coded accurately.*
- 2. Fully substantiated with the reason for processing a request clearly identified by the supporting documentation. This could include correspondence, notes, copies of documents, working papers detailing the basis of any calculations, the source of supporting data, and the name of the preparer of the calculations. Retain supporting documentation for audit verification and review.*
- 3. Explained clearly on the journal entry document. The text field in AASIS is approximately fifty (50) characters long on each line. Double click on the text field if more room is needed to ensure that each journal entry contains a description that is clear, concise, and logical to readers of general ledger reports.*

PLEASE NOTE: *Once a journal entry is parked/posted, documentation or notes can be attached/added by using the Service Relationship/Att. Icon.*

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

PLEASE NOTE: *The CFO or his designee shall give written approval for the use of journal entries to record anything other than a summarized monthly recording of cash receipts or commercial bank activity.*

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

Expense Error Corrections

Expense error correction should be recorded within 30 days of the determination of an error in the recording of an expense.

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

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

Certain restrictions apply to Expense Error Corrections:

- No prior fiscal year expenses may be corrected through an Expense Error Correction.*
- Expense Error Corrections cannot be made between funds held at the Treasurer of State and a cash fund held outside of the Treasury.*



- *Expense Error Corrections cannot be made between Treasury appropriations and cash appropriations held in commercial bank accounts outside of the Treasury.*
- *Expense Error Corrections that cross business areas cannot be parked by agency personnel. Errors of this type must be handled on a case-by-case basis by DFA-OA.*

Error corrections within the same fund, funds center and commitment item

If the correction is only a reclassification of general ledger expense accounts or cost center and the expense accounts have the same commitment item (character code), fund and funds center (appropriation), a two-sided journal entry is needed. Debit the correct general ledger expense account and credit the incorrect general ledger expense account. This posts the expense to the correct general ledger account/internal order/WBS element and deducts the expense from the wrong general ledger account/internal order/WBS element without expensing the item a second time and overstating the business area's expenses. There is no funds transfer generated. The affected business area may park and post this type of expense error correction.

Error corrections crossing commitment items within the same funds/funds center

For expense error corrections where ONLY the commitment item is changing (the fund and funds center remain the same), a two-sided entry is all that is needed between the two expense general ledger codes. These types of error corrections must be posted by DFA-OA so that they can be sent to the Auditor of State to ensure the appropriation totals between the two systems are always in balance.

Error corrections from one Fund and Funds Center to another Fund and Funds Center

If the expense to be corrected is incorrectly posted to an inappropriate fund, funds center (appropriation) and/or commitment item (character code), a four-sided entry is needed. These expense error corrections involve funds center (appropriation) restoration and must be posted and sent to the Auditor of the State by DFA-OA. The first two sides of the entry debit the correct general ledger expense account and cost center/fund/funds center (appropriation) combination and credit the incorrect general ledger expense account and cost center/fund/funds center (appropriation) combination. The last two sides of the entry reduce cash in the fund that should have paid the expense and restores cash in the fund that incorrectly paid the expense.

See: Expense Error Correction Request

Elements needed for the journal entries are:

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

The transaction to process error corrections is FB50. The document generated by this transaction must be parked. The document is not complete when parked, and the current appropriation amounts will not be updated until the document is approved and posted. After



parking the expense error correction documents, the agency must notify DFA-OA – Appropriation Section via e-mail with the parked document number.

Service Bureau agencies should complete the “Expense Error Correction Request” Form and submit it to DFA-OA. DFA-OA will enter and park the document and then email DFA-OA – Appropriation Section.

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

Expense Error Correction Matrix

	Changes fund	Does not change fund	Changes funds center (same fund)	Changes funds center (different fund)	Add or change WBS Element or Internal Order (same fund)	Changes Commitment Item (same fund)	Changes Commitment Item (different fund)
Two-line journal entry - parked and posted by agency Example: Debit Expense Credit Expense	Do not use	Use	Do not use	Do not use	Use	Do not use	Do not use
Two-line journal entry - parked by agency, posted by DFA – OA Example: Debit Expense Credit Expense	Do not use	Do not use	Use	Do not use	Do not use	Use	Do not use
Four-line journal entry – parked by agency, posted by DFA – OA Example: Debit1100001006 Credit Expense Debit Expense Credit1100001005	Use	Do not use	Do not use	Use	Do not use	Do not use	Use

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

- (a) After the General Assembly has enacted the various appropriation measures for the support and operation of state government and its agencies, the Chief Fiscal Officer of the State shall prepare a complete code manual setting out all of the appropriations of the General Assembly, the purpose of the appropriations and the funds, fund accounts, or accounts from which the



appropriations are made and shall classify them in accordance with the titles and definitions as enumerated in this chapter.

- (b) After establishing the appropriation items and classifying them under the provisions of this chapter in strict conformity to the intent and purposes of the appropriation acts and within the limitations of the revenues and funds available for these purposes, it shall then be unlawful for the Chief Fiscal Officer of the State or any disbursing officer of any state agency to transfer from an appropriation item, the purpose of which is defined under the provisions of this chapter, to any other appropriation item of a different classification and purpose as defined in this subchapter except when permitted by law.

History: Acts of 1973, Act 876, § 12; Acts of 2001, Act 221, § 4; Acts of 2003, Act 1463; Acts of 2005, Act 237; A.S.A. 1947, § 13-338

19-4-520 – Classification of appropriations

- (a)
 - (1) For the purpose of establishing the proper accounts, for budgetary control, for accounting, and for other provisions of this chapter, the appropriations of the General Assembly shall be classified under one (1) or more of the classifications prescribed in §§ 19-4-521--19-4-525.
 - (2) The purposes for which these appropriations may be used are defined as prescribed in §§ 19-4-521--19-4-525, but not necessarily limited thereto.
- (b) However, the state's financial management system may invoke additional budget control using features of the system that are in addition to the appropriations of the General Assembly.

History: Acts of 1973, Act 876, § 12; Acts of 1977, Act 813, § 1; Acts of 1979, Act 833, §§ 1, 2; Acts of 1981, Act 741, § 1; Acts of 1981, Act 924, § 1; Acts of 1983, Act 628, § 1; Acts of 1985, Act 365, §§ 2, 3, 12; Acts of 2001, Act 1453, § 9; A.S.A. 1947, § 13-338

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:

- (1) **REGULAR SALARIES.** This subclassification shall be applicable to all salaries and compensation, except as provided in this section, for state employees when the number of employees and maximum amounts of compensation are statutorily authorized as provided by Arkansas Constitution, Article 16, § 4, irrespective of the financial resources compensating such employees within this subclassification and when the method of salary disbursing of the institutions of higher education involves payment from state agency bank funds of the institution, subject to reimbursement to the institution for such amounts as are properly payable from funds in the State Treasury. However, the state's financial management system may include in the subclassification of regular salaries the following:



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

- (i) Physicians who are certified by the American specialty boards, at a rate of pay not to exceed four thousand five hundred dollars (\$4,500) per fiscal year;
- (ii) Physicians who are eligible to be certified by the American specialty boards, at a rate of pay not to exceed two thousand five hundred dollars (\$2,500) per fiscal year; and
- (iii) Physicians certified in child psychiatry or forensic psychiatry, an additional two thousand five hundred dollars (\$2,500) per fiscal year will be allowed with the total additional compensation not to exceed seven thousand dollars (\$7,000) per fiscal year;

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

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

(2) EXTRA HELP

(A) This subclassification shall be used for payment of all salaries and compensation of part-time or temporary employees, as authorized by law, who are employed one thousand five hundred (1,500) hours per fiscal year or less.

(B) This subclassification may be used to pay part-time or temporary employees who are employed for more than one thousand five hundred (1,500) hours per fiscal year if specific authorization is provided by law and if such use is within standards established by the Secretary of the Department of Finance and Administration.

(C) In no case shall any extra-help funds be used for the purposes of paying additional compensation to a full-time state employee.

(D) "State employee" means any employee occupying a regular salaried position for a state agency, board, commission, department, or institution of higher education;

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

(4) PERSONAL SERVICES MATCHING

(A) This subclassification shall represent 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:



- (i) Social Security;
- (ii) Retirement;
- (iii) Group employee insurance programs;
- (iv) Workers' compensation;
- (v) Unemployment compensation contributions; and
- (vi) A state contribution for state employee retirees who are eligible to participate in the health and life insurance programs offered by the state as defined by § 21-5-411 and as authorized by the Chief Fiscal Officer of the State.

(B) The Chief Fiscal Officer of the State may make appropriate reclassifications of the state agency's appropriation for maintenance and general operation to effect the payment of personal services matching as described in this section.

History: Acts of 1973, Act 876, § 12; Acts of 1977, Act 813, § 1; Acts of 1979, Act 833, §§ 1, 2; Acts of 1981, Act 741, § 1; Acts of 1981, Act 924, § 1; Acts of 1983, Act 628, § 1; Acts of 1985, Act 365, §§ 2, 3, 12; Acts of 1987, Act 646, § 1; Acts of 1999, Act 1280, § 11; Acts of 2001, Act 1453, § 10; Acts of 2005, Act 251, § 2; Acts of 2017, Act 365, § 2; Acts of 2019, Act 910, § 3453; A.S.A. 1947, § 13-338

19-4-522 – Classification of operating expenses

- (a) 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, except as otherwise classified in this subchapter.
- (b) It is recognized that in those instances where the maintenance and general operation line-item classification is not subclassified, the state agency is authorized to expend moneys for operations in compliance with the intent of this subchapter.
- (c) In the event an appropriation for maintenance and general operation authorized for a state agency, board, department, or institution is restricted in its use by budget classification as set out in subsection (d) of this section, transfers between such classifications may be made subject to the procedures set out as follows:
 - (1) In the event the amount of any of the budget classifications of maintenance and general operation in an agency's appropriation act are found by the administrative head of the agency to be inadequate, then the agency head may request, upon forms provided for such purpose by the Chief Fiscal Officer of the State, a modification of the amounts of the budget classification. In that event, he or she shall set out on the forms the particular classifications for which he or she is requesting an increase or decrease, the amounts thereof, and his or her reasons therefor. In no event shall the total amount of the budget exceed either the amount of the appropriation or the amount of the funds available, nor shall any transfer be made from the capital outlay or data processing subclassification unless specific authority for such transfers is provided by law, except for transfers from capital outlay to data processing when determined by the Division of Information Systems that data processing



services for a state agency can be performed on a more cost-efficient basis by the division than through the purchase of data processing equipment by that state agency;

- (2) In considering the proposed modification as prepared and submitted by each state agency, the Chief Fiscal Officer of the State shall make such studies as he or she deems necessary. If the requested transfer would, when added to other transfers previously approved during the fiscal year for the same classification with the same appropriation, result in a deviation of any kind in the affected classifications of less than five percent (5%) up to a maximum of two thousand five hundred dollars (\$2,500) from the classifications established by law, the Chief Fiscal Officer of the State shall approve the requested transfer if in his or her opinion it is in the best interest of the state. If the requested transfer would, when added to other transfers previously approved during the fiscal year for the same classification within the same appropriation, result in a deviation of five percent (5%) or more, or more than two thousand five hundred dollars (\$2,500), the Chief Fiscal Officer of the State shall submit the request, along with his or her recommendation, to the Legislative Council for its advice prior to approving the request; and
 - (3) In the event any state agency shall expend or obligate any approved budget in excess of the maximum classification, the Chief Fiscal Officer of the State shall study the reasons for such excess expenditures and shall take immediate steps to correct such excess spending as he or she deems necessary after notification of such actions has been sent to the Legislative Council.
- (d) Maintenance and general operation may be further categorized into the following subclassifications and the expenses thereof to be used according to the subclassification:
- (1) OPERATING EXPENSES. This subclassification shall entail the following, but not necessarily be limited thereto:
 - (A) Postage, telephone, and telegraph;
 - (B) Transportation of commodities or objects;
 - (C) Printing;
 - (D) State-owned motor vehicle expenses;
 - (E) Advertising;
 - (F) Minor and major repairs;
 - (G) Maintenance contracts;
 - (H) Utilities and fuel;
 - (I) Insurance premiums, surety and performance bonds, and association dues and memberships;



- (J) Contractual services not otherwise classified;
- (K) Consumable supplies, materials, and commodities;
- (L) Books, publications, and newspapers;
- (M) Court costs;
- (N) Equipment not capitalized;
- (O) Applicable petty cash reimbursements, laundry, and taxes;
- (P) Travel, subsistence, meals, lodging, transportation of state employees or officials, and nonstate employees traveling on official business;
- (Q)
 - (i) Uniforms the agency requires its employees to wear as part of the job.
 - (ii) Clothing items purchased for its employees and not required to be worn during working hours, or which are purchased for the promotion of the agency, shall not be subclassified as an operating expense;
- (R) Such other items of operating expense as shall be provided by the appropriation act or under reasonable rules and procedures issued by the Chief Fiscal Officer of the State; and
- (S) Debt service on equipment or measures required by a guaranteed energy cost savings contract executed under the Guaranteed Energy Cost Savings Act, § 19-11-1201 et seq., or an energy efficiency project financed under the State Entity Energy Efficiency Project Bond Act, § 15-5-1801 et seq.;

(2) CONFERENCE AND TRAVEL EXPENSES. This subclassification shall include:

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

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

(4) CAPITAL OUTLAY. This subclassification is to include the following expenses, but is not necessarily limited thereto by virtue of other classifications recognized by this subchapter:

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



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

(5) DATA PROCESSING. This subclassification includes purchase of data processing services from the division, or others, and other expenses that are not necessarily classified elsewhere in this section by virtue of the appropriation based upon budgets presented for consideration.

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

History: Acts of 1973, Act 876, § 12; Acts of 1977, Act 813, § 1; Acts of 1979, Act 833, §§ 1, 2; Acts of 1981, Act 741, § 1; Acts of 1981, Act 924, § 1; Acts of 1983, Act 628, § 1; Acts of 1985, Act 365, §§ 2, 3, 12; Acts of 1987, Act 646, § 2; Acts of 1997, Act 342, § 40; Acts of 1997, Act 1211, § 29; Acts of 2001, Act 163, § 1; Acts of 2001, Act 1453, § 11; Acts of 2013, Act 554, § 1; Acts of 2013, Act 1252, § 5; Acts of 2019, Act 910, §§ 6080, 6081; Acts of 2019, Act 315, § 1710; A.S.A. 1947, § 13-338

P1-19-4-522 Continuing Professional Education

Continuing Professional Education – For the efficiency and effective operations of the agency, a division at their discretion may pay for continuing professional education for their employees as long as the courses do not lead to a degree.

P2-19-4-522 Consumable Inventories

Agencies maintaining consumable supplies and/or merchandise inventories must maintain proper inventory control. Proper inventory control involves keeping track of the number of inventory items and clearly accounting for the monetary value of inventory transactions and balances.

Departments must use either a perpetual or periodic inventory tracking method to maintain all merchandise and consumable inventories. Departments must complete a physical inventory count at least annually. The agency must use inventory count sheets that include:

- *individual inventory items,*
- *quantity physically counted,*
- *cost for each individual item,*
- *extended value of each item (cost per item times physical quantity on hand), and*
- *combined total balance for all extended inventory values.*

Inventories for which the aggregate inventory value is less than \$1,000 are exempt from the requirement for an annual physical inventory count.



19-4-523 – Applicability to certain aid

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

History: Acts of 1973, Act 876, § 12; Acts of 1977, Act 813, § 1; Acts of 1979, Act 833, §§ 1, 2; Acts of 1981, Act 741, § 1; Acts of 1981, Act 924, § 1; Acts of 1983, Act 628, § 1; Acts of 1985, Act 365, §§ 2, 3, 12; A.S.A. 1947, § 13-338

19-4-524 – Construction and permanent improvements

(a) 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 therewith shall be deemed to be part of the construction costs. Such items of expense shall be deemed to include, but are not necessarily limited to, the following:

(1) Advertising for bids;

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

(3) The payment of estimates on the various contracts in connection with such construction programs. All construction and improvements of whatever nature shall be subject to the provisions of §§ 19-4-1401--19-4-1412 and to the rules promulgated by the Chief Fiscal Officer of the State. No state agency for which appropriations have been made by the General Assembly for construction or improvements shall make any contract or incur any indebtedness payable from such appropriations unless and until there are sufficient funds on hand, for the benefit of any agency, to pay for the proposed obligations under such contracts. However, any such agency shall have the power to accept and use grants and donations and to use its unobligated cash income or other funds available to it for the purpose of supplementing the appropriations for construction purposes. The appropriations and funds otherwise provided by the General Assembly for personal services, maintenance, and general operation of the agency shall not be used in connection with any proposed construction projects for which specific appropriations have been made by the General Assembly, except for minor repairs and maintenance.

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



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

History: Acts of 1973, Act 876, § 12; Acts of 1977, Act 813, § 1; Acts of 1979, Act 833, §§ 1, 2; Acts of 1981, Act 741, § 1; Acts of 1981, Act 924, § 1; Acts of 1983, Act 628, § 1; Acts of 1985, Act 365, §§ 2, 3, 12; Acts of 2001, Act 1453, § 12; Acts of 2019, Act 315, § 1711; A.S.A. 1947, § 13-338

R1-19-4-524 Construction and Permanent Improvements

The DTSS – Division of Building Authority as established to oversee and manage capital improvements, real estate transfers and leases. DTSS – Division of Building Authority has established policies and guidelines governing the acquisition, construction, equipping, maintenance and operation of public buildings and other real property. The Boards of Trustees of the University of Arkansas, Arkansas State University, University of Central Arkansas, Henderson State University, Arkansas Tech University, Southern Arkansas University and other governing boards of public institutions of higher education with the approval of the Division of Higher Education, as well as the State Highway Commission, are not required to obtain approval or any other form of advice for projects from Division of Building Authority (DBA). All other agencies should refer to DBA policies and procedures in addition to the guidelines provided herein. The DBA policies and procedures, known collectively as Minimum Standards and Criteria, are located on DBA's [website](#)²¹. (Ark. Code Ann. §§ 22-2-101 – 22-2-121, Ark. Code Ann. § 6-62-302)

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

Construction Approved by the General Assembly (During Session)

All state agencies, except the Arkansas Department of Transportation, must submit a Method of Financing (MOF), F1-19-4-524, to the DFA-OA – Funds Group before entering into any contract or making any commitment of funds against a construction and permanent improvements appropriation. (Ark. Code Ann. § 19-4-1403, Ark. Code Ann. § 19-4-1407, Ark. Code Ann. § 22-2-102)

Construction Not Approved by the General Assembly (Between Sessions)

If prior legislative authorization has not been received and a state agency, excluding the Arkansas Department of Transportation, desires to make a capital expenditure for construction and/or acquisition of lands, buildings, structures, utility systems or similar facilities between

²¹ <http://dba.arkansas.gov/>



sessions of the General Assembly, the agency must submit a request for such expenditure to the Chief Fiscal Officer of the State. The request must include a MOF Form. The request shall be reviewed for approval by the Chief Fiscal Officer of the State. Project requests \$250,000 or less may be reviewed by the Governor. Project requests in excess of \$250,000 require the Chief Fiscal Officer to submit the MOF to the Legislative Council for its review. Upon favorable review, the requesting agency may proceed with the capital expenditure. (Ark. Code Ann. § 19-4-1407, Ark. Code Ann. § 22-9-103, Ark. Code Ann. § 22-9-104)

MOF Processing

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

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

Processing of Payments

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

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

- Architect or other design professional – Five (5) working days
- State agency or institution of higher education exempt from DBA review & approval – Five (5) working days
- Department of Finance and Administration — Five (5) working days

Each of the parties above is to make a notation on the request for payment completed to indicate the date and time of receipt as well as a notation to indicate the date and time of forwarding for further processing to aid in the investigation of delays in processing, if necessary. In the event that a delay occurs during payment processing, the agency where the delay occurs is responsible for notifying the contractor that payment has been delayed and the related reasons. If the delay is attributable to one of the parties listed above, a penalty of 8% per annum of the amount of the request for payment shall be assessed against the parties responsible for the delay. The Chief Fiscal Officer of the State shall direct such payment rendered to the contractor. (Ark. Code Ann. § 19-4-1411)



Retainage on Public Construction Contracts

An invoice for payment must include the total amount of the estimated completed project to date less total previous payments. The contractor is entitled to 95% of the progress payment when due. The remaining 5% is held by the state agency to assure faithful performance of the contract. Because the retainage is not applicable to those materials and/or equipment required by the construction contract to be stored on the job site or in a bonded warehouse, the invoice for payment must provide enough detail to identify the portion of the payment attributable to such materials and/or equipment from the balance of the invoice total.

A state agency may forego withholding retainage of the progress payments if both the design professional and the state agency agree that (a) the construction contract is 50% complete and (b) the contractor has provided the work in a satisfactory manner.

In the case of a construction subcontract entered into between a contractor for a state agency and a subcontractor who is required by the contractor to furnish a performance and payment bond, the subcontractor is entitled to 95% of the progress payment with the remaining 5% being held by the contractor to assure faithful performance of the contract. (Ark. Code Ann. § 22-9-604)

Upon completion of a contract, the originating agency will notify DFA-OA-Funds Group of the conclusion of the contract; no further expenditures or obligations will be incurred, and all unexpended or unobligated funds will be blocked. Within thirty (30) days after the contract has been substantially completed, the portion of the progress payments withheld by the state agency for retainage shall be paid to the contractor. (Ark. Code Ann. §§ 22-9-601 – 22-9-604, Ark. Code Ann. § 19-4-1410)

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

Recording

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

19-4-525 – Special appropriations – Specific use

- (a) All other appropriations made by the General Assembly which do not come under any of the classifications mentioned in this section shall be considered to be special appropriations and shall be used only for the specific purposes for which such appropriations are made. Except as otherwise provided by law, an agency receiving a special appropriation may not expend funds from any appropriation other than from the special appropriation for the special purpose covered



by the special appropriation. However, the state's financial management system may invoke additional budget control using features of the system that are in addition to the appropriations of the General Assembly.

- (b) In order to allow for full disclosure of investment transactions, to make available special reports on investment transactions, and to isolate investment expenditures from normal expenditures, the Chief Fiscal Officer of the State is authorized to establish separate appropriation codes for investments and to transfer to such appropriations from the investment line item as established in the agency appropriation acts.
- (c)
 - (1)
 - (A) An agency may request a special appropriation for promotional items by submitting a written request to the Chief Fiscal Officer of the State.
 - (B) A written request for a special appropriation under subdivision (c)(1)(A) of this section shall:
 - (i) Specify the amount of the requested special appropriation, the authorized appropriation section for the requested special appropriation, and the funding source to be used for the requested special appropriation; and
 - (ii) Provide a brief description of the type of promotional items to be purchased and the purpose for which the promotional items will be used.
 - (2)
 - (A) Except as provided in subdivision (c)(2)(B) of this section, the Chief Fiscal Officer of the State may approve only up to five thousand dollars (\$5,000) in cumulative written requests per agency under this subsection each fiscal year.
 - (B) A single written request for a special appropriation under this subsection that exceeds the limit specified in subdivision (c)(2)(A) of this section or a written request for a special appropriation under this subsection that, if approved, would result in the cumulative amount of approved written requests under this subsection exceeding the limit stated in subdivision (c)(2)(A) of this section shall be submitted to the Legislative Council or, if the General Assembly is in session, the Joint Budget Committee, for review before the Chief Fiscal Officer of the State may approve the written request.
- (3) Upon approving a written request for a special appropriation under this subsection, the Chief Fiscal Officer of the State shall create a new line item for promotional items for the agency making the request and shall cause a transfer of the approved amount from the requesting agency's operating expenses to the requesting agency's promotional items line item.

History: Acts of 1973, Act 876, § 12; Acts of 1977, Act 813, § 1; Acts of 1979, Act 833, §§ 1, 2; Acts of 1981, Act 741, § 1; Acts of 1981, Act 924, § 1; Acts of 1983, Act 628, § 1; Acts of 1985, Act 365, §§ 2, 3, 12; Acts of 2001, Act 1453, § 13; Acts of 2021, Act 664; A.S.A. 1947, § 13-338



19-4-527 – Accounting of reconciling items

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

History: Acts of 1983, Act 702, §§ 1, 2; A.S.A. 1947, § 13-338.4

Subchapter 6 – Annual Operations Plans of State Agencies

19-4-601 – State agency authority

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

History: Acts of 1973, Act 876, § 9; A.S.A. 1947, § 13-335

P1-19-4-601 Appropriations

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

The funds center cycle is summarized as follows:

- *The business area (state agency) prepares the initial biennial budget request in the State's Budget System.*
- *The DFA-OB and the DTSS-OPM – Classification and Compensation Division review the request and assist the business area in its preparation.*
- *Budget requests are presented to the Governor or Governor-Elect for review and recommendations.*
- *Budget requests with the executive recommendations are presented to the Legislative Council/Joint Budget Committee for recommendation or referral to a sub-committee.*
- *Legislative recommendations are entered into the State's Budget System by the DFA-OB and DTSS-OPM – Classification and Compensation Division and transmitted to the Bureau of Legislative Research to draft appropriation bills.*



- *The appropriation bill is presented to the General Assembly and can be amended while under consideration.*
- *The Joint Budget Committee reviews all appropriation bills as introduced and takes one of the following actions: pass, hold or refer to committee.*
- *If the appropriation bill is passed by the General Assembly, it goes to the Governor for approval or veto. If approved, the bill becomes law. The Governor's Office sends signed bills to the Secretary of State where Act numbers are assigned.*
- *If either the General Assembly or the Governor rejects the appropriation bill, it may be amended and resubmitted or a new bill may be drafted if the deadline for filing appropriation bills has not passed.*

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

Fiscal Controls

Ark. Code Ann. § 19-4-608 establishes fiscal controls to prevent deficit spending each fiscal year. Each business area shall prepare an annual operations plan which contains proposed expenditures and anticipated resources on a periodic basis for the ensuing year. Agencies which receive general revenue must prepare a quarterly operations plan. Other agencies may prepare an operations plan for any given period (monthly, quarterly, or annually). Prior to the beginning of each fiscal year, the Chief Fiscal Officer of the State provides an estimate of the general revenue funding available for each business area. When the "General Revenue Forecast" is revised, the Chief Fiscal Officer of the State will announce the new forecast and provide, by letter, notification to all business areas which receive General Revenue. The actual notification for the business areas will be prepared and distributed by the DFA-OB. A change in the "General Revenue Forecast" could be an increase or a decrease. The business areas will then provide by letter, worksheet or e-mail the adjustments for their annual operations plan using the Budget Quad coding structure (fund, funds center, commitment item, functional area) to the agency's assigned Budget Analyst in the DFA-OB. Business areas also must include new or revised Certifications of Income to inform the DFA-OB of the amount of revenue that is expected to be collected by the business area. The available funds center will be adjusted to the level of expected revenue.

Funds Management – Budget Structure (Quad)

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

- *Funds Center – represents the purpose authorized in the appropriation act and establishes budget control.*
 - *Funds centers may be further divided into sub-funds centers. The appropriation acts will authorize non-spendable commitment items for some business areas. Special non-spendable commitment items are broken down to sub-funds*



center/sub-appropriation. A sub-funds center/sub-appropriation is established to transfer budget from the special commitment item to a spendable commitment item. The sub-funds center is used to ensure that the amounts transferred to the spendable commitment items are adequately tracked and are not commingled with the amounts originally appropriated in the spendable commitment items. The funds center is hierarchical in structure.

- The funds center account code is currently a three-digit alpha/numeric, numeric, or numeric/alpha code, which identifies a business area's authority to disburse funds. An alpha/numeric code reflects a cash/bank funds center/appropriation (A01). Numeric and numeric/alpha codes reflect a funds center/appropriation in which the funds are deposited in the State Treasury (001, 1AA). A sub-funds center is the same numeric or numeric/alpha code with a fourth alpha character (001M).
- **Commitment Item** – represents the funds center/appropriation breakdown by line-item detail.
 - This level is where the funds center is classified in accordance with the expenditure breakdown in Ark. Code Ann. §§ 19-4-521 through 19-4-525. Expenditure commitment items begin with the number 5. The first three digits of the commitment item usually correlate to the first three digits of the general ledger account. The last two numbers of the commitment item reflect the existing classification such as salaries or operating expenses. The commitment item is a seven-digit numeric code. The commitment item is determined by the general ledger account. Transaction S_KI4_38000036 provides a list of all general ledger accounts along with the assigned commitment items.
- **Fund** – represents cash/bank and Treasury funds as outlined in the Funds Group located at P1-19-5-101.
 - A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.
- **Functional Area** – groups business areas by activity.
 - Each business area is assigned to a functional area. These functional areas are:
 - ADMN Financial/Administrative/Internal Services
 - CCOL Community Colleges
 - CNST Constitutional/Judicial
 - COMM Commerce Promotion/Regulation
 - EDUC Public Education
 - HHS Health/Human Services
 - PROF Professional/Service Boards/Commissions
 - REC Recreation/Humanities
 - RETR Government Retirement Systems
 - SFTY Public Safety/Corrections
 - TCOL Technical Colleges
 - TRAN Highway/Transportation



- UNIV Universities
- VTCH Vocational Technical Institutes
- For ACFR reporting purposes, a slightly different set of functional areas are used. These functional areas are:
 - Education
 - Health and human services
 - Transportation
 - Law, justice, and public safety
 - Recreation and tourism
 - General government
 - Commerce
 - Resource development
 - Debt service
 - Capital outlay

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

Commitment Items Transfers and Increases

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

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

Blocked or Inactive Funds Centers

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

- Lack of funding.
- Business area discretion.

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

Cost Objects

Cost objects (WBS Elements, Internal Orders and Cost Centers) are used in the controlling module of AASIS to monitor actual transactions against planned revenues and expenditures in detail using cost elements (general ledger accounts). A cost element (general ledger account)



cannot be assigned to more than one commitment item (referred to as character code in the previous accounting system). However, many general ledger accounts can be assigned to a single commitment item. With the general ledger account being assigned to the commitment item master record, a system user does not have to decide which account should be used with which commitment item during a transaction posting.

- With Transformation, cost centers being used at the cabinet level were increased to ten (10) digits, with the leading four (4) digits representing an alpha assigned to the Cabinet Level (A – P) and the Cabinet business area (minus the leading 9). For example: the new numbering convention for the Department of Public Safety became M913. The Crime Victims Reparation Board moved from the Office of the Attorney General to DPS and their existing cost center 124305 became M913124305.

The following rules apply to cost objects:

- Each fund/funds center must be represented by at least one unique cost object.
- Many cost objects can be assigned to one fund/funds center. For example, cost centers 123000, 124000 and 125000 can all be assigned to fund HSC1111 and funds center 1AA. A cost object cannot be assigned to more than one fund/funds center. So as noted in the example above, cost centers 123000, 124000 and 125000 can only be assigned to fund HSC1111 and funds center 1AA.
- WBS elements are used to account for revenues and expenditures for grants received by the State without the creation of additional funds or cost centers. The system also makes it possible to record expenditures on construction projects in accordance with their legislative approved budget if appropriated and to capitalize the related costs for reporting in conformity with generally accepted accounting principles. These may be either statistical or non-statistical in nature. If a WBS element is statistical (informational only, does not have a funds management assignment), budget is reduced based upon the cost center associated with the transaction. A non-statistical WBS element (has a funds management assignment) reduces budget based upon the fund and the funds center assigned to the WBS element. Generally, WBS elements used to account for grant activity are statistical, and non-statistical WBS elements are used with construction projects.
- Internal orders are used for unique situations to an agency such as recording training costs for individual classes or for accumulating data for cost allocation purposes. All internal orders are statistical.

Cost centers record revenues and expenditures associated with the agency's management structure. Cost centers cannot be statistical. The fund/funds center is derived automatically when a user enters a cost center. The use of an Internal Order or Statistical WBS Element will not override the cost center. In the event a non-statistical WBS element is used in conjunction with a cost center, the WBS element fund/funds center assignment will override the cost center fund/funds center assignment.

Budget Transfers and Adjustments

Changes in operating conditions may result in the need to adjust the original budget. Appropriation transfers are used to move budget between funds centers, commitment items, funds, and functional area. Maintaining the budget includes executing and controlling the budget



to prevent deficit spending. Generally, appropriation transfers require special language authorization usually contained in the agency's appropriation act. This special language will either give the Chief Fiscal Officer of the State or the Arkansas Legislative Council authority to review a transfer. If the Arkansas Legislative Council is identified as the authorizing agent in the act, the Performance and Evaluation and Expenditure Review Committee (PEER) must review the transfer when a legislative session is not in progress. In the event that a legislative session is in progress, the Joint Budget Committee must review the transfer.

Certain transfers can be approved by the Chief Fiscal Officer of the State. These types of transfers consist of contingency transfers for Institutions of Higher Education and Budget Classification Transfers as specified in Ark. Code Ann. § 19-4-522 which meet the 5% or \$2,500 rule (These are transfers that do not exceed 5% of the affected maintenance and operation commitment items, up to a maximum of \$2,500. The \$2,500 limit is cumulative by appropriation per fiscal year). For these types of transfers, budget changes are entered and parked by agency personnel using transaction FMBB (Budgeting Workbench). Agencies shall then contact the DFA-OB with the parked document numbers. The assigned Budget Analyst will review and, if approved, transmit the document number to the DFA-OA – Funds/Appropriation Manager for final approval and posting at which point the budget is updated.

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

Budget Reservation

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

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

19-4-602 – Approval for certain actions

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

History: Acts of 1973, Act 876, § 9; A.S.A. 1947, § 13-335



19-4-603 – Certain appropriations excluded

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

History: Acts of 1973, Act 876, § 11; A.S.A. 1947, § 13-337

19-4-604 – State-supported educational institutions

- (a) At least thirty (30) days prior to the commencing of each fiscal year, the Chief Fiscal Officer of the State shall make studies for the purpose of estimating the anticipated amounts of general revenues to be available for distributions under the provisions of the Revenue Stabilization Law, § 19-5-101 et seq., for the fiscal year. The Chief Fiscal Officer of the State shall compute the estimated amounts of general revenues to be available for allocation to the respective State Treasury accounts in accordance with their percentage distributions of general revenues under the provisions of the Revenue Stabilization Law, § 19-5-101 et seq.
- (b) The Chief Fiscal Officer of the State shall certify to each of the respective state-supported institutions of higher education, at least thirty (30) days prior to the commencement of each fiscal year, the estimated amounts of general revenues to be available for distribution to the State Treasury account for their respective institutions. The Chief Fiscal Officer of the State shall include in each certification the quarterly allocations thereof that are estimated to be available for expenditures based upon these estimates.
- (c) Upon receipt of the estimated amounts to be available for expenditure and after reviewing the quarterly allocation thereof as submitted by the Chief Fiscal Officer of the State, any such institution may request revisions in the proposed quarterly allotments as certified by the Chief Fiscal Officer of the State.
- (d) The Chief Fiscal Officer of the State, with the advice and consent of the Division of Higher Education, shall approve requested revisions in the proposed quarterly allotments if he or she shall determine that:
 - (1) The proposed revisions in quarterly allotments do not exceed the aggregate of the estimated funds to be available from estimates of anticipated revenues and fund balances in the institution's account in the State Treasury for the fiscal year; and
 - (2) The revised quarterly allotments will not impose an undue hardship upon other allotments of revenues and other financial commitments to be met from the distributions of general revenues during the fiscal year.
- (e) The Chief Fiscal Officer of the State shall periodically review the estimates of projected general revenue collections anticipated to be available during a fiscal year. The Chief Fiscal Officer of the State may make revisions in the amounts certified to the respective institutions of higher education based upon these estimates and may revise the quarterly amounts certified to each agency based upon the revised estimates.



- (f) Institutions of higher education may, from time to time, request revisions in the quarterly allotments of moneys where needs of the institution require revisions thereof.
- (g) Any unexpended balances remaining at the end of each fiscal year shall be transferred forward and made available for the support of the institutions of higher education for the following fiscal year.
- (h) The budget execution provisions set forth in this section shall be applicable to all state-supported institutions of higher education, and except for the annual fiscal program requirements, the provisions of §§ 19-4-601, 19-4-602, and 19-4-607--19-4-609 shall not apply to these institutions; they shall be governed by the provisions of this section and by procedures established under authority of § 6-61-209.
- (i) The division shall coordinate with the Chief Fiscal Officer of the State for administering the provisions of this section.

History: Acts of 1973, Act 876, § 11; Acts of 1977, Act 486, § 1; Acts of 1995, Act 1296, § 69; Acts of 2019, Act 910, §§ 2253, 2254; A.S.A. 1947, § 13-337

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

- (a) Each state agency other than the elected constitutional officers, the legislative branch and its staff offices, the judicial branch and its staff offices, the Arkansas Department of Transportation, the Office of the Arkansas Lottery, the state-supported institutions of higher education, and the Arkansas State Game and Fish Commission shall prepare an annual operations plan for the operation of each of its assigned programs for submission to the Chief Fiscal Officer of the State.
- (b) The annual operations plan shall be prepared in the form and content determined by the Chief Fiscal Officer of the State and shall be transmitted to the Department of Finance and Administration on the date prescribed by the Chief Fiscal Officer of the State.
- (c) In years when the General Assembly meets in regular session, the annual operations plan shall be prepared after adjournment of the regular session and shall take fully into consideration all applicable laws, including appropriations, and shall be submitted to the Department of Finance and Administration on a date set by the Chief Fiscal Officer of the State but prior to July 1 of that year.
- (d) The Chief Fiscal Officer of the State shall:
 - (1) Review each annual operations plan to determine that:
 - (A) It is consistent with the policy decisions of the General Assembly and the Governor;
 - (B) Appropriations and funding have been provided by the General Assembly;
 - (C) It reflects proper planning and efficient management methods; and



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

(2)

(A)

- (i) Approve the annual operations plan if he or she is satisfied that it meets all requirements.
- (ii) Otherwise, he or she shall require necessary revisions of the plan in whole or in part.

(B) However, nothing in this section shall be construed to allow the Chief Fiscal Officer of the State to substitute his or her individual judgment as to the operation or necessity of any program of any state agency for the judgment of the executive head or board or commission charged with the responsibility for the operation and control of that agency.

(e) Each annual operations plan shall indicate:

- (1) The appropriation and funding provided by the General Assembly;
- (2) A detailed budget by quarters; and
- (3) Any other supporting or related information required by the Chief Fiscal Officer of the State or requested by a legislative interim committee, including the Legislative Council.

History: Acts of 1973, Act 876, § 9; Acts of 1997, Act 1354, § 36; Acts of 2001, Act 221, § 3; Acts of 2009, Act 605, § 15; Acts of 2009, Act 606, § 15; Acts of 2015, Act 218, § 14; Acts of 2017, Act 707, § 43; A.S.A. 1947, § 13-335

19-4-608 – Fiscal controls

In order to provide proper fiscal controls, the Chief Fiscal Officer of the State shall assure the implementation of the procedures set out in this section:

- (1) The annual operations plan of each state agency shall contain a quarterly fiscal program indicating the proposed expenditures and anticipated resources for each quarter of the ensuing fiscal year. Anticipated resources shall be based upon forecasted resources estimated to be available by the Chief Fiscal Officer of the State. In the event a revision of forecasted resources is made during a fiscal year, those agencies affected by the revised forecast shall submit a new quarterly fiscal program based upon the revised forecast;
- (2) The Chief Fiscal Officer of the State shall review and approve the quarterly fiscal program if he or she finds that the forecasted resources will be adequate for financing the proposed program during the fiscal year and for each quarter or other appropriate period within the fiscal year;
- (3) In the event an agency incurs expenses at a level that would exceed the proposed expenditures in their quarterly fiscal program, the Chief Fiscal Officer of the State may require the submission of a revised quarterly fiscal program which reduces expenditures for the remainder of the fiscal year to a total which is within the level of the estimated resources available to the agency.



Remaining appropriations will be unavailable to the agency until the revised program has been submitted and approved; and

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

History: Acts of 1973, Act 876, § 9; Acts of 2001, Act 1453, § 14; A.S.A. 1947, § 13-335

P1-19-4-608 Agency Annual Operations Plan

Agencies must submit an Annual Operations Plan in May of each fiscal year to the DFA-OB (Ark. Code Ann. § 19-4-607). An Annual Operations Plan contains an agency's proposed expenditures and anticipated resources for the ensuing fiscal year. The Annual Operations Plan is prepared using the State's budgeting system and upon review by the DFA-OA and OB, the approved plan will be transferred into the Arkansas Administrative Statewide Information System (AASIS). Forms and instructions are available on the DFA-OB [website](#)²².

The S_ALR_87013611 Cost Centers Actual Plan Variance report in AASIS can be used to monitor and compare actual vs planned expenditures.

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

Training courseware is available at this [website](#)²³

PLEASE NOTE: Agencies that do not have access to AASIS should contact their Budget Analyst in the DFA-OB for assistance.

19-4-609 - Productivity reporting

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

²² <https://www.dfa.arkansas.gov/budget/forms/>

²³ <https://learn.tss.arkansas.gov/gm/>



- (b)
- (1) On or before the twentieth day of each month, each executive, judicial, legislative, and other state agency shall provide to the Bureau of Legislative Research the following information as of the last day of the immediately preceding month:
 - (A) The number of appropriated positions, including without limitation all positions appropriated in a state agency's current appropriation act and any additional positions approved during the interim;
 - (B) The number of temporary transition pool positions created in the interim and active for the month;
 - (C)
 - (i) The number of full-time employees, including part-time employees in full-time positions.
 - (ii) If two (2) or more part-time employees share a full-time position, only one (1) employee shall be included in the number;
 - (D) The number of vacant positions that are budgeted;
 - (E) The number of vacant positions that are unbudgeted;
 - (F) The number of appropriated extra-help positions, including without limitation all extra-help positions appropriated in a state agency's current appropriation act and any extra-help positions approved during the interim;
 - (G) The number of extra-help employees;
 - (H) The number of vacant extra-help positions;
 - (I) The total amount of overtime paid out during the month;
 - (J) The total amount of straight time paid out during the month;
 - (K) The total number of compensatory time hours taken during the month; and
 - (L) Any other information requested by the Legislative Council or, if the General Assembly is in session, the Joint Budget Committee.
 - (2) On or before the twentieth day of each month, each institution of higher education shall provide to the Bureau of Legislative Research the following information as of the last day of the immediately preceding month:
 - (A) The number of appropriated full-time positions, including without limitation all full-time positions appropriated in an institution of higher education's current appropriation act and any additional full-time positions approved during the interim, including without limitation provisional, pool, and nine-month positions;



- (B)
 - (i) The number of full-time employees regardless of funding source, including without limitation those in provisional, pool, and nine-month positions.
 - (ii) Nine-month staff and faculty who are removed from the payroll but are still considered to be employed by the institution of higher education and are assumed to return the next semester shall be included in the number during the months that they are not on the payroll;
 - (C) The number of appropriated full-time positions that are vacant;
 - (D) The number of part-time and extra-help positions that are appropriated and any additional part-time and extra-help positions approved during the interim;
 - (E)
 - (i) The number of part-time and extra-help employees, including without limitation faculty and graduate assistants.
 - (ii) Contract workers and students in work-study positions shall not be included in the number;
 - (F) The total amount of overtime paid out during the month;
 - (G) The total amount of straight time paid out during the month;
 - (H) The total number of compensatory time hours taken during the month; and
 - (I) Any other information requested by the Legislative Council or, if the General Assembly is in session, the Joint Budget Committee.
- (3) The information required under this section shall be compiled by each state agency and institution of higher education on forms developed by the Bureau of Legislative Research and submitted to the Legislative Council on a calendar-quarterly basis as two (2) separate reports:
- (A) One (1) report containing an average for each state agency for the quarter; and
 - (B) One (1) report containing an average for each institution of higher education for the quarter.
- (4) Each executive, judicial, legislative, and other state agency and each institution of higher education shall provide in the fourth quarter of each fiscal year a list of all positions vacant for at least one (1) year.

History: Acts of 1973, Act 876, § 10; Acts of 1985, Act 110, § 1; Acts of 1989, Act 183, § 1; Acts of 2005, Act 1686, § 1; Acts of 2015, Act 370, § 1; A.S.A. 1947, § 13-336



Subchapter 7 – Expenditures Generally

19-4-701 – Fiscal year, biennium commencement

- (a) For the purpose of this chapter, relating to the appropriation and disbursement of funds, the fiscal year of the state shall commence on July 1 and shall end on June 30 of the following year; and the biennial period, or “biennium”, shall commence on July 1 following the adjournment of the regular session of the General Assembly and end on June 30 two (2) years thereafter.
- (b)
 - (1) The definition of the fiscal year, for the purposes of this chapter, shall not be construed to affect special appropriations where no fiscal period is defined in the act making such special appropriation or affect the bond year for other fiscal transactions.
 - (2)
 - (A) In the case of special appropriations where the emergency clause has been adopted by the General Assembly and where no period of time is mentioned in the act making the appropriation, the appropriation shall be construed to be available for a two-year period from and after the effective date of the act.
 - (B) In the case of special appropriations where the emergency clause has not been adopted and where no period of time is mentioned in the act making the appropriation, the appropriation shall be construed to become available ninety (90) days after the adjournment of the General Assembly. It shall be available for a two-year period from and after the date the appropriation became available.

History: Acts of 1973, Act 876, § 13; A.S.A. 1947, § 13-339

19-4-702 – Time limits for presenting vouchers

- (a)
 - (1)
 - (A) A state agency may pay carryover obligations of the state that were incurred on or before June 30 of the current fiscal year up to forty-five (45) days after the end of the current fiscal year.
 - (B) The carryover obligations must be supported by purchase documents with corresponding receipts for the goods or services that have been recorded as received in the state’s financial management system by June 30 of the fiscal year previous to the fiscal year in which the carryover obligations are requested to be paid.
 - (2) The payments of the carryover obligations shall be charged against appropriations and fund cash balances of the fiscal year in which the obligations were incurred.
 - (3) Any payments for carryover obligations that are not supported by the documents as required in this subsection, or which are requested to be paid after forty-five (45) days following June 30 of the fiscal year previous to the fiscal year in which the carryover obligations are



requested to be paid, shall be charged to the appropriations and fund cash balances of the then-current fiscal year.

- (b) In the event such voucher or vouchers are approved for payment, the Auditor of State shall issue his or her warrants in payment of them not later than two (2) weeks following the receipt of the vouchers from the Department of Finance and Administration.
- (c)
 - (1) In the event of a just claim against any state agency, when the claim is submitted too late for payment in the manner prescribed in this section and the state agency affected has an appropriation for the same purpose for the fiscal period following that period in which the claim was incurred, then the disbursing agent may draw his or her voucher in the payment of the claim against the new appropriation, but only in the event there were sufficient funds and appropriations for the prior year to cover the claim.
 - (2) Otherwise, the claim must be submitted to the Arkansas State Claims Commission for payment.
- (d)
 - (1)
 - (A) In the event a biweekly pay period for personal services, as defined in §§ 19-4-521 and 19-4-1607, commences in the closing period of one (1) fiscal period and either ends in the following fiscal year or is paid in the following fiscal year, then the payment of the obligation may be made in whole from the appropriation for either fiscal period, as determined by the Chief Fiscal Officer of the State.
 - (B) However, in no event shall any obligation be incurred unless there are funds on hand or estimated to become available to meet the obligation when it becomes due.
 - (2)
 - (A) For purposes of wages and compensation, the Chief Fiscal Officer of the State may determine the starting date of authorized job classifications and positions to coincide with the payment of the obligation under subdivision (d)(1) of this section.
 - (B) However, the determination under subdivision (d)(2)(A) of this section shall not cause any state fiscal year to be charged with fewer than twenty-six (26) or more than twenty-seven (27) biweekly pay periods.
- (e)
 - (1) All state agencies may carry over from the first fiscal year of any biennium to the second fiscal year of the biennium any unexpended appropriations and funds to the extent necessary to pay for items or commodities ordered at least ninety (90) days prior to the end of the first fiscal year but not received until after the end of the first fiscal year, if the purchase of such items and commodities is substantiated by a written contract resulting from the receipt of a formal bid.



- (2)
- (A) All state agencies may carry over from the first fiscal year of any biennium to the second fiscal year of the biennium any unexpended maintenance and operation appropriations and funds, as defined under § 19-4-522, to the extent necessary to pay for renovation and minor and major repairs under the jurisdiction of the Building Authority Division which were under contract at least ninety (90) days prior to the end of the first fiscal year but which will not be completed until after the end of the first fiscal year and are substantiated by written contracts.
- (B) This carryover provision shall apply only to appropriations and funds involving maintenance and operations.
- (3) This subsection shall be supplemental to any other authority granted any state agency by law to carry forward unexpended fund balances from one (1) fiscal year to another.

History: Acts of 1973, Act 876, § 13; Acts of 1977, Act 486, § 3; Acts of 1979, Act 833, § 4; Acts of 1985, Act 365, § 4; Acts of 2001, Act 71, § 1; Acts of 2001, Act 1453, § 15; Acts of 2005, Act 645, § 1; Acts of 2019, Act 910, § 6082; A.S.A. 1947, § 13-339

P1-19-4-702 Payment of Prior Year Obligations

The processing of prior year obligations in the current fiscal year is allowable if the obligations do not exceed funds center (appropriation) or funds available for that fiscal year at the close of business June 30, XXXX, and sufficient funds center (appropriation) and fund is available in the current year (Ark. Code Ann. § 19-4-702). Funds center availability is determined at the funds center commitment item level. Sub-funds centers should be certified at the authorizing funds center commitment item level. Available funds should be determined at the appropriate fund for disbursement level or the agency's legal or "high level" fund. The "high level" fund will be the fund designated by three alpha characters followed by four zeros if a Treasury fund, and three numeric characters followed by four zeros if a cash fund. However, the first three digits of the fund must be the same on the invoice and the certification. Business areas that share a legal (high level) fund must certify only their portion of the total fund balance as of June 30, XXXX.

A "Prior Year Obligation" is one for which goods/services were received and accepted prior to June 30, XXXX, for which no remittance had been made. These payments must be identified and recorded as an Accounts Payable for the prior year. When entering the transaction into the State's accounting system a prior year obligation must be identified by adding a preceding "Y" reference to the vendor's invoice number in the reference field. For example, if the invoice number is ABC123, you should put YABC123 in the reference field. Those obligations that are created when goods or services are received over a period of time which spans June 30, XXXX, are not considered a "Prior Year Obligation."

Goods and services purchased with a P-Card should be expensed in the year they are received. To ensure proper recording of expenditures, it is recommended that the P-Card not be used for purchases during the dates of June 10 – June 30 of each year. Any P-Card purchases not paid



by warrant prior to the last day of the Fiscal Year must be handled as “Y Vouchers” when paid the following Fiscal Year. Information on P-Cards is available at this [link](#)²⁴.

Certification Required

Prior year obligations must be certified by the disbursing officer with a certification letter. With the certification letter, the disbursing officer is stating that the expenditures have been reviewed, the cumulative amount of all “Y” invoices processed have been monitored and the invoices have not exceeded the available appropriation and fund balances as of June 30 of the prior year. A certification letter must be retained by each agency listing the invoice(s) to be paid. The letter will designate the appropriate business area (agency), funds center (appropriation), commitment item (character code) and fund (cash in Treasury or cash in bank). Each certification letter will state the funds center and fund codes and that the balance of each for the previous year was sufficient to pay the invoice. The certification letter will be retained at the agency for review by the Arkansas Legislative Audit of the Legislative Joint Auditing Committee and other interested parties.

Exempt from Certification

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

Expenditures Limited to Budget

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

Agency’s Responsibility to Relieve the Liability Once the Transfer Has Been Made

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

²⁴ <https://www.transform.ar.gov/procurement/agencies/credit-cards/>



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

- *Reversing the FB60 invoice.*
- *Recording a journal entry debiting a budget relevant expense account and crediting the claims transfer out account.*
- *If the invoice was originally recorded using the PO process and the GR and IR was processed, the liability would be recorded on the agency's books in the accounts payable account. The agency would relieve the accounts payable account by:*
- *Reversing the MIRO document and clearing it using transaction F-44 (manual vendor clearing).*
- *Reversing the GR in the current year once the MIRO document has been cleared.*
- *Recording a journal entry debiting a non-budget relevant expense account and crediting the claims transfer out account.*

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

Claims Commission's Responsibility Once the Agency Has Relieved the Liability

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

19-4-703. Warrants – Payment conditions

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

History: Acts of 1973, Act 876, § 13; A.S.A. 1947, § 13-339

P1-19-4-703 Outlawed Warrant Policy

Purpose

Warrants that are outstanding at the end of the State Fiscal Year on June 30 and have been issued more than 12 months will be considered to be "outlawed." (i.e., Warrants issued in fiscal year 2009 and still outstanding the first day of fiscal year 2011).

The Treasurer of State – Warrant Division cannot redeem an outlawed warrant. The Auditor of State – Warrant Division cannot reissue an outlawed warrant.

The payee of the outlawed warrant must file a claim with the Arkansas State Claims Commission in order to be compensated.

The fund of original disbursement of the outlawed warrant will receive a restoration of the cash balance as a result of the warrant being "outlawed." If the fund of issue or its components are



inactive, then the fund/components will be reactivated temporarily for the initial posting followed immediately with a transfer of funds to a current active fund/component.

If the fund is supported by general revenue, the moneys will be reclaimed in part or whole and transferred to the General Revenue Allotment Reserve Fund or other designated fund as dictated by State Law.

Process

The outlawed warrant process begins with the production of a report from the Treasurer of State-Treasury Management System on or about July 10th of each year. This allows for the processing of any warrants that may be in transit through the commercial banking system as of June 30. Federal banking requirements dictate that, if a warrant is presented for payment to a financial institution by close of business on June 30th, the warrant must be redeemed by the State of Arkansas and cannot be outlawed.

The Auditor of State – Warrant Division and Treasurer of State – Warrant Division reconcile outlawed warrant differences between their respective systems. An adjusted report is provided to the DFA-OA for validation and further reconciliation to outstanding warrants in AASIS.

Journal entries are created with document type “ZO” for the initial outlawed warrant posting for funds and components that are currently active. The following entry is made as of current date:

*Debit 1100001000 (Cash in State Treasury)
Credit 6990001000 (Prior Year Warrants Outlawed)*

The outlawed warrant general ledger account is a non-budget relevant posting that does not adjust appropriation.

The warrant number is used in the reference field for the posting of the outlawed warrants. The warrant number may also be found in the text column of the document.

If the creation of a warrant affects multiple funds, an individual document with a debit and offsetting credit is posted for each fund.

DFA–OA – Funds Group will be responsible for the “General Revenue Reclaim” (the restoration of cash balance) that is returned during the outlaw process if the original expenditure was from a fund that is supported by general revenue. DFA–OA – Funds Group will create and park a document to reclaim these funds, and they will immediately be posted following the initial posting of outlawed warrants. The document type used for these reclaims is “ZL.”

PLEASE NOTE: *If a warrant is outlawed, the vendor must request a refund of their moneys by completing and submitting a claim to the Arkansas State Claims Commission. The form can be found on the Arkansas Claims Commission [website](https://arclaimscommission.arkansas.gov/claim-submission/)²⁵.*

²⁵ <https://arclaimscommission.arkansas.gov/claim-submission/>



P2-19-4-703 Monitoring of Outstanding Warrants

It is the responsibility of each Agency to monitor outstanding warrants and actively work those warrants that remain outstanding for 6 months or longer.

Actively work means to contact vendors about outstanding warrants, have vendors complete the appropriate paperwork for reissue and submit the original completed paperwork to DFA-OA for processing.

Transaction ZOSW is used to monitor outstanding warrants in AASIS. This transaction can be ran by business area, fiscal year, etc. This report should be ran on no less than a monthly basis and reviewed by staff to determine appropriate action needed.

Warrants remain outstanding for one fiscal year after the fiscal year that they are issued. For example, a warrant issued in fiscal year 2021 will remain outstanding until June 30, 2022, when it will be outlawed by the State Treasurer. All outlawed warrants can only be reissued by the Arkansas State Claims Commission.

19-4-704 – Payment of obligations – Conditions

- (a) No obligations will be paid from appropriated funds until the General Assembly shall have made an appropriation for that purpose; nor shall any state agency enter into any contract which would contemplate that payments under the contracts would be made beyond the expiration of the biennial period unless the General Assembly, prior to the expiration of the biennial period, makes an appropriation for that purpose, or in the case of multiyear contracts for commodities or services, a determination in writing has been made prior to use that:
 - (1) Estimated requirements cover the period of the contract and are reasonably firm and continuing; and
 - (2) Such a contract would serve the best interests of the state by encouraging effective competition or otherwise promoting economies in state procurement.
- (b) In no event shall any obligations be incurred unless there are sufficient funds or an approved federal grant on hand, or estimated to become available, to meet the obligations when they become due.

History: Acts of 1973, Act 876, § 13; Acts of 1985, Act 365, § 6; A.S.A. 1947, § 13-339

19-4-705 – Necessity of available funds

- (a) No state agency for which regular operating appropriations are made on a fiscal-year basis shall incur any obligations under the appropriations unless there are funds on hand or an approved federal grant, or estimated to become available, during the fiscal year for the payment of the obligation; nor shall any agency create any obligation in one (1) fiscal year which will make it necessary to use the revenues of the following fiscal year in order to meet the obligation except in the case of multiyear contracts for commodities or services and as provided in § 19-4-707.



(b) In the event an agency had bank funds which are not required by law to be deposited into the State Treasury, the agency shall have the authority to create additional obligations to the extent of the bank funds on hand, or which are estimated to become available during the fiscal period. However, the agency shall not create any obligations, in the aggregate, which would make the total of such obligations exceed the total of all funds available to the agency during the fiscal period, except in the case of multiyear contracts for commodities or services and as provided in § 19-4-707.

History: Acts of 1973, Act 876, § 13; Acts of 1985, Act 365, § 6; A.S.A. 1947, § 13-339

19-4-706 – Interest and carrying charges

State agencies, including exempt agencies, may enter into contracts which contemplate the payment of interest, late charges, but only when such late charges are incurred sixty (60) days after payment is due, or carrying charges under such rules as may be promulgated by the State Procurement Director.

History: Acts of 1973, Act 876, § 25; Acts of 1985, Act 365, § 13; Acts of 1997, Act 1066, § 1; Acts of 2019, Act 315, § 1712; A.S.A. 1947, § 13-351

19-4-707 – Contracts for improvements – Conditions

Notwithstanding the fact that no disbursements may be made during any fiscal period in excess of the appropriations made available by the General Assembly for the fiscal period, it is provided that contracts for improvements including major repairs, alterations, and construction of new buildings and facilities may be let to the extent of the appropriations made available for those purposes for the biennial period. However, no such contracts may be let in amounts exceeding the probable funds available or which are estimated to become available during the period.

History: Acts of 1973, Act 876, § 13; A.S.A. 1947, § 13-339

19-4-708 – Depleted funds – Exemption suspension

In the event any state agency shall incur obligations in such manner that the funds allocated or belonging to the agency are depleted and the agency is unable to pay all of its outstanding commitments without incurring a deficit, then the Chief Fiscal Officer of the State may suspend all exemptions under the Arkansas Procurement Law, § 19-11-201 et seq., with respect to the agency. Under these circumstances, the Chief Fiscal Officer of the State may notify the agency that all future obligations of any kind whatsoever must be approved by the Chief Fiscal Officer of the State before they become valid obligations against the funds of the agency.

History: Acts of 1973, Act 876, § 13; A.S.A. 1947, § 13-339

19-4-709 – Statement of prospective funds

(a) The Chief Fiscal Officer of the State may require, from time to time as he or she shall deem necessary, a statement from any state agency setting out the prospective funds which are estimated to become available and a statement of the outstanding obligations and of the proposed expenditures of that agency for the remainder of the fiscal period.



- (b) If, in the Chief Fiscal Officer of the State's judgment, any agency has incurred or is about to incur a deficit, the Chief Fiscal Officer of the State shall call upon the agency to stop incurring obligations, under penalty of its disbursing bond.

History: Acts of 1973, Act 876, § 13; A.S.A. 1947, § 13-339

19-4-710 – Interagency transfers

- (a) To prevent the duplication of recording expenditures and revenues resulting from interagency transactions, the Chief Fiscal Officer of the State, after securing the approval of the proposed procedures by the Legislative Auditor, may provide for an interagency transfer of moneys or recognize a journal entry to charge the expenditure to the disbursing agency without creating a warrant and to identify the cash receipt by the receiving agency.
- (b) Budget manuals prepared for the General Assembly for the biennial state budget shall identify the original revenue source of interagency transfers of funds.
- (c) As used in this section, "interagency transfer" means:
- (1) The purchase of services or commodities by one (1) state agency from another state agency, or within a state agency; or
 - (2) Other transfers of funds under § 19-5-106 or other provision of law.

History: Acts of 1973, Act 876, § 13; Acts of 1977, Act 486, § 3; Acts of 1979, Act 833, § 4; Acts of 1985, Act 365, § 5; Acts of 2001, Act 1453, § 16; Acts of 2005, Act 1172, § 1; A.S.A. 1947, § 13-339

P1-19-4-710 Interagency/Interfund Transfers

GAAP defines transfers as flow of assets such as cash or goods without equivalent flows of assets in return and without a requirement for repayment. GAAP also directs that interfund loans that are not expected to be repaid within a reasonable period be reclassified as transfers.

The initial inflow of cash to the State is recorded as revenue by the receiving agency. Subsequent movements of cash, such as a transfer of grant funds being passed to another agency, distributions of general revenue to agencies, etc. are recorded as transfers out by the transferring agency. The agency receiving the cash records the receipt of funds as a transfer in. Subsequent payments to employees and vendors would be coded to the appropriate budget relevant general ledger account code. Transfers of cash between divisions of an agency or between agencies should not be done by warrant. Exception to this process must be approved in writing by DFA-OA.

Legal fund transfers must be approved and posted by the DFA-OA – Funds Group. The procedure for recording these transfers is explained in P1-19-5-101 - TRANSFERS – Fund Transfer Procedures.



Interfund Services or Commodities Provided and Used

GAAP defines interfund services or commodities provided and used as when one fund provides services or goods to another fund which is then charged for these services/goods received. GAAP further directs using this classification when the amount of an interfund charge equals or approximates the external exchange value of the services rendered.

Questions that should be asked to determine if a transaction meets the definition of interfund services provided and used are as follows:

- 1. Would I purchase this same item/service from an outside source if I was not purchasing it from another state agency? If yes, continue to question 2.*
- 2. Am I paying the other state agency approximately what I would be required to pay an outside vendor? If yes, then this likely meets the definition of an interfund service provided/used.*
- 3. It also may be helpful to consider whether the sale of the goods or services is a normal operating activity of the agency that makes the charge. This step will help separate reimbursements or allocation of costs versus true services provided and used.*

To process payments for interfund services or commodities provided using fund transfers, contact your ACFR liaison for assistance. The liaison will provide you with a template and instructions on how to enter the information. The completed template should then be submitted to the DFA-OA –Funds Group for posting.

There are two circumstances that need to be addressed concerning duplication of revenue and expenses. The first involves intra-agency transactions and the second involves inter-agency transactions.

Intra-Agency:

Agency “A” Division “1” receives federal funds. The receipt is recorded as revenue by Agency “A” Division “1”. When Agency “A” Division “1” transfers the funds to Agency “A” Division “2”, the funds are receipted as revenue again. When Agency “A” Division “2” transfers the funds to Agency “A” Division “3”, the funds are receipted as revenue again.

Inter-Agency:

Agency “A” Division “1” receives federal funds. The receipt is recorded as revenue by Agency “A” Division “1”. When Agency “A” Division “1” transfers the funds to Agency “B”, the funds are receipted as revenue again. When Agency “B” transfers the funds to Agency “C”, the funds are receipted as revenue again. When a review of these transactions in either scenario is made at the state level as a whole, the first receipt (example \$100.00) has now been recorded as revenue 3 times (\$300.00) and, in most instances, expensed 3 times (\$300.00) all for the same \$100.00 cash to the State. In order to prevent duplicating revenues and expenses we are providing the following processes. The first process is for Intra-Agency transactions. The second process is for Inter-Agency transactions.



Process #1 – Intra-agency:

When Agency “A” Division “1” receives the grant money from the federal government, they will record a debit to cash and a credit to revenue through the cash receipt process.

*Debit 1100001002 Treasury Incoming Receiving Treasury Fund
Credit 4050004000 Federal Grants Reimbursement Receiving Treasury Fund*

When Agency “A” Division “1” transfers the money to Agency “A” Division “2”, they will create a transfer document. This document must be created and parked with document type ZL. The document number must be e-mailed to the DFA-OA at DFA.OAFunds@dfa.arkansas.gov for review and posting. It will be a four-legged entry:

*Debit 1100001002 Treasury Incoming Receiving Treasury Fund
Credit 6060002000 Intra-agency Transfers-In Receiving Treasury Fund
Debit 6061002000 Intra-agency Transfers-Out Sending Treasury Fund
Credit 1100001001 Treasury Outgoing Sending Treasury Fund*

The money is transferred to the correct fund without creating an expense or recording revenue a second time. When Agency “A” Division “2” transfers the money to Agency “A” Division “3”, the above process would be used again. The money is transferred to the correct fund without creating an expense or recording revenue a third time. When the accounts payable section of the Agency “A” Division “3” pays the vendor/employee for the expense, they will create a warrant through the accounts payable or payroll process.

*Debit 5xxxxxxx Expense G/L Code Sending Treasury Fund
Credit 1100001001 Treasury Outgoing Sending Treasury Fund*

This will result in the expense being recorded once on AASIS. If you choose to operate out of your commercial bank account, you must continue to process a warrant to get the federal monies from your Treasury fund to your commercial bank account. This will create an expense to the Treasury fund and an “intra-agency transfer in” will be recorded in the commercial bank account. Since all bank activity must be recorded in AASIS per the February 24, 2003 letter, the recording of this movement of monies will result in duplication of expense, as illustrated below. To create a warrant to reimburse the cash fund, the following entries are completed through the accounts payable process for Agency “A” Division “2”.

*Debit 5xxxxxxx Expense G/L Code Sending Treasury Fund
Credit 1100001001 Treasury Outgoing Sending Treasury Fund*

To record the deposit of funds into the cash fund, the following entries are completed through the cash receipt process.

*Debit 1100002000 Non-AASIS House Bank Receiving Cash Fund
Credit 6060002000 Intra-agency Transfers-In Receiving Cash Fund*

When the cash fund pays the vendor/employee for the expense, a check will be recorded through the accounts payable process.

*Debit 5xxxxxxx Expense G/L Code Sending Cash Fund
Credit 1100002000 Non-AASIS House Bank Sending Cash Fund*



This records expense a second time. A subsequent journal entry from Agency "A" Division 2 must be recorded to reduce the expense to the Treasury fund.

The entry should be:

*Debit 6061002000 Intra-agency Transfers-Out Sending Treasury Fund
Credit 5xxxxxxx Non-Budget Relevant G/L Code Sending Treasury Fund*

Process #2 – Inter-agency:

When Agency "A" receives the grant money from the federal government, they will record a debit to cash and a credit to revenue through the cash receipt process.

*Debit 1100001002 Treasury Incoming Receiving Treasury Fund
Credit 4050004000 Federal Grants Reimbursement Receiving Treasury Fund*

When Agency "A" transfers the money to Agency "B" between Treasury funds, they will create a transfer document. This document must be created and parked with document type ZL. The document number must be e-mailed to DFA.OAFunds@dfa.arkansas.gov at the DFA-OA for review and posting. It will be a four-legged entry:

*Debit 1100001002 Treasury Incoming Receiving Treasury Fund
Credit 6060003000 Interagency Transfers In Receiving Treasury Fund
Debit 6061003000 Interagency Transfers Out Sending Treasury Fund
Credit 1100001001 Treasury Outgoing Sending Treasury Fund*

The money is transferred to the correct fund without creating an expense and recording revenue a second time. When Agency "B" transfers the money to Agency "C", the above process would be used if the money gets transferred between Treasury funds.

If at any point the money transferred from Agency "A" to Agency "B" or Agency "B" to Agency "C" involves the issuance of a warrant from a Treasury fund that is subsequently deposited into a commercial bank account, the following process must be used. When Agency "A" transfers the monies to Agency "B," a warrant will be created.

*Debit 5xxxxxxx Expense G/L Code Sending Treasury Fund
Credit 1100001001 Treasury Outgoing Sending Treasury Fund*

A subsequent journal entry from Agency "A" must be recorded to reduce the expense to the Treasury fund. The entry should be:

*Debit 6061003000 Inter-agency Transfers Out Sending Treasury Fund
Credit 5xxxxxxx Non-Budget Relevant G/L Code Sending Treasury Fund*

Agency "B" will deposit the money as follows:

*Debit 1100002000 Non-AASIS House Bank Receiving Cash Fund
Credit 6060003000 Inter-agency Transfers In Receiving Cash Fund*

When the cash fund pays the vendor/employee for the expense, a check will be recorded through the accounts payable process:

*Debit 5xxxxxxx Expense G/L Code Sending Cash Fund
Credit 1100002000 Non-AASIS House Bank Sending Cash Fund*



19-4-711 – Responsibilities – Transfer among agencies

In the event that a state agency or its responsibilities, or a part of its responsibilities, is transferred by law within a biennium to another agency, the Chief Fiscal Officer of the State shall transfer all or part of the line-item appropriations, personnel positions, and moneys necessary to accomplish the transfer of responsibilities, subject to the same restrictions and procedures applicable to the original appropriations and funds from which transferred.

History: Acts of 1973, Act 876, § 13; Acts of 1977, Act 486, § 3; Acts of 1979, Act 833, § 4; Acts of 1985 Act 365, § 5; A.S.A. 1947, § 13-339

P1-19-4-711 Agency Close Out

Process

The administrative head of any State agency planning to cease operations shall notify the Chief Fiscal Officer of the State in writing of such intent.

The notice shall indicate whether:

- *The agency is being transferred to another agency as specified in Ark. Code Ann. §§ 25-2-104 - 25-2-107.*
- *The agency is being abolished, and the operations will cease.*

The Chief Fiscal Officer of the State will review related legislation and/or executive orders to determine what action should be taken to satisfy obligations, protect the interests of the State and preserve the records of the agency.

Instructions will be issued from the Chief Fiscal Officer of the State to the administrative head of the agency in question and letters of instruction to any agency that may be receiving the employees, authority, assets, liabilities and/or records of the closing agency. The instruction will designate the DFA and DTSS personnel assigned who will work with the closing and/or receiving agency and specify what general actions must be taken and lay out a timetable for completion.

Assignments may include:

1. *DTSS-OPM for proper referral and placement efforts for employees, as well as final payment;*
2. *DTSS-OSP for equipment disposal, contract termination, and lease closeout;*
3. *DFA-OA for all financial reporting, accountability, and records retention;*
4. *Other offices within or outside of DFA as deemed appropriate by the Chief Fiscal Officer or his/her designee.*

The contacts in the designated departments will work with the closing and/or receiving agency on all transactions/actions to be accomplished. A “check list” of action, indicating date accomplished will be maintained and submitted to the DFA-OA upon completion of assignment.



DFA-OA will prepare a final report for the Chief Fiscal Officer and obtain signatures of administrative heads of the agencies being closed/receiving for all legal documents to ensure the interests of the State are protected. Contact DFA-OA for a checklist for agency close out.

P2-19-4-711 New Agency

State agencies newly created by Acts of the State Legislature and signed by the Governor of Arkansas will be created on the books and records of the State of Arkansas, Treasurer of State and Auditor of State by DFA-OA.

DFA-OA – Funds Section will review the appropriation which created the agency, determine their sources of funding and grants their authority for spending levels.

The DFA-OA – Funds Section staff will assign the following items within AASIS to conduct and record the agency’s financial transactions: business area number, funds center, funds, and cost centers.

The DFA-OA – Funds Section staff will also notify the DFA–Office of Budget, DFA-OA – Financial Reporting Section and the AASIS Support Center of the agency’s creation.

The DFA-OA will also notify the following offices that a new State agency has been created.

- *DTSS-Office of Personnel Management*
- *DTSS-Office of State Procurement*
- *Treasurer of State*
- *Auditor of State*

Details of their fund and appropriation structures will be provided as necessary to each entity.

The DFA–OB will assign a Budget Analyst to work with the agency in the design and implementation of an operating budget for the current and future fiscal years.

The DFA-OA – Financial Reporting Section will assign an ACFR and SEFA liaison to the newly created agency.

The AASIS Support Center will assign professional security roles to each AASIS user upon request of the Security Liaison. Each user will also be assigned an ESS security role for employee self service functions.

At the direction of the Chief Fiscal Officer of the State, the new agency is set up as an online agency commonly referred to as a user agency, a service bureau agency or a reporting agency based upon the agency’s resources.

Human resource issues/actions can be found at this [link](#)²⁶. The following sample “check lists” for accounting and non-human resource issues are available online:

- (a) *New user agency.*

²⁶ <https://www.transform.ar.gov/personnel/resources/forms/>



- (b) *New service bureau agency*
- (c) *New reporting agency*

Contact DFA-OA for a checklist for new agency creation.

Subchapter 8 – Depositories for Public Funds

19-4-801 – Definitions

As used in this subchapter:

- (1) “Cash funds” means all moneys, negotiable instruments, certificates of indebtedness, stocks, and bonds held by or owned by any state agency which are not on deposit with or in the trust of the Treasurer of State; and
- (2)
 - (A) “State agency” means all boards, commissions, departments, agencies, institutions, offices or officers, state-supported institutions of higher education, and any other office or unit of government of the State of Arkansas created or established pursuant to law or pursuant to any action of the Governor, functioning under appropriation made by the General Assembly or functioning as a representative of the state without appropriation of the General Assembly.
 - (B) “State agency” shall not include the:
 - (i) Governor;
 - (ii) Secretary of State;
 - (iii) Attorney General;
 - (iv) Treasurer of State;
 - (v) Auditor of State;
 - (vi) Commissioner of State Lands;
 - (vii) Supreme Court and its justices;
 - (viii) Circuit courts and circuit judges;
 - (ix) Prosecuting attorneys;
 - (x) Arkansas State Game and Fish Commission;
 - (xi) Arkansas Department of Transportation;
 - (xii)
 - (a) Office of the Arkansas Lottery.



(b) However, the office shall be considered a state agency for the purposes of § 19-4-810 et seq.;

(xiii) General Assembly; and

(xiv) Respective staffs of the officers and agencies listed in this subdivision (2)(B).

History: Acts of 1975, Act 5, §§ 1, 2; Acts of 2005, Act 1962, § 79; Acts of 2009, Act 605, § 16; Acts of 2009, Act 606, § 16; Acts of 2009, Act 1405, § 25; Acts of 2015, Act 218, § 15; Acts of 2017, Act 707, § 44; A.S.A. 1947, §§ 13-356, 13-357

19-4-802 – Duties of General Assembly

(a) Cash funds of the various state agencies as defined in § 19-4-801 shall be budgeted and proposed expenditures approved by enactments of the General Assembly.

(b) The General Assembly shall budget, approve, and appropriate expenditures of cash funds by the enactment of separate appropriation bills setting forth the purpose for which the moneys are to be expended and the dollar amount to be expended for such purpose.

(c) State agencies as defined in § 19-4-801 shall be required to submit such budgetary information as may be requested by the Legislative Council and shall undertake whatever budgetary procedures the Legislative Council may establish for the appropriation of cash funds.

(d) State agencies as defined in § 19-4-801 shall be required to post all financial transactions of cash funds in the state's financial management system in accordance with procedures established by the Chief Fiscal Officer of the State.

History: Acts of 1975, Act 5, § 4; Acts of 2001, Act 1453, § 17; A.S.A. 1947, § 13-359

19-4-803 – Funds excluded from provisions

(a) The following are exempt from this subchapter:

(1) Funds required by the terms of a bond indenture to be held by paying agents for the payment of interest and principal on such bonds;

(2) Petty cash funds held by the various state agencies;

(3) Memorials, endowments, bequests, gifts, and donations made to any state agency other than for normal operation of the agency;

(4) Canteen funds of state agencies other than institutions of higher education, wherein the profits earned are used for the benefit of the people served by that agency through the purchase of services or goods other than normal salary or maintenance expenses of the agency;



- (5) The Benefit Fund of the Division of Workforce Services;
 - (6) The Revenue Bond Guaranty Reserve Account of the Arkansas Economic Development Council;
 - (7) The Illegal Drug Purchase Account and the Confidential Accounts of the Division of Arkansas State Police;
 - (8) Patient funds, when the institution is acting in a trust capacity or when the funds are utilized for patient activities other than normal agency-provided services;
 - (9) The State Treasury Money Management Trust; and
 - (10) Any other funds determined by the Chief Fiscal Officer of the State or the General Assembly, to be held in trust and on deposit in a financial institution other than the State Treasury.
- (b) The Division of Correction Plasma Center is exempt from provisions of this subchapter.
- (c) The Arkansas Comprehensive Health Insurance Pool, created under the Comprehensive Health Insurance Pool Act, § 23-79-501 et seq., and its board of directors, and the Arkansas Property and Casualty Insurance Guaranty Fund and its advisory association, referenced under the Arkansas Property and Casualty Insurance Guaranty Act, § 23-90-101 et seq., and the Arkansas Life and Health Insurance Guaranty Association and its board of directors, referenced under the Arkansas Life and Health Insurance Guaranty Association Act, § 23-96-101 et seq., are hereby exempt from the provisions of this subchapter.
- (d) The Tobacco Settlement Cash Holding Fund administered by the State Board of Finance shall be exempt from the provisions of this subchapter.

History: Acts of 1975, Act 5, § 7; Acts of 1975, Act 265, § 1; Acts of 1977, Act 713, § 14; Acts of 1997, Act 540, § 39; Acts of 1997, Act 1000, § 17; Acts of 1997, Act 1179, § 3; Acts of 2000, Initiated Act 1, § 19; Acts of 2009, Act 251, § 10; Acts of 2013, Act 1146, § 1; Acts of 2017, Act 296, § 3; Acts of 2019, Act 910, §§ 974, 975; A.S.A. 1947, §§ 13-356.1, 13-362

19-4-805 – Investment decisions

- (a) The state-supported institutions of higher education shall have the right to determine the depositories and the nature of investments of any of their cash funds which are not currently needed for operating purposes. In making these determinations, these institutions shall seek to obtain the highest possible rate of return for their investments.
- (b) All cash fund agencies other than the state-supported institutions of higher education shall request and abide by the recommendations of the State Board of Finance as to the best investment decisions for any idle cash balances.

History: Acts of 1975, Act 5, §§ 8, 9; A.S.A. 1947, §§ 13-363, 13-364



P1-19-4-805 Management of Cash Funds

Agency Bank Reconciliations

Ark. Code Ann. § 19-6-103 states that "All taxes, licenses, fees, permits, or other income collected by any board, agency, or commission by virtue of the authority of the State of Arkansas which are designated by law to be deposited in a depository other than the State Treasury are classified as "Cash Funds" and are declared to be revenues of the State to be used as required and to be expended only for such purposes and in such manner as determined by law." Ark. Code Ann. § 19-4-801(2) defines Cash Funds "as all moneys, negotiable instruments, certificates of indebtedness, stocks and bonds held by or owned by any State Agency which are not on deposit with or in the trust of the State Treasurer."

Agencies requesting to establish a new commercial bank account must first provide a written justification to the Chief Fiscal Officer or his/her designee for review and approval. Agencies requesting to establish a new imprest fund or increase/decrease the authorization of an existing imprest fund must submit the request for DFA-OA review and approval using the "Imprest Fund Request" Form, F1-19-4-806. Imprest fund accounts authorized for agencies, boards, commissions, and institutions include Petty Cash Fund, Change Fund, Activities Revolving Fund and Travel Advance Revolving Fund. See 19-4-806.

Cash expenditures must have legislative authorization (appropriation) and are subject to Accounting, Procurement, and Division of Building Services rules unless exempt under Ark. Code Ann. § 19-4-803, as amended.

All agencies, other than institutions of higher learning, shall request and abide by the recommendations of the State Board of Finance as to the best investment decisions of any idle cash balances. The institutions of higher learning shall have the right to determine the depositories and the nature of investments of any of their Cash Funds which are not currently needed for operating purposes.

All cash activity must be recorded in AASIS using the proper transactions. This includes interest earned on investments. Various sections of the Financial Management Guide contain instructions for most types of transactions that occur in a Cash Fund and should be reviewed for the correct accounting procedure for those transactions.

The AASIS balance at month end must be reconciled to either the check register or the bank statement depending upon whether the agency is a user agency (an agency with direct access to AASIS) or service bureau agency (an agency who uses DFA-OA to record transactions in AASIS-they do not have direct access). The following procedures must be followed when reconciling the AASIS balance at month end:

User Agencies

There are two different business processes that determine the method to be used for month-end reconciliations performed by user agencies: those with commercial bank accounts that are held and managed at the agency location and those with local accounts held and managed at local offices at multiple locations.



User Agency (Accounts Held at Agency Location)

If an agency has a commercial bank account(s) that is held at the agency location, transactions must be entered in AASIS on a “real time” basis. This means that transactions should be recorded on a daily basis. At any time, a trial balance pulled from AASIS should equal the balance held at the commercial bank account plus or minus any reconciling items (i.e., outstanding checks, deposits in transit, interest, etc.).

These accounts must be reconciled to the commercial bank account statement on a monthly basis using the “Cash in Bank Reconciliation” Form, F1-19-4-805. Instructions for the use of this form are provided with the form. The “Cash in Bank Reconciliation” Form must be signed by the preparer and supervisor.

PLEASE NOTE: *A journal entry to correct any reconciling item, caused solely by a difference in when the transaction is recorded in two different periods by the perspective parties, must be made in the month following the event that caused the reconciling item to be created.*

After the reconciliation is completed, the agency must submit a copy of the first page of the bank statement and the “Cash in Bank Reconciliation” Form to DFA-OA – Fund Reconciliation. These shall be received by DFA-OA – Fund Reconciliation by the 15th of each month.

User Agency (Accounts Held at Local Offices at Multiple Locations)

If an agency has commercial bank accounts held at local offices at multiple locations, with approval from the DFA-OA – Fund Reconciliation, the agency can make an entry at month end for the total of transactions that occurred during that month. These entries must be made in the month that the transaction(s) occurred.

These accounts must be reconciled to the commercial bank account statement on a monthly basis using the “Cash in Bank Reconciliation” Form. Instructions for the use of this form are provided with the form.

PLEASE NOTE: *A journal entry to correct any reconciling item, caused solely by a difference in when the transaction is recorded in two different periods by the perspective parties, must be made in the month following the event that caused the reconciling item to be created.*

After the reconciliation is completed, the agency must submit a copy of the first page of the bank statement and the “Cash in Bank Reconciliation” Form to DFA-OA – Fund Reconciliation. These shall be received by DFA-OA – Fund Reconciliation by the 15th day after the cutoff date of the statement period.

Service Bureau Agencies

If an agency uses DFA-OA to record transactions in AASIS, the agency must send in transactions on a “real time” basis to be entered. This includes both incoming and outgoing cash transactions for both appropriated and non-appropriated accounts.

The agency must reconcile its check register to the commercial bank account statement at month end and submit a copy of the reconciliation and the commercial bank account statement to DFA-OA by the 15th of the following month. DFA-OA forwards the reconciliation and bank



account statement to DFA-OA – Fund Reconciliation to reconcile the agency’s account balance with AASIS utilizing the reconciliation.

PLEASE NOTE: A journal entry to correct any reconciling item, caused solely by a difference in when the transaction is recorded in two different periods by the perspective parties, must be made in the month following the event that caused the reconciling item to be created.

This section shall not apply to institutions of higher education which maintain full accounting records separate and apart from AASIS. Receipts and disbursements of such agencies shall be submitted in summarized form for general review and reference.

P2-19-4-805 Agency Investment(s)

If an agency has investments, interest earned, or any other transactions occurring, they must be recorded in AASIS on a monthly basis. When a monthly statement is received, the statement must be submitted to DFA-OA – Fund Reconciliation by the 15th of each month. If the investment statements are received quarterly, semi-annually, or annually, those statements must also be submitted by the 15th of the following month.

The agency must reconcile the investment statement balance to AASIS balance to verify that all transactions have been recorded. If the agency determines that there are reconciling items, a “Cash in Bank Reconciliation” Form must be completed and submitted with copies of the investment statements to DFA-OA – Fund Reconciliation.

PLEASE NOTE: This section shall not apply to institutions of higher education which maintain full accounting records separate and apart from AASIS.

P3-19-4-805 Deposit Accounts

Cash funds to be deposited are to be placed with an eligible bank or banking institution within the borders of the State of Arkansas as outlined in the State Board of Finance Rule on Management of Cash Funds. Common deposit accounts include:

1. **Demand Deposit Accounts:** These are non-interest-bearing checking accounts. Depositors are not required to give notice prior to withdrawal.
2. **Savings Accounts:** These are interest bearing accounts that place restrictions on the number of withdrawals allowed each month. Checks cannot be written on these accounts. Notice may be required before making a withdrawal. A fee may be imposed for excessive withdrawals.
3. **NOW (Negotiable Order of Withdrawal) Accounts:** These are checking accounts in which the institution can impose a waiting period of at least seven (7) days before releasing. The account may bear interest but at a low rate.
4. **Money Market Deposit Account:** These are savings account that allows the owner to make a limited number of transactions each month.
5. **Certificates of Deposits:** This is a savings instrument that pays interest for a specific period of time at either a set or variable interest rate. It is redeemable upon maturity. A fee may be imposed for early withdrawal.



P4-19-4-805 Collateralization of Cash Funds

Cash fund deposits plus accrued interest less any amounts insured by Federal Deposit Insurance Corporation (FDIC) coverage requires collateralization. Collateralization is the process of pledging securities to the depositing agency by the financial institution receiving the deposit with the pledged securities held by a third-party custodian. Collateralizing deposits protects public funds in the event of default by the financial institution. It is the responsibility of the agency to abide by the collateralization policy stated in the State Board of Finance Rule on Management of Cash Funds.

The following discussion on FDIC coverage is based on current Federal law and regulations. Agencies should periodically review and address collateralization resulting from changes in FDIC coverage.

The standard FDIC insurance amount is \$250,000 for all interest-bearing accounts and \$250,000 for all non-interest bearing accounts per government depositor.

The Code of Federal Regulations governs how FDIC insurance coverage is applied to public unit accounts. See 12 CFR § 330.15. For deposit insurance purposes, the term “public unit” means a state, county, municipality, or any “political subdivision” of the public unit. 12 CFR § 161.40. The State of Arkansas (“State”) is considered a public unit and may have political subdivisions.

The official custodian of a public unit or political subdivision is treated as the insured person or depositor of the accounts deposited in an insured financial institution. 12 CFR § 330.15(a)(2). In order to qualify as an “official custodian,” such official custodian must have plenary authority including control over funds owned by the public unit. 12 CFR § 330.15(b)(1). Control of public funds includes possession, as well as the authority to establish accounts for such funds in insured depository institutions and to make deposits, withdrawals, and disbursements of such funds.

The term “political subdivision” includes drainage, irrigation, navigation, improvement, levee, sanitary, school or power districts, and bridge or port authorities and other special districts created by state statute or compacts between the states. 12 CFR § 330.15(d). Political subdivision also includes any subdivision of a public unit or any principal department of a public unit if the subdivision or principal department meets the following tests:

- 1. The creation of the subdivision or department has been expressly authorized by state statute.*
- 2. Some functions of the government have been delegated to the subdivision or department by state statute.*
- 3. The agency is empowered to exercise exclusive control over funds for its exclusive use. See 12 CFR § 330.15(d).*

However, political subdivision does not include subordinated or non-autonomous divisions, agencies, or boards within subdivisions or principal departments. Id; See also 12 CFR § 161.38.

In general, all State agencies are created by state statutes enacted by the Arkansas General Assembly. The statute which created an agency in most cases also delegated functions of State



government to each agency. Further, these statutes in most cases also granted the head of each agency the power to exercise exclusive control over the funds held by the agency for its exclusive use.

The following procedures are to be followed when collateralizing deposits:

1. The depositing agency shall follow the State Board of Finance Rule on Management of Cash Funds.
2. Securities eligible to be pledged as collateral are prescribed in State Board of Finance Rule on Management of Cash Funds. The monetary amount of the pledged security is to be based on its current market value. The State Board of Finance Rule on Management of Cash funds specifies the minimum level of pledged collateral. The minimum level is expressed as a percentage of the deposits in excess of FDIC coverage. Agencies must ensure that the amount of collateral pledged is equal to or greater than the minimum required level. Agencies can require a financial institution to pledge collateral at higher levels.
3. The agency shall perfect its interest in the collateral. The FDIC will look to applicable State law in determining if an agency has a perfected security interest in pledged collateral. In determining what collateral is pledged to deposits, the FDIC will refer to the records of the financial institution. The agency shall ascertain that the financial institution has sufficiently identified specific assets pledged to specific deposit and that the identification is in writing.

The Uniform Commercial Code, codified in Title 4 of the Arkansas Code Annotated, provides guidance on perfection of security interest. However, the law of other jurisdictions may apply depending on several factors including the collateral pledged, location of the custodian, and location of the pledging financial institution.

4. The agency shall obtain a letter from the financial institution designating officers authorized to conduct business with the agency.
5. The agency shall furnish the financial institution a list of agency employees authorized to conduct business with the financial institution.
6. The agency shall execute a Custodial Services Agreement with a Custodian for safekeeping of pledged securities. If the agency uses the agreement form approved by the State Board of Finance, it shall be considered to have complied with this requirement.
7. The Custodial Services Agreement shall be in writing and filed by the agency. The agency shall make the agreement available to auditors upon request.
8. The Custodial Services Agreement shall be reviewed and reauthorized, if necessary, no less than every two years.
9. A new Custodial Services Agreement shall be executed if a change occurs in the ownership, affiliation, or name of the custodian or the pledging financial institution.

The following procedures are to be followed for management of pledged collateral:

1. The depositing agency shall maintain a perpetual inventory of pledged assets. The inventory record shall contain the following information:
 - a. Pledging bank
 - b. Date pledged
 - c. Date released
 - d. CUSIP number
 - e. Description



- f. Interest rate, if applicable
 - g. Par value
 - h. Maturity date
 - i. Current market value as of the last business day of the previous month
2. The agency shall update the pledged asset inventory immediately upon notification that collateral has been pledged, released, or substituted.
3. The agency shall reconcile the inventory of pledged assets to the financial institution's report.
4. The agency shall review and verify the current market value when collateral is pledged and during each monthly reconciliation. Sources of market values are:
 - a. Quotations published in the Wall Street Journal
 - b. Closing price on any national security exchange, if listed:
 - i. New York Stock Exchange
 - ii. American Stock Exchange
 - iii. Chicago Board of Trade
 - c. Dealer bid price quoted by a recognized dealer
 - d. Price quoted by a recognized pricing service
 - i. Prudential American Securities Financial Information Center
 - ii. Standard & Poor's Financial Services
 - iii. Interactive Data Corporation
 - iv. Street Software Bond Pricing (www.sstbond.com/sst.aspx)
 - e. MunicipalBonds.com (operated by Standard & Poor's Financial Services)

19-4-806 – Petty cash

- (a) State agencies operating under the provisions of this subchapter are authorized to establish petty cash accounts. These accounts must be approved by the Chief Fiscal Officer or his/her designee of the State and only minor expenditures or emergency purchases shall be made therefrom.
- (b) State-supported institutions of higher education and other agencies that can demonstrate the need for large petty cash accounts during brief periods of time, such as student registration periods, are authorized short-term petty cash accounts.

History: Acts of 1975, Act 5, § 10; Acts of 2003, Act 656, § 1; A.S.A. 1947, § 13-365

P1-19-4-806 Imprest Fund Accounts

“Imprest” fund accounts may be established and maintained by State government agencies, boards, commissions, and institutions. Authority to establish such accounts is authorized in Ark. Code Ann. § 19-4-806, Ark. Code Ann. § 19-4-1802, and Ark. Code Ann. §19-4-904 (d). Record keeping and documentation requirements of such accounts are prescribed by Ark. Code Ann. § 19-4-1108 and Ark. Code Ann. § 19-4-815.

The authority to establish imprest accounts is vested in the Chief Fiscal Officer or his/her designee. All requests to establish, increase, or decrease the authorization of such accounts must be submitted on an “Imprest Fund Request” Form, F1-19-4-806 and submitted to DFA-OA for review and approval prior to opening any new commercial bank account.



Imprest fund accounts authorized for agencies include:

- A. Petty Cash Fund*
- B. Change Fund*
- C. Activities Revolving Fund*
- D. Travel Advance Revolving Fund*

Under no circumstances may imprest accounts be used to circumvent purchasing regulations or make payroll advances.

All cash and cash equivalents must be recorded in AASIS or the agency's original book of record.

If an agency has an internal audit function, each imprest fund account shall be included in the annual internal audit plan risk-based analysis to determine the timing and extent to which the accounts shall be audited. If the agency does not have an internal audit function, then each imprest fund account must be reviewed by management personnel on an annual basis. The review must include, at a minimum, tying the reconciliation balance to the amount reflected on the AASIS trial balance or the agency's original books of record and verifying that reconciling items are cleared within a two-month period.

A. Petty Cash Fund

Purpose

As authorized by Ark. Code Ann. § 19-4-806, a petty cash account is a small account that may be utilized to pay for minor expenses such as postage due, freight, etc. It should generally be used to pay for:

- 1. Items requiring prompt payment*
- 2. Items on which the cost of using the regular disbursing channels would offset any savings that could be realized by immediate purchase and payment*

As authorized by Ark. Code Ann. § 19-4-1802, a petty cash imprest fund can be approved by the Chief Fiscal Officer or his/her designee and is subject to limitations with respect to the amount and use of the funds. Petty cash imprest funds shall not be used to circumvent purchasing rules nor used for the purpose of reimbursing individuals for travel expenses. Examples would include cash operating funds at non-local offices (i.e., Department of Human Services, Department of Health, and Arkansas State Police Troop Accounts).

Establishment

If a Treasury Fund is used to establish a Petty Cash Fund, a warrant must be issued. When recording the warrant, expense code 5120010000 should be used. A journal entry must be made to reclassify this warrant from expense using a Non-Budget Relevant (NBR) general ledger account to the petty cash or imprest bank funds general ledger account. The journal entry would be as follows:



For petty cash held at agency
Debit 1010103000 Petty Cash
Credit 5080029000 NBR Other Expenses and Services

For petty cash held at a financial institution
Debit 1100002100 Imprest Bank Funds
Credit 5080029000 NBR Other Expenses and Services

If a commercial bank account is used to establish a Petty Cash Fund, the following entry will be made:

For petty cash held at agency
Debit 1010103000 Petty Cash
Credit 1100002000 Non-AASIS House Bank or the agencies AASIS House Bank

For petty cash held at a financial institution
Debit 1100002100 Imprest Bank Funds
Credit 1100002000 Non-AASIS House Bank or the agency's AASIS House Bank

Agencies that use AASIS to process checks and warrants will need an agency vendor number set up by the DTSS-OSP. The title should include the agency name, agency employee "Custodian", and "Petty Cash." More detailed instructions are located following the section on Travel Advance Revolving Fund.

If the petty cash funds are held at the agency, the general ledger account is 1010103000. If they are held at a financial institution, the general ledger account is 1100002100. In either case, the general ledger account should remain at the set amount unless the amount of the petty cash fund is changed. In the event that the established amount needs to be increased, petty cash should be debited and cash in bank credited if a commercial bank account is funding the petty cash increase. Any change made to petty cash balance must be approved with the "Imprest Fund Request" Form.

Control

In order to properly control a petty cash system certain restrictions and regulations must be established and maintained. The minimum requirements include:

- One person (Custodian) is to be responsible for the fund. This person must be appointed by the agency head or designee.*
- One person other than the Custodian shall authorize disbursements.*
- Petty cash vouchers shall be numbered with the prefix representing the fiscal year (such as FY22), a hyphen, and number beginning with 1 (one) each year and progressing upward, sequentially, until the end of the fiscal year.*
- The Custodian and the person who authorizes the disbursement must not have access to bank accounts, cash receipts, and/or general accounting records.*



- *Petty cash funds shall not be used to cash personal checks, make personal loans, or reimburse individuals for travel expenses.*
- *Petty cash vouchers shall be reconciled monthly and internally audited.*

Accounting for and Replenishing

Prior to making petty cash disbursement, a petty cash voucher must be completed and signed by the person responsible for authorizing the disbursement. The petty cash voucher used must contain, at a minimum, the following information:

- *Petty cash voucher number*
- *Date*
- *Name of the person receiving the cash (expended by)*
- *Business area number*
- *Amount of the disbursement*
- *A description of the disbursement (purpose or product)*
- *The cost center code to be charged*
- *The general ledger codes to be charged*
- *The initials of the person approving the disbursement*
- *The initials of the person receiving the cash*
- *The signature of the person disbursing the funds*

A receipt, sales slip, or other evidence of indebtedness must support all petty cash vouchers. See Appendix F2-19-4-806 to view a sample of an acceptable petty cash voucher. In the case of recurring items such as postage due, a summary sheet, F3-19-4-806, may be used in lieu of a petty cash voucher.

The petty cash voucher must be entered in an Imprest Account Journal, and the original copy shall be retained as documentation to replenish the fund. See Appendix F2-19-4-806 to view a sample petty cash journal. The petty cash replenishment postings are always made for the amount of actual expenditure from the fund, with the agency name, agency employee "Custodian" and "Petty Cash" as payee on the warrant or check. Petty cash accounts will be replenished as needed and at the end of each fiscal year so that expenses for one year will not carry over to the following year.

At all times petty cash accounts must have a total of cash and/or expenditure receipts equal to the amount reflected at the trial balance level. Issues from and reimbursements to the fund will be subject to audit or inspection by the Department of Finance and Administration and the Arkansas Legislative Audit at any time.

Moneys and transaction documents of petty cash accounts should in no way be combined with change fund accounts or cash receipts.

B. Change Fund

Purpose



An agency/institution that receives cash for sales or services will find it necessary to have a "Change Fund" account.

Establishment

If a Treasury Fund is used to establish a Change Fund, a warrant must be issued. When recording the warrant, expense code 5120010000 should be used. A journal entry must be made to reclassify this warrant from expense using a Non-Budget Relevant (NBR) general ledger account to the change fund general ledger account. The journal entry would be as follows:

For change fund established by Treasury Fund

Debit 1010102000 Change Funds

Credit 5080029000 NBR Other Expenses and Services

If a commercial bank account is used to establish a Change Fund, the following entry will be made:

For change fund established by commercial bank

Debit 1010102000 Change Funds

Credit 1100002000 Non-AASIS House Bank or the agency's AASIS House Bank

Control

The Change Fund should be small and must be maintained completely separate from any Petty Cash Fund accounts or cash receipts kept by the agency.

Good accounting practices require that the amount of the Change Fund is verified daily, and all overages and shortages are shown in the Imprest Account Journal.

Accounting for and Replenishing

No expenditures are to be made from the Change Fund.

On June 1 of each fiscal year, the agency must reimburse any shortages by charging the appropriate expense.

C. Activities Revolving Fund

Purpose

Some state agencies and institutions of higher learning have a need for an Activities Revolving Fund to cover the costs of travel expenses to out-of-town games, contests, and events, including emergency purchases away from the immediate locale of the institution.



The costs of lodging and commercial transportation should be “direct billed” when possible, using the Arkansas Agency Travel Card. Limitations on advances are governed by P1-19-4-1008 “Travel Advance Revolving Funds”. For those expenses not direct billed, an “Activities Revolving Fund” may be established and used to purchase goods or services such as:

- Commercial or chartered transportation for official staff and team/group members to and from out-of-town events/contests in which the school is participating
- Meals and lodging for official staff and student participants while attending out-of-town events
- Emergency medical services for official staff and participants injured in the course of school related activities
- Emergency equipment repair or replacement costs
- Out-of-town official recruitment expenses
- Any goods or services which place human life or State property in jeopardy unless purchased immediately
- Payments to students or others working in concession stands and selling tickets to events and to or on behalf of students and/or student athletes for meal allowances when they are required to be on campus during official institutional student holidays in accordance with institutional policy and NCAA regulations
- Payment to officials and security guards for events
- Payments to or on behalf of prospects for official expenses associated with a campus visit including travel, meals, and entertainment expenses in accordance with institutional policy and NCAA regulations

Establishment

Activities Revolving Fund accounts are to be applied for and maintained as cash funds on deposit with a financial institution with disbursements made in the form of a check, warrant or electronic deposit rather than cash (currency). The “Imprest Fund Request” Form must be used to request the establishment of an Activities Revolving Fund. The amount authorized for each Activities Revolving Fund will be determined by the particular needs of the agency/institution. The initial funds to establish the revolving fund are provided by the benefiting agency/department and must be charged to Commitment Item 02 (Operating Expenses). Another entry is required to reclassify the expense using a NBR general ledger account that will not restore appropriation and record the cash in the imprest fund. The entry is as follows:

Debit 1100002100 – Imprest Bank Funds
Credit 5080029000 – NBR Other Expenses & Services

Control

The administrative head of the agency/institution or his/her designated agent is responsible for approving all advances of funds and all expenditures from the fund established for the activities of each applicable department for student events. The minimum requirements include:

- One person (Custodian) is to be responsible for the fund.
- A person other than the Custodian shall authorize disbursements.



- *The Custodian and person authorizing disbursement must not have access to bank accounts, cash receipts and/or general accounting records.*
- *Activities Revolving Funds are not to be used to cash personal checks or make personal loans.*
- *Revolving fund accounts should be reconciled monthly and internally audited.*
- *All issues from and receipts to the fund must be supported by signed documents that shall be retained until audited by the Arkansas Legislative Audit or an independent accounting firm.*

Accounting for and Replenishing

Upon receipt of the warrant or check to establish the fund, the fund Custodian will cause a ledger to be established and maintained which reflects:

- *The initial amount of the fund and date established*
- *Each issue of funds indicating the date issued, issue document number and check number, individual receiving the funds, and amount*
- *Each receipt of reimbursement indicating the receipt number, individual making the reimbursement, date of reimbursement or receipt, and amount*
- *Balance of cash in bank*

The Custodian responsible for administering the fund must have on hand at all times either cash in bank and/or signed receipts for travel advances outstanding equal to the amount established for the fund. Issues from and reimbursements to the fund will be subject to audit or inspection by the Department of Finance and Administration and the Arkansas Legislative Audit at any time. The ledger and supporting documentation as specified herein for all entries made thereon must be maintained in proper order for audit purposes.

The persons who received advances will reimburse the Activities Revolving Fund through a deduction from their travel reimbursement (Submitted on Form TR-1).

PLEASE NOTE: *Moneys or transaction documents of Activities Revolving Fund should in no way be combined with petty cash accounts, change fund accounts, or cash receipts.*

D. Travel Advance Revolving Fund

Purpose

A Travel Advance Revolving Fund is established to provide travel funds for employees who have no other means to pay for travel on official business in connection with their jobs. Travel advances are to be issued and repaid in accordance with R1-19-4-1008, "Travel Advance Revolving Funds".



Establishment

Travel Advance Revolving Fund accounts are to be applied for and maintained as cash funds on deposit with a financial institution with disbursements made in the form of a check, warrant, or electronic deposit rather than cash (currency). The "Imprest Fund Request" Form is used to request the establishment of a Travel Advance Revolving Fund. The initial funds to establish the revolving fund are provided by the benefiting agency/department and must be charged to Commitment Item 02 (Operating Expenses) and GL # 5120010000 (Imprest Fund Establishment).

A journal entry must be made to reclassify this warrant from expense to the travel advance general ledger account. The journal entry would be as follows:

*Debit 1100002100 Imprest Bank Funds
Credit 5080029000 NBR Other Expenses & Services*

The general ledger account 1100002100 should remain at the set amount unless the set amount of the Travel Advance Fund changes.

Control

The administrative head of the agency/institution or his/her designated agent is responsible for approving all advances of funds and all expenditures from the fund. The minimum requirements for administering the fund include:

- One person (Custodian) is to be responsible for the fund.*
- A person other than the Custodian shall authorize disbursements.*
- The Custodian and person authorizing disbursement must not have access to bank accounts, cash receipts, and/or general accounting records.*
- Travel Advance Revolving Funds are not to be used to cash personal checks or make personal loans.*
- Revolving fund accounts should be reconciled periodically and internally audited.*

Accounting for and Replenishing

Upon receipt of the warrant or check to establish the fund, the fund Custodian will cause a ledger to be established and maintained which reflects:

- The initial amount of the fund and date established*
- Each issue of funds indicating the date issued, issue document number and check/warrant number, individual receiving the funds and amount*
- Each receipt of a warrant/check indicating the warrant/check number, individual for whom the warrant/check was issued, date of warrant/check and amount*
- Balance of cash in bank*

The Custodian responsible for administering the fund must have on hand at all times either cash in bank and/or signed receipts for travel advances outstanding equal to the amount established for the fund. Issues from and reimbursements to the fund will be subject to audit or inspection by the Department of Finance and Administration and the Arkansas Legislative Audit at any time. The ledger and supporting documentation as



specified herein for all entries made thereon must be maintained in proper order for audit purposes.

Replenishment will be accomplished when the employee to whom funds were advanced repays the travel advance fund by check or money order after their travel reimbursement (submitted on Form TR-1) has been processed.

Moneys or transaction documents of the Travel Advance Revolving Fund should in no way be combined with petty cash accounts, change fund accounts or cash receipts. A vendor number must be assigned to the custodian of the petty cash accounts. It must be a vendor number created by DTSS-OSP. Questions should be sent to DTSS-OSP.

To establish a vendor number, use the following [link](#)²⁷.

19-4-810 – State agency executive administrator

- (a) RESPONSIBILITIES OF STATE AGENCY EXECUTIVE ADMINISTRATOR. It shall be the responsibility of each executive head of a state agency handling cash funds to establish adequate internal administrative procedures and controls to ensure prompt and accurate payment of obligations to be liquidated from such funds in order to promote good public relations and to take advantage of all available discounts.
- (b) It shall also be the responsibility of the state agency executive head to establish a system of pre-audit within his or her agency to ensure that checks and vouchers, before being released by the state agency, are prepared in accordance with all applicable purchasing and fiscal laws on the subject by performing the following functions. He or she shall determine that:
 - (1) Services, materials, supplies, and equipment received comply with specifications indicated on purchase documents;
 - (2) Quantities received, as being indicated on the invoice, agree with those shown on the receiving report;
 - (3) Unit prices agree with those indicated on the purchase documents;
 - (4) The extensions and footings of the invoice are correct;
 - (5) The voucher or check is prepared in sufficient time to take advantage of all available discounts being offered;
 - (6) Sufficient legislative authorization for expenditures and funds is available for payment of the obligation; and

²⁷ <https://www.transform.ar.gov/procurement/agencies/forms-and-reporting/>



- (7) The obligation was incurred in conformity with all purchasing and fiscal laws applicable to state agencies operating out of the State Treasury.

History: Acts of 1991, Act 21, § 1

19-4-813 – Recovery of improper payments

The responsibility for recovery of erroneous or improper payments shall be with the state agency head, the bonded disbursing officer, or his or her designated bonded assistant; and the Chief Fiscal Officer of the State shall not be liable under his or her surety bond for any erroneous or improper payments so made.

History: Acts of 1991, Act 21, § 1

19-4-814 – Supporting documentation

Requirements for supporting documentation for disbursements shall be determined as follows:

- (1) In connection with purchasing procedures, the Chief Fiscal Officer of the State shall prescribe and define the necessary documents and other evidence which shall be retained by the agency for the purpose of determining whether the proper purchasing procedures have been complied with;
- (2) In all instances where the evidences of indebtedness are represented by vendor's invoices, the agency shall retain in the permanent file of the business office of the agency the original invoice and corresponding documentation of actual payment in accordance with procedures established by the Chief Fiscal Officer of the State;
- (3) In connection with printing contracts, provided by the Arkansas Constitution and laws of this state, the supporting documentation shall be those prescribed by the Auditor of State or by the Department of Finance and Administration, as appropriate;
- (4) In connection with the laws or rules governing travel, where individuals are reimbursed for expenses incurred for travel in connection with their official duties, the supporting papers shall be the forms or statements of such expenses prescribed by the Chief Fiscal Officer of the State. In the case of per diem or other expenses established by law, the disbursing officer shall attach to the voucher issued in payment of such allowances a citation of his or her authority for making such payments;
- (5) Any indebtedness or expense incurred in connection with an approved resolution of any state board or commission shall be made a part of the permanent minutes of such board or commission, and copies of such resolution or minutes authorizing any indebtedness or expense shall be attached to the voucher issued in payment of any such indebtedness or expense; and
- (6) In instances where the General Assembly has authorized grants to public schools, public welfare recipients, counties, municipalities, and for other purposes specifically provided by law, for payments made to individuals under retirement systems, and for income tax refunds, the



Chief Fiscal Officer of the State shall prescribe the forms of the vouchers to be used and the procedure to be followed in making such payments.

History: Acts of 1991, Act 21, § 1; Acts of 2001, Act 1453, § 21; Acts of 2019, Act 315, § 1713

19-4-815 – Original of supporting documentation to be retained by the agency

- (a) The original evidences of indebtedness, including documents prepared in connection with purchasing procedure, and all other original contracts, invoices, statements, receipts, petty cash tickets, bank statements, cancelled checks drawn upon bank accounts, and other original supporting papers shall be retained in the permanent file of the business office of each state agency, or attached to the office copy of the agency's voucher, and such documents shall be kept in a safe place subject to audit and shall not be destroyed until authorization is given for their destruction by the Legislative Auditor.
- (b) With the approval of the Legislative Auditor of the state, a state agency may retain evidences to satisfy record retention policies of indebtedness and other contracts, invoices, statements, receipts, petty cash tickets, bank statements, cancelled checks drawn upon bank accounts, and other supporting papers by microform or a form of stored images in a computer system or other form of computer technology in lieu of retaining the originals of such documents.

History: Acts of 1991, Act 21, § 1; Acts of 1997, Act 541, § 1; Acts of 2001, Act 1453, § 22

19-4-816 – Contracts for procurement of commodities and services

Each state agency which is authorized by law or under the purchasing procedures of this state to enter into contract for the procurement of property, commodities, or services shall keep on file in its respective place of business a copy of such contract for public inspection or audit and shall make a copy of any such contract available to the Chief Fiscal Officer of the State when so required by him or her.

History: Acts of 1991, Act 21, § 1; Acts of 2001, Act 1453, § 23

P1-19-4-816 Contracts for Procurement of Commodities and Services

Professional and Consultant Services Contract

Act 1315 of 2003 repealed Ark. Code Ann. §§ 19-4-1701 - 19-4-1717 relating to professional and consulting service contracts between the State of Arkansas and all its agencies, boards, commissions, departments, and institutions. The responsibilities for the maintenance of policies and procedures for this area have thus been assigned by State law to the Office of State Procurement. The State Procurement Director is authorized by Ark. Code Ann. § 19-11-243 to adopt regulations regarding the competitive bidding process, requests for proposals, approval of professionals, etc. The regulations relative to professional and consultant services contracts can be found on the Office of State Procurement's web site at this [link](#)²⁸.

²⁸ <https://www.transform.ar.gov/procurement/>



Subchapter 9 – Travel Regulations

19-4-901 – Rules generally

The Chief Fiscal Officer of the State shall promulgate rules with respect to travel and travel allowances and prescribe the forms and procedures for reporting, approving, and paying such travel allowances for all officers and employees of the state government or for other persons who are authorized to carry out official duties in connection with the business of the state.

History: Acts of 1973, Act 876, § 16; Acts of 2019, Act 315, § 1714; A.S.A. 1947, § 13-342

P1-19-4-901 Rules Generally

Authority, Chief Fiscal Officer, Rules

The Chief Fiscal Officer of the State is authorized by Ark. Code Ann. § 19-4-901 to promulgate rules with respect to travel and travel allowances and prescribe the forms and procedures for reporting, approving, and paying such travel allowances for all officers and employees of state government or for other persons who are authorized to carry out official duties in connection with the business of the State. The Financial Management Guide covers the travel rules at a high level. For more detailed information, please refer to the State of Arkansas Travel Rules at this [website address](#)²⁹.

19-4-902 – Responsibility for travel authorization

- (a)
- (1) The responsibility for authorizing travel, or any expenses in connection therewith, shall be placed upon the board or commission in charge or upon the administrative head of each state agency.
 - (2) No travel expenses shall be authorized or allowed without the approval of the board, commission, or administrative head of any agency.
- (b) It shall be the responsibility of the administrative head of any agency to keep on file in the place of business of the agency, subject to audit, copies of all supporting documents and required receipts for expenses incurred in connection with the travel authorizations and allowances for persons traveling in behalf of the agency.

History: Acts of 1973, Act 876, § 16; Acts of 2001, Act 1453, § 24; A.S.A. 1947, § 13-342

²⁹ <https://www.dfa.arkansas.gov/accounting-office/travel-regulations1/>



19-4-903 – Meal and lodging reimbursement

(a)

- (1) Except for special authorization by the Chief Fiscal Officer of the State, reimbursement for meals and lodging while traveling on official business of the state shall not exceed the maximum rates as prescribed by the Federal Travel Directory published by the United States General Services Administration.
- (2) Requests for special authorization shall be limited to those rare occasions where unusual circumstances may cause the existing rates to be inadequate and shall be set out in writing in such detail as shall be required in the state travel procedures and shall be executed in behalf of each individual traveler for each special authorized occasion. Provided however, that requests for special authorization by employees of institutions of higher education shall be subject to the approval of the chief executive officer of the institution and not the Department of Finance and Administration.
- (3) Under such emergency conditions as shall be determined by the Governor, the limitations of this subsection with respect to meals and lodging may be waived or modified.

(b)

- (1) As used in this subsection, “state-owned motor vehicle” means a motor vehicle purchased or leased by:
 - (A) The State of Arkansas;
 - (B) The office of a constitutional officer of the State of Arkansas;
 - (C) A constitutionally independent agency or commission; and
 - (D) A state-supported institution of higher education.
- (2)
 - (A) Unless otherwise provided by law, reimbursement for the use of privately owned motor vehicles while traveling on official business for the state shall not exceed the allowable rate of the Internal Revenue Service per mile for business use of privately owned motor vehicles.
 - (B) A state agency director may authorize reimbursement for travel expenses for meals, lodging, and private automobile or airplane usage at amounts less than that established under the authority of this section.
 - (C) The Chief Fiscal Officer of the State by rule may establish procedures and the rate for reimbursing individuals for the use of privately owned airplanes while traveling on official business for the state.



- (3)
 - (A)
 - (i) Any employee of the State of Arkansas who utilizes, but whose job does not require the state employee to utilize, a state-owned motor vehicle for transportation to or from his or her permanent residence from or to his or her official station on a daily basis shall reimburse the fund from which the operating expenses of the state-owned motor vehicle are paid at the same rate authorized by the state agency director of the agency employing the state employee for reimbursements for private automobile usage under subdivision (b)(2)(B) of this section.
 - (ii) As used in subdivision (b)(3)(A)(i) of this section, “state employee”:
 - (a) Means an employee of a state agency, board, commission, department, or state-supported institution of higher education; and
 - (b) Includes a constitutional officer and an employee of a constitutional officer.
 - (B) All state-owned motor vehicles or state-leased motor vehicles shall be for official business use only.
- (c) The Chief Fiscal Officer of the State shall promulgate rules to implement the provisions of this subchapter.

History: Acts of 1973, Act 876, § 16; Acts of 1974 (Ex. Sess.), Act 16, § 1; Acts of 1977, Act 462, § 1; Acts of 1979, Act 890, § 1; Acts of 1985, Act 365, § 7; Acts of 1987, Act 81, § 1; Acts of 1991, Act 1222, §§ 1, 2; Acts of 1997, Act 795, § 1; Acts of 2011, Act 1021, § 1; Acts of 2019, Act 315, §§ 1715, 1716; A.S.A. 1947, § 13-342

19-4-904 – Certain persons exempt

- (a)
 - (1) The limitations of this subchapter relating to travel rules shall not be applicable to:
 - (A) Except as provided in § 19-4-903(b), the constitutional or elective officials and their employees; or
 - (B) Official guests of the state.
 - (2) The provisions of this subchapter shall not be used to supersede or set aside the provisions of law providing for fixed allowances, established amounts for per diem, or to special travel privileges provided by law for specific purposes when the allowances exceed those authorized in this subchapter.
- (b)
 - (1) Personal reimbursement will not be allowed to any state official, state employee, or any other person traveling on official business for expenses covering personal entertainment, flowers, valet service, laundry and cleaning, or other personal expenses, as those expenses shall be defined in the state travel rules. All such persons shall be required to submit their



travel reimbursement requests upon forms prescribed by the Department of Finance and Administration, itemized in such detail as shall be necessary to carry out the purposes and intent of this section.

- (2) The tip reimbursement amount shall not exceed fifteen percent (15%) of the meal amount expended.
 - (3) The total reimbursement for meals and tips shall not exceed the maximum rates prescribed by the Financial Management Guide published by the Office of Accounting of the Department of Finance and Administration.
- (c) The cost of meals, lodging, and mileage of state employees who are designated by a supervisor or agency director to attend official or special board meetings or other functions recognized as being in the performance of their official duties may be paid either as reimbursement to the employee or on direct billing, in the case of meals and lodging, subject to approval of the superior.
- (d) It is recognized that within the state-supported institutions of higher education there exists an obligatory inherent cost of providing travel expenses for a group or number of students who, when accompanied by those who instruct the students in the fundamentals of a competitive sport and direct team strategy, must travel and be recognized as a cohesive unit representing not only their institution, but exemplifying the State of Arkansas in their behavior, attitudes, interests, presentation, and conduct. In these circumstances the payment of group travel expenses, including those of students and employees, may be authorized as follows:
- (1) Meals and lodging;
 - (2) Transportation;
 - (3) Entertainment, within reasonable limits, to ease the pressure on students of their objectives;
 - (4) Costs of group activities, including gratuities, laundry, cleaning, and favors; and
 - (5) Other personal expenses to be paid only from auxiliary funds not inconsistent with standards, rules, or prohibitions established by recognized national or state governing associations pertaining to the respective students and employees and the institutions they are representing.

History: Acts of 1973, Act 876, § 16; Acts of 1981, Act 741, § 3; Acts of 1985, Act 365, § 7; Acts of 1997, Act 250, § 174; Acts of 2007, Act 715, § 1; Acts of 2011, Act 1021, § 2; Acts of 2019, Act 315, §§ 1717 to 1719; A.S.A. 1947, § 13-342

19-4-905 – Licensing--State-owned automobiles

- (a) All state-owned motor vehicles which are purchased under the authority of the Chief Fiscal Officer of the State shall be licensed in such manner so as to identify each vehicle as state property.



- (b) The Chief Fiscal Officer of the State shall provide a special license plate suitable for all state-owned motor vehicles and shall establish procedures for the purpose of supplying information on all state-owned motor vehicles, both those which are purchased and those which are sold, traded in, or otherwise disposed of.
- (c) The Chief Fiscal Officer of the State shall make rules for obtaining the required license plates and for returning the plates when the vehicles are disposed of and shall notify all state agencies of procedures to be followed.
- (d) Each agency shall be required to pay the regular license fee for the special state property license plate in the manner prescribed by the Department of Finance and Administration.
- (e) In the event the best interests of the state would be served by not displaying a special tag, such as in police work, an exception to the provisions of this section may be obtained only upon the written approval of the Governor.

History: Acts of 1973, Act 876, § 16; Acts of 2019, Act 315, § 1720; A.S.A. 1947, § 13-342

19-4-906 – Passenger motor vehicle limits

- (a)
 - (1) None of the funds appropriated for the various state agencies, authorities, boards, commissions, departments, and institutions of higher education listed in this section shall be used to purchase, lease for over thirty (30) days, operate, repair, or provide services for more than the maximum number of passenger motor vehicles as stated in this section, except in an emergency as proclaimed by the Governor.
 - (2) As used in this section, “passenger motor vehicles” means vehicles licensed for highway use, including without limitation automobiles, trucks, and vans, that do not require a commercial driver’s license to operate.
 - (3) Mileage reimbursement for employees’ utilization of their personal automobiles is not included in this restriction.

Item #	Agency, Authority, Board, Commission, or Institution of Higher Education	Maximum
(001)	Arkansas Abstracters’ Board	0
(002)	Administrative Office of the Courts	3
(003)	Adv. Council for Vo-Tech Education	2
(004)	Arkansas State Board of Chiropractic Examiners	0
(005)	Arkansas Board of Hearing Instrument Dispensers	0
(006)	Arkansas Board of Podiatric Medicine	0
(007)	Building Authority Division	22
(008)	Arkansas Bureau of Standards	34
(009)	Arkansas Cemetery Board	0
(010)	Arkansas Code Revision Commission	0
(011)	Arkansas Commission on Law Enforcement Standards of Training	15
(012)	Arkansas Crime Information Center	11
(013)	Division of Aeronautics	1
(014)	Division of Emergency Management	15
(015)	Division of Environmental Quality	57
(016)	Arkansas Development Finance Authority	3



Item #	Agency, Authority, Board, Commission, or Institution of Higher Education	Maximum
(017)	Arkansas Economic Development Council	31
(018)	Arkansas Fire Protection Licensing Board	0
(019)	Arkansas Forestry Commission	396
(020)	Arkansas Geological Survey	18
(021)	Arkansas State Archives	3
(022)	Arkansas Livestock and Poultry Commission	81
(023)	Arkansas Manufactured Home Commission	3
(024)	Arkansas Motor Vehicle Commission	5
(025)	Arkansas Natural Resources Commission	8
(026)	Arkansas Northeastern College	26
(027)	Arkansas Psychology Board	0
(028)	Arkansas Public Employees' Retirement System	5
(029)	Arkansas Public Service Commission	27
(030)	Arkansas Real Estate Commission	3
(031)	Arkansas School for Mathematics, Sciences, and the Arts	14
(032)	Arkansas School for the Blind	8
(033)	Arkansas School for the Deaf	14
(034)	Arkansas Science and Technology Authority	1
(035)	Arkansas Social Work Licensing Board	0
(036)	Arkansas Soybean Promotion Board	0
(037)	Arkansas Spinal Cord Commission	3
(038)	Arkansas State Board of Architects, Landscape Architects, and Interior Designers	0
(039)	Arkansas State Board of Dental Examiners	1
(040)	Arkansas State Board of Landscape Architects	0
(041)	Arkansas State Board of Massage Therapy	0
(042)	Arkansas State Board of Nursing	1
(043)	Arkansas State Board of Pharmacy	1
(044)	Arkansas State Board of Public Accountancy	0
(045)	Arkansas State Board of Registration for Foresters	0
(046)	Arkansas State Board of Registration for Professional Soil Classifiers	0
(047)	Arkansas State Board of Sanitarians	0
(048)	Arkansas State Department of Health Building Commission	0
(049)	Arkansas State Game and Fish Commission	500
(050)	Arkansas Department of Transportation	43
(051)	Arkansas Department of Transportation	2,300
(052)	Arkansas Department of Transportation -- (NOAA)	0
(053)	Arkansas State Highway Employees' Retirement System	0
(054)	Arkansas State Library	29
(055)	Arkansas State Medical Board	0
(056)	Division of Arkansas State Police	725
(057)	Arkansas State University	131
(058)	Arkansas State University – Beebe	32
(059)	Arkansas State University -- Mountain Home	12
(060)	Arkansas State University – Newport	26
(061)	Arkansas State University system	9
(062)	Arkansas Student Loan Authority	2
(063)	Arkansas Teacher Retirement System	4
(064)	Arkansas Tech University	70
(065)	Arkansas Waterways Commission	1
(066)	Black River Technical College	14
(067)	Board of Corrections	6
(068)	Board of Examiners in Speech-Language Pathology and Audiology	0
(069)	Burial Association Board	2
(070)	Commission on Water Well Construction	2
(071)	Contractors Licensing Board	1
(072)	Cossatot Community College of the University of Arkansas	20



Item #	Agency, Authority, Board, Commission, or Institution of Higher Education	Maximum
(073)	Division of Arkansas Heritage	11
(074)	Department of Corrections	254
(075)	Department of Education	10
(076)	Department of Finance and Administration -- Alcoholic Beverage Control Division	22
(077)	Department of Finance and Administration -- Alcoholic Beverage Control Division -- Administration Division	1
(078)	Department of Finance and Administration -- Management Services Division	44
(079)	Department of Finance and Administration -- Racing Division	1
(080)	Department of Finance and Administration -- Revenue Division	168
(081)	Department of Health	111
(082)	Division of Higher Education	2
(083)	Department of Human Services	444
(084)	Division of Information Systems	7
(085)	Department of Labor	9
(086)	Department of Parks, Heritage, and Tourism	187
(087)	Division of Workforce Services	27
(088)	Dept. of Education -- National Migrant Student Record Transfer System	1
(089)	Dept. of Education -- Vo-Tech Division	22
(090)	Dept. of Education -- Vo-Tech Schools	280
(091)	Dept. of Veterans Affairs and the veterans' homes	11
(092)	Disabled Veterans Service Office	0
(093)	East Arkansas Community College	28
(094)	Arkansas Educational Television Commission	14
(095)	Health Services Permit Agency	1
(096)	Henderson State University	45
(097)	Liquefied Petroleum Gas Board	4
(098)	Arkansas State University Mid-South	20
(099)	National Park College	17
(100)	North Arkansas College	30
(101)	Northwest Arkansas Community College	22
(102)	Office of the Prosecutor Coordinator	0
(103)	Oil and Gas Commission	17
(104)	Arkansas State University Three Rivers	12
(105)	Ozarka College	12
(106)	Phillips Community College of the University of Arkansas	27
(107)	University of Arkansas -- Pulaski Technical College	25
(108)	Arkansas Revenue Department Building Commission	0
(109)	University of Arkansas Community College at Rich Mountain	15
(110)	SAU-Tech -- Camden	15
(111)	SAU-Tech -- Arkansas Environmental Training Academy	6
(112)	SAU-Tech -- Arkansas Fire Training Academy	22
(113)	South Arkansas Community College	20
(114)	Southeast Arkansas College	10
(115)	Southern Arkansas University -- Magnolia	50
(116)	State Athletic Commission	0
(117)	State Bank Department	22
(118)	State Board of Barber Examiners	0
(119)	State Board of Collection Agencies	0
(120)	Cosmetology Technical Advisory Committee	0
(121)	State Board of Embalmers and Funeral Directors	0
(122)	State Board of Licensure for Professional Engineers and Professional Surveyors	0
(123)	State Crime Laboratory	15
(124)	State Department for Social Security Administration Disability Determination	3
(125)	State Insurance Department	6
(126)	Department of the Military	20
(127)	State Plant Board	30
(128)	State Securities Department	5



Item #	Agency, Authority, Board, Commission, or Institution of Higher Education	Maximum
(129)	University of Arkansas at Fayetteville	299
(130)	University of Arkansas at Fort Smith	39
(131)	University of Arkansas at Little Rock	75
(132)	University of Arkansas at Monticello	64
(133)	University of Arkansas at Pine Bluff	78
(134)	University of Arkansas Community College at Batesville	10
(135)	University of Arkansas Community College at Hope-Texarkana	20
(136)	University of Arkansas Community College at Morrilton	16
(137)	University of Arkansas for Medical Sciences	110
(138)	University of Central Arkansas	100
(139)	Arkansas Veterans' Child Welfare Service	0
(140)	Veterinary Medical Examining Board	0
(141)	War Memorial Stadium Commission	3
(142)	Workers' Compensation Commission	25
(143)	Division of Agriculture of the University of Arkansas	326

(b)

(1) The General Assembly recognizes that, in some cases, motor vehicles are donated to educational institutions and agencies primarily for use in automotive repair and maintenance courses and in instructional programs for truck operators and that such motor vehicles are not normally used for other purposes by the institutions and agencies and should not be included in the maximum number of authorized passenger vehicles prescribed for such institutions and agencies in this section.

(2)

(A) Therefore, motor vehicles donated to educational institutions and agencies primarily for use in programs of instruction in automotive maintenance and repair, in operator training, and in related instructional programs shall not be included for the purpose of determining the number of vehicles authorized for any such institutions or agencies.

(B) The provisions of this section shall not be applicable to these motor vehicles.

(c)

(1) The Department of Human Services is exempt from the provisions of this section.

(2) The Department of Human Services may purchase vehicles utilizing federal funds and the appropriate state matching funds required.

History: Acts of 1983, Act 490, §§ 1, 2; Acts of 1985, Act 649, § 44; Acts of 1985, Act 888, §§ 22, 23; Acts of 1987, Act 921, § 19; Acts of 1989, Act 790, § 1; Acts of 1989 (1st Ex. Sess.), Act 252, § 9; Acts of 1993, Act 447, § 9; Acts of 1997, Act 540, § 40; Acts of 1997, Act 948, § 3; Acts of 1999, Act 646, § 56; Acts of 1999, Act 1164, § 156; Acts of 1999, Act 1398, § 28; Acts of 2001, Act 739, §§ 2, 3; Acts of 2001, Act 1669, § 29; Acts of 2005, Act 1869, §§ 1 to 28; Acts of 2005, Act 2123, § 31; Acts of 2007, Act 711, § 1; Acts of 2007, Act 1255, § 35; Acts of 2007, Act 186, § 3; Acts of 2009, Act 1334, § 34; Acts of 2013, Act 949, § 5; Acts of 2013, Act 1393, § 1; Acts of 2015, Act 1271, §§ 1 to 9; Acts of 2016, Act 140, § 10; Acts of 2016, Act 141, § 10; Acts of 2016 (3rd Ex. Sess.), Act 2, § 123; Acts of 2016 (3rd Ex. Sess.), Act 3, § 123; Acts of 2017, Act 178, § 6; Acts of 2017, Act 179, § 8; Acts of 2017, Act 422,



§§ 1, 2; Acts of 2017, Act 707, § 45; Acts of 2019, Act 204, § 2; Acts of 2019, Act 942, §§ 1 to 9; Acts of 2021, Act 554, §§ 1, 2

19-4-907 – Records – State-owned automobiles

The Chief Fiscal Officer of the State may direct all state agencies to maintain records with respect to all state-owned motor vehicles and may require that the agencies file reports on the vehicles covering the operating costs thereof.

History: Acts of 1973, Act 876, § 16; A.S.A. 1947, § 13-342

P1-19-4-907 Motor Vehicle Acquisition and Reporting

Introduction

The purchase, utilization and reporting with regard to state-owned motor vehicles is governed by Ark. Code Ann. §§ 19-4-903, 19-4-905 – 19-4-907, Ark. Code Ann. §§ 22-8-101 – 22-8-210 and Ark. Code Ann. § 25-1-110. In addition, Executive Order 10-14 establishes criteria for the identification and utilization of vehicles. Refer to the Order for provisions for waivers from the criteria.

All requests for waivers must be in writing and submitted to the Director of DFA-OAS.

PLEASE NOTE: *The DFA-OAS is the office responsible for Motor Vehicle Acquisition and Reporting. Procedures governing the purchase of Motor Vehicles are located on the DFA-OAS [website](#)³⁰.*

PLEASE NOTE: *Procedures governing the lease of motor vehicles are located on the DTSS-OSP [website](#)³¹.*

Subchapter 10 – State Credit Cards

19-4-1001 – Definition

As used in this subchapter, the term “credit cards” means only those credit cards issued to state agencies, boards, or commissions for which the state agencies, boards, or commissions assume responsibility for payment.

History: Acts of 1979, Act 676, § 1; Acts of 2003, Act 656, § 2; A.S.A. 1947, § 12-2378

³⁰ <https://www.dfa.arkansas.gov/administrative-services/vehicle-fleet-management/>

³¹ <https://www.transform.ar.gov/procurement/vendors/state-contracts/>



19-4-1002 – Daily allowances unchanged

This subchapter in no way changes the maximum daily allowance for meals and lodging authorized in this chapter for an individual traveling on official state business within or beyond the borders of this state, nor does it change any special authorizations, exemptions, or limitations set forth in this chapter.

History: Acts of 1979, Act 676, § 2; A.S.A. 1947, § 12-2378.1

19-4-1005 – Responsibility for use

- (a) The responsibility for ensuring that only authorized expenditures are paid for by use of state credit cards for which the state agency assumes responsibility for payment and the collection for any unauthorized expenditures which may occur rests with the board, commission, or administrative head in charge of the agency.
- (b) The Chief Fiscal Officer of the State shall not be liable for any unauthorized expenditures through the use of state credit cards for which the state agency assumes liability for payment.

History: Acts of 1979, Act 676, § 5; Acts of 2003, Act 656, § 5; A.S.A. 1947, § 12-2378.4

19-4-1006 – Rules – Records

The Chief Fiscal Officer of the State shall:

- (1) Promulgate rules with respect to obtaining and utilizing credit cards in payment of products and services;
- (2) Prescribe the procedures for reporting, approving, and paying for products and services purchased with credit cards; and
- (3) Prescribe the necessary records to be maintained and the supporting documentation to be provided with each voucher presented for payment of charges resulting from the use of credit cards.

History: Acts of 1979, Act 676, § 4; Acts of 2009, Act 251, § 11; A.S.A. 1947, § 12-2378.3

P1-19-4-1006 Federal Excise Tax – Motor Fuel

Federal excise taxes are levied on the sale of gasoline and diesel fuel. A general exemption exists for state government entities, including agencies, boards, commissions, constitutional offices, colleges, and universities.

Updates, additional information and instructions on federal excise taxes may be found in the Internal Revenue Service (IRS) Publication 378 (Fuel Tax Credits and Refunds) and Publication 510 (Excise Taxes). These documents may be found on the IRS web site at <http://www.irs.gov/>.



Gasoline or Gasohol

State agencies and institutions may avoid payment of fuel taxes by taking advantage of the tax exemption on Gasoline or Gasohol (Alternatives 1 and 2) or request a refund of tax paid under Alternative 3.

Alternative 1 – “Preferred Vendor”

The preferred method is to utilize the Wright Express (WEX) fuel cards for all individual gasoline purchases for all agencies and institutions who report under the State’s primary Tax Identification Number (TIN). The DTSS-OSP has established an account with WEX as the “ultimate vendor” for all agencies reporting under the State’s primary TIN. All agencies under the State’s primary TIN may get a fuel card, and the excise taxes will have been deducted from the bill monthly when presented for payment. This is the preferred method because the agency does not have to file any forms to receive the excise tax credit.

An ultimate vendor, as defined in the Internal Revenue Code (IRC) section 6416(a)(4), is treated as the person (and the only person) who paid the excise tax and thus is eligible for refund of excise tax on tax-excluded sales of gasoline to state and local governments for the state or local governments’ exclusive use, but only if such ultimate vendor is registered under IRC section 4101.

Alternative 2

If the vendor is not registered under IRC section 4101, the purchasing state agency or institution may notify the fuel supplier of the State’s exempt status and request that the amount due be reduced through a credit memo or credit entry on the vendor’s invoice. This specific identification of the gross, excise tax and net amount on the vendor’s invoice will satisfy the requirement prescribed by the IRS. The entity that actually paid the tax to the government is eligible for the refund if it purchases tax-paid gasoline and subsequently sells it at a tax-excluded price directly to a state or local government. A certificate, as described in Internal Revenue Bulletin Notice 2005-80, must be secured from the state or local government by the entity who paid the tax.

This is the preferred method for utilizing the exemption when fuel is purchased in bulk from a fuel supplier or by use of gasoline credit cards other than ones issued by Voyager under the State’s primary TIN. A blank certificate that the state agency or institution is required to provide to the person who paid the tax is found at Addendum F1-19-4-1006. The certificate should be completed and signed by the agency or institution head. The certification should be presented to the vendor, whether a credit card company or a bulk dealer.

Alternative 3

As an alternative to a tax-excluded purchase of gasoline, a state or local government is eligible to file its own claim for refund on the tax-paid purchase of gasoline. Under IRC section 6421(c), if gasoline is sold to any person for a purpose including a sale to a state or local government, the Federal government shall pay (without interest) to such person an amount equal to the product of the number of gallons of gasoline sold multiplied by the rate at which tax was



imposed on such gasoline by IRC section 4081. As stated under Treas. Regs. §48.6421-3(ii), a claim for payment of a governmental unit or exempt organization described in §48.6421-1(c) or §48.6421-2(c) must be filed no later than three (3) years following the close of its taxable year.

If excise tax is paid, the State may receive refunds of the tax paid by filing Form 8849 which can be found at the IRS [website](#)³². If this method of claiming the exemption is used, detailed records must be maintained to support the amounts claimed and should include the following:

1. The number of gallons purchased and used during the period covered by the claim;
2. The dates of the purchases;
3. The names and addresses of the suppliers and amounts purchased from each in the period covered by the claim;
4. Credit card receipts and invoices should be kept to verify the correctness of the claim.

Claims must be filed quarterly if the amount of the claim is \$750.00 or more. If the amount of the claim is less than \$750.00, the amount may be carried forward and filed in a succeeding quarter when the cumulative amount of excise taxes to be claimed exceeds \$750.00. If you cannot file a claim for at least \$750.00 after the fourth calendar quarter, the form must be filed as an “annual” claim after the end of the year. All claims must be filed no later than three (3) years following the close of the taxable year in which taxes were paid.

The claim information must be submitted to the DTSS-OSP to file as only one Form 8849 per tax identification number may be filed. Once Form 8849 is filed with the IRS, they will refund the amount of excise taxes paid to the agency. The receipt is to be treated as a “refund to expenditure” because the Federal government as the taxing authority is both the ultimate receiver of the tax and ultimate refunding agent. The receipt, when properly recorded, will restore the appropriation in the amount of such receipt.

Diesel

The refund provision for sales of undyed diesel fuel to a state or local government for the state or local government's exclusive use can be found under Treas. Regs. §48.6427-9. A registered ultimate vendor must obtain a properly executed exemption certificate from the state or local government. See F1-19-4-1006, “Sample Exemption Certificate.”

Note that, unlike gasoline refunds, there is no provision for a state or local government to receive refund or credit of diesel fuel tax paid to its supplier. The only way to avoid tax is through a tax excluded purchase from a registered ultimate vendor.

As an alternative to the purchase of undyed diesel fuel, the State may purchase tax-free dyed diesel fuel for its exclusive use. Submission of an exemption certificate to the State's supplier is not required for the purchase of dyed diesel fuel. An executed certificate may be requested from DFA-OA. This certificate will suffice for all state agencies utilizing the State's primary TIN. Those

³² <http://www.irs.gov/>



offices and institutions not using the State's TIN may complete the blank Certification Statement shown as addendum F1-19-4-1006.

19-4-1007 – No use of other credit cards

- (a) If it is determined by the Chief Fiscal Officer of the State to be essential to enable an agency, board, or commission to effectively carry out its responsibilities, the Chief Fiscal Officer of the State may authorize an agency, board, or commission, or certain employees thereof, to use state credit cards for which the state agency assumes liability for payment, under rules as may be prescribed by the Chief Fiscal Officer of the State.
- (b) No credit cards shall be used except those approved by the Chief Fiscal Officer of the State.

History: Acts of 1979, Act 676, § 6; Acts of 2003, Act 656, § 6; Acts of 2019, Act 315, § 1721; A.S.A. 1947, § 12-2378.5

P1-19-4-1007 State Travel Card Use

Procedures for Authority to Use Credit Cards

Approval for use of all credit cards rests with the Chief Fiscal Officer of the State. The State of Arkansas's "Arkansas Procurement Card," "Arkansas Business Travel Card" (BTC), and oil company cards in force on December 31, 2002, are approved. No other retail credit cards issued in the name of state agencies and institutions may be used after the adoption of these travel rules and must be cancelled as soon as practical and billings are paid. Directors of state agencies, boards, and commissions and presidents and chancellors of institutions of higher education may request from the Chief Fiscal Officer of the State, in writing, authority to establish an agency commercial account. Requests shall state:

- *Purpose, intended use of card*
- *Number and type of cards*
- *Detail method of controls*
- *Justification*

DFA-OA and DTSS-OSP shall review requests to establish agency credit cards and provide the Chief Fiscal Officer of the State their recommendation.

The Chief Fiscal Officer of the State shall not be liable for any unauthorized expenditure through the use of credit cards.

The administrative head of the agency shall be responsible for ensuring that only authorized charges are paid as the result of the use of any authorized credit card and the collection for any unauthorized expenditures that may occur.

The administrative head of the agency may appoint a travel administrator to administer travel functions within their activities. However, the responsibility for taking corrective action for any abuses discovered rests with the administrative head of the agency. Individuals on state business shall use the Arkansas Business Travel Card (BTC) or provide themselves with sufficient funds or personal credit cards for necessary travel expenses. Nothing in this regulation



removes the responsibility of the administrative head of an agency from being required to report to the Chief Fiscal Officer of the State and the Arkansas Legislative Audit incidences of fraud and/or theft as required by law.

PLEASE NOTE: For more specific information on the Travel Card Program refer to the DTSS-OSP [website](#)³³.

An exception to provision(s) established in this rule shall only be granted by the Chief Fiscal Officer of the State based on written request and justification from the administrative head of an agency or institution. All requests for exceptions should be addressed to the State Procurement Director, who will make a recommendation to the Chief Fiscal Officer of the State regarding such request(s).

19-4-1008 – Establishment of revolving funds

- (a)
- (1) The Chief Fiscal Officer of the State is authorized to promulgate appropriate rules authorizing state agencies, boards, commissions, and institutions of higher education to establish revolving funds which shall be within such limitations as the Chief Fiscal Officer of the State may prescribe or to make advances of expense funds for authorized travel by officials and employees of state agencies, boards, commissions, and institutions of higher education whose travel is in conjunction with institutionally sponsored events or programs. The advanced funds shall be reimbursed by the individual borrowing the funds from moneys to the individual upon filing an authorized expense account in connection with the travel.
 - (2) These funds shall be used to make advances of expense funds for authorized travel by officials and employees of state agencies, boards, commissions, and institutions of higher education whose travel is in conjunction with institutionally sponsored events or programs.
 - (3) These funds shall be reimbursed by the individual borrowing the funds from moneys to the individual upon filing his or her authorized expense account in connection with his or her travel.
- (b) The rules may authorize the state agency, board, commission, or institution of higher education to require the employee to file an agreement authorizing the agency to recover any amounts advanced for travel expense purposes from the amounts claimed and allowed the employee or student as reimbursement for actual expenses incurred, to recover them from the next or future salary payments to the employee or add them to the receivables account of the student.

History: Acts of 1979, Act 676, § 6; Acts of 1995, Act 1258, § 1; Acts of 2001, Act 1453, § 26; Acts of 2019, Act 315, §§ 1722, 1723; A.S.A. 1947, § 12-2378.5

P1-19-4-1008 Travel Advance Revolving Funds

³³ <https://www.transform.ar.gov/procurement/agencies/credit-cards/>



In accordance with Ark. Code Ann. § 19-4-1008, the Chief Fiscal Officer of the State may approve the establishment of a revolving fund by an agency to be used to make advances of expense funds for authorized travel by officials, employees of state agencies, boards, commissions, and institutions of higher learning and students when travel is in conjunction with institution-sponsored events or programs.

The Chief Fiscal Officer of the State shall not be liable for any unauthorized expenditure through the failure of any official, employee or student to reimburse revolving funds for travel advances. The responsibility of ensuring that only authorized expenditures are paid by the use of any advance from an established revolving fund and the collection of advances made from a revolving fund ultimately rests with the administrative head of the board, commission, agency, department or institution.

The administrative head of the board, commission, agency may appoint a travel administrator to administer travel functions within their activities. However, the responsibility for taking corrective measures for any abuses discovered rests with the administrative head of the agency.

Establishment of a Revolving Fund

A Travel Advance Fund is established by submitting a request to DFA-OA. The administrative head of every board, commission, agency, department, or institution that wishes to establish and operate a travel advance revolving fund shall do so in accordance with the policies set forth by, and with the approval of, the Chief Fiscal Officer of the State. In addition, a custodian must be designated who will be responsible for operating, maintaining and processing all transactions in the account(s). All Travel Advance Funds in operation on the effective date of this rule are hereby approved.

Policy

The cost of registration and conference fees may not be included in the travel advance request. State personnel who hold an approved State travel card are discouraged from using the Travel Advance Fund. Should it become necessary for a cardholder to apply for a travel advance, a letter of request from the traveler's immediate supervisor will be submitted to the Travel Advance Fund Custodian justifying the advance by explaining why anticipated expenditures may not be charged to the traveler's credit card.

Amounts to be Advanced

Travel Advance Revolving Funds may be utilized to make advances of amounts not to exceed 50% of the total anticipated travel expenses, not including those expenses that are direct billed to the agency or charged on the Business Travel Card (BTC) or Central Travel Service (CTS) Account or "Ghost Account".

Within Arkansas:

The traveler is allowed to request up to 50% of anticipated meals and other travel expenses except airfare, lodging, vehicle rental or conference registration. These items should be direct billed to the agency using the Business Travel Card (BTC) or Central Travel Service (CTS) Account.



Within the Continental United States:

The traveler is allowed to request up to 50% of anticipated meals and other travel expenses except airfare, lodging, vehicle rental or conference registration. These items should be direct billed to the agency using the Business Travel Card (BTC) or Central Travel Service (CTS) Account.

Outside the Continental United States:

Where the travel destination of the traveler and/or group does not provide access to the Business Travel Card (BTC) or other electronic means of accessing funds, the cash advance may be 75% of total anticipated travel expenses less air fare and hotel which may be direct billed using the Business Travel Card.

When the travel destination of the traveler and/or the group does provide access to the Business Travel Card (SBTC) or other electronic means of accessing funds, the cash advance should not be authorized but in no event will it exceed 50% of the total anticipated travel expenses. Airfare and hotel may be direct billed.

PLEASE NOTE: *Travel advances for student/client/group activities as defined by Ark. Code Ann. § 19-4-904 (d) may be made for 90% of the anticipated expenses that are not to be direct billed to the institution.*

Specific exceptions to this policy may be addressed via e-mail to the Administrator, DFA-OA at <mailto:acctuser@dfa.arkansas.gov> subject: travel advance. State agencies, boards, commissions, and institutions of higher learning shall require employees and/ or students to file an agreement authorizing the agency/institution to recover any amounts advanced for travel expense purposes from the amounts claimed and allowed the employee or student as reimbursement for actual expenses incurred or add them to the receivable account of the student.

Procedure for Obtaining a Travel Advance

The traveler completes the "Travel Advance Fund Repayment Agreement" Form F1-19-4-1008.

The traveler obtains approval of his/her supervisor as indicated on the form and forwards the completed forms to the Travel Advance Fund Custodian.

Travel advance requests, including those submitted by mail, should be processed with advance check prepared within five (5) working days after receipt provided that travel advance check should not be released more than 10 working days prior to planned travel. Employees should be notified when travel advance checks are available, and/or the advance checks should be routed to the traveler.

Repayment of travel advances: travel advances will be repaid according to the following guidelines:

- *A "Travel Reimbursement" form, TR-1 or equivalent, should be filed within fifteen (15) working days after the traveler completes his/her travel. The total amount of the travel advance to be repaid to the Travel Advance Fund must be stated in the space provided*



on the TR-1 form when submitted. All TR-1 forms indicating an amount due the Travel Advance Fund must be routed through the Travel Advance Fund Custodian for verification of proper “amount due”. Failure to submit the TR-1 or equivalent to the proper unit in a timely manner or failure to indicate an amount due the Travel Advance Fund may result in the traveler being permanently barred from utilization of the Travel Advance Fund.

- *After submission of form TR-1, the reimbursement is processed with payment being made to the traveler. It is the agency’s responsibility to see that the traveler reimburses the Travel Advance Fund for the full amount received.*
- *Anyone who has been issued a State travel card and who obtains a travel advance without first obtaining written authorization from his/her supervisor may be permanently barred from using the Travel Advance Fund.*
- *If the traveler is no longer employed by the issuing organization and the travel advance has not been repaid by the borrower, the amount of the travel advance will be deducted from his/her final payroll check. If the travel plans by a current employee are cancelled after a travel advance was made, the travel advance must be repaid within five (5) days of the cancellation date.*

Subchapter 11 – Approval of Expenditures

19-4-1101 – Voucher examination and approval

- (a) The expenditure of all funds deposited into the State Treasury shall be subject to examination and approval in the manner provided for by this subchapter before the proposed expenditure is approved for payment from such funds.
- (b) Funds of state agencies which are not required by law to be deposited into the State Treasury shall be subject to the procedures as required by § 19-4-801 et seq.
- (c) The Legislative Auditor shall have authority, in connection with any examination of the fiscal activities of any agency, to audit any of the funds of the agency.

History: Acts of 1973, Act 876, § 15; Acts of 1979, Act 833, §§ 6, 7; Acts of 1991, Act 21, § 2; Acts of 2001, Act 1453, § 27; A.S.A. 1947, § 13-341

19-4-1103 – Responsibilities of agency heads

- (a) It shall be the responsibility of each executive head of a state agency to establish adequate internal administrative procedures and controls to ensure prompt and accurate payment of obligations in order to promote good public relations and to take advantage of all available discounts. It shall also be the responsibility of each executive head of a state agency to establish adequate administrative procedures to ensure that all financial transactions of the agency are posted in the state’s financial management system in accordance with procedures established by the Chief Fiscal Officer of the State.
- (b) It shall also be the responsibility of the agency head to establish a system of pre-audit within his or her agency to ensure that checks and vouchers, before being released by the agency, are



prepared in accordance with all applicable purchasing and fiscal laws and rules by performing the following functions. He or she shall determine that:

- (1) Services, materials, supplies, and equipment received comply with specifications indicated on purchase documents;
 - (2) Quantities received, as being indicated on the invoice, agree with those shown on the receiving report;
 - (3) Unit prices agree with those indicated on the purchase documents;
 - (4) The extensions and footings of the invoice are correct;
 - (5) The voucher or check is prepared in sufficient time to take advantage of all available discounts being offered;
 - (6) Sufficient appropriation and funds are available for payment of the obligation; and
 - (7) The obligation was incurred in conformity with all purchasing and fiscal laws.
- (c) It shall also be the responsibility of the agency head to establish that:
- (1) Every voucher for a proposed disbursement is approved by the bonded disbursing officer of the agency issuing the voucher or by his or her authorized agent;
 - (2) An appropriation has been made to cover the proposed disbursement and that there is sufficient balance remaining in the appropriation account and in the fund against which it is drawn to ensure that the voucher can be converted into a valid warrant;
 - (3) The proposed disbursement has been drawn on the proper voucher form and the name and address of the disbursing agency and the name and address of the vendor or payee is properly identified on the voucher form;
 - (4) The proposed voucher is prepared in accordance with the established general accounting procedures relating to appropriation titles and codes and the proposed transactions are identified and classified in accordance with the administrative rules on the subject; and
 - (5) The voucher for the proposed disbursement is accompanied by proper supporting documentation, as evidence that the indebtedness has been incurred and that the amount for which the voucher is written corresponds with such evidence.

History: Acts of 1973, Act 876, § 15; Acts of 1979, Act 833, §§ 6, 7; Acts of 2001, Act 1453, § 29; Acts of 2019, Act 315, §§ 1724, 1725; A.S.A. 1947, § 13-341



P1-19-4-1103 Expense Items with Special Considerations and Limitations

Resolutions of Boards and Commissions

Any indebtedness or expense incurred in connection with an approved resolution of any state board or commission shall be made a part of the permanent minutes. Certified copies of the resolution or minutes authorizing the indebtedness or expense shall be attached to the disbursement document executed for payment of the same. When purchasing bonds for investments, excerpts from the board or commission meeting authorizing the purchase, or a letter from the person authorized to buy when funds are available, should be attached to the disbursement document as the supporting documents. Each disbursing document shall have attached a copy of the certified resolution authorizing the investment. Purchasing procedures must be followed where applicable.

Agency Membership Dues

Generally, agency membership may be paid when such membership is in the name of the agency, and such membership is not in a community organization. In the event that any membership due is in the name of an individual, or a membership, whether in the name of an individual or a state agency, is in a community organization, the department head or independent agency director must approve, in writing, the payment of such due. The approval shall justify the payment, explaining how the payment for said membership is in the best interest of the state agency and necessary to carrying out the purposes of the agency. Such approval shall be included in the documentation (attached to the disbursing document) of the agency's financial records and made available for audit purposes.

Educational Subsidies

Within limits, an agency may subsidize an employee's tuition and related expenses for enrollment at an institution of higher education for a particular course that will enhance the employee's performance in their present job assignment. The agency shall not pay for a collegiate course that leads to, or participates in, a degree program for the employee unless the state agency has specific legislation providing for such payment.

Prior approval in writing from the agency head must be obtained for each employee before an agency becomes obligated to pay that employee's tuition and/or other related expenses. The approval document shall justify the payment, explaining how the payment for tuition and related expenses is necessary to the performance of the duties of the employee, why it is in the best interest of the state agency and necessary to carrying out the purposes of the agency. Such approval shall be included in the documentation (attached to the disbursing document) of the agency's financial records and made available for audit purposes.

Payment of Witness Fees

An agency authorized by law to issue subpoenas to a witness to appear for examination at trial or a hearing, or for the taking of a deposition must pay the witness a witness fee of \$30.00 per day and \$0.25 per mile for travel from the witness' residence to the place of the trial, hearing, or



deposition. The subpoena must be accompanied by a tender of the witness fee and travel reimbursement. Arkansas Rules of Civil Procedure, Rule 45 (d) & (e).

In the case of an expert witness engaged by an agency, board, commission, or institution, a verified statement of expenses for loss of time and miles traveled must be signed by the witness. The expenses for loss of time and mileage must be shown separately on the statement. This form must be presented as documentation for the disbursement document. These expenses are considered professional in nature and should be expensed using Professional Fees & Services (506:00:10). A sole source contract would be necessary if the amount is greater than \$5,000.

Disposition of Witness Fees Paid To State Employees

The disposition of fees regarding witness, juror or expert witness fees and reimbursements shall be as follows:

An employee serving as a juror in a state or federal court is entitled to retain fees paid for such services, and such services or necessary appearances in any court will not be counted as annual leave. Ark. Code Ann. § 21-4-213(a).

An employee is entitled to his or her salary if subpoenaed as a witness to give a deposition or testimony in state or federal court, at a hearing or before any body with power to issue a subpoena in a matter that is within the employee's scope of state employment or outside the employee's scope of state employment and the employee is neither serving as a paid expert witness nor is a party to the matter. Ark. Code Ann. § 21-4-213(b)(1).

An employee is required to take annual leave to attend the deposition, hearing or appear in court only if the matter is outside of the employee's scope of state employment, and the employee is serving as a paid expert witness or is a party to the matter. Ark. Code Ann. § 21-4-213(b)(2).

A state employee subpoenaed as a witness to give a deposition or testimony at a hearing in state or federal court, or before any body with power to issue a subpoena is entitled to retain any witness fees that may be tendered to him or her under state or federal law or court rules only if the matter is outside the employee's scope of state employment, or the employee is a party to the matter other than as a representative of the state employer. Ark. Code Ann. § 16-43-806(a)(1).

A state employee subpoenaed as a witness to give a deposition or testimony at a hearing in state or federal court, or before any body with power to issue a subpoena is entitled to retain any mileage fees that may be tendered to him or her under state or federal law or court rules only if the matter is within the employee's scope of state employment, the employee uses a personal vehicle for travel in obeying the subpoena and the employee's employer does not reimburse the employee for travel expenses or the matter is outside the employee's scope of state employment, and the employee does not use a state-owned vehicle for travel in obeying the subpoena. Ark. Code Ann. § 16-43-806(a)(2).



A state employee subpoenaed as a witness to give a deposition or testimony at a hearing in state or federal court or before any body with power to issue a subpoena on a non-workday may retain any witness and mileage fees tendered to him or her unless a state vehicle is used to obey the subpoena. See generally Ark. Code Ann. § 16-43-806(b).

If an employee is subpoenaed as a witness to give a deposition or testimony at a hearing in state or federal court or before any body with power to issue a subpoena in a matter that is within the employee's scope of employment and is a paid expert witness, the employee is required to reimburse his/her agency the total amount of witness fees tendered to him or her. The agency will deposit the money as a "non-revenue receipt."

A state employee is required to reimburse his or her agency for any mileage fees that may be tendered to him or her under state or federal law or court rules if the matter is within the employee's scope of state employment and the employee uses a state-owned vehicle for travel in obeying the subpoena and the employee's employer reimburses the employee for travel expenses or the matter is outside the employee's scope of state employment, and the employee uses a State-owned vehicle for travel in obeying the subpoena unless the state employee is a law enforcement officer subpoenaed to appear when not scheduled for regular duty.

A law enforcement officer subpoenaed to appear when not scheduled for regular duty is entitled to retain witness and mileage fees. Ark. Code Ann. § 21-4-213(c)(1). A "law enforcement officer" means any public servant with the legal authority to make arrests for offenses and a duty to maintain public order. Ark. Code Ann. § 21-4-213(c)(2).

A state employee that is not a certified law enforcement officer shall not use a state-owned vehicle for travel in obeying a subpoena for a matter that is outside the employee's scope of state employment.

19-4-1104 – Duty to examine and approve

It shall be the duty of the Chief Fiscal Officer of the State to design the state's financial management system to provide reasonable assurances that financial transactions conform to the provisions of law and rules. He or she shall not be required to pass upon the propriety of any financial transaction if it is found to conform to the provisions of this subchapter. However, the Chief Fiscal Officer of the State may perform examinations of transactions to determine the propriety of the transactions in conformity with applicable laws and rules.

History: Acts of 1973, Act 876, § 15; Acts of 2001, Act 1453, § 30; Acts of 2019, Act 315, § 1726; A.S.A. 1947, § 13-341



19-4-1105 – Examination and approval generally

Before any voucher for the disbursement of funds in the State Treasury is presented to the Auditor of State for the issuance of his or her warrant thereon, it shall be recorded in the state's financial management system in accordance with procedures established by the Chief Fiscal Officer of the State. The Auditor of State shall have the authority to perform an examination, under the procedures established in this section, as he or she deems advisable before issuing his or her warrant in the payment of the voucher.

History: Acts of 1973, Act 876, § 15; Acts of 1985, Act 324, § 2; Acts of 2001, Act 1453, § 31; A.S.A. 1947, § 13-341

19-4-1106 – Recovery of improper payments

The responsibility for recovery of erroneous or improper payments shall be with the state agency head or the bonded disbursing officer, or his or her designated bonded assistant; the Chief Fiscal Officer of the State, the Auditor of State, or the Treasurer of State shall not be liable under their surety bonds for any erroneous or improper payments so made.

History: Acts of 1973, Act 876, § 15; A.S.A. 1947, § 13-341

19-4-1107 – Supporting documents generally

Supporting documents for the disbursement of state funds shall include the following:

- (1) In connection with purchasing procedure, the Chief Fiscal Officer of the State shall prescribe and define the necessary documents and other evidence which shall be for the purpose of determining whether the proper purchasing procedures have been complied with;
- (2)
 - (A) In all instances when the evidences of indebtedness are represented by vendors' invoices, the agency shall retain in the permanent file of the business office of the agency the original invoice and corresponding documentation in accordance with procedures established by the Chief Fiscal Officer of the State.
 - (B) In those instances when the daily transactions with vendors are numerous, such as in the case of retail service station purchases, the Chief Fiscal Officer of the State may prescribe the use of monthly statements from the vendors as supporting documents for the vouchers;
- (3) In connection with printing contracts provided for by the Arkansas Constitution and laws of this state, the supporting documents shall be those prescribed by the Auditor of State or by the Department of Finance and Administration as appropriate;
- (4)
 - (A) In connection with the laws or rules governing travel, when individuals are reimbursed for expenses incurred for travel in connection with their official duties, the supporting papers shall be the forms or statements of such expenses prescribed by the Chief Fiscal Officer of the State.



(B) In the case of per diem or other expenses established by law, the disbursing officer shall attach to the vouchers issued in payment of such allowances a citation of his or her authority for making such payments;

(5)

(A) Any indebtedness or expense incurred in connection with an approved resolution of any state board or commission shall be made a part of the permanent minutes of the board or commission.

(B) Copies of the resolution or minutes authorizing any indebtedness or expense shall be attached to the vouchers issued in payment of any indebtedness or expense; and

(6)

(A)

(i) The Chief Fiscal Officer of the State shall prescribe the forms of the vouchers to be used and the procedure to be followed in making payments in instances when the General Assembly has authorized grants:

(a) To public schools, public welfare recipients, counties, and municipalities;

(b) For other purposes specifically provided for by law;

(c) For payments made to individuals under retirement systems; and

(d) For income tax refunds.

(ii) The Chief Fiscal Officer of the State may review all disbursements to determine that the disbursements are issued in accordance with their respective appropriations and that there are sufficient funds to cover all the payments.

(B) In the case of vouchers written upon the Public School Fund for state equalization aid, the Auditor of State shall process warrants to pay the vouchers upon certification by the Chief Fiscal Officer of the State that funds are available from general revenues available for distribution or from other sources for the benefit of the Public School Fund with which to pay the warrants when they are presented for payment.

(C) In the case of payments made to welfare recipients under the welfare laws of this state, the approved list of welfare recipients may be certified directly to the Auditor of State, who shall approve the issuance of warrants upon certification by the Chief Fiscal Officer of the State that funds are available from general revenues available for distribution or from other sources for the benefit of the Department of Human Services Grants Fund Account of the Department of Human Services Fund with which to pay the warrants when they shall be presented for payment.

(D) In the case of vouchers written upon the Arkansas Public Employees' Retirement System, the Arkansas Local Police and Fire Retirement System, the State Police Retirement System, the Arkansas Judicial Retirement System, and the Arkansas Teacher Retirement System funds for retiree benefits, the Auditor of State shall process paper or electronic warrants to pay the vouchers upon certification by the Chief Fiscal Officer of the State that funds are



available from the Arkansas Public Employees' Retirement System, the Arkansas Local Police and Fire Retirement System, the State Police Retirement System, the Arkansas Judicial Retirement System, and the Arkansas Teacher Retirement System funds with which to pay the warrants when they shall be presented for payment.

- (E) In the case of vouchers written upon the Uniform Tax Rate Trust Fund, the Auditor of State shall process warrants to pay the vouchers upon certification by the Chief Fiscal Officer of the State that funds are available for the benefit of the Uniform Tax Rate Trust Fund with which to pay the warrants when they shall be presented for payment.
- (F) In the case of vouchers written upon specific funds receiving federal funding, according to the Cash Management Improvement Act of 1990, Pub. L. No. 101-453, Oct. 24, 1990, 104 Stat. 1058, agreement, the Auditor of State shall process warrants and the Treasurer of State shall redeem the warrants presented for payment upon notification by the Chief Fiscal Officer of the State that the state agency director has certified to the Chief Fiscal Officer of the State that:
- (i) A federal fund transfer request has been completed and accepted by the federal funding source; and
 - (ii) Federal funds will be transferred for the benefit of the state fund to pay the warrants.

History: Acts of 1973, Act 876, § 15; Acts of 1977, Act 486, § 4; Acts of 1997, Act 14, § 1; Acts of 1997, Act 860, § 4; Acts of 1999, Act 391, § 38; Acts of 1999, Act 714, § 1; Acts of 2001, Act 1453, § 32; Acts of 2003, Act 656, § 7; Acts of 2005, Act 1149, § 1; Acts of 2007, Act 177, § 5; Acts of 2019, Act 315, § 1727; A.S.A. 1947, § 13-341

19-4-1108 – Retaining original documents

- (a) The original evidences of indebtedness, including documents prepared in connection with purchasing procedure, and all original contracts, invoices, statements, receipts, petty cash tickets, bank statements, cancelled checks drawn upon bank accounts, and other original supporting papers shall be retained in the permanent file of the business office of each state agency. These documents shall be kept in a safe place subject to audit and shall not be destroyed until authorization is given for their destruction by the Legislative Auditor.
- (b) With the approval of the Legislative Auditor, a state agency may retain evidences, to satisfy record retention policies, of indebtedness and other contracts, invoices, statements, receipts, petty cash tickets, bank statements, cancelled checks drawn upon bank accounts, and other supporting papers by microform or a form of stored images in a computer system or other form of computer technology in lieu of retaining the originals of such documents.

History: Acts of 1973, Act 876, § 15; Acts of 1997, Act 541, § 2; Acts of 2001, Act 1453, § 33; A.S.A. 1947, § 13-341



P1-19-4-1108 Public Records

The law defines public records as writings, recorded sounds, films, tapes, electronic or computer-based information or data compilations in any medium required by law to be kept or otherwise kept and which constitute a record of the performance or lack of performance of official functions which are or should be carried out by a public official or employee, a governmental agency or any other agency wholly or partially supported by public funds or expending public funds.

All public records shall be open to inspection and copying by any citizen of the State of Arkansas during the regular business hours of the custodian of the records, except as otherwise specifically provided by law.

Refer to Ark. Code Ann. § 25-19-105 for exceptions, charges for providing copies of records and required response time to requests for copies and Ark. Code Ann. § 25-19-109 for special requests for electronic information.

P2-19-4-1108 Records Retention

All records that are public property are required to be maintained by the agencies that generate the documents. The type of business record in question and the business process it supports determines the length of retention. Generally, all records should be maintained a minimum of three fiscal years. All records and supporting documentation must be maintained until they have been audited and may not be destroyed until permission has been granted by Arkansas Legislative Audit. Other records such as records for grants are maintained according to State or Federal laws.

Public records can only be destroyed after permission is granted by Arkansas Legislative Audit.

Ark. Code Ann. § 25-18-604 assigned the responsibility to develop rules and guidelines for retention of records to the DFA.

Contact for Information: Arkansas Legislative Audit, Department of Parks, Heritage, and Tourism – Arkansas State Archives, or your Assistant Attorney General.

Subchapter 12 – Disbursement of Public Funds

19-4-1201 – Designation of disbursing officers

- (a) For the purpose of compliance with the provisions of this subchapter, the following shall be designated as disbursing officers:
- (1) The executive head of each state department;
 - (2) The executive head, or superintendent, of each state institution; and
 - (3) The executive secretary of each board or commission having such an officer.



- (b) The board having charge of any institution may designate any other full-time employee to act instead of the executive head, and the executive head of any other agency may designate any other full-time employee to act in his or her stead.
- (c) All these disbursing officers shall be required to furnish bond to the state in the manner provided by law.

History: Acts of 1973, Act 876, § 14; A.S.A. 1947, § 13-340

19-4-1202 – Acting disbursing officer

- (a) In the event appropriations are made available to a state agency or to a nongovernmental agency or activity and no disbursing officer is provided for by law, the Chief Fiscal Officer of the State and the Auditor of State shall designate a person to act as disbursing officer and fix the amount of bond for such purposes.
- (b) In the event that the General Assembly enacts legislation that provides for more than one (1) disbursing officer from a fund or fund account and there are insufficient funds available to finance all appropriations made therein, the Chief Fiscal Officer of the State shall certify the amount of funds and appropriations to be made available for each disbursing officer.

History: Acts of 1973, Act 876, § 14; Acts of 1993, Act 1073, § 17; A.S.A. 1947, § 13-340

19-4-1203 – Disbursing agents

In the event the executive head of any state agency shall designate some full-time employee to act as his or her agent in the disbursement of funds under his or her control, then that agent may act without furnishing additional bond if the executive head of that agency shall notify the Chief Fiscal Officer of the State and the Auditor of State in writing of such designation.

History: Acts of 1973, Act 876, § 14; Acts of 2001, Act 1453, § 35; A.S.A. 1947, § 13-340

19-4-1204 – Bonded officials or employees

- (a) The disbursement of any funds in the State Treasury, of federal funds granted to the state or any state agency, of bank funds of any state agency, of trust funds of any state agency, or of any other special funds belonging to any state agency shall be done only by a bonded official or bonded employee in the manner prescribed by law.
- (b) Each disbursing officer or disbursing agent shall be required to furnish bond in the penal sum required by law or, in the absence of any law on the subject, in an amount fixed by the Chief Fiscal Officer of the State and the Auditor of State with a corporate surety company authorized to do business in this state and conditioned upon the faithful performance of his or her duties and for the proper accounting for all funds received and disbursed by him or her.

History: Acts of 1973, Act 876, § 14; A.S.A. 1947, § 13-340



19-4-1205 – Signature or facsimile

The original copy of all checks drawn in connection with the disbursement of public funds for which the disbursing officer is responsible shall bear the manual signature of the disbursing officer or his or her authorized agent, or may contain or bear a mechanically produced facsimile signature of the disbursing officer or his or her authorized agent. Where the Chief Fiscal Officer of the State has determined that the executive head of a state agency has established adequate internal administrative procedures and controls pursuant to law, which determination shall be made only after the Chief Fiscal Officer of the State shall have consulted with the Legislative Auditor, he or she may grant an exemption from manual signatures to allow for a computer-produced digitized signature of the disbursing officer or his or her authorized agent.

History: Acts of 1973, Act 876, § 14; Acts of 1979, Act 833, § 5; Acts of 1997, Act 1087, § 1; Acts of 2001, Act 1453, § 36; A.S.A. 1947, § 13-340

19-4-1206 – Responsibilities of disbursing officer

- (a) The bonded disbursing officer for each state agency or the bonded disbursing officer for any regular or special fund provided for by the General Assembly shall be responsible and held accountable for the proper expenditure of the funds under his or her control.
- (b) It shall be the responsibility and duty of each disbursing officer or agent to:
 - (1) Keep advised as to the availability of the appropriations and funds for which he or she is the disbursing officer and be informed as to the legality of and authority for any obligations which may be incurred before any disbursements are made;
 - (2) Keep advised as to the laws or administrative rules relating to general accounting procedures and restrictions for the disbursement of funds; and
 - (3) Certify that:
 - (A) Any disbursements which he or she may make are in accordance with the terms of any applicable contracts, purchasing procedure, or other authority;
 - (B) The services have been performed or the goods received; and
 - (C) The vendor or payee is entitled to the amount set forth in the check or voucher.

History: Acts of 1973, Act 876, § 14; Acts of 2019, Act 315, § 1728; A.S.A. 1947, § 13-340

19-4-1207 – Duty to monitor finances

It shall be the duty and responsibility of the head of the agency for which appropriations are authorized and of the agency's disbursing officer to:



- (1) Be cognizant at all times of the resources available, including applicable fund balances, revenues, and other income, for financing the appropriations authorized by the General Assembly;
- (2) See that no obligations shall be incurred which cannot be lawfully discharged from funds appropriated or available from other sources when they become due and payable; and
- (3) Not operate the agency during any fiscal year from the then-current fiscal year's available resources at a level of operations that would require for the succeeding fiscal year funds in addition to those already authorized by the General Assembly.

History: Acts of 1973, Act 876, § 14; Acts of 2001, Act 1453, § 37; A.S.A. 1947, § 13-340

19-4-1209 – Compliance with other laws

The disbursement of funds authorized by the General Assembly shall be limited to the appropriations and the funds made available for the support of such appropriations. The restrictions of the Arkansas Procurement Law, § 19-11-201 et seq., the Uniform Classification and Compensation Act, § 21-5-201 et seq., the Revenue Stabilization Law, § 19-5-101 et seq., and rules promulgated by the Department of Finance and Administration authorized by law shall be strictly complied with in the disbursement of the funds.

History: Acts of 1973, Act 876, § 14; Acts of 2019, Act 315, § 1729; A.S.A. 1947, § 13-340

19-4-1210 – Revenues insufficient to meet appropriations

- (a) The disbursements of funds shall be subject to the controls of the procedures authorized by this subchapter, other acts of the General Assembly, and rules established by the Department of Finance and Administration.
- (b) In the event that during any fiscal year the governmental revenues available to the state or a state agency are not sufficient to cover the appropriations made by the General Assembly from such revenues, then:
 - (1) The bonded disbursing officer for each agency shall be responsible and held accountable for the incurring of any obligations and disbursements of any funds in behalf of the agency for which he or she acts as disbursing officer. It shall be his or her duty to keep advised as to the amount of governmental revenues available for the operation of his or her agency. Each such disbursing officer is prohibited from incurring any obligations in excess of the funds made available by this chapter and other laws providing revenues for any such agency, and all such disbursing officers shall be subject to the restrictions and limitations of this chapter;
 - (2) The Chief Fiscal Officer of the State shall exercise the powers of his or her office to enforce the fiscal laws of the state to prohibit deficit spending and to promulgate rules which will require that all agencies comply with such fiscal laws. He or she may require, whenever he or she deems necessary, a financial report from any agency. If any such financial report or any other available information of any agency which has appropriated funds or an agency



which has both state and bank funds shall reveal that the agency is in financial distress, then he or she may direct that all of the funds of the agency, including any bank funds, shall be subject to approval under the provisions of this chapter;

- (3) If during any year it is determined that the proposed disbursements exceed the amount approved for that year, then, upon direction of the Chief Fiscal Officer of the State, necessary reductions in proposed disbursements shall be made;
- (4) If, in accomplishing the necessary reductions in disbursements, it shall be required to reduce the salaries of employees, the reductions shall be made in proportion to existing salaries, and the reductions shall be made in the salaries of all employees, including administrators and directors;
- (5) The Chief Fiscal Officer of the State is directed to withhold all distributions of special and general revenues as prescribed in this chapter and in the Revenue Stabilization Law, § 19-5-101 et seq., at any time that a state agency fails to comply with the restrictive provisions of this chapter; and
- (6) It is provided that the creditors of any agency shall have first consideration in connection with disbursement of the funds of the agency. If the funds of any agency become depleted to an extent that the creditors cannot be paid from funds on hand or which will become available during the same fiscal year, the Chief Fiscal Officer of the State shall direct the agency to stop incurring obligations until the funds on hand and the funds estimated to become available are sufficient to meet all such obligations.

History: Acts of 1973, Act 876, § 14; Acts of 2001, Act 1453, § 39; Acts of 2019, Act 315, §§ 1730, 1731; A.S.A. 1947, § 13-340

P1-19-4-1210 Disbursement of State Funds

Limitations on Disbursements

If, during any fiscal year, it is determined that the proposed disbursements exceed the amount approved for that year, the necessary reductions in proposed disbursements shall be made upon direction of the Chief Fiscal Officer of the State.

Adequate internal administrative procedures and controls shall be established by each state agency executive administrator to ensure prompt and accurate payment of obligations.

Each state agency executive administrator shall ensure that:

- *Services, materials, supplies and equipment received comply with specifications indicated on purchase documents;*
- *Quantities received, as indicated on the invoice, agree with those shown on the receiving report;*
- *Unit prices agree with those indicated on the purchase documents;*
- *The extensions and footings of the invoice are correct;*
- *The check or warrant is prepared in sufficient time to take advantage of all available discounts being offered;*



- Sufficient legislative authorization for expenditures and funds is available for payment of the obligation;
- The obligation was incurred in conformity with all purchasing and fiscal laws applicable to state agencies.

General Rules

Payments of invoices will be made based on the vendor's due date and payment terms. Payments can be made to a vendor from multiple funds and funds centers.

Different payment methods are available – warrant by mail, warrant by Automated Clearing House (ACH) and check.

Warrants will have the invoice number, vendor account number and a 50-character text field on the remittance advice. The Auditor of State will print and mail warrants or mail direct-deposit advices with remittance statements.

Process Overview

The Accounts Payable Technician will enter and park the invoice or credit memo in AASIS. The document will be in the system but will not be posted until it has been approved for payment.

The Accounting Supervisor will review the invoices that have been entered and post them for payment. The payment run will be initiated to generate payments to vendors. (The Accounts Payable Technician and Accounting Supervisor cannot be the same person.)

The Accounting Supervisor will monitor the invoice entry and payment process as well as initiate the setup of recurring entry documents.

DFA-OA will generate the warrant file and route the warrant file to the Auditor of State for processing of warrants.

R2-19-4-1210 Vendor Invoice with a Purchase Order

PLEASE NOTE: *It is the recommendation of the DFA-OA to use the “vendor invoice with a purchase order” process whenever possible instead of the direct-invoice payment method.*

Purchase Requisition

The first step in the procurement process is to requisition the purchase. The Agency Procurement Technician, Basic Purchaser, Requisition Shopper, or State Procurement Specialist will make the requisition.

The purchase requisition:

- *Establishes a commitment of appropriations when the requisition is created.*
- *Creates a unique requisition number for each requisition.*
- *Allows users to suggest several potential vendors for items.*
- *Tracks the progress of the requisition through AASIS.*



The Agency Procurement Manager or State Procurement Manager will approve the requisition to be a legal expenditure of the State. Invalid requisitions must be deleted to relieve commitment of budget. All approvals and rejections are date-stamped and logged by user ID.

Purchase Order

Once the purchase requisition has been entered and approved, the Agency Procurement Technician, Basic Purchaser, Requisition Shopper, or State Procurement Specialist solicits quotes or selects the vendor and then creates the Purchase Order (PO).

The Agency Procurement Manager or State Procurement Manager will approve the PO (RELEASE /APPROVE PURCHASING DOCUMENTS). Once the PO has been approved, the Agency Procurement Technician, Basic Purchaser, Requisition Shopper, or State Procurement Specialist prints and sends the purchase order to the vendor.

Materials or Services Received

When the materials or services are received, the Agency Receipt Technician posts the receipt of the materials or services against the PO by using transaction MIGO (GOOD RECEIPT PURCHASE ORDER). The posting of the receipt of goods produces a posting in the GR/IR account. This posting creates the accrued liability and the expense of the goods until such time as the invoice is received and posted.

The MIRO (LOGISTICS INVOICE VERIFICATION) transaction is posted upon receipt of the vendor invoice, the entry into the accrued liability in the GR/IR clearing account is reversed and the entry to record the liability in the accounts payable account is made. MIRO is an automated 3-way match between the purchase order, goods receipt, and invoice. If the match fails, the invoice is blocked for payment. Once the problem is resolved, the invoice is released for payment. After the document is posted the document number, verifying that the transaction has been posted, must be written on the vendor's invoice.

PLEASE NOTE: *Transactions in the GR/IR process do not reduce funds or appropriations but are only used to record the liability transactions of the invoice.*

Invoices

An invoice is the evidence of an obligation as originally transmitted to the paying state agencies, whether in the form of a paper (hard copy) or whether electronically transmitted by data file, fax or e-mail that can be verified as an official obligation of the agency. Original invoices are necessary to issue payment. Paying from original invoices provides some assurance that an invoice is not paid twice and that the invoice has not been altered.

If the original invoice is lost, the vendor shall be contacted to provide one of the following:

- *A photocopy of the original invoice with the declaration:
"I hereby certify this duplicated invoice is an exact and true copy of the original invoice and that no payment has been received as payment of this invoice through the date of my signature."*



- Signed:
- Name Printed:
- Title:
- Date:
- Or, an additional original invoice with the same invoice number without any comments.

The method of delivery of the duplicate invoice is irrelevant. Electronic transmission will be acceptable.

PLEASE NOTE: *Under no circumstance is an agency to self-generate an invoice or billing statement for the vendor.*

P3-19-4-1210 Vendor Invoice without a Purchase Order

A purchase that has been made outside the Purchase Order System within AASIS may be made by the use of specific "Direct Invoice Payment" transactions in the system. Invoices that are not routine vendor payments, but rather small occasional purchases, reimbursements of employee expenses, etc. may be paid by using the direct pay invoice method.

Repetitive Expenditures

Repetitive expenditures such as utility billings, rent and other items of this nature can be paid with the direct pay invoice method; however, it is advisable to use the "funds reservation" to encumber the expected amount of expense for the annual expenditure.

The direct invoice payment method can be referenced to the "funds reservation" on the payment document to reduce the encumbrance. After the document is posted the document number verifying the transaction has been posted must be written on the vendor's invoice.

PLEASE NOTE: *Do not use the direct invoice payment method when a purchase order is required because entering an invoice directly into the financial accounting side that is intended to be against a purchase order will charge appropriations twice and does not link to the purchase order.*

PLEASE NOTE: *Detailed instructions for the procurement process for AASIS can be found at <http://www.dfa.arkansas.gov/offices/informationServices/aasis/Pages/default.aspx>.*

Supporting Documentation

Cross referencing between the original evidence of indebtedness (invoice, contract, etc.) and the processing numbers assigned by AASIS is essential.

There must be maintained in the files of the agency, at a minimum, the following elements of information/documents related to all disbursements:

For the "Direct Payment" Process

Original evidence of indebtedness as enumerated in Ark. Code Ann. § 19-4-814 with the vendor number and AASIS document number appearing on the face of the document.



For the "Purchase Order/Credit Memo" Payment Process

The invoice and "goods receipt" with the vendor number and the AASIS document number appearing on the face of the documents.

DFA-OA agencies may use the "Direct Invoice/Credit Memo" form returned by the Service Bureau as a cross-reference document, write the appropriate processing numbers (document number, etc.) on the invoice or other original evidence of indebtedness and retain for audit purposes.

Agencies that use AASIS (User Agencies) may print a copy of the screen when payments are processed to use as a reference form. The invoice or other appropriate number should be entered on the face of the original evidence of indebtedness.

The documents shall be filed either in numerical sequence, by document number (assigned by AASIS) or, if agencies file by vendor, by numeric sequence, by document number for each vendor in order in the applicable vendor folder.

Reporting agencies shall, at a minimum, maintain their documentation process in a manner similar to the payment process as recorded on AASIS so the documentation can be traced back to their original books of entry through the batch process posting and ultimately to the original invoice or payment document that supports the payment.

Subchapter 13 – Monitoring for Deficit Spending

19-4-1301 – Intent

- (a) This subchapter is intended to be an addition to the provisions of the General Accounting and Budgetary Procedures Law, § 19-4-101 et seq., and other fiscal laws of this state. This subchapter is enacted for the purpose of imposing additional duties and responsibilities upon the Chief Fiscal Officer of the State to monitor state expenditures and financial obligations in order to assure that all state agencies, programs, and services plan and use the funds provided or made available for the support of the essential services of government within their respective jurisdictions. This monitoring shall be done without incurring obligations or commitments which would exhaust the available funds within a time frame of less than twelve (12) months or which would create deficits.
- (b) The General Assembly is cognizant of the economic recession that has reduced the growth of state revenues that are available for the operation of many of the programmed commitments or expansions of services of government. By this subchapter, the General Assembly intends to strengthen the responsibilities and duties of the Chief Fiscal Officer of the State to provide for the planned and orderly, yet rigid, enforcement of the various laws of this state designed to protect against deficit spending.
- (c) It is further the intent and purpose of this subchapter to mandate that all public officials, administrators, and employees charged with the responsibility of administering and disbursing state funds be held strictly accountable for the administration of the programs under their



jurisdiction. Those officials, administrators, and employees shall periodically reevaluate and modify, if necessary, the various programs and services under their respective jurisdiction to assure the orderly providing of the greatest possible level of essential services and programs on a regular twelve-month basis, within the limitation of the funds available.

- (d) The General Assembly further recognizes that many agencies may have to evaluate and curtail projected or planned program expansions. Many agencies may also have to exercise options to reduce the levels of existing services or program commitments to keep the projected expenditures for such programs or services within the limitations of funds estimated to be available therefor, as provided in this subchapter. It is the intention of the General Assembly that each state agency review its ongoing obligations and services and make the necessary adjustments to provide the greatest possible level of essential services commensurate with the funds available on a year-round, twelve-month basis.

History: Acts of 1983, Act 781, § 1; A.S.A. 1947, § 13-374

19-4-1302 – Applicability of provisions

This subchapter is intended to be supplemental and in addition to the fiscal laws of this state and shall repeal only such laws and parts of laws as are specifically in conflict with it.

History: Acts of 1983, Act 781, § 5; A.S.A. 1947, § 13-378

19-4-1303 – Exemptions

Funds disbursed by the Arkansas Department of Transportation, the Arkansas State Game and Fish Commission, and the Office of the Arkansas Lottery and the funds appropriated in the general appropriation bill provided for in Arkansas Constitution, Article 5, § 30, shall be exempt from this subchapter.

History: Acts of 1983, Act 781, § 6; Acts of 2009, Act 605, § 17; Acts of 2009, Act 606, § 17; Acts of 2015, Act 218, § 16; Acts of 2017, Act 707, § 46; A.S.A. 1947, § 13-379

19-4-1304 – Failure to follow instructions

- (a) If a state agency shall fail or refuse to conform to the directives and mandates of the Chief Fiscal Officer of the State to restrict or curtail its financial obligations or program commitments as intended by this subchapter, the agency head or members of the board or commission responsible therefor may be guilty of misfeasance in office or employment and may be removed from office by appropriate legal proceedings.
- (b) The fact that it may be necessary for an agency to reduce existing levels of services in order to conform to orders or directives of the Chief Fiscal Officer of the State, as intended by this subchapter, shall not be lawful justification for failure to conform thereto.

History: Acts of 1983, Act 781, § 3; A.S.A. 1947, § 13-376



19-4-1305 – Performance of duties – Failure

If the Chief Fiscal Officer of the State fails to perform his or her duties as mandated under the provisions of this subchapter and within the time limitations set forth in it, he or she shall be guilty of misfeasance of his or her office and may be removed from office in the manner provided by law.

History: Acts of 1983, Act 781, § 4; A.S.A. 1947, § 13-377

19-4-1306 – Additional procedures and controls

- (a) In addition to the powers and duties provided under this chapter and other fiscal laws of the state, the Chief Fiscal Officer of the State shall invoke additional procedures to assure that all state agencies are operated on a planned and orderly basis of essential services within the limitations of funds available.
- (b) In furtherance of the purposes of this subchapter, the Chief Fiscal Officer of the State shall institute the following additional procedures and controls:
 - (1) At least thirty (30) days prior to the commencement of each fiscal year, the Chief Fiscal Officer of the State shall make studies for the purpose of estimating the anticipated amount of general and special revenues to be made available for distribution under the provisions of the Revenue Stabilization Law, § 19-5-101 et seq., and for the support of agencies which derive their support from special revenues, for such fiscal year or such fiscal quarter, or for any calendar month if he or she deems it necessary. In addition, the Chief Fiscal Officer of the State shall compute the estimated amount of general revenues that will be available for distribution to the respective State Treasury accounts in accordance with the respective percentage distributions of general revenues authorized under the provisions of the Revenue Stabilization Law, § 19-5-101 et seq. It shall be the duty of each agency head responsible for administering special revenues or federal funds to notify the Chief Fiscal Officer of the State of any unusual events which would adversely affect the estimate of the moneys received upon which the agency is operating. Such notification shall be given immediately upon knowing of the existence of such events by agency heads;
 - (2) Upon completion of revenue estimates for each fiscal year or each fiscal quarter, or monthly if deemed necessary, the Chief Fiscal Officer of the State shall prepare schedules reflecting the estimated amount of general revenues to be available for distribution to the State Treasury funds and accounts for each of the agencies which share in the distribution of general revenue funds of the state, either in whole or in part. In addition, the Chief Fiscal Officer of the State may require the preparation of estimates from the administering agency or prepare estimates of the anticipated amount of special revenues to be available for distribution to those agencies which receive support from special revenues, from both general and special revenues, or from cash funds or other sources;
 - (3) After preparing the estimates and schedules for each fiscal year, fiscal quarter, or month, the Chief Fiscal Officer of the State shall review the annual operations budgets of each agency. The Chief Fiscal Officer of the State shall institute such controls as he or she deems necessary to modify or restrict the level of approved expenditures that may be incurred by each agency to assure that sufficient funds will be available to maintain a minimum level of



essential services and programs by each agency without undue interruption or curtailment of the level of programs and essential services provided for any extended period during each fiscal year or which might create circumstances that would institute deficit spending to meet the obligations or services in excess of the funds available for the support thereof, as provided by law; and

(4) If the Chief Fiscal Officer of the State, in reviewing the annual operations budgets of any state agency, determines that the level of operations thereof or the projected commitment thereof is being operated in a manner that would impose serious curtailment of essential services or would create circumstances of deficit spending, then he or she shall immediately notify the head of the agency responsible for the operation of such services as to the curtailments and controls that should be instituted to bring the level of operations or services within the necessary fiscal restraints recommended by the Chief Fiscal Officer of the State.

(c) A copy of each directive issued pursuant to subdivision (b)(4) of this section shall be furnished to the Governor, to the Legislative Council, and to the Legislative Joint Auditing Committee.

History: Acts of 1983, Act 781, § 2; Acts of 2001, Act 1453, § 40; A.S.A. 1947, § 13-375

Subchapter 15 – Property and Equipment Inventory

19-4-1501 – Establishment of uniform system

The Chief Fiscal Officer of the State shall prescribe and establish a uniform system of perpetual inventory for property and equipment with a central control being established and maintained in the department. In connection therewith, the Chief Fiscal Officer of the State shall:

- (1) Prescribe the procedure of accounting and reporting for the sale, trade-in, exchange, discarding, junking, or other disposal of property and equipment and the system for receiving credit for lost, stolen, or damaged property and equipment. All state agencies shall be required to report promptly, upon forms approved by the Chief Fiscal Officer of the State, all such property or equipment disposed of, lost, or damaged;
- (2) Require that the addition and disposition of all new property or equipment added, including purchase, trade-in, exchange, or transfer, or by constructing or making such property or equipment, shall be promptly reported upon such forms and in such detail as shall be required; and
- (3) By rule, distinguish between items of equipment, and consumable supplies or goods, and such minor tools, materials, and parts as shall be deemed by him or her to be expendable within a reasonable period of time. He or she may also prescribe that minor equipment costing less than some minimum amount shall not be included in the perpetual inventory.

History: Acts of 1973, Act 876, § 26; Acts of 2001, Act 1453, § 42; Acts of 2019, Act 315, § 1734; A.S.A. 1947, § 13-352



19-4-1502 – Record of state property

It shall be the responsibility of the executive head of each state agency to keep and maintain a record of all property of the agency, belonging to the State of Arkansas. The executive head of each agency shall be held accountable for all state property under his or her control and shall be responsible for keeping and maintaining a record of all the property.

History: Acts of 1973, Act 876, § 26; A.S.A. 1947, § 13-352

19-4-1503 – Transfer among agencies – Sale

The Chief Fiscal Officer of the State, in order to expedite the necessary work of any state agency or to eliminate duplication and promote economy and efficiency, may do the following:

- (1) Transfer property and equipment, including furniture, fixtures, and any and all kinds of office equipment and supplies from one (1) agency to another if the property or equipment of the agency from which the transfer is made is not needed by the agency at the time of the transfer; or
- (2) Sell surplus property and equipment of any agency at a reasonable fair value thereof as authorized by § 25-8-106.

History: Acts of 1973, Act 876, § 26; A.S.A. 1947, § 13-352

P1-19-4-1503 Property Management Responsibility

It is the responsibility of the executive head of every state agency regardless of whether they participate in AASIS to maintain a record of all property of the agency belonging to the State of Arkansas.

All new acquisitions shall be promptly added to the detail of capital assets and all items transferred, lost, stolen, destroyed, or sold must be promptly removed from the detail of capital assets. General information and guidance on capital assets is located in the Capital Asset Guidelines.

Also included in the appendix are asset category definitions, capitalization/tracking thresholds, depreciation methodologies and examples of expenditures for each class of assets. All user agencies and service bureau agencies shall record their capital assets on AASIS based on established tracking and capitalization thresholds located in the Capital Asset Guidelines. Detailed instructions on adding or removing capital assets are located under Asset Management on the AASIS [website](https://www.dfa.arkansas.gov/aasis/training-links/)³⁴. Reporting agencies shall record their capital assets on their books of record based on established tracking and capitalization thresholds located in the Capital Asset Guidelines.

PLEASE NOTE: Capital assets may include leased assets. For guidance on the potential capitalization of leased assets, see R1-19-11-238 for guidelines on leases of tangible personal

³⁴ <https://www.dfa.arkansas.gov/aasis/training-links/>



property (equipment) and R1-22-2-114 for guidelines on leases of office space, buildings, structures, parking lots and grounds.

Subchapter 16 – Salaries and Payroll Disbursement

19-4-1601 – Regular Salary Procedures and Restrictions Act

- (a) This section and § 21-5-101 shall be known as and may be cited as the “Regular Salary Procedures and Restrictions Act”.
- (b) Arkansas Constitution, Article 16, § 4, provides: “Except as provided in Arkansas Constitution, Article 19, § 31, the General Assembly shall fix the salaries and fees of all officers in the State; and no greater salary or fee than that fixed by law shall be paid to any officer, employee, or other person, or at any rate other than par value; and the number and salaries of the clerks and employees of the different departments of the State shall be fixed by law.” Therefore, the following provisions shall be applicable to all authorized regular salary positions in appropriation acts unless specific exception is made otherwise by law:
- (1) For any position authorized by the General Assembly for the benefit of any department, agency, board, commission, institution, or program for which the provisions of the Uniform Classification and Compensation Act, § 21-5-201 et seq., are to be applicable, it is declared to be the intent of the General Assembly that the Uniform Classification and Compensation Act, § 21-5-201 et seq., shall govern with respect to:
- (A) The entrance pay level;
- (B) The procedures by which salary increases may be granted; and
- (C) The maximum pay level that may be paid for the grade assigned each employee under the provisions of the Uniform Classification and Compensation Act, § 21-5-201 et seq.;
- (2) For any position authorized by the General Assembly for the benefit of any department, agency, board, commission, institution, or program for which a maximum pay level is set out in dollars, it is the intent of the General Assembly that the position is to be paid at a rate of pay not to exceed the maximum established for the position during any one (1) fiscal year and that the maximum pay level authorized is for full-time employment;
- (3)
- (A) For all positions authorized by the General Assembly for any department, agency, board, commission, institution, or program, it is the intent of the General Assembly that in determining the annual salaries of these employees, the administrative head of the department, agency, board, commission, institution, or program shall take into consideration ability of the employee and length of service.
- (B) It is not the intent of the General Assembly that the maximum pay level as authorized in the appropriation act, or any increases established for the various grades under the provisions of the Uniform Classification and Compensation Act, § 21-5-201 et seq., be



paid unless the qualifications are complied with and then only within the limitations of the appropriations and funds available for this purpose.

(C) An employee authorized by the General Assembly shall not receive from appropriated or cash funds, either from state, federal, or other sources, compensation in an amount greater than that established by the General Assembly as the maximum pay level for the employee unless specific provisions are made therefor by law; and

(4) An employee of the State of Arkansas shall not be paid any additional cash allowances, including without limitation uniform allowance, clothing allowance, motor vehicle depreciation or replacement allowance, fixed transportation allowance, and meals and lodging allowance, other than for reimbursement for costs actually incurred by the employee unless the allowances are specifically set out by law as to eligibility of employees to receive the allowances, and the maximum amount of the allowances is established by law for each employee or for each class of employee eligible to receive the allowances.

History: Acts of 1973, Act 876, § 23; Acts of 2017, Act 365, § 3; Acts of 2019, Act 388, § 2; A.S.A. 1947, § 13-349

P1-19-4-1601 Payroll Responsibility and Authority

Bi-Weekly Pay Periods Not Within a Single Fiscal Year

In the event that a pay period for regular salaries and extra help commences in the closing period of one fiscal year and extends into the following year, and the pay period is bi-weekly, then the payment of such obligation may be made in whole from the appropriation for either fiscal year as determined by the Chief Fiscal Officer of the State. However, both appropriation and funds must be available in the fiscal year against which the payroll is to be processed. (Ark. Code Ann. § 19-4-702)

P2-19-4-1601 Year-end Reporting for the Annual Comprehensive Financial Report

Payroll expense incurred but not yet paid at fiscal year-end is termed "accrued payroll". Accrued payroll is a liability that will need to be recorded at fiscal year-end during the closing process by each agency. Salary and retirement information will be provided to each agency by DFA-OA – Financial Reporting Section at year end for verification. This information will provide the proper balance for the accrued payroll account. Each agency will be required to enter the journal entry to adjust this account as follows:

Debit 5010001100 NBR Personal Services (current year accrued salary expense)

Debit 5010001600 NBR Employee Benefits (current year accrued retirement and payroll tax expense)

Credit 2115006000 Accrued Salary & Benefits (to record the year-end accrual)

P3-19-4-1601 Payments for Personal Services not Considered Payroll Items



Contract Labor

Occasionally, an agency will undertake special programs or be subjected to seasonal fluctuations that temporarily increase the workload beyond the capabilities of the agency's regular staff. Situations of this nature may necessitate the hiring of "contract labor" to be paid for out of the Operating Expenses line item of the agency's appropriation. Contract labor is not to be paid for out of regular salaries or extra help line items because the contract labor is employed by and paid by the contract labor service and not the user agency. The user agency will be billed for the services by the contract labor service. Labor of this type must be considered temporary and infrequently needed. Contract labor is paid from commitment item 02-Operating Expenses.

In order to prevent the circumvention or violation of the law or its intent, it has been determined that no agency subject to this act may employ contract labor for a period longer than six consecutive weeks or 240 hours per calendar quarter. If help is needed more often, the agency must request additional positions and employ full-time or extra help personnel to be paid in accordance with Ark. Code Ann. § 21-5-101 and Ark. Code Ann. § 21-5-209.

19-4-1602 – Payroll deductions

- (a) Deductions from the payrolls of state employees, both regular and extra help, are authorized only for the following purposes:
 - (1) Withholding taxes;
 - (2) Social Security contributions;
 - (3) Contributions to any state retirement system or approved plan of deferred compensation;
 - (4)
 - (A) Group or individual hospital, medical, and life insurance deductions.
 - (B) However, any payroll deductions through the Arkansas state mechanized payroll system for state employees for coverages other than the state-authorized plan shall be approved by the State Board of Finance;
 - (5) Payments to state employees' credit unions;
 - (6) Value of maintenance perquisites;
 - (7) Payment of union dues, when requested in writing by state employees;
 - (8) Purchase of United States Government savings bonds;
 - (9) Arkansas State Employees Association dues, when requested in writing by those state employees;



- (10) Fees for participation in the State Employees Benefit Corporation, when requested in writing by those state employees;
 - (11) Contributions to a major federated fund-raising organization, when authorized by those state employees;
 - (12) Arkansas State Police Association dues, when authorized in writing by those state employees;
 - (13) Fraternal Order of Police dues, when requested in writing by those state employees;
 - (14) Central Arkansas State Troopers Coalition dues, when authorized in writing by those state employees;
 - (15) Arkansas Rehabilitation Association dues, when authorized in writing by those state employees;
 - (16) Correctional Peace Officers Foundation dues, when authorized in writing by those state employees;
 - (17) Department of Correction Employees Association dues, when requested in writing by those employees;
 - (18) American Association of University Professors dues, when requested in writing by those employees;
 - (19) Arkansas Association of Correctional Employees Trust dues, when requested in writing by those employees;
 - (20) Division of Correction Bus Pool dues, when requested in writing by those employees;
 - (21)
 - (A) Arkansas Brighter Future Fund Plan under the Arkansas Brighter Future Fund Plan Act, § 6-84-101 et seq., or a tax-deferred savings program established by another state under 26 U.S.C. § 529, as it existed on January 1, 2007.
 - (B) The tax-deferred savings plan must be in existence at the time the payroll deduction request is made.
 - (C) The state employee shall provide information on his or her Arkansas Brighter Future Fund Plan account to the Department of Finance and Administration so that the payroll deduction can be credited to the appropriate account; and
 - (22) For such other purposes as are specifically authorized by law but not enumerated in this subsection.
- (b) If a state employee authorizes in writing the payroll deduction of dues of any union or professional association representing the employee, the agency shall deduct the dues from the payroll of the employee and remit the dues to the organization.



- (c) Deductions authorized by this section shall be made in compliance with rules and procedures established by the Secretary of the Department of Transformation and Shared Services.

History: Acts of 1973, Act 876, § 23; Acts of 1975, Act 881, § 1; Acts of 1981, Act 251, § 1; Acts of 1983, Act 164, § 1; Acts of 1987, Act 18, § 1; Acts of 1987, Act 646, § 3; Acts of 1989, Act 506, § 1; Acts of 1995, Act 1122, § 1; Acts of 1997, Act 747, § 1; Acts of 2001, Act 166, § 1; Acts of 2003, Act 1795, § 1; Acts of 2009, Act 368, § 1; Acts of 2011, Act 702, § 1; Acts of 2015, Act 1053, § 1; Acts of 2019, Act 910, §§ 976, 6087; Acts of 2019, Act 315, § 1735; Acts of 2021, Act 1004, § 9; Acts of 2021, Act 966, § 24; A.S.A. 1947, § 13-349

P1-19-4-1602 State Insurance Contribution Payments

Payments by agencies and institutions participating in benefits offered by DTSS – Employee Benefits Division shall be made payable to the DTSS – Employee Benefits Division vendor set up for voluntary products for state insurance contribution payments (currently vendor number 9906100006 in AASIS). Invoices entered into AASIS with a payment method of “A” will be directly deposited into the State Employee Benefits Trust Fund Account by Automatic Clearing House transaction. Invoices with a payment method of “W” will produce a warrant, which should be delivered by hand or mailed to DTSS – Employee Benefits Division. The payment will be processed and manually deposited in the State Employee Benefits Trust Fund Account. Payments not received by DTSS – Employee Benefits Division by the due date will be subject to penalties and benefit termination.

Supportive Papers for State Contribution Payments

No supportive documents are normally required to be submitted with the state contribution payments; however, agencies that are paying a different amount for added extra help positions than the amount billed should submit a copy of the billing along with the changes/corrections to DTSS – Employee Benefits Division. Any permanent budgeted position changes/corrections should be reported to the DFA-OB for future billings. It remains the agencies’ responsibility to retain all appropriate supporting documentation in their files for audit purposes.

Agencies participating in the DTSS – Employee Benefits Division health and life insurance plans are required to enroll and maintain records for eligible employees. Employee benefit master data shall be maintained as required by Employee Benefits Division for the purposes of eligibility and employer matching contributions.

P2-19-4-1602 Retirement Contributions

Agencies participating in the Arkansas Public Employees Retirement System are required to monitor regular and extra help hours for all positions to comply with employer retirement matching contribution requirements and balance Arkansas Public Employee Retirement monthly reports. Agencies are required to submit employee contributions and employer matching payments within ten calendar days after each payroll processing date. Agencies shall receive pre-printed remittance forms from APERS and will be provided additional forms as requested.



Generic remittance forms may be found at retirement system’s [website](#)³⁵ for emergency use. Complete the agency name, payroll cycle and agency number when using these generic forms. Reporting instructions are available at the retirement system’s [website](#)³⁶.

R3-19-4-1602 Workers’ Compensation Premium Tax

The Workers’ Compensation Premium Tax was established to provide funding for the Workers’ Compensation Commission. Such tax is required to be paid by all insurance carriers, self-insurers and public employers not obtaining Workers’ Compensation Insurance from an insurance carrier. On or before March 1st of each year the Workers’ Compensation Commission shall certify the rate of taxation, not to exceed 3%, for the preceding year to the Insurance Commissioner. The Insurance Commissioner shall notify the Insurance Department-Public Employee Claims Division of the rate of the tax. (Ark. Code Ann. §§ 11-9-306 (a-d) and 11-9-306 (e) (3)) Also refer to Ark. Code Ann. § 11-9-303 for limit on tax.

The tax calculation is based upon the following formula:

$$\begin{array}{l} \text{Salaries for} \\ \text{Calendar Year} \\ \$100 \end{array} \times \begin{array}{l} \text{Statewide Average Compensation} \\ \text{Rate as promulgated by the} \\ \text{National Council on Compensation} \\ \text{Insurance (NCC)} \end{array} \times \text{Tax Rate}$$

The salaries within the formula are all taxable wages and salaries for the employees of the public entity including any non-cash taxable wage such as clothing and housing allowances. The NCCI Average Compensation rate is determined from the published rate in effect on January 1 of the year the tax is based. (Ark. Code Ann. § 11-9-305 (a)(2)(B))

After the “Computation of the Worker’s Compensation Premium Tax” Form, at this [link](#)³⁷, is received from the Insurance Department – Public Employees Claims Division, the agency shall prepare a warrant(s), check(s) or fund transfer as specified by the Insurance Department – Public Employees’ Claims Division for remittance. Payments must be made in accordance with salary appropriations received.

The tax filing must be completed on the form received from the Insurance Department – Public Employees Claims Division according to the instructions provided. The form, including certifying signature with all warrants and/or checks, shall be submitted to the Insurance Department – Public Employee Claims Division, 1 Commerce Way, Little Rock, AR 72202. The tax payment is due to the Insurance Department – Public Employees Claims Division annually on or before April 1st. Any questions regarding payment shall be addressed to the Insurance Department – Public Employee Claims Division. (Ark. Code Ann. § 11-9-306(f))

PLEASE NOTE: Workers Compensation Premium Tax is based on the gross payroll and is considered an employment cost as a “Matching” payment. It is paid from Commitment Item 03 using AASIS GL account number 5010010000.

³⁵ <http://www.apers.org/employers>

³⁶ <http://www.apers.org/employers>

³⁷ <http://www.awcc.state.ar.us/premiumtax.html>



An agency or institution's failure to pay the tax may result in decertification of the public employer from participation in the State Workers' Compensation Program which would require that agency or institution obtain workers' compensation coverage for its employees from the private insurance market for one full year. (Ark. Code Ann. § 11-9-305(b))

The Insurance Department – Public Employees Claims Division allocates the tax and remits the payments to the Workers' Compensation Commission on or before April 1st of each year. (Ark. Code Ann. § 11-9-306 (e)(3))

Year-End Reporting

Because the Workers' Compensation Premium Tax is paid on a calendar year basis and the State has a fiscal year, which differs from a calendar year, an estimate of the amount of premium tax to be paid for the period from January through June shall be recorded while completing fiscal year-end adjusting entries. The estimated tax due is calculated by the Workers' Compensation Commission – Administrative Services. The amount of each agency's estimate shall be communicated to the respective agency by the Workers' Compensation Commission-Administrative Services on or before July 20th.

As with all year-end accrual entries, the accrual entry should be entered with a FBS1 Enter Accrual/Deferral Document Transaction with a reversal date the first day of the following fiscal year (07/01/20XX). Although the previous year's accrual entry to record the estimated premium tax should have been reversed in the current year, the account should be reviewed to determine this occurred. If the previous year's entry has not been reversed, the previous year entry should be reversed in the current period. The current year estimate should be recorded in non-budget relevant accounts in period 13 in funds that correspond to salary appropriations (See additional information and instructions in R2-19-4-506). The amounts recorded for each fund shall also be detailed on the Intergovernmental Transactions – Receivables/Payables Form in the Year-End Disclosure Package. The journal entry should use the following accounts:

*Debit 5010001100 NBR – Personal Service – Payroll
Credit 2110004100 Inter-agency Due to Other Agency
To record accrued workers' compensation premium tax accrual.*

19-4-1603 – Procedures for position control

- (a) The Secretary of the Department of Transformation and Shared Services shall establish procedures for exercising position control applicable to those state agencies subject to the provisions of the Uniform Classification and Compensation Act, § 21-5-201 et seq.
- (b) Exercising position control shall be interpreted as follows:
 - (1) The secretary shall assign a position control number to each line-item position authorized for the applicable agencies;
 - (2) The secretary shall establish reporting procedures so that agencies shall provide complete reports to the Department of Finance and Administration on the use of all authorized positions; and



- (3) The secretary may restrict an agency's use of authorized positions only after finding that the agency is in financial difficulty and after invoking the fiscal controls provided in § 19-4-701 et seq. and § 19-4-1201 et seq.

History: Acts of 1973, Act 876, § 23; Acts of 2019, Act 910, § 6088; A.S.A. 1947, § 13-349.

19-4-1604 – Salary from two agencies

- (a) Except as provided in subsections (b) and (c) of this section, no person drawing a salary or other compensation from one state agency shall be paid salary or compensation, other than actual expenses, from any other state agency except upon written certification to and approval by the Secretary of the Department of Transformation and Shared Services and by the head of each state agency, stating that:
 - (1) The work performed for the other state agency does not interfere with the proper and required performance of the person's duties; and
 - (2) The combined salary payments from the state agencies do not exceed the larger maximum annual salary of the line-item position authorized for either state agency from which the employee is being paid.
- (b)
 - (1) This section does not prohibit a state employee from contracting to temporarily teach as adjunct faculty at a state-supported institution of higher education and thereby receive combined salary payments from the two (2) state agencies in excess of the larger maximum annual salary of the line-item position authorized from either state agency.
 - (2)
 - (A) This section does not prohibit a part-time or job-share public defender from receiving compensation from an appellate court for work performed in connection with an indigent client's appeal to the Supreme Court or the Court of Appeals.
 - (B) A person employed as a full-time public defender who is not provided a state-funded secretary may also seek compensation for appellate work from the Supreme Court or the Court of Appeals.
 - (3) This section does not allow an employee to be on paid sick leave with a state agency and to be paid a salary or compensation from another state agency.
- (c) A person drawing a salary or other compensation from a state agency or institution of higher education shall not be paid a salary or compensation from another institution of higher education except upon the written certification to and approval by the Director of the Division of Higher Education that the:
 - (1) Work performed for the other state agency or institution of higher education does not interfere with the proper and required performance of the person's duties; and



- (2) Combined salary payments from the state agency and institution of higher education do not exceed the larger maximum annual salary of the line-item position authorized for either the agency or institution of higher education from which the employee is being paid.

History: Acts of 1973, Act 876, § 23; Acts of 1995, Act 403, § 1; Acts of 2001, Act 1370, § 1; Acts of 2005, Act 1189, § 1; Acts of 2017, Act 599, § 2; Acts of 2019, Act 910, §§ 2257, 6089, 6090; A.S.A. 1947, § 13-349

19-4-1605 – Paying account

In those instances where a state agency has approved line-items for salaries which are payable from more than one (1) fund, the Chief Fiscal Officer of the State shall be authorized to establish a paying account on his or her books and on the books of the Treasurer of State and Auditor of State from which all such salaries may be paid, with provisions for reimbursing the paying account by directing the transfer of the necessary funds and appropriations on the books of the Treasurer of State, the Auditor of State, and the Chief Fiscal Officer of the State.

History: Acts of 1973, Act 876, § 23; A.S.A. 1947, § 13-349

19-4-1606 – Review of payroll required

- (a) The Department of Transformation and Shared Services shall review the payroll of state agencies covered by the provisions of the Uniform Classification and Compensation Act, § 21-5-201 et seq., with respect to the salaries of all employees of affected state agencies. This review shall determine the correctness of each payroll with respect to each position to assure compliance with the compensation plan and to assure that no position is being paid, during any payroll period, an amount greater than authorized in the compensation plan or the amount authorized for the position in the appropriation act applicable to the agency.
- (b) Any proposed rate of pay for an employee found not to be in accordance with the provisions of the compensation act and the appropriation act governing the agency shall be changed to the appropriate rate of pay by the state agency covered by the provisions of the compensation act before the department shall approve it for payment.
- (c) No payment of salary of any employee of any state agency affected by the provisions of the Uniform Classification and Compensation Act, § 21-5-201 et seq., shall be made without the certification of correctness by the department based on its review duties as provided in this section.
- (d) The department is authorized to develop and implement rules and procedures to accomplish the purposes authorized in this section.

History: Acts of 1969, Act 199, § 8; Acts of 2001, Act 1453, § 43; Acts of 2019, Act 910, § 6091; A.S.A. 1947, § 12-3208



19-4-1607 – Twelve-month payroll period

- (a)
- (1) Except for those state agencies which operate principally on a scholastic year, or on a part-time basis, or where such salaries or personal services are specifically established for a period less than one (1) year, all salaries established by the General Assembly shall be considered to be a maximum amount to be paid for a twelve-month payroll period. No greater amount than that established for the maximum annual salary of any state official or employee shall be paid to such employee during any such twelve-month payroll period, nor shall more than one-twelfth (1/12) of such annual salary be paid to any such employee during any calendar month unless authorized in this subchapter.
 - (2) The limitations set out in this section may be converted to biweekly or weekly increments of one-twenty-sixth (1/26) or one-fifty-second (1/52) of the maximum annual salary.
 - (3) For complying with federal requirements, upon approval of the Secretary of the Department of Transformation and Shared Services in consultation with the Chief Fiscal Officer of the State, the maximum annual salaries may be converted to hourly rates of pay for positions established on the basis of twelve (12) months or less if authorized by law.
- (b) The remuneration paid to an employee of the state may exceed the maximum annual salary as authorized by the General Assembly as follows, and the following shall not be construed as payment for services or as salary as contemplated by Arkansas Constitution, Article 16, § 4:
- (1) Overtime payments as authorized by law;
 - (2) Payment of a lump sum to a terminating employee, to include lump-sum payments of sick leave balances upon retirement as provided by law;
 - (3) Payment for overlapping pay periods at the end of a fiscal year as defined or authorized by law;
 - (4) Payment for the biweekly twenty-seven (27) pay periods;
 - (5) Payment for career service recognition as authorized by law; and
 - (6) Payment in accordance with special language salary provisions in individual agency appropriation acts.

History: Acts of 1973, Act 876, § 23; Acts of 1975, Act 980, § 1; Acts of 1980 (1st Ex. Sess.), Act 36, § 1; Acts of 1980 (1st Ex. Sess.), Act 62, § 1; Acts of 1985, Act 637, § 1; Acts of 2001, Act 1453, § 44; Acts of 2017, Act 365, § 4; Acts of 2019, Act 910, § 6092; A.S.A. 1947, § 13-349

19-4-1608 – Payment of personnel services

In the event an appropriation is made for the payment of personal services, when it has been established by law on the basis of a scholastic year or for some other period less than twelve (12) months, then any person so employed may be paid from bank funds for the remainder of the year if his or her services are required by the state agency.



History: Acts of 1973, Act 876, § 23; A.S.A. 1947, § 13-349

19-4-1609 – State-supported institutions of higher learning

- (a)
- (1) Pursuant to administrative procedures established by the Chief Fiscal Officer of the State, each state-supported institution of higher education may request a salary and personal services matching, or a maintenance and general operations expense disbursement procedure, or both. This procedure shall be requested, in writing from the executive head, communicated to the Chief Fiscal Officer of the State by which, effective at a date in accordance with the request, each payroll for all its salaries payable to employees, or a maintenance and general operations expense of the institution and personal services matching for employees of the institution, or both, may be disbursed by the institution and paid from state agency bank funds of the institution, subject to reimbursement and correction of reporting as provided in this section.
 - (2)
 - (A) The Chief Fiscal Officer of the State may approve such salary and personal services matching, or a maintenance and general operations expense disbursement procedure, or both, for such reimbursement if he or she determines that each institution has complied with all administrative procedures established by the Chief Fiscal Officer of the State.
 - (B)
 - (i) The Chief Fiscal Officer of the State may revoke any such approval by transmitting a thirty-day notice to the executive head of the institution when the Chief Fiscal Officer of the State finds that internal administrative procedures and controls of the institution are not adequate.
 - (ii) The Legislative Joint Auditing Committee shall advise the Chief Fiscal Officer of the State and keep him or her informed regarding any of its findings which may be relevant to such determination regarding these institutions.
- (b)
- (1) Upon completion of salary and personal services matching, or a maintenance and general operations expense disbursement, or both, by the institution, the disbursing officer or other appropriate official of the institution shall examine the payroll or a maintenance and general operations expense, or both, as disbursed for such amounts as are properly payable from State Treasury funds.
 - (2) At such time as the disbursing officer or other appropriate official of the institution examines the payroll, or a maintenance and general operations expense for determining the reimbursable amount, or both, he or she shall also review it in order to discover any erroneous or improper payments as provided by law. The liability for those payments shall be with the executive head of that institution and its bonded disbursing officer, or his or her designated bonded assistant.



- (c) All salaries and personal services matching, or a maintenance and general operations expense, or both, shall be subject to the restrictions and controls provided by law and the administrative procedures of the Chief Fiscal Officer of the State.

History: Acts of 1979, Act 578, § 1; Acts of 1989, Act 688, § 1; Acts of 1997, Act 758, § 1; Acts of 2001, Act 1453, § 45; A.S.A. 1947, § 13-349.2

19-4-1610 – Retroactive pay prohibited

- (a)
 - (1) In the event that a state employee is being paid less than the maximum provided for by law, and thereafter the head of the agency provides for an increase in the rate of pay for the employee, the rate of pay shall not exceed one-twelfth (1/12) of the annual maximum amount of the salary position on which he or she is placed, for the remainder of the annual period.
 - (2) Payments under subdivision (a)(1) of this section shall not be made for a preceding fiscal year.
- (b)
 - (1) No increase in the rate of pay, either by paying the full amount of the maximum salary or by placing an employee in a position calling for a greater salary, shall be construed as authorizing the payment of any retroactive salary to the employee.
 - (2) Payments under subdivision (b)(1) of this section shall not be made for a preceding fiscal year.
- (c)
 - (1) Salary payments made to correct an administrative error shall not be considered retroactive pay, nor shall such payment be construed as exceeding the employee's maximum authorized pay.
 - (2) Payments under subdivision (c)(1) of this section may be made for a preceding fiscal year if:
 - (A) Requested within twelve (12) months of the end of the preceding fiscal year; and
 - (B) Upon the consent of the Secretary of the Department of Transformation and Shared Services in consultation with the Chief Fiscal Officer of the State.

History: Acts of 1973, Act 876, § 23; Acts of 1981, Act 741, § 4; Acts of 1989, Act 629, § 10; Acts of 2003, Act 656, § 8; Acts of 2019, Act 910, § 6093; A.S.A. 1947, § 13-349



19-4-1611 – Maximum annual salaries

In the event the General Assembly shall have established by law the maximum annual salaries for certain positions for any state agency and shall have appropriated for those positions, no greater salary than that established by law shall be paid to any person occupying the position by making supplemental payments from agency bank funds. However, the salaries may be paid partly from state-appropriated funds and partly from agency bank funds, but the aggregate of the payments shall not exceed the maximum annual salary rate, where it is established by law.

History: Acts of 1973, Act 876, § 23; A.S.A. 1947, § 13-349

19-4-1612 – Overtime pay

- (a) It is the policy of the State of Arkansas that overtime pay for state employees is the least desirable method of compensation for overtime work.
- (b)
 - (1) All state departments, agencies, boards, commissions, and institutions may pay overtime to their employees, under the rules and regulations set out by the federal Fair Labor Standards Act of 1938.1
 - (2)
 - (A) The Secretary of the Department of Transformation and Shared Services will specify those specific employees or groups of employees other than employees of the Arkansas Department of Transportation eligible to receive overtime compensation, the circumstances under which overtime pay is to be allowed, and other matters the secretary finds appropriate and necessary to comply with the federal Fair Labor Standards Act of 1938 as regards the payment of overtime compensation.
 - (B) The Director of State Highways and Transportation shall make these determinations as to employees of the Arkansas Department of Transportation.
- (c) The rules authorized by this section shall not go into effect until the secretary, or the Arkansas Department of Transportation as to its employees, has sought the advice of the Legislative Council.
- (d) In the event that the federal Fair Labor Standards Act of 1938 is held, for whatever reason, to be nonapplicable to state employment, then any state department, agency, board, commission, or institution may pay overtime to its employees only if the General Assembly has given authorization by an appropriation.

History: Acts of 1973, Act 876, § 23; Acts of 1976 (Ex. Sess.), Act 1, § 1; Acts of 1977, Act 118, § 1; Acts of 1985, Act 820, § 1; Acts of 2009, Act 605, § 19; Acts of 2009, Act 606, § 19; Acts of 2015, Act 218, § 18; Acts of 2017, Act 707, § 48; Acts of 2019, Act 910, §§ 6094, 6095; A.S.A. 1947, § 13-349



19-4-1613 – Lump-sum terminal pay

- (a) Upon termination, resignation, retirement, death, or other action by which a person ceases to be an active employee of a state agency, the amount due the employee or his or her estate, including any accrued unpaid annual or holiday leave which is due in accordance with the policies of the state agency and lump-sum payments of sick leave balances upon retirement as provided by law, may, and should, be included in the final pay to the employee or his or her estate for the employee's active work, even though the final payment of salary or wages may exceed one-twenty-sixth (1/26) or other fractional amount based upon days, weeks, or months of the employee's annual authorized compensation at the date active employment ceases.
- (b) No employee receiving the additional compensation shall return to state employment until the number of days for which he or she received additional compensation has expired.
- (c) Payment of the additional compensation shall not be considered as exceeding the maximum for a position so authorized.
- (d) If an employee receives compensation for unused sick leave at retirement pursuant to § 21-4-501 and returns to state employment, the employee shall not be required to wait until the expiration of the number of days for which he or she received additional compensation before returning to state employment or to repay the amount of the compensation.

History: Acts of 1973, Act 876, § 23; Acts of 1975, Act 980, § 2; Acts of 2001, Act 1453, § 46; Acts of 2005, Act 1188, § 1; A.S.A. 1947, § 13-349

19-4-1614 – Claims against State of Arkansas

- (a) In the event an employee of the State of Arkansas, or the authorized agent of the employee, files suit against the State of Arkansas in a court of competent jurisdiction for relief under the provisions of Title VII of the federal Civil Rights Act of 1964,1 as amended, or the federal Civil Rights Act of 1866, or the federal Civil Rights Act of 1871, or the Fourteenth Amendment to the United States Constitution, and the court finds for the employee and in so finding awards wages or salaries for personal services rendered in addition to wages or salaries already paid or due, the additional wages or salaries shall be paid from the regular salary appropriation from which the employee is normally paid. If it is found, however, that such payment will impair the regular salary appropriation, the Chief Fiscal Officer of the State shall transfer the necessary appropriation from the maintenance and general operations appropriation of the employing agency to the regular salary appropriation in order that the additional wages or salaries shall be paid.
- (b) Any liquidated damages awarded by the court, pursuant to the federal laws cited in subsection (a) of this section, are to be paid in the same manner as the additional wages or salaries provided for in subsection (a) of this section.
- (c) When notified that a state employee has filed suit or is in any other manner claiming redress under the provisions of the federal laws cited in subsection (a) of this section, the Chief Fiscal Officer of the State may investigate the circumstances surrounding the claim. If, based on the evidence and facts found during the investigation, the Chief Fiscal Officer of the State



determines or has reason to believe that the court would sustain the employee's claim and find for the employee and in so doing award wages or salaries in addition to those paid or due for the employee's personal service rendered, then the Chief Fiscal Officer of the State shall, with the advice of the Legislative Council or the Joint Budget Committee, authorize payment of the additional wages or salaries as provided in subsection (a) of this section.

History: Acts of 1973, Act 876, § 23; Acts of 1977, Act 813, § 4; A.S.A. 1947, § 13-349

PLEASE NOTE: Refer to P1-19-10-101 for information regarding Judicial Awards.

19-4-1615 – Claim awards

- (a) In the event a state employee is awarded a claim by the Arkansas State Claims Commission for wages or salaries for personal services rendered for a state agency, such award shall be processed through the state mechanized payroll system.
- (b) The award shall be paid from the regular salaries and personal services matching appropriation from which the employee is normally paid.

History: Acts of 1995, Act 176, § 1

PLEASE NOTE: Refer to R1-19-10-101 for additional information regarding Judicial Awards.

Subchapter 18 – Reimbursements, Collections, and Refunds

19-4-1801 – Reimbursements and refunds generally

- (a) The Chief Fiscal Officer of the State shall prescribe the method of handling refunds and reimbursements to the state for moneys previously paid out or due the state. If no properly classified appropriation account exists on the books of the Chief Fiscal Officer of the State and the Auditor of State for which the respective refund is applicable, the Chief Fiscal Officer of the State is authorized to establish such appropriation account on the books of the Chief Fiscal Officer of the State, the Auditor of State, and the various fiscal officers.
- (b) No such refunds shall cause a transfer of appropriation on the books of the Chief Fiscal Officer of the State, the Auditor of State, and the various fiscal officers except for:
 - (1) Proceeds received from insurance policies for casualty losses by state agencies;
 - (2) Proceeds received from vendors on account of overpayment of obligations remitted by state agencies;
 - (3) Refunds to state agencies for cash advances or over-allocations made to state and local agencies for subgrants;
 - (4) Refunds to state agencies for the erroneous payment or overpayment of salaries to state employees;
 - (5) Proceeds derived from the maturity or redemption of investments;



- (6) Reimbursements to institutions of higher education for cash fund expenditures for salaries that are properly chargeable to funds in the State Treasury;
- (7) Deposits by the counties in the State Aid Road Fund and in the County Supplement Fund Account in the State Treasury for matching funds available in the state aid road construction program;
- (8) Reimbursements to state agencies for cost-sharing purposes;
- (9) Federal reimbursements of expenses paid in advance by the state on behalf of the federal government; and
- (10) Reimbursements by vendors or their agents for warranties, product rebates, and service adjustments.

History: Acts of 1973, Act 876, § 24; Acts of 1975 (Extended Sess., 1976), Act 1110, § 1; Acts of 1977, Act 437, § 2; Acts of 1979, Act 833, § 8; Acts of 1987, Act 873, § 1; Acts of 2007, Act 716, § 2; A.S.A. 1947, § 13-350

P1-19-4-1801 Reimbursement of Expenses between Agencies (see also, Ark. Code Ann. § 19-6-701)

GAAP defines interfund reimbursements as “repayments from the funds responsible for particular expenditures or expense to the funds that initially paid for them.” Per GAAP, interfund reimbursements should be treated as an increase in expenditures or expenses in the reimbursing fund and a decrease in expenditures in the reimbursed fund. Allocation of indirect cost (overhead) should also be classified as reimbursements. There are two methods available that comply with GAAP with one method restoring appropriation if a current year refund and the second method not restoring appropriation but reclassifying the transaction for financial reporting purposes. Refunds to expenditures are permitted by law only in certain instances including reimbursements to State agencies for cost-sharing purposes.

GAAP also states that, when governments concentrate one or more risk financing activities in a single fund, premiums received from other funds should be treated as an interfund reimbursement. An exception to this rule is, when the premiums paid are in excess of related expenditures, these excess premiums should be treated as an interfund transfer. The current practice is for agencies to record expense and the risk financing activity to record revenue. Agencies should continue this practice. These payments will be evaluated and adjusted accordingly by the DFA-OA – Financial Reporting Section.

The procedure used when one agency incurs expenses that is pursuant to a cost sharing arrangement entered into prior to the expense occurring between two agencies or an agency incorrectly paid another agency’s invoice is a hybrid refund to expenditure transaction which is processed on a journal entry by the DFA-OA – Reconciliation Section. The purpose of the refund to expenditure transaction is to reduce expense and restore the appropriation used on the books of the agency that paid the expense and record the expense and reduce the appropriation on the other agency’s books. Only a current year refund to expenditure gives the



agency back their funding and appropriation to use again during the current fiscal year. Prior year refunds do not restore appropriation. Funding is retained beyond the end of the current fiscal year, only if the fund is not subject to reclaim or the funds have carry-forward authorization in the appropriation Act. Hybrid refunds to expenditure cannot be used to circumvent the appropriation process.

P2-19-4-1801 Marketing and Redistribution

PLEASE NOTE: Also see Ark. Code Ann. § 19-4-1503.

Purpose

The Marketing and Redistribution Section (M&R) is a section of the DTSS-OSP. The Section is responsible for the proper disposal and sale of equipment, property and other tangibles that are determined to be surplus to the needs of the various state agencies. The DFA-OA is responsible for transfer of equipment, property and other tangibles where no moneys are involved (such as inter-agency transfers).

Rules

The State Procurement Director is authorized by Ark. Code Ann. § 19-11-243 to adopt rules regarding the allocation of proceeds from the sale, lease, or disposal of property and other tangibles. The rules may be found on the DTSS-OSP [website](#)³⁸.

Proceeds From Sale

Funds deposited in the Property Sale Holding Fund may be expended only by the selling or transferring agency under procedures established by the Chief Fiscal Officer of the State and appropriations provided by the General Assembly.

Funds deposited in the Property Sale Holding Fund from the sale of property purchased from agency cash funds may be refunded to the agency cash fund from which the original expenditure was made by the issuance of a warrant under procedures established by the Chief Fiscal Officer of the State and the Auditor of the State to be payable from appropriations provided by the General Assembly for disposition of the proceeds.

Insurance Proceeds

Personal Property Other Than Vehicles

The proceeds received from an insurance policy for loss of personal property due to fire, storm or other causes (excluding stolen property) owned by an agency must be processed through M&R. This is done through the use of a Certificate of Property Disposal (CPD). The agency must keep a copy of the completed CPD for an audit trail.

³⁸ <https://www.transform.ar.gov/secretarys-office/marketing-and-redistribution/>



When insurance proceeds are received for the reimbursement of a loss of personal property, the proceeds should be deposited into the Treasury using the agency's normal process for recording cash receipts. The proceeds should be recorded as Insurance Settlement/Restitution in GL 6092000000. If the asset is to be replaced, the agency should request an increase in appropriation from DFA-OA – Funds Group for the purchase of the replacement.

If in the current year an agency has been reimbursed for the loss and the property has been replaced, the increase in appropriation is accomplished with a refund to expenditure by the DFA-OA. The agency must provide proof of the deposit and a copy of the invoice that replaced the property in order to have the appropriation restored. If the agency is reimbursed for a prior year loss, the agency should request an increase in appropriation from DFA-OA – Funds Group. The agency must provide proof of the deposit and a copy of the invoice that replaced the property in order to have the appropriation restored.

Refer to P2-19-4-2004 for guidance related to lost/stolen property.

Vehicles

The insurance claim and moneys must be processed through M&R when damage occurs that results in a total loss of the vehicle. Once an agency loses a vehicle they cannot replace it until they receive the insurance proceeds. The moneys cannot be given to the agency until M&R has deposited the insurance proceeds into the MMV fund. This is done monthly when M&R processes the "Letters of Transmittal." M&R sends a report to DFA-OA, requesting funds and appropriation to be transferred. A "special" letter of transmittal for insurance proceeds on totaled vehicles only can be done by M&R. Doing a "special" letter of transmittal for totaled vehicles helps the agency replace the vehicle quicker.

PLEASE NOTE: *In those cases where proceeds are received on the loss of a vehicle purchased with "agency" funds, the funds are first deposited to the MMV Fund, and then a refund to the paying agency (that purchased the vehicle) would be reimbursed by the MMV Fund.*

Real Property

When insurance proceeds are received for the reimbursement of a loss of real property (for example, buildings or infrastructure), the proceeds should be deposited into the Treasury using the agency's normal process for recording cash receipts. The proceeds should be recorded as Insurance Settlement/Restitution in GL 6092000000. Prior to retiring the related asset the agency should contact M&R to obtain a Certificate of Property Disposal. When a loss has occurred on any real property, the agency must provide the details about the loss to the agency's assigned ACFR liaison. The liaison will then assist in determining the effect on the state-wide financial statements.



Allocation of Proceeds From Sale or Disposal of Surplus Equipment

Using agency

The allocation of proceeds from the sale, lease or disposal of surplus equipment, less appropriate fees, will be made and deposited monthly to the using agency which had possession of the equipment.

Fee schedule

The OSP will develop a fee schedule to defray the costs of the equipment management program. The fee schedule will set forth various charges for services rendered. Proceeds from the sale of property may be used by the using agency only to purchase items from the Sub-classifications of M&O, Commitment items 02 and 11 (Operating Expense and Capital Outlay). Commitment items 09 Conference Fees and Travel, 10 Professional Fees and Services and 12 Data Processing may not be paid for with M&R Proceeds.

Disbursement of Revenues

Funds generated from the sale of agency surplus computer and electronic equipment to state employees, public schools or by other sales shall be allocated as outlined on the M&R Fee Schedule located on the DTSS-M&R website³⁹.

Procedure For Revenue Disbursement

Agencies that establish a policy for selling surplus computer and electronic equipment to either their employees or to Arkansas Public Schools will use the following procedure for revenue disbursement:

- 1. The agency will create a customer receipt for the sales price and calculate sales tax.*
- 2. Record the receipt in the cash journal as a customer payment.*
- 3. Request a fund transfer through DFA-OA from the receipting agency's fund to: M&R, cost center 383333, Fund MPH0000 – 15% of the sales price. Arkansas Department of Environmental Quality, cost center 451346, Fund MER0100 – 25% of the sales price.*
- 4. The sales tax will be paid when DFA-OA does their (owning agency's) monthly billing for Sales & Use Tax.*

Sales Made Through M&R on Behalf of the Agency

- 1. M&R will create a customer receipt to record sales price and sales tax.*
- 2. Record the receipt as a customer payment in the cash journal.*
- 3. Request fund transfer through DFA-OA from: M&R, cost center 383333, Fund MPH0000 to the agency's fund and cost center – 50% of the sales price. Arkansas Department of Environmental Quality, cost center 451346, Fund MER0100 – 25% of the sales price.*
- 4. The sales tax due will be included in the DFA monthly report of Sales & Use Tax.*

³⁹ <https://www.transform.ar.gov/secretarys-office/marketing-and-redistribution/>



5. To record all revenue from sale of surplus property except for equipment sold through M&R on behalf of the agencies, the agency will debit their cash account and credit account number 4048003000, Sale of Surplus Property, in their proper fund using their cost center.

An Agency Purchases an Item at M&R

M&R records the sale in AASIS and issues an invoice. The invoice is sent to the agency's accounts payable section and is paid like any other vendor invoice. The general ledger code used will depend on what item is purchased, (e.g., office supplies, equipment, etc.)

An Agency Sends Items to M&R for Sale

M&R will keep records of what items belongs to each agency. When an item is sold, M&R records the sales and notes the original state agency.

At the end of the month, M&R totals all sales by each state agency, deducts M&R's fees and arrives at the amount to be returned to the agency. Two lists are compiled, one for Treasury Funds and the other for cash funds and emailed to DFA for processing. The Treasury fund list is processed by DFA-OA with funds and appropriation being returned to the agencies. The cash fund list is processed by the DFA-OAS with warrants being returned to the agencies.

M&R prepares a memo stating the total amount of their monthly fees, and this amount is transferred from their holding fund to their operating fund.

Abandoned Personal Property

Abandoned personal property left on State property that has not been claimed by the owner within one year should be sent to M&R using a "Surplus Disposal" Form. These items can include anything from mopeds and bicycles to cell phones and sunglasses. Items that have a marketable value will either be sold at public auction on the GovDeals auction site or other competitive public bid process such as "live" auction or Invitation to Bid. Funds generated from the sale of the items will be returned to the state agency or institution in the same manner as the sale of surplus state property. Abandoned items such as driver's licenses, student IDs or credit cards should be shredded for security purposes.

Surplus Disposal Form (SDF)

M&R requires a SDF to be completed to schedule the pickup and delivery of state surplus items. This is a web-based form that is accessible by all state agencies and institutions of higher education on DTSS-M&R [website](https://www.transform.ar.gov/secretarys-office/marketing-and-redistribution/)⁴⁰.

After being completed on-line by the agency, the SDF is submitted electronically to M&R. The SDF will be reviewed, and the agency will be notified either by e-mail or telephone of the date and time scheduled for delivery or pickup.

⁴⁰ <https://www.transform.ar.gov/secretarys-office/marketing-and-redistribution/>



Two copies of the SDF form must accompany the surplus item. One copy will be signed by a representative of M&R and kept on file by the agency, and one will be kept on file by M&R. This signed document verifies that M&R has made property pick up.

Procedure Description

This web-based form allows a state agency to create a list of items to be disposed of per M&R instructions. Using this form, an agency may request one of the following actions: delivery, pickup or request a move. Upon completion, this form automatically notifies M&R of the agency's request. Each agency person accessing and completing the SDF must have prior authorization through M&R.

Upon receipt of the completed SDF, the agency asset manager must complete transaction ABAVN (Scrapping) to reduce the value to \$0, deactivates the asset, and populates the retirement date. Transaction ABAVN must be done in the same month the SDF is received from M&R.

Transaction AS02, "Change Asset Master Record," must be completed to change the status of the asset from "on hand" to "transferred to M&R". Status would read "Agency Inventory" until it is sent to M&R where it would change to "Retired to M&R"

The above-mentioned transactions will only be completed if the status of the asset on the completed SDF is marked "REC" for received. Assets marked with "DNR," did not receive, should not be deleted from the agency's inventory. Assets must be removed within the month the SDF is received. The agency must keep a copy of the completed SDF for an audit trail.

19-4-1802 – Heavy cash loans

- (a) Petty cash imprest funds for any state agency shall be approved by the Chief Fiscal Officer of the State only in the case of actual need for such funds in connection with the daily operations of the agency and shall be subject to such limitations with respect to amount and use of the funds as shall be prescribed by him or her.
- (b) The petty cash imprest funds shall not be used to circumvent purchasing rules, nor for the purpose of reimbursing individuals for travel expenses.

History: Acts of 1973, Act 876, § 24; Acts of 2019, Act 315, § 1736; A.S.A. 1947, § 13-350

PLEASE NOTE: Refer to Ark. Code Ann. § 19-4-806 for policies regarding Petty Cash and Imprest Funds.



19-4-1803 – Remittance of collections

All fines, fees, penalties, court costs, taxes, and other collections which, by the laws of this state, are to be remitted directly to the Treasurer of State for credit in the State Treasury to an account of an agency of this state shall be remitted directly to the agency to whose account they are to be credited. Upon receipt, the agency shall transmit them to the Treasurer of State who shall credit them in the State Treasury to the account of the agency.

History: Acts of 1961, Act 250, § 1; A.S.A. 1947, § 13-505.1

19-4-1804 – Revenue from geological publications

Charges, income, receipts, or revenue derived from the sale of publications by the Arkansas Geological Survey shall be deposited into the State Treasury as a refund to expenditures.

History: Acts of 1971, Act 585, § 19; A.S.A. 1947, § 13-549

19-4-1805 – State Highway Employees' Retirement System Fund

All moneys received in the State Treasury for deposit into the State Highway Employees' Retirement System Fund that are derived from the sale or redemption of stocks, bonds, or other securities, other than interest, are to be classified and handled on the books of the Treasurer of State, the Auditor of State, and the Department of Finance and Administration as a refund to expenditures.

History: Acts of 1975, Act 72, § 4

19-4-1806 – Acceptance--Grants, aids, etc.

All state agencies are authorized to accept grants, aids, and donations and to enter into contracts to accept grants, aids, and donations. Following procedures prescribed by the Chief Fiscal Officer of the State, funds received from grants, aids, and donations may be deposited, disbursed, budgeted, and regulated.

History: Acts of 1973, Act 876, § 19; A.S.A. 1947, § 13-345

19-4-1807 – Handling of federal funds

- (a) In the event the United States Congress shall appropriate funds for the benefit of the state or any state agency or in the event any federal funds shall be paid to the state or any agency thereof for the purpose of reimbursing the state for funds previously paid out, and in the event any such federal funds are deposited into the State Treasury and there is no law providing for the depositing of such moneys in a state fund or appropriating them from a state fund, taking into consideration the provisions and requirements of the miscellaneous federal grant appropriation, then the Chief Fiscal Officer of the State shall have the authority to direct the State Treasury to establish funds, fund accounts, or accounts on the books of the various fiscal officers of the state for the purpose of handling and disbursing these federal funds.



- (b) Any such federal funds shall be handled only in accordance with the purpose for which the funds were granted to, or paid over to, the state or any agency thereof. All such federal funds shall be subject to the procedures prescribed by the Chief Fiscal Officer of the State for the disbursement of funds.

History: Acts of 1973, Act 876, § 24; A.S.A. 1947, § 13-350

P1-19-4-1807 Cash Management Improvement Act

Purpose of the Cash Management Improvement Act

The purpose of the Cash Management Improvement Act is to ensure efficiency, effectiveness, and equity in the exchange of funds between the States and the federal government for federal assistance programs. The Cash Management Improvement Act of 1990 (CMIA) was enacted by Public Law 101-453, as amended by the Cash Management Improvement Act of 1992 (Public Law 102-589), codified in the United State Code (USC) at 31 U.S.C. 6501 and 31U.S.C. 6503. The implementing regulations are found in the Code of Federal Regulations (CFR) at 31 CFR Part 205. The general provisions of the Act are as follows:

- 1. Federal agencies must make timely fund transfers and grant awards to state agencies.*
- 2. State agencies must minimize the time period between the deposit of federal funds in the State's account and the disbursement of funds for program purposes.*
- 3. With some exceptions, the State is entitled to interest from the federal government from the time the State's warrants are redeemed until federal funds are deposited in the State's account.*
- 4. The federal government is entitled to interest from the State from the time federal funds are deposited in the State's account until the state warrants are redeemed.*
- 5. The State must enter into a Treasury-State Agreement (TSA) with the U.S. Department of the Treasury, Bureau of the Fiscal Service (BFS), to set forth terms and conditions for implementing CMIA.*

The TSA defines the drawdown methods to be used by agencies. DFA-OA with the assistance of all affected state agencies negotiates the TSA with BFS. The TSA outlines by program, the funding techniques and the forecast describing the amount of funds subtracted from a state's bank account on a daily basis after a state makes a disbursement. The forecast used by the state to draw down funds from the federal government is referred as a clearance pattern. Generally, conformance with the TSA assures that the State does not owe the federal government, or is not due from the federal government, interest liability on its draw downs. The State or the federal government may propose amendments to the TSA at any time during the duration of the contract. A copy of the TSA may be obtained from the DFA-OA – Reconciliation Section or printed from US Department of the Treasury, BFS for a specific year.

Federal Assistance Programs and State Agencies Subject to the CMIA

The programs listed in the Assistance Listing are subject to CMIA regulations. The threshold dollar amount that determines if a federal program is required to be included in the TSA is calculated annually using a formula furnished by BFS. The list of federal assistance programs



impacted by CMIA is revised annually as federal expenditures increase or decrease from the threshold. State agencies that administer CMIA programs are subject to CMIA regulations.

Responsibilities of the DFA-OA

The responsibilities of DFA-OA are to:

1. Annually identify the state agencies and federal assistance programs that will be considered as CMIA programs and notify affected state agencies.
2. Negotiate with BFS new agreements and amendments to the existing TSA.
3. With the assistance of the Treasurer of State and affected state agencies, develop warrant clearance and redemption patterns.
4. Prepare annual interest reports for submittal to FMS (submitted in December each year for the previous state fiscal year).
5. Direct state agencies as to the payment of state interest liability and/or receipt of federal interest liability.
6. Certify, with affected agencies' concurrence, every five years that clearance patterns correspond to a program's clearance activities.

Responsibilities of Agencies Administering CMIA-Covered Programs

The responsibilities of the state agencies that administer CMIA programs are:

1. Request federal funds in accordance with the approved funding technique described in the TSA and in amounts needed for immediate payments.
2. Document the amount of federal funds requested and when federal funds are deposited in the State's account. If federal funds are not available when required per the TSA, process the request which will document federal funds were properly requested by the State in accordance with the TSA.

For the federal draw systems that reject requests when federal funds are not available in the system, make the request and print the rejection notice as evidence of the State's conformance with the TSA. If necessary, make appropriate phone calls to federal agencies to notify them that federal funds are not available per the TSA. Document efforts made to request federal funds per the TSA.

When federal funds are not available per the TSA, maintain documentation of the amount of state funds expended, the dates of these expenditures, the date federal funds were requested, and the date federal funds were received. Maintain this documentation for use in calculating federal interest liability on late federal funds. Note: In most cases, the State cannot calculate a federal interest liability unless the State has made a request through a federal draw system and had it rejected or has notified the applicable federal agency that federal funds are not available per the TSA. Calculate the state and federal interest liabilities by program. Notify DFA-OA of proposed changes to the funding techniques and clearance patterns. A state agency shall not make a change until it is reviewed and approved by DFA-OA and BFS. As part of the Annual Report in December of each year, agencies must certify to DFA-OA-Reconciliation Section that CMIA programs conform to the drawdown methods described in the TSA. Non-compliance can result in interest owed to the federal government.



How to Calculate Interest Due from or Due to the Federal Government

In cases where interest is owed to the federal government or due from the federal government under the TSA, agencies should calculate, and document interest owed (interest payable) or due. The interest rate to be used is the annualized rate equal to the average equivalent yield of 13-week Treasury Bills auctioned during the state's fiscal year. The interest rate is provided to the State by BFS. Agencies may contact DFA-OA to obtain the necessary annualized rates. Agencies should be aware that interest calculations could be audited.

Responsibilities of Agencies Receiving Federal Funds Not Designated as CMIA Programs

State agencies receiving federal funds not designated as CMIA programs are subject to Subpart B of the CMIA. The principal responsibility of these state agencies is that they must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. Neither a state agency nor the Federal government will incur an interest liability on the transfer of funds for a federal assistance program subject to this Subpart B.

PLEASE NOTE: See *Treasury State Agreements by state at US Department of the Treasury - Bureau of the Fiscal Service*. Click on the [PDF⁴¹](#) to view the appropriate year.

See also Ark. Code Ann. § 19-4-1906.

19-4-1808 – Federal funds for vocational schools

Reimbursements of federal funds to the Division of Career and Technical Education Fund Account shall be construed to be income of the fiscal year in which the reimbursements were received.

History: Acts of 1969, Act 620, § 15; Acts of 2019, Act 910, § 2258; A.S.A. 1947, § 13-513.2

Subchapter 19 – Federal Grants and Aids

19-4-1901 – Requests

- (a) Requests for federal funds for grants, aids, reimbursement, and direct or indirect cost reimbursement plans, other than research grants, originated by a state agency other than a state institution of higher education shall be submitted to the Department of Finance and Administration prior to their submission to the granting source.
- (b) Excepting the provisions of § 19-4-1907, the remainder of this subchapter shall not be applicable to state institutions of higher education.

History: Acts of 1973, Act 876, § 21; Acts of 1989, Act 37, § 2; A.S.A. 1947, § 13-347

⁴¹ <https://www.fiscal.treasury.gov/cmia/resources-treasury-state-agreements.html>



19-4-1902 – Preliminary or informal proposals

Preliminary or informal proposals which do not commit personnel, space, facilities, or state funds may be submitted directly to the granting source. However, when the grant requested, if approved, would result in the commitment of state personnel, space, facilities, equipment, or funds, or the program to be proposed by the state agency with the resources from the federal grant has not received specific legislative authorization through an appropriation or specific enabling legislation, the requesting agency shall notify, in writing, the Secretary of the Department of Finance and Administration that such preliminary or informal proposal is being made and shall briefly describe it.

History: Acts of 1973, Act 876, § 21; Acts of 2019, Act 910, § 3457; A.S.A. 1947, § 13-347

19-4-1903 – Evaluation report – Required information

Each request submitted to the Department of Finance and Administration shall be accompanied with an evaluation report prepared by the state agency that includes information as follows, but not necessarily limited thereto:

- (1) A description of the purpose of the program;
- (2) An explanation of the relationship of the program or plan to the agency's total program and why the program is needed;
- (3) Its priority in the total program;
- (4) A statement whether similar programs are being conducted, if known, or could be conducted in or by other agencies;
- (5) An explanation of the effects of this program and the state's obligation, if any, to continue the program, and the level of continuance, in the event federal funds are curtailed;
- (6) A statement of how the agency's programs and objectives would be affected if the request is not approved; and
- (7) The amount of overhead payment anticipated from federal funds, and its adequacy, to reimburse the agency and central state services for actual indirect costs reimbursements.

History: Acts of 1973, Act 876, § 21; A.S.A. 1947, § 13-347



19-4-1904 – Receipt – Notification

- (a) When any federal funds, grants, aids, or reimbursements, including unsolicited funds, are received by a state agency, the Department of Finance and Administration shall be notified on forms to be prescribed by the Secretary of the Department of Finance and Administration.
- (b) The department shall prescribe procedures for quarterly reporting information relative to grants, aids, reimbursement, and direct or indirect cost reimbursement plans, and research grants and aids for the institutions of higher education.

History: Acts of 1973, Act, 876, § 21; Acts of 1989, Act 37, § 3; Acts of 2019, Act 910, § 3458; A.S.A. 1947, § 13-347

P1-19-4-1904 Federal Grants and Aid

The SEFA is a report prepared in connection with the Single Audit Act and is annually submitted to the Federal Audit Clearinghouse by March 31st (nine months after the end of the State's fiscal year). The SEFA includes the Schedule of Findings and Questioned Costs, which includes the planned corrective actions that have been developed by the State reporting unit, the SEFA, Notes to the SEFA and Summary Schedule of Prior Audit Findings.

General Policies and Procedures

From time-to-time state agencies may request or receive federal funds in the form of grants or other aid. By nature, federal grants are subject to a full range of varying, yet specific, post award administrative requirements. To reasonably assure compliance with state and federal law as well as accurately report financial information, state agencies should maintain effective internal control over the financial administration of federal programs. Essential documents can be found within the following links:

- *Uniform Guidance*⁴²
- *Cash Management Improvement Act*⁴³ (CMIA)
- *Assistance Listings*⁴⁴
- *Federal Register*⁴⁵

Grant or Aid Pre-application

All preliminary, pre-application or informal proposals which may result in the commitment of personnel, space, facilities, equipment, or state funds shall be submitted to DFA – Intergovernmental Services with an Evaluation Report at the time it is submitted to the federal granting agency. DFA – Intergovernmental Services shall coordinate the review of any proposed program to prevent overlap, inefficiency, or violation of legislative intent. (Ark. Code Ann. §§ 19-4-1902, 19-4-1903)

⁴² <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200#200.301>

⁴³ <https://www.fiscal.treasury.gov/cmia/>

⁴⁴ <https://sam.gov/content/assistance-listings>

⁴⁵ <https://www.federalregister.gov/>



State institutions of higher education should submit preliminary proposals to DFA – Office of Intergovernmental Services [website](#)⁴⁶. (Ark. Code Ann. § 19-7-604(b)(3))

Grant or Aid Application

All formal proposals or other applications for federal funds in the form of grants, aids, and reimbursements, except research grants or requests originating from a state institution of higher education, are to be submitted to DFA – Office of Intergovernmental Services and the Governor’s Office prior to submission to the granting source. The submission should include a summary of the application with the indirect cost rate of the applicant agency and a projection of the amount to be received as indirect cost reimbursement, if applicable. DFA – Office of Intergovernmental Services is to file a summary of this submission with the Bureau of Legislative Research of the Legislative Council quarterly for review. (Ark. Code Ann. §§ 19-4-1901, 19-7-604)

Miscellaneous Federal Grant Requirements for New or Additional Federal Funds

When new federal programs or new Workforce Innovation and Opportunity Act programs become available which require the benefiting state agency to employ additional personnel or require the benefiting state agency to obtain additional appropriations so that the program meets the requirements of or performs the objectives of the program, the head of the affected agency may request additional appropriations from the Governor and the Chief Fiscal Officer of the State. The agency’s request must be on a “Miscellaneous Federal Grant” Form and include a copy of their grant award and additional supporting documentation, if applicable. The completed Miscellaneous Federal Grant and supporting documentation should be submitted to the agency’s Budget Analyst at the DFA-OB. After consulting the Legislative Council or the Joint Budget Committee, the Governor may approve or modify the requests. (Ark. Code Ann. § 19-7-502)

The Miscellaneous Federal Grant Form can be found on the DFA-OB [website](#)⁴⁷.

Quarterly Reporting Requirements

Information on all grants, aids, reimbursements, and reimbursement plans, including research grants and those originating from a state institution of higher education, is to be reported to DFA – Office of Intergovernmental Services quarterly. These reports shall be filed with respect to new federal programs or expansions of existing federal programs which were not in existence or which were not implemented by state participation at the time of the adjournment of the regular session of the General Assembly and entered into prior to the convening of the next regular session of the General Assembly. The DFA Secretary is to report to the Legislative Council on federal funds quarterly. The report is to summarize and itemize all programs which involve the expenditure of federal funds and is to include the following:

- a brief purpose of the agreement,
- the amount of federal funds to be expended,
- the amount of state matching funds, if required,

⁴⁶ <https://www.dfa.arkansas.gov/intergovernmental-services>

⁴⁷ <https://www.dfa.arkansas.gov/budget/forms/>



- *the name of the administering agency or department, as well as any additional information that would assist the Legislative Council in determining the nature and purpose of the agreement.*

Findings and recommendations by the Legislative Council from review of the quarterly reports are to be reported to each subsequent regular session. (Ark. Code Ann. §§ 19-4-1904; 19-7-101, 19-4-1907, and 19-4-1908)

Funds Receipt

DFA – Office of Intergovernmental Services is to be notified when a state agency receives notification or obtains any federal funds, grants, aids, or reimbursements, including unsolicited federal funds. Such notification shall include reporting federal funds received for indirect cost reimbursements resulting from overhead cost of the entity or overhead cost allocated to the entity through the Consolidated Statewide Cost Allocation Plan. A summary of the notifications will be provided by DFA – Office of Intergovernmental Services to the Bureau of Legislative Research of the Legislative Council for review quarterly. (Ark. Code Ann. §§ 19-7-604, 19-4-1904)

All such funds are to be deposited as all other State Treasury funds. Any federal funds received on behalf of public-school districts shall be forwarded to the county treasurer or district treasurer as the district chooses. Federal funds received by the agencies set out in Ark. Code Ann. § 19-5-205(b) shall be deposited into the State Central Services Fund. (Ark. Code Ann. §§ 19-3-501, 19-3-518, 19-4-408, and 19-5-205)

Cash Management Improvement Act and other Interest Earned on Federal Funds

Interest earned on federal funds received under the State and Local Fiscal Assistance Act of 1972 is to be transferred from the Securities Reserve Fund at the direction of the Chief Fiscal Officer of the State based upon the related portion of the average daily balance of the federal funds on a quarterly basis. (Ark. Code Ann. § 19-3-521)

PLEASE NOTE: Refer to P1-19-4-1807.

Funds Disbursement

Disbursement made on specific funds receiving federal funding require the State Auditor to process warrants and the Treasurer of State to redeem the warrants presented for payment in accordance with the Federal Cash Management Improvement Act of 1990, Pub. L. 101-453, Oct. 24, 1990, 104 Stat. 1058, after the Chief Fiscal Officer of the State notifies them that the state agency director has certified that the Federal fund transfer request has been completed and accepted by the federal funding source and that the federal funds will be transferred for the benefit of the state fund to pay the warrants. (Ark. Code Ann. § 19-4-1107)

In the event of actions that would adversely affect funds received or related estimates, each agency head administering federal funds is required to immediately notify the Chief Fiscal Officer of the State. (Ark. Code Ann. § 19-4-1306)



Recommendations of Governor

Ark. Code Ann. § 19-7-504 states that the Governor will submit recommendations to the General Assembly at the beginning of each regular session of the Arkansas General Assembly for any federal programs during the following fiscal biennium. Such recommendation is to include a recommended appropriation of federal and state funds necessary for each program. In the event the General Assembly fails to appropriate the funds for any program, the State will no longer participate in such program effective June 30th following adjournment of the regular session.

Accounting

The Federal Grants & Reimbursements, general ledger account 4050004000, is the only account used to record federal grant revenue received directly from the federal grantor or sub grantor that is not another State of Arkansas agency. In the event of specific federal programs, such as the American Rescue Plan Act (ARPA), additional general ledger codes may be created to aid in tracking and federal grant reporting purposes.

Grants and Aid from Other State Agencies, general ledger account 6060001000, is used to record grants received from other state agencies. The state agency disbursing grant funds to another agency should use Grants and Aid to Other State Agencies, general ledger account 6061001000. Each agency will be required to provide DFA-OA – Financial Reporting Section a list of all federal funds with Assistance Listings numbers, the general ledger account the revenue was recorded to and the related amount. For additional information on recording and tracking Federal Grants and Aid see P1-19-5-101 and Project Accounting at the [website](#)⁴⁸.

PLEASE NOTE: Also refer to Ark. Code Ann. § 19-4-2201 et seq. to review requirements for discretionary grants. Also refer to Ark. Code Ann. § 19-7-101 et seq. for more information on Federal Funds.

19-4-1905 – Research aids for colleges

The Department of Finance and Administration shall prescribe procedures for reporting information relative to federal research grants and aids for the colleges and universities.

History: Acts of 1973, Act 876, § 21; A.S.A. 1947, § 13-347

19-4-1906 – Certain credit letters defined

(a) As used in this subchapter, unless the context otherwise requires:

- (1) “Checks-paid letter of credit” means a system which requires state warrants to be issued without federal moneys on deposit in the State Treasury. The federal share of the warrants would only become available to the Treasurer of State on the day the warrants are

⁴⁸ <https://www.dfa.arkansas.gov/aasis/training-links/>



presented for redemption. A receipt would be processed and credited to the proper fund before the warrants are redeemed;

- (2) "Delay-of-drawdown letter of credit" means a system which requires the Auditor of State to issue warrants without federal moneys on deposit in the State Treasury for specific programs primarily financed by federal moneys. Moneys are drawn upon the letter of credit and deposited with the Treasurer of State based on an agreement with the United States Government establishing warrant redemption patterns. Deposits are made each day based on estimates of the amount of warrants to be redeemed each day. In the event that warrants are presented for redemption on a given day in excess of the amount deposited into the State Treasury, an additional amount of moneys may be requested on a letter of credit and deposited with the Treasurer of State to enable proper warrant redemption and to prevent deficit spending; and
 - (3) "Federal letter of credit" means an instrument certified by an authorized official of a grantor agency which authorizes a grantee to draw funds needed for immediate disbursement in accordance with the provisions of Treasury Circular 1075.
- (b)
- (1) Upon approval of the Chief Fiscal Officer of the State and under procedures prescribed by the Chief Fiscal Officer of the State, letters of credit, either individually or under a single, unified, checks-paid, or delay-of-drawdown system may be included and accounted for on the books of record of the Auditor of State, Chief Fiscal Officer of the State, and applicable state agency as deferred federal revenues to be treated as an asset comparable to "cash on hand". In connection therewith, the Chief Fiscal Officer of the State may direct the creation and establishment of a revolving paying account on the books of records of the applicable state's accounting records. Furthermore, upon implementation of a checks-paid or delay-of-drawdown system, the affected agency may issue vouchers, the Department of Finance and Administration may approve vouchers for payment, and the Auditor of State may issue warrants for federal programs without regard to federal fund or paying account balances on deposit in the State Treasury.
 - (2)
 - (A) In no event shall the Treasurer of State redeem any warrants without sufficient fund balances on deposit equal to the total amount of warrants presented for redemption.
 - (B) In no event shall the implementation of a checks-paid or delay-of-drawdown letter of credit system be construed as deficit spending.
 - (C) The Chief Fiscal Officer of the State, after consulting with the Auditor of State and the Treasurer of State, may prescribe such rules as necessary to implement a checks-paid or delay-of-drawdown letter of credit system.
 - (3) No agency shall implement a checks-paid or delay-of-drawdown letter of credit system except upon approval of the Chief Fiscal Officer of the State and upon advice of the Legislative Council.

History: Acts of 1973, Act 876, § 21; Acts of 1981, Act 572, § 1; Acts of 2019, Act 315, § 1737; A.S.A. 1947, § 13-347



19-4-1907 – Reports

- (a) The Secretary of the Department of Finance and Administration shall file quarterly reports with the Legislative Council itemizing and summarizing all contracts or agreements entered into by the Governor with the United States Government, or any agencies or instrumentalities thereof, whereby the State of Arkansas is to participate in any program involving the expenditure of federal funds. These reports shall be filed, whether or not state funds are obligated in connection therewith, with respect to new federal programs or expansions of existing federal programs which were not in existence or which were not implemented by state participation, at the time of the adjournment of the regular session of the General Assembly and entered into prior to the convening of the next regular session of the General Assembly.
- (b) The report shall list, with respect to each such contract or agreement:
 - (1) A brief statement of the purposes of the agreement;
 - (2) The amount of federal funds to be expended thereunder;
 - (3) The amount of any state matching funds required in connection with such program, if any;
 - (4) The name of the agency that will administer the program; and
 - (5) Such additional information as will enable the members of the Legislative Council to determine the nature and purposes of the agreement.

History: Acts of 1973, Act 876, § 21; Acts of 2019, Act 910, § 3459; A.S.A. 1947, § 13-347

19-4-1908 – Legislative review and recommendations

- (a) The Legislative Council shall review the quarterly reports filed by the Secretary of the Department of Finance and Administration as required in this subchapter. The Legislative Council shall submit such findings and recommendations to each succeeding regular session of the General Assembly for enabling legislation to implement, restrict, or prohibit the state's participation in any such new federal program or expanded federal program which was implemented by contract or agreement entered into by the Governor subsequent to the adjournment of the preceding session of the General Assembly.
- (b) In the event the next regular session of the General Assembly shall fail to prohibit or restrict the state's participation in any new or expanded program implemented by contract or agreement signed by the Governor with the United States Government during the interim since the immediately preceding regular session of the General Assembly, then the state may continue to participate in the federal program. On the other hand, if the General Assembly shall restrict or prohibit the state's participation in any new or expanded federal program implemented by contract or agreement subsequent to the last regular session, then it shall be unlawful for the state to continue to participate in or to expend any state funds in connection with any such program. All contracts or agreements entered into by the Governor or any agency of the state acting under authority of the Governor shall be void and the state's participation therein shall



cease upon the adjournment of the General Assembly, or at such later date if a later date for the termination of the state's participation therein has been prescribed by law.

History: Acts of 1973, Act 876, § 21; Acts of 2019, Act 910, § 3460; A.S.A. 1947, § 13-347

Subchapter 20 – Losses and Recoveries

19-4-2001 – Notice – Proof – Payment demand

It shall be the duty of the Chief Fiscal Officer of the State to give notice and make proof of loss to, and demand payment of, the surety of any bond executed by any state officer or employee in which the audit report by the Legislative Joint Auditing Committee of the records and accounts shows that such officer or employee and his or her surety may in any way be liable.

History: Acts of 1973, Act 876, § 18; A.S.A. 1947, § 13-344

19-4-2002 – Payment by surety

- (a) Within a reasonable time after the Chief Fiscal Officer of the State has given notice and made proof of loss and demand for payment as prescribed in this subchapter, the surety shall make payment to the Chief Fiscal Officer of the State of the amount so found to be due. The Chief Fiscal Officer of the State shall forthwith transmit the amounts so received to the Treasurer of State with instructions to credit it to the fund, fund accounts, or accounts entitled to such funds.
- (b) If the amounts so recovered are funds that are not required by law to be deposited into the State Treasury, then the funds shall be transmitted by the Chief Fiscal Officer of the State to the agency to which the recovered funds belong, with instructions to credit it to the accounts entitled to such funds.

History: Acts of 1973, Act 876, § 18; A.S.A. 1947, § 13-344

19-4-2003 – Payment – Refusal – Legal action

In the event any surety shall fail or refuse to pay over the amounts so found to be due, the Chief Fiscal Officer of the State shall give notice of the failure or refusal to the Attorney General. The Attorney General shall immediately take such legal action as shall be necessary to collect the amount so found to be due from the officer or employee and his or her surety.

History: Acts of 1973, Act 876, § 18; A.S.A. 1947, § 13-344

19-4-2004 – Attestation of auditors

- (a) In all criminal or civil actions brought as the result of the findings set forth in an audit report, the auditors making the audit shall give testimony upon request of the proper officers of the court and otherwise make their services available in the prosecution of any action.



(b) Auditors shall not be entitled to witness fees for giving testimony.

History: Acts of 1973, Act 876, § 18; A.S.A. 1947, § 13-344

P1-19-4-2004 Responsibility for Reporting and Recovery of Losses Discovered Prior to Audit

The bonded disbursing officer and the public employee with supervisory fiduciary responsibility over all fiscal matters (Ark. Code Ann. § 25-1-124) for each state agency is responsible for, and held accountable for, reporting any losses of state funds to the Chief Fiscal Officer of the State and to the Arkansas Legislative Audit. Losses include apparent unauthorized disbursements of state funds or the apparent theft or misappropriation of state funds or property.

This report shall be made within five (5) business days of the date that the employee learns of the loss of public funds. A public employee with supervisory fiduciary responsibility over all fiscal matters who purposely fails to report the loss within five (5) business days is guilty of a Class A misdemeanor.

No state agency has the authority to negotiate with any officer or employee for settlement of any losses of state funds without the approval of the Chief Fiscal Officer of the State.

The Chief Fiscal Officer of the State or his/her designee and the Director or Chief Officer of the respective agency, in coordination with the advice of the Attorney General, has the duty to determine and initiate the appropriate action that is necessary to collect any amount found to be due the agency.

The recovery of losses under surety bonds must be coordinated with the Chief Fiscal Officer of the State and the Arkansas Legislative Audit.

Recovery of Moneys Lost through Improper Redemption of Warrants/Checks

If a vendor or individual (the payee) receives a replacement warrant/check and cashes both the replacement and original, the agency shall attempt to obtain repayment from the payee. Evidence of the collection attempt(s) shall be documented in writing. If attempts to collect fail, the agency shall report the incident to the Chief Fiscal Officer of the State, the Arkansas Legislative Audit and the Attorney General's office.

If an individual, who is not the payee, cashes a warrant/check, the agency shall report the incident to the Chief Fiscal Officer of the State, the Arkansas Legislative Audit, and the Attorney General's office and to their local law enforcement office.

Recovery of Lost Assets (Not Warrants/Checks)

If theft of assets occurs, the agency shall report the incident to the Chief Fiscal Officer of the State, the Arkansas Legislative Audit, and the Attorney General's office and to their local law enforcement office.



P2-19-4-2004 Recoveries of Losses Discovered by an Audit

Notice and Proof of Losses – Investigations – Restitution

The Arkansas Legislative Audit, with the approval of the Legislative Joint Auditing Committee, will give notice and proof of loss to the Governmental Bonding Board on fidelity bonds. This is done when the audit report reflects apparent unauthorized disbursements or unaccounted-for funds or property for which the public official, officer or employee may be liable. (Ark. Code Ann. § 21-2-708)

The Arkansas Legislative Audit may request the appropriate prosecuting attorney or the Attorney General to assist the State or the appropriate political subdivision in obtaining restitution when the audit report reflects apparent unauthorized disbursements or unaccounted-for funds or property for which the public official, officer or employee may be liable.

The Self-Insured Fidelity Bond Program and the participating governmental entity are considered victims. Restitution may be awarded to the participating governmental entity for the entire amount of its non-reimbursed losses and to the Self-Insured Fidelity Bond Program for the entire amount of its payment to the participating governmental entity in the event that any criminal prosecution against the official or employee causing the loss where such official or employee enters a plea of guilty or nolo contendere or where such official or employee is found guilty following a trial.

Disposition of Bond Proceeds

When the Board receives proof of loss from the Arkansas of Legislative Audit, the Governmental Bonding Board will determine whether the loss is covered under the Fidelity Bond Program. (Ark. Code Ann. § 21-2-709)

When determined that the loss is covered under the Fidelity Bond Program, the Insurance Commissioner will authorize fidelity bond loss payments from the fund to the participating governmental entity on a timely basis.

All disbursing documents for bond claim payments must include as supporting documents:

- 1. A copy of the payment recommendation by the State Risk Manager.*
- 2. A copy of the proof of loss from the Arkansas Legislative Audit.*

Any loss payment may be adjusted by any applicable deductibles, restitution payments or co-insurance payments.

When a loss payment is made from the Fidelity Bond Fund, all rights and claims that the recipients of the loss payment may have against the official, officer or employee involved will be assigned to the Fidelity Bond Fund.

The Insurance Commissioner must timely notify the Division of Legislative Audit and the agency when the Board determines that the loss is, or is not, covered under the Fidelity Bond Program.

An asset that is no longer in possession of the agency must be removed from the agency's books. The agency must notify DFA-OA using the "Credit for State Property" Form that the



asset needs to be removed from the asset listing. The agency must give a full description of the lost asset. Once approval to remove the asset has been given, the agency must remove the asset and retain the correspondence for an audit trail. If Fidelity Bond proceeds are received for the reimbursement of a loss of personal property, the proceeds should be deposited into the Treasury using the agency's normal process for recording cash receipts. The proceeds should be recorded as Insurance Settlement/Restitution in GL 6092000000. If the asset is to be replaced, the agency should request an increase in appropriation from DFA-OA – Appropriations Section for the purchase of the replacement. If in the current year an agency has been reimbursed for the loss and the property has been replaced, the increase in appropriation is accomplished with a refund to expenditure by the DFA-OA. The agency must provide proof of the deposit and a copy of the invoice that replaced the property in order to have the appropriation restored. If the agency is reimbursed for a prior year loss, the agency should request an increase in appropriation from DFA-OA-Appropriations. The agency must provide proof of the deposit and a copy of the invoice that replaced the property in order to have the appropriation restored.

Fidelity Bond Premiums

The Risk Management Division of the Insurance Department works with each agency to determine the number of employees to be bonded each year. The flat rate is applied to that number, and DFA-OAS receives the information and sends it to DFA-OA – Funds Section.

The DFA-OA – Funds Section compiles the information on a per fund basis for the agencies. The Funds Group Manager sends the proposed funds and transfer amounts to those agencies that want specific cost centers or funds to be charged. DFA-OA – Funds Section changes the spreadsheet and transfers the funds to the various funds from which Administrative Services will issue the disbursements for the Bond Premiums. This transfer is usually done in July of each fiscal year. (Ark. Code Ann. § 21-2-710)

P3-19-4-2004 Returned Checks

Funds Deposited to Treasury:

When a check that was originally deposited into a Treasury fund is returned for insufficient funds, the Treasurer of State shall reverse the receipt of those funds and notify the agency of the returned check by sending the check back to the agency with a letter telling the agency the fund, revenue code and amount that was reduced. The Treasurer of State shall send a copy of the letter to DFA-OA for the correction to be made into the State Accounting System.

Funds Deposited to Commercial Bank Accounts:

When an agency is notified by the financial institution that a check has been returned, the agency will adjust its cash fund by debiting the revenue account and crediting the cash account in the cash fund where originally deposited.

Agencies shall diligently and actively pursue the collection of returned checks. Written agency procedures shall be developed and filed with DFA-OA within 90 days from the effective date of this procedures. The procedures must be followed to ensure the returned checks are followed up promptly and in a manner that is cost effective.



Employees with access to cash receipts and the recording of cash receipts should not have access to returned checks. In situations where it is impractical to separate duties due to the small number of employees, compensating controls should be implemented. Examples of compensating controls include review of returned checks and collection efforts made or having an individual without access to the system and cash receipts, be the Custodian of the returned checks.

P4-19-4-2004 Accounts and Notes Receivable

State agencies (defined in Ark. Code Ann. § 19-2-303 as “a state agency, board, authority, commission, department or institution of higher education created by or receiving an appropriation by the General Assembly of the State of Arkansas”) must promptly record amounts due for delivery of goods and services, licenses, unpaid taxes, student loans, special assessments, accounts receivable, notes receivable, and capital leases receivable.

Collection procedures shall be developed and followed to ensure that all receivables are collected promptly in a cost-effective manner. Written procedures shall be filed with the DFA-OA within 90 days from the effective date of this regulation. Ark. Code Ann. § 6-61-131 further outlining the development of policies regarding student accounts receivable at two-year institutions of higher education and reporting requirements with the Arkansas Division of Higher Education.

Agencies shall diligently and actively pursue the collection of receivables. Diligently and actively pursuing the collection of these accounts may include but is not limited to:

- 1. Contacting debtor by phone or letter within a reasonable time after an account is deemed delinquent; or referring an account to a licensed collection agency or an attorney for collection with a remuneration not exceeding fifty percent (50%) for accounts of five hundred dollars (\$500) or less and not exceeding thirty-three and one-third percent (33⅓%) for accounts in excess of five hundred dollars (\$500). If an agency is unable to procure the services of a collection agency or attorney for the collection of any account in excess of five hundred dollars (\$500) for a fee of one-third (⅓) of the amount recovered as authorized in this subsection, the agency may report this fact to the Legislative Joint Auditing Committee, and the Committee may authorize the agency to pay a higher fee for collecting the account, not to exceed fifty percent (50%); or*
- 2. Pursuing setoff of debt against State income tax refunds for eligible agencies as allowed by Ark. Code Ann. §§ 26-36-301 - 26-36-320; or*
- 3. Pursuing all other available means of collection if deemed feasible and economically justifiable by the agency. (Ark. Code Ann. § 19-2-305)*

Agencies are to document all efforts made toward the collection of receivables. Agencies are to prepare aging reports at least monthly. Aging reports are required to be reviewed by management, and such review documented on the report as to the action taken.

Accounts receivable records may contain personal information about citizens. Safeguarding and disposition of personal information must be consistent with federal and State laws/regulations applicable to the information.



For warrants that have been reissued with the original subsequently redeemed, the agency should make reasonable efforts to recover the duplicate payment. If the duplicate payment is not recovered timely and is \$1,000 or more, the agency should adhere to Ark. Code Ann. § 25-1-124.

Allowance for Doubtful Accounts

GAAP require that a determination be made between receivables deemed to be collectable and those considered not economically collectable, including those not collectable at all. Agencies are to develop and follow written criteria for the determination of those not collectable. These written procedures shall be filed with the DFA-OA within 90 days from the effective date of this regulation. Estimates of total receivables not collectable are to be made at fiscal yearend, and adjusting entries are to be recorded in the agency's accounting records to the allowance for receivables not collected.

Abatement Procedures

The procedures that must be followed by state agencies, departments, boards, commissions and institutions to “charge off” moneys owed to them are prescribed in Ark. Code Ann. §§ 19-2-301 – 19-2-307. The provisions contained in the law must be complied with before any accounts or notes receivable may be abated. If, after the state agency has pursued collection of the debt owed it as set out above and such debt or partial debt is decreed unable to be collected, then the debt shall be referred to the Chief Fiscal Officer of the State for abatement. Before any debt will be considered for abatement, the State agency shall certify in writing that the above procedures have been complied with and submit detailed support of collection attempts. A statement must be included justifying why any of the above methods were not used, and the agency shall provide a copy of the letter from the attorney or collection agency stating they were unable to collect the bad debt, if applicable.

The Chief Fiscal Officer of the State shall verify that all efforts to collect the indebtedness have been fulfilled. He/she may then, by written approval, declare the debt or remaining debt unable to be collected and notify the State agency and Legislative Joint Auditing Committee of abatement of the debt.

Refer to Appendix P2-19-4-2004, for debt abatement journal entries.

PLEASE NOTE: *Refer and adhere to the provisions of Ark. Code Ann. §§ 19-2-301 – 19-2-307 in applying the above regulation.*

Subchapter 21 – State-Funded Expenses of Constitutional Officers

19-4-2101 – Definition

For purposes of this subchapter the term “constitutional officers” means the Governor, the Lieutenant Governor, the Attorney General, the Secretary of State, the Treasurer of State, the Auditor of State, and the Commissioner of State Lands.

History: Acts of 1991, Act 768, § 1



19-4-2102 – Filing of necessary documents

- (a) For all expenditures exceeding twenty-five dollars (\$25.00), all constitutional officers and their employees shall hereafter file with their disbursing officers the following documents to substantiate expenditures for transportation, lodging, food, or any other expense to be paid from the maintenance and operations moneys appropriated by the General Assembly:
 - (1) A copy of the vendor's invoice or receipt;
 - (2) A statement of the purpose of the expenditure; and
 - (3) The names of all persons for which the expenditure was incurred.

- (b) For all expenditures not exceeding twenty-five dollars (\$25.00), all constitutional officers and their employees shall hereafter file with their disbursing officers the following documents to substantiate expenditures for transportation, lodging, food, or any other expense to be paid from the maintenance and operations moneys appropriated by the General Assembly:
 - (1) A statement of the purpose of the expenditure;
 - (2) The amount of such expense;
 - (3) The date, place, and nature of such expense; and
 - (4) The business relationship of any persons for whom the expenditure was incurred, including such person's identity, title, or other information sufficient to establish such a relationship.

History: Acts of 1991, Act 768, § 2

19-4-2103 – Personal use expenditures prohibited

- (a) No constitutional officer or employee of a constitutional officer shall expend for personal use any moneys appropriated by the General Assembly for the maintenance and operation of the office, and the moneys appropriated for the maintenance and operation of the offices of the constitutional officers shall be expended only for official state business.

- (b) This subchapter does not apply to the purchase, maintenance, and operation of state-owned motor vehicles.

History: Acts of 1991, Act 768, § 3

19-4-2104 – Certain funds – Necessary documentation

No disbursing officer of state funds shall approve any expenditure from maintenance and operation funds for expenses for a constitutional officer or an employee of a constitutional officer unless the request for the expenditure is accompanied by the documentation required by this subchapter.

History: Acts of 1991, Act 768, § 4



19-4-2105 – Retaining original documents

The constitutional officers and their employees shall retain the original documentation required by this subchapter for a period of three (3) years after the date of the request for expenditure.

History: Acts of 1991, Act 768, § 5

Subchapter 22 – Review of Discretionary Grants

19-4-2201 – Definitions – Review generally

(a) For the purposes of this subchapter:

(1) “Discretionary grant” means a grant in which the recipient of the grant funds or the formula for the grant award is not specifically stated in the legislation authorizing the grant;

(2) “Nondiscretionary grant” means a grant in which the recipient of the grant funds or the formula for the grant award is specifically stated in the legislation authorizing the grant, or in specific agency rules promulgated by the agency and reviewed by the Legislative Council, or in the case of federal funds, in the statute, regulation, or other federal directive which restricts the disbursement of the funds according to federal guidelines; and

(3) “State agency” means:

(A) Every board, commission, department, division, or office of state government whether executive, legislative, or judicial; and

(B) All state-supported postsecondary educational institutions, including, but not limited to, colleges and universities, vocational and technical schools, and community colleges.

(b) Hereafter, no state agency shall award any discretionary grant prior to review by the Legislative Council between legislative sessions, or by the Joint Budget Committee during legislative sessions. However, if a state agency determines that an emergency exists requiring the discretionary grant to be awarded prior to review, it may award the discretionary grant prior to the review by the Legislative Council or the Joint Budget Committee, and shall immediately notify the Legislative Council between legislative sessions, or the Joint Budget Committee during legislative sessions, as to the facts constituting the emergency.

(c) Grants exempt from review shall include:

(1) Grants for which the total consideration is less than or equal to ten thousand dollars (\$10,000);

(2) Nondiscretionary grants as determined by the agency;

(3) Grants to another governmental entity such as a state agency, public educational institution, federal governmental entity, or body of a local government;



- (4) Disaster relief grants;
- (5) Grants identified as not requiring review by the Legislative Council between legislative sessions, or the Joint Budget Committee during legislative sessions;
- (6) Grants containing confidential information, the disclosure of which is determined by the agency to constitute a violation of other provisions of law regarding disclosure; and
- (7) Any scholarship or financial assistance award to, or on behalf of, a postsecondary student.

History: Acts of 1999, Act 1032, § 1; Acts of 2019, Act 315, § 1738

19-4-2202 – Review of nonexempt grants

The Legislative Council between legislative sessions, and the Joint Budget Committee during legislative sessions, shall review all nonexempt discretionary grants by state agencies, and notify the agencies as to the results of the review. The Legislative Council or the Joint Budget Committee shall notify agencies of any other grants identified as not requiring review.

History: Acts of 1999, Act 1032, § 2

Chapter 5 – Revenue Stabilization Law

Subchapter 1 – General Provisions

19-5-101 – Citation

This chapter shall be known and cited as the “Revenue Stabilization Law”.

History: Acts of 1973, Act 750, § 1; A.S.A. 1947, § 13-501

PLEASE NOTE: Go to <https://www.arkleg.state.ar.us> under the heading “Arkansas Code” to view the entire Arkansas Code of 1987 Annotated.

P1-19-5-101 Funds, Revenue Distribution, Transfers, and Loans

Funds

Two definitions of fund exist within the State of Arkansas. The first type of fund is one established by Arkansas Law or the Chief Fiscal Officer of the State. The second type of fund is one established by governmental accounting standards for financial reporting.

There are two categories of funds per Arkansas Law: agency cash in bank funds and funds on deposit with the Treasurer of State.

Agency Cash in Bank Funds

These are moneys belonging to the State of Arkansas that are permitted to be kept in financial institutions other than the Treasurer of State. The funds may be either appropriated or non-



appropriated. The Chief Fiscal Officer of the State must approve the creation of non-appropriated funds. See Section R1-19-4-805 for information regarding management of cash funds.

Funds on Deposit with the Treasurer of State

Funds on deposit with the Treasurer of State are established primarily and individually in either the Revenue Stabilization Act (Ark. Code Ann. §§ 19-5-101 – 19-5-1276) or the Revenue Classification Acts (Ark. Code Ann. §§ 19-6-101 – 19-6-843). The remaining funds on deposit with the Treasurer of State are established individually by general or appropriation acts or by the Chief Fiscal Officer of the State as a result of authority granted to him to accomplish the intent of legislative enactment. The types of funds on deposit with the Treasurer of State are as follows:

- A. *Moneys as outlined in Ark. Code Ann. § 19-6-201 and Ark. Code Ann. § 19-6-301 will be on deposit in one of the following funds until distributed to the various operating funds of agencies in accordance with Ark. Code Ann. § 19-5-201:*
 - 1. *General Revenue Fund Account – Revenue holding fund account of the State Apportionment Fund is termed AGA0000. The fund consists of revenues derived from taxes, permits, royalties, leases, fees, licenses and the sale of confiscated goods for the common good and operation of the state government, as listed in Ark. Code Ann. § 19-6-201.*
 - 2. *Special Revenue Fund Account – Revenue holding fund account of the State Apportionment Fund is termed ASA0000. The fund consists of revenues derived from taxes, permits, fees and licenses for the operation of specific programs or purposes, as listed in the Ark. Code Ann. § 19-6-301.*
 - 3. *Revenue Holding Fund Account – Fund account of the State Apportionment Fund is termed ARH0000. This fund consists of taxes, licenses, fees, penalties, interest or other income which at the time of being deposited with the Treasurer of State cannot be determined to be either special or general revenues. The revenues deposited to ARH are specifically nominated or determined by DFA to be deposited and/or adjusted to or from that fund group. An example of this is certain Insurance Department deposits.*

- B. *Fees deducted as outlined in Ark. Code Ann. § 19-5-202(b) (2)(B)(i) will be distributed to the following funds:*
 - 1. *Constitutional Officers Fund and State Central Services Fund – The Constitutional Officers Fund is termed MCF0000, and the State Central Services Fund is termed HSC0000. These funds receive specific revenues and a proportionate share of certain fees calculated on General and Special Revenues. Additionally, the State Central Services Fund receives a service charge from agencies with cash funds.*

- C. *After the deduction of the applicable fees, the remaining general and special revenues will be deposited into one of the following types of operating funds of the various state agencies:*
 - 1. *General Revenue Operating Funds – Funds consist of revenue as set forth in the Ark. Code Ann. §§ 19-5-101 – 19-5-1276 and the Ark. Code Ann. §§ 19-6-101 – 19-6-843.*
 - a. *State General Government Funds*
 - b. *Institutions of Higher Education Funds*
 - c. *Education Funds*
 - d. *Public School Fund*



- e. Department of Human Services
 - f. Public Health Fund
 - g. Technical College Funds
2. Special Revenue Funds – Funds consist of special revenues from taxes, permits, fees, and licenses for the operation of certain programs or for specific purposes as defined in the Ark. Code Ann. § 19-6-301.

D. Moneys collected that are not defined as general or special revenue in Ark. Code Ann. § 19-6-301 et seq. are deposited into one of the following types of funds for specific agencies:

- 1. Trust Funds – Funds consist of moneys received or collected and dedicated by law for specific purposes or certain bequests made to the State.
- 2. Federal Funds – Funds consist of moneys granted to the State or any of its agencies under the Acts of Congress or by any Federal agency.
- 3. Miscellaneous Revenue Funds – Funds consist of fines, penalties, interest or court costs for collection of any revenue, rental income, or non-revenue as defined in the Ark. Code Ann. § 19-6-101 et seq.
- 4. Paying Funds – Funds mix state, federal and other moneys to pay for programs out of one fund with various match rates.
- 5. Cash in Treasury Funds – Funds, commonly known as “N” funds, were formerly Cash in Bank Funds that are now held by the Treasurer of State and earn interest which is distributed in the Treasurer of State’s system and posted by the DFA-OA – Funds Group into AASIS at the end of each month.

Fund Structure

Fund structure follows a hierarchy that begins with the legally designated fund and includes all sub-funds. Funds are established by law and are set up by the DFA-OA – Funds Group. All funds have a specific coding structure currently comprised of seven characters and/or numbers. All funds on deposit with the Treasurer of State begin with three alpha characters and end with four numeric or alpha-numeric characters. All Cash in Bank funds begin with three numeric characters and end with four alpha-numeric characters. The State’s Financial Management System has the capability of up to ten characters/numbers for fund structure.

Creation of Funds

All requests for the creation of a fund or fund account must be sent to DFA-OA – Funds Group Manager after approval from the agency’s Budget Analyst in the DFA-OB. The “Create Fund” Form is located on the DFA-OA [website](#)⁴⁹ under the “Funds” Section. The DFA-OA – Funds Group will review the fund type requested by the agency. The DFA-OA – Financial Reporting Section Assistant Accounting Administrator or his or her designee also must approve the fund type. The DFA-OA – Funds Group will notify the Treasurer of State and the Auditor of State when appropriated funds are established so that both offices may also establish the fund on their books of record.

PLEASE NOTE: Also refer to P1-19-5-104 (Establishment of other funds or accounts).

⁴⁹ <https://www.dfa.arkansas.gov/accounting-office/forms/>



Financial Reporting Fund Types

The Governmental Accounting Standards Board (GASB) prescribes the fund type structure to be used in financial reporting. Funds must be typed as defined in authoritative GASB pronouncements. The financial reporting fund type should be listed on the Create Fund Form located [here](#)⁵⁰. The types of financial reporting funds are as follows:

- *General - To account for all financial resources not accounted for and reported in another fund.*

PLEASE NOTE: DFA-OA has the final decision regarding the fund type assigned to each fund. Funds that are material to the ACFR will be classified using the following fund types:

- *Special Revenue – To account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purpose. The most common example would be the federal grant funds that begin with a letter “F.”*
- *Capital Projects – To account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The most common example would be major construction that is financed by bonded indebtedness such as road or real estate and its improvements. Routine type capital asset purchases should not be accounted for in the capital projects fund.*
- *Debt Service – To account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. An example would be a fund of the Treasurer of the State that makes principal and interest payments for a bond issue of the Arkansas Natural Resources Commission.*
- *Permanent Funds – To account for and report resources that are restricted to the extent that only earnings and not principal may be used for purposes that support the reporting government’s program, that is, for the benefit of the government or its citizenry.*
- *Custodial– To report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. An example would be child-support payments collected for custodial parents by DFA, or prisoner funds held by the Department of Correction.*
- *Pension (and Other Employee Benefit) Trust – To report fiduciary activities for:*
 1. *Pension plans and other post-employment benefit (OPEB) plans that are administered through a trust that meets criteria in GASB Statement 67 (pensions) or GASB Statement 74 (OPEB) An example would be the Arkansas Public Employees Retirement System.*
 2. *Other employee benefit plans for which (1) resources are held in a trust that meets the criteria in GASB Statement 84, and (2) contributions to the trust and earnings on those contributions are irrevocable*

⁵⁰ <https://www.dfa.arkansas.gov/accounting-office/forms/>



- *Investment Trust – To report fiduciary activities from the external portion of investment pools and individual investment accounts that are held in a trust that meets the criteria in GASB Statement 84.*
- *Private Purpose Trust – To report all fiduciary activities that (a) are not required to be reported in pensions and other employee trust funds, and (b) are held in a trust that meets the criteria in GASB Statement 84.*
- *Enterprise – To report any activity for which a fee is charged to external users for goods or services. An activity is required to be reported in an enterprise fund if any one of the following criteria are met, as determined by its principal revenue sources:*
 1. *The activity is financed with debt secured solely by a pledge of the net revenues from fees and charges of the activity.*
 - *If the debt is also secured by the full faith and credit of the primary government, it is not payable solely from the revenues of the activity.*
 2. *Laws or regulations require the activity’s costs of providing services, including capital costs, be recovered with fees and charges, rather than taxes or similar revenues.*
 3. *The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.*
- *Internal Service – To report any activity that provides goods or services to other funds, departments or agencies of the primary government and its component units or to other governments on a cost-reimbursement basis. An example would be the Division of Information Systems.*

A list can be generated in AASIS by using Transaction S_KI4_38000039 which will display the Index of Funds. The layout of the report can be changed to display the fund type.

Revenue Distribution

Distribution of General and Special Revenues

Moneys collected that are deposited with the Treasurer of State and are defined as general and special revenue in Ark. Code Ann. §§ 19-6-201 and 19-6-301 are credited to the State Apportionment Fund and are deemed to be Gross Revenue. The following distributions are made on the last working day of the month in accordance with Ark. Code Ann. §§ 19-5-401 – 19-5-406. The Treasurer of State determines the distributions, and the DFA-OA posts the transactions in AASIS.

General Revenues

1. *Claims, taxes erroneously paid and returned checks are deducted from the Gross General Revenues to arrive at the “Net General Revenue.”*
 - a. *Various deductions are made from “Net General Revenue” as specified in the Revenue Stabilization Act to arrive at “General Revenues Available for Distribution.”*
 - i. *Certifications that adjust the General Revenues*



- ii. Pursuant to Ark. Code Ann. § 19-5-202, the Treasurer of State shall deduct one percent (1%) which is transferred to the Constitutional Officers Fund. An appropriate percentage of not less than two percent (2%) and not to exceed three percent (3%), as determined from time to time by the Chief Fiscal Officer of the State as being the amount required to support the estimated commitments and expenditures of the State Central Services Fund for the current fiscal year, will be transferred to the State Central Services Fund.
- b. The "General Revenues Available for Distribution" are allocated to the funds on deposit with the Treasurer of State in accordance with the allocations authorized by Ark. Code Ann. §§ 19-5-101 – 19-5-107 after deducting any advances given during the month. Advances may be made on the agency's estimated monthly allotment of General Revenue when funds are available. The amount advanced shall never exceed 80% of the estimated monthly allotment.
- c. Pursuant to Ark. Code Ann. § 19-5-1004, the balances remaining in certain general revenue funds at the end of a fiscal year will be reclaimed on or before August 15 of the fiscal year next following the fiscal year during which balances accrued.

Special Revenues

2. Claims, taxes erroneously paid and returned checks are deducted from the Gross Special Revenues to arrive at the "Net Special Revenue."
 - a. Pursuant to Ark. Code Ann. § 19-5-203, the Treasurer of State shall then deduct the same percentage as determined to be deducted from the net general revenues in Ark. Code Ann. § 19-5-202 and to be transferred under the same procedures as set forth in Ark. Code Ann. § 19-5-202 from each net special revenue collected by any of those agencies enumerated in Ark. Code Ann. § 19-5-205(b) and one-half (1/2) of the percentage deductions as set out in Ark. Code Ann. § 19-5-202 and transferred in the same proportion to the State Central Services Fund and the Constitutional Officers Fund from each net special revenue collected by any other department, board, agency or commission.
 - b. The funds to which the special revenues were originally deposited receive the balance of the revenues collected after said deduction.

Transfers

Fund Transfers

The Ark. Code Ann. § 19-5-106(a) provides for transfers to be made under certain circumstances. Transfers may be made for one of the following reasons:

1. To correct accounting errors;
2. To make loans to authorized funds, fund accounts, and for repayment of such loans as they become due and payable as authorized by law as outlined in the Temporary Loan Section;
3. To reimburse the Miscellaneous Revolving Fund or successor fund(s) or fund account(s) for the payment of any claims, refunds or any other disbursements authorized by law;
4. For the Chief Fiscal Officer to certify to the State Auditor and State Treasurer the transfer of funds from any fund(s) on deposit in the State Treasury containing operating



moneys of any of the following delinquent political entities to the fund that is owed said funds:

- a. Any political entity, including any state agency, board, commission, department, institution, state supported community college or college or university of state government that fails, neglects or refuses to make proper and timely settlements of moneys due or fails to submit on a timely basis required reports to the state agency responsible for administering Federal Social Security and state retirement programs for public employees, public school teachers, highway employees or State Police employees.
 - b. Any political sub-division of the State, including a regional, county, or municipal government that fails, neglects or refuses to make proper and timely settlements of moneys due or fails to submit on a timely basis required reports to the state agency responsible for administering Federal Social Security and state retirement programs for public employees, public school teachers, highway employees or State Police employees.
 - c. Any school district that fails, neglects or refuses to make proper and timely settlements of moneys due or fails to submit on a timely basis required reports to the state agency responsible for administering Federal Social Security and state retirement programs for public employees or public-school teachers.
5. To transfer funds between state agencies and within state agencies in order to eliminate the double accounting of receipts and expenditures which occurs under the method of issuing vouchers;
 6. For any other purposes as may be specifically authorized by law.

DFA-OA also permits transfers between each agency's legal Treasury fund group for the purpose of moving cash to the fund where obligations will be expended.

Fund Transfer Procedures

If it is determined that a proposed transfer qualifies under one or more of the reasons listed above, the following procedure should be followed:

1. If the transfer is from one account in the agency's legal Treasury fund group to another account in that agency's same legal fund group, the agency is allowed to post the transfer on a ZT document type. An example of this type of transfer is a transfer from BAA0000 to BAA0100. The non-user agencies should send an "Intra-agency Transfer" Form located at F2-19-5-101.
2. If the transfer is from one legal fund to another legal fund such as from BAA0100 to DBA0000, then the agency, if an AASIS user agency, must park the document and request that DFA-OA – Funds Group post that document. The nonuser agencies should send an "Intra-agency Transfer" Form (transfer within one State agency) or an "Inter-agency Transfer" Form (transfer between two State agencies) located at F3-19-5-101.
 - a. When an agency parks a document, the transfer form must be e-mailed as support. Do not send duplicates unless it is requested. For instance, do not e-mail a request and then fax or mail the same request.
 - b. DFA-OA will post the transfer after approving it and will notify the agency upon completion of the transfer with the document number.
 - c. DFA-OA will notify the agency if the transfer is rejected.



- d. *Emergencies: A transfer may be requested by telephone but must be followed by a written confirmation that includes the request form and that the information is a follow up on a phone request made by whom and on what date and time.*
- e. *DFA-OA-Funds Group and the agency shall both maintain supporting documentation.*

PLEASE NOTE: *There are certain fund groups in which the first three letters are the same, but more than one agency has a fund account in that group. The agency should not park or post those transfers. Examples of this type of fund groups are the HSC, HUA, MCF and MTA funds. The funding comes from the DFA fund, and DFA must make the transfer after logging it into its tracking spreadsheets.*

Please review P1-19-5-101 & P2-19-5-101 which outlines the proper procedures for recording certain items as transfers versus an expenditure.

Loans

Interfund Loans

GAAP defines interfund loans as a flow of assets such as cash or goods for which repayment is expected within a reasonable amount of time. Loans are properly recorded as increases and decreases in assets and liabilities with no effect on revenue, expense or other financing sources/uses.

Temporary Loans

The Ark. Code Ann. §§ 19-5-101 – 19-5-1276 provides for temporary loans to be made to certain funds from the Budget Stabilization Trust Fund. Generally, those funds that are eligible to receive such loans under certain circumstances are:

1. *Those funds that receive General Revenue as outlined in Ark. Code Ann. § 19-5-401. Provided that loans may be made to the Institutions of Higher Education for operational purposes only after meeting the requirements of Ark. Code Ann. § 19-5-501.*
2. *The Division of Correction Farm Fund for farm production purposes.*
3. *The Division of Correction Industry Fund*
4. *The Tax Refund Funds*
5. *The various federal accounts of state agencies upon certification of the pending availability of federal funding by the director of the state agency making the request. However, the requests shall be limited to those occasions whereby the continued operations of the state agency programs would be seriously impaired and unnecessary hardships would be created due to either administrative oversight, delays by the federal government in forwarding the moneys or by problems created by the federal fiscal year conversion.*
6. *Funds specifically cited in legislative acts.*

PLEASE NOTE: *State agencies supported solely from special revenues are not eligible to apply for or receive loans from the Budget Stabilization Trust Fund.*



Temporary Loan Procedures

If it is determined that the loan requests qualify under one or more of the reasons listed above, the procedure should be as follows:

- 1. Send a written request via e-mail, fax or letter to the DFA–OA-Funds Group Manager.*
- 2. The loan request should be completed on either the “Loan Request” Form located at F5-19-5-101q or the “General Revenue Advance Request” Form located at F5-19-5-101 and included with the written communication.*
- 3. If funds are available, DFA-OA will post the loan and notify the agency of the completion with the document number if approved or that the loan was not approved.*
- 4. Emergencies: A loan may be requested by telephone but must be followed by a written communication that includes the request form. The written confirmation should also include the information that this is a follow up on a phone request made by whom and on what date and time.*
- 5. Loan documents are never parked by agencies.*
- 6. DFA-OA and the agency shall both maintain supporting documentation.*

P2-19-5-101 Cash Funds Service Charge

Ark. Code Ann. § 19-5-206 requires certain state agencies whose cash funds, whether appropriated or not and whose annual revenues as reflected in the previous year’s audit exceeds \$25,000, shall remit on the first day of each calendar quarter a 1½% service charge to the Treasurer of State. Such funds shall be deposited into the State Central Services Fund (HSC0000) held by the Treasurer of State. Requirements of this service charge, the method of computation and agencies included (excluded) are as follows:

- 1. State agencies subject to this statutorily required service charge shall include all boards, commissions, departments, agencies, institutions, offices, or officers and any other office or unit of the State of Arkansas created or established pursuant to law or pursuant to any action of the Governor functioning under appropriation of the General Assembly or functioning as a representative of the State of Arkansas without appropriation of the General Assembly.*
- 2. Excluded from this service charge are the Office of the Commissioner of State Lands, the Department of Parks, Heritage and Tourism, the Department of Education and any of its divisions, community colleges and branches thereof, universities and branches thereof, technical colleges, technical institutes, post-secondary vocational-technical schools, comprehensive lifelong learning centers, funds received from the federal government, funds held in trust, funds of the various State retirement systems and funds received by the Division of Arkansas Heritage from voluntary donations and non-federal grants. The service charge to be remitted on the first day of each calendar quarter shall equal 1½ % of the total expenditures of the previous calendar quarter from all cash funds as defined in Ark. Code Ann. § 19-4-801. These quarterly expenditures are exclusive of any expenditure which paid the previous quarter’s service charge.*
- 3. In case funds are held outside the State Treasury, remittance shall be in the form of a check payable to the Treasurer of State and coded as an operating expense (commitment item 502:00:02) (general ledger account 5080005000). The Treasurer of State shall deposit each check as a non-revenue receipt in the State Central Services Fund to provide financial support for certain required administrative functions of State government.*



19-5-104 – Establishment – Other funds – Conditions

The Chief Fiscal Officer of the State may only establish such other funds or fund accounts on the books and on the books of the Treasurer of State and the Auditor of State for making payments that are composed of funds derived from more than one (1) fund or fund account as established by this chapter. The Chief Fiscal Officer of the State may also establish paying accounts on the books of the Treasurer of State and the Auditor of State for making payments that are composed of funds derived from more than one (1) source. However, the Chief Fiscal Officer of the State may establish on the books accounts within funds or fund accounts carried on the books of the Treasurer of State and Auditor of State that he or she deems are necessary for the accounting system of his or her office. Nothing in this section shall prevent the establishment of new funds composed solely of federal grants, aids, reimbursements, or any other moneys received from the United States Government that are to be used for specific purposes.

History: Acts of 1973, Act 750, § 9; Acts of 1979, Act 1013, § 8; Acts of 1979, Act 1077, § 2; A.S.A. 1947, § 13-535

P1-19-5-104 Funds Group

DFA-OA – Funds Group assists agencies in establishing, managing and maintaining “Treasury Funds.” A “Treasury Fund” is moneys on deposit in the State Treasurer’s Cash Accounts that is available to be expended in the manner detailed in the related appropriation authorized by the General Assembly. Payments made from the “Treasury Fund” are always by state warrant issued by the Auditor of State at the direction of the agency that owns the “Treasury Fund.” The primary processes involved in funds management are detailed below:

To Establish a New Treasury Fund

Treasury Funds are established in two manners: 1) Authorization by new legislation from the Arkansas General Assembly creates a new legal fund. Currently, these funds are designated by a seven-digit alpha numeric code. The first three digits are alpha and remaining four digits are always four zeros to designate the legal or “high level” fund. The State’s Financial Management System has the capability of up to ten characters/numbers for fund structure. The DFA-OA – Fund Group Manager may initiate the establishment of all new legal funds. 2) The agency Fiscal Officer may request that a new fund be created as a “sub fund” of a legal fund which is owned by the agency. Generally, this request is a result of specific business processes of the agency itself and not a legal requirement.

In both instances the completion of the form must be the first step in the process (“Create Treasury Fund Request” Form) to set up a new fund for receipting and expensing. The original form is submitted to the agency’s DFA-OB Analyst for review. The Budget Analyst will review the form for accuracy, initial the form and submit it to the CAFR Liaison assigned to that agency for fund type determination. After the fund type is determined, the DFA-OA – Financial Reporting Section Assistant Accounting Administrator will approve and initial the form. The form is then returned to the Assistant Administrator/Appropriation Manager for review and approval. The Assistant Administrator/Appropriation Manager routes the form to the DFA-OA – Funds Group staff to be logged and entered into AASIS upon verification that all information is complete and correct. The Funds Group Manager assigns an alpha numeric code to the fund (if



a new legal fund) as necessary to comply with the general naming convention used for all funds held by state agencies. A copy of the final form with all signatures is returned to the Budget Analysts who in turn will notify the agency.

After DFA-OA – Funds Group enters the new fund information into AASIS, the information contained on the request form is entered into a template and e-mailed to the Treasurer of State for entry into their system. The beginning date for usage is the date following entry into the AASIS system. The end date is always the fiscal year end date. The information contained on the funds request form is entered into the “Funds Control Log.”

An e-mail is sent to the Auditor of State, Attorney General’s Office, DFA-OA – Financial Reporting Section Assistant Accounting Administrator/Manager and DFA-OA – Funds/Appropriations Manager. A copy is filed in the DFA-OA – Funds Group files. The original form is returned to the DFA-OB Analyst responsible for the agency.

When the Treasurer of State has completed entry into their system, a return e-mail is made to the Funds Group Manager, and the DFA-OA – Funds Group “funds” log is updated to reflect the date of the “establishment” or “fund created” date.

Discontinued Funds

Funds that are discontinued as a result of legislation or due to the lack of use by the agency will be assigned a special authorization group designation of DOA1 or DOA2. Funds with a DOA1 authorization group are those funds discontinued in the previous fiscal year while funds with a DOA2 authorization group have been discontinued for 2 years and will not be authorized for another fiscal year. Only DFA personnel will be allowed to post entries such as outlawed warrants or prior year adjustments to funds in these authorization groups. Agency personnel should work closely with their DFA-OA – Financial Reporting Section liaison to ensure that all fixed assets are moved to new/existing funds to avoid the need for additional entries involving depreciation.

Establishing New General Ledger Codes

Additions to the existing general ledger chart of accounts are a result of either new legislation from the General Assembly (request will be by DFA-OA) or a request from an agency, DFA-OA, DFA-OB, or the AASIS Service Center staff. The form to request a new general ledger code is completed and signed by the originating party and transmitted via email⁵¹. The appropriate name, legal authority, and AASIS coding structure for the new general ledger code is added onto the request form by the appropriate DFA-OA senior staff member. The form is then approved by DFA-OA managers or designee. The approved form is sent to the DFA-OA staff member that is responsible for adding general ledger accounts, who signs the form as the receiver. After establishing the code in AASIS, the receiver notifies DFA-OA, DFA-OA-FRS, Legislative Audit, and the AASIS Service Center, via email, of the new account number. At the same time, AASIS generates an automated email to notify the AASIS Service Center and the appropriate DFA-OA and DFA-OA-FRS staff members of the new account number. DFA-OA-

⁵¹ dfa-oa-appropriation@dfa.arkansas.gov



FRS personnel enter the trial balance set, the NBR account (if applicable), the purchasing valuation class (if applicable), and the accrual engine setting. Once complete, AASIS generates an automated email notice to OSP and the AASIS Service Center of the tasks completed. The appropriate DFA-OA staff member enters the account security and the transparency account sets and tables. Once complete, AASIS generates an automated email notice to the AASIS Service Center of the tasks completed. The appropriate DFA-OA staff member enters the cash/revenue coding and the cash control tables. Once complete, AASIS generates an automated email notice to the AASIS Service Center of the tasks completed. Finally, the AASIS Service Center configures any required functionality supporting the new general ledger account. The Funds Group Manager enters the information, for revenue and transfer general ledger accounts only, into an email letter template that is sent to the Treasurer of State. The Treasurer of State emails a verification notice to the Funds Group Manager that the general ledger account code has been added to the Treasurer of State's system.

Deposits to Treasury Detail

The reporting agencies, user agencies or DFA-OA (in the case of agencies that have their accounting process performed by DFA) enter their receipts of income into cash journals for posting, which in turn creates the deposit slip for the agency to submit to the Treasurer of State with the corresponding checks, cash or warrants for non-Electronic Funds transfer deposits. Entries to record receipts of income or federal fund transfers that are received through the Electronic Funds transfer (EFT) process also create cash journals and the corresponding deposit slips; however, additional identifying information about the draw, such as the transfer document number from the Federal Reserve System, must be on the face of the deposit slip. The deposit slips are to be made on the day of the federal fund transfer request and presented to the Treasurer of State. These deposit slips are then matched to the incoming federal fund transfers and recorded into the Treasurer of State's records.

Any deposit containing cash must be taken to the Treasurer of State's Office with one copy of the deposit slip. Treasury will process the deposit and email a copy of the deposit slip back to the agency with the Treasury document number.

Deposits containing only checks can be taken to the Treasurer of State's Office with one copy of the deposit slip. Treasury will process the deposit and email a copy of the deposit slip back to the agency with the Treasury document number. Agencies can also sign up with the Treasury for access to their new Treasury Receiving Intelligible Portal (TRIP). Participating agencies will receive a Bank of America check scanner with access to the Bank of America CashPro system, which will allow checks to be scanned and uploaded. Once the Treasury matches the deposit slip and the check amount in CashPro, the Treasury document number is added to the deposit slip and recorded in TRIP. Documents remain in the portal and can be accessed by the agency

Any EFT deposit can be taken to the Treasurer of State's Office with one copy of the deposit slip. If the agency has been given access to TRIP, they can upload the deposit slip and once Treasury matches the deposit slip to the EFT amount in the Treasurer's Bank of America account, the Treasury document is added to the deposit slip and recorded in TRIP.

The Treasurer of State's posting of EFT deposits and transfers ends at 12:00 PM each weekday, except for the last workday of the month which ends at 10 AM. Checks and cash



deposits are recommended to be sent by 1:30 PM for current day processing and 11:30 AM on month end. Deposits delivered to the Treasurer's Office after those times will be posted the following business day. Processing of the receipts and disbursements into the proper funds follows. When all processing and daily reconciliation is complete, the Treasurer of State files the original deposit receipt. An electronic deposit receipt is sent to the Auditor of State.

Reversal of Cash Journal Entries

Cash Journal Entries can be reversed as long as the deposit has not been processed by the Treasury. If errors are discovered after the Treasury has processed the deposit, then the agency must initiate a Revenue Receipt Correction with DFA-OA – Funds Group to make corrections.

Agency personnel can reduce or even eliminate the need for Cash Journal Entry reversals or Revenue Receipt Corrections by having procedures in place to verify the amounts and the coding being entered into the cash journal prior to saving and posting the entries. Cash/Checks not totaling to the deposit slip is one of the most common mistakes made and the easiest to avoid. Supervisory staff should verify fund and general ledger code information before posting the entries.

If errors occur and are caught before the deposit is processed by the Treasury, the following steps must be completed to reverse the lines keyed in error:

1. If the receipt is a customer payment on an accounts receivable (A/R), then the A/R entry must be reversed first;
2. Agency personnel will need to contact the DFA-OA – Funds Group by email to request reversal of the lines keyed in error;
3. Include a screenshot of the "Payment" tab with the lines highlighted that need to be reversed. This can be done by using the "Print Screen" key on the keyboard next to F12. Paste the screenshot into a Word document or directly into the email body. If there are several lines to be corrected, make sure a screenshot is provided for each page to ensure all lines are displayed;
4. Include a screenshot of the "Receipts" tab with the lines highlighted that need to be reversed. Use the steps above to paste this information into a Word document or the email body;
5. Include either in the email or the Word document the reason for the reversal, the cash journal number, the date of entry and the description of the fund code(s), amounts and other pertinent information about the lines to be reversed;
6. Be sure to include the following contact information: Business Area name and number, your name, phone number and email address if different from the person sending the information;
7. Send the email request to the DFA-OA – Funds Group or call the DFA – OA at (501) 682-1675 for email address information.

Revenue Receipt Corrections

Revenue receipt correction should be recorded within 30 days of the determination of an incorrect characterization of the revenue or transfer of moneys received.



Revenue receipt corrections are initiated by agency personnel to correct an incorrect characterization of the revenue or transfer of moneys received by the agency and already processed by the Treasurer of State. This is accomplished by completing the “Revenue Receipt Correction” Form requesting the correction be recorded in both AASIS and the Treasurer of State’s records. The electronic template is provided on the DFA [website](#)⁵². The revenue receipt corrections requested by an agency are sent by e-mail to DFA-OA – Funds Group and accompanied by the electronic template with all pertinent information. The detailed instructions appear on the Excel template.

The DFA-OA – Funds Group reviews the information provided, and any missing information is requested from the agency person initiating the request. When completed, the deposit record is researched thoroughly to ensure the correcting entry will be accurate. DFA-OA – Funds Group staff will park and post the correction into AASIS after verification of the information provided by agency personnel on the Revenue Receipt Correction Form.

Revenue receipt corrections that involve either general or special revenue or those in which cash is taken from one fund and deposited into another fund require correction in the Treasurer of State’s records. This is accomplished by the DFA-OA – Funds Group forwarding a copy of the revenue receipt correction to the Treasurer of State’s office to be posted.

The Treasurer of State and the Auditor of State choose to process certain documents manually rather than accept interfaces with updated records to process within their systems. The actual documents are printed out and the Funds Group enters those document numbers in a document log. These documents, the list and the log are emailed to the Auditor of State and Treasurer of State for manual entry.

After the Auditor of State and Treasurer of State have entered them into their systems, they email the log with the entry date on it to the DFA-OA – Funds Group. The document log is updated in the DFA-OA – Funds Group computer files maintained by the DFA-OA – Funds Group staff. The printed lists, logs and fax coversheets are filed in the DFA-OA – Funds Group.

PLEASE NOTE: Revenue Receipt Correction forms for transactions are located on the DFA-OA [website](#)⁵³.

PLEASE NOTE: The Treasurer of State investment policy may be viewed on the Arkansas Treasurer of State [website](#)⁵⁴.

PLEASE NOTE: Other forms applicable to the management of funds in the State Treasury are located on the DFA-OA [website](#)⁵⁵.

Returned Checks

Refer to P3-19-4-2004 “Returned Checks” for discussion of returned checks.

⁵² <https://www.dfa.arkansas.gov/accounting-office/financial-management-guide/>

⁵³ <https://www.dfa.arkansas.gov/accounting-office/forms/>

⁵⁴ <https://www.artreasury.gov/inside-the-vault/investments/>

⁵⁵ <https://www.dfa.arkansas.gov/accounting-office/forms/>



Subchapter 7 – Reimbursement of Unemployment Compensation Benefits

Purpose

All programs of state government shall contribute their fair, equitable share to the cost of unemployment benefits charged to the state agencies operating such programs. To do this, each state agency receiving an appropriation of Regular Salaries, Extra Help, or Authorized Overtime from Treasury or Cash Funds shall contribute from their Personal Services Matching Funds a percentage of their gross payroll.

Authority

Refer to Unemployment Compensation Revolving Fund Law and Reimbursement of Unemployment Compensation Benefits – Ark. Code Ann. §§ 19-5-939, 19-5-701 – 19-5-710.

History

Unemployment Compensation requirements for Arkansas State Government were established under the authority of Acts 608 of 1977 and 697 of 1979 and incorporated into Ark. Code Ann. §§ 19-5-701 – 19-5-710 and 19-5-939.

Administration

DFA-OAS administers this program for the Chief Fiscal Officer of the State of Arkansas.

PLEASE NOTE: *The Unemployment Compensation regulations are a compilation of Ark. Code Ann. §§ 19-5-701 – 19-5-710 and may be reviewed in their entirety in the Arkansas Code. Only the applicable sections are shown below.*

19-5-701 – Purpose

It is the purpose of this subchapter that all programs, regardless of their funding source, contribute equally to the cost of unemployment compensation benefits charged to the state agencies operating such programs. It is not the intent of this subchapter that the State of Arkansas relinquish its status as a nontaxable reimbursable employer under the Division of Workforce Services Law, § 11-10-101 et seq.

History: Acts of 1977, Act 608, § 1; Acts of 2019, Act 910, § 479; A.S.A. 1947, § 13-554

19-5-702 – Definitions

As used in this subchapter, unless the context otherwise requires:

- (1) "Contribution" means a percentage of payroll expenditures paid to the Unemployment Compensation Revolving Fund by a state agency in order to provide current and timely reimbursements of benefits paid by the Division of Workforce Services Law, § 11-10-101 et seq., for unemployment benefits charged to the agency;



- (2) “Experience rate” means the process of adjustment in a future period of the contribution rate of an agency based on the difference of the amounts paid to the revolving fund for a fiscal year compared to the amounts of unemployment benefits charged to the agency for a fiscal year in order to recover deficits and refund surpluses;
- (3) “Payroll” means the gross total amount expended for a payroll period for regular salaries, extra help, and authorized overtime payments; and
- (4) “State agency” means any state agency, board, commission, department, institution, college, university, and community junior college receiving an appropriation for regular salaries, extra help, and authorized overtime payable from funds deposited into the State Treasury or depositories other than the State Treasury by the General Assembly.

History: Acts of 1977, Act 608, § 2; Acts of 2019, Act 910, § 480; A.S.A. 1947, § 13-554.1

19-5-704 – Chief Fiscal Officer authority

- (a) This subchapter shall be administered by the Chief Fiscal Officer of the State.
- (b) Upon certification to the Chief Fiscal Officer of the State by the Division of Workforce Services of unemployment compensation benefits paid during a benefit period and charged to a state agency, the Chief Fiscal Officer of the State shall direct that reimbursement be made to the division from the Unemployment Compensation Revolving Fund for such amounts as are properly certified.
- (c) The Chief Fiscal Officer of the State shall have the authority to make such rules as are necessary to enforce the provisions of this subchapter.

History: Acts of 1977, Act 608, § 7; Acts of 2019, Act 910, § 481; Acts of 2019, Act 315, § 1739; A.S.A. 1947, § 13-554.6

19-5-705 – Investigations of benefits claims

The Department of Workforce Services shall investigate all claims for benefits filed by state employees whether or not the employing state agency lodges a protest to the payment of such benefits. Such investigation shall result in a determination of the eligibility of the employee for benefit payments.

History: Acts of 1977, Act 608, § 8; A.S.A. 1947, § 13-554.7

19-5-707 – Agency contributions

- (a) Each state agency shall make contributions to the Unemployment Compensation Revolving Fund using the experience rate determined in accordance with § 11-10-704 from personal services matching costs funds within fourteen (14) calendar days following the end of each calendar quarter. The experience rate for each even-numbered fiscal year will be used to fix the rate for the next even-numbered fiscal year. Each odd-numbered fiscal year’s experience rate will be used to fix the next odd-numbered fiscal year rate.



(b) If during any fiscal year the Chief Fiscal Officer of the State determines that the contribution rate for any agency will result in a significant surplus or deficit for that fiscal year, then he or she shall have the authority to adjust the agency contribution rate to reduce such surplus or recover any such deficit, subject to the provisions of § 19-5-708.

History: Acts of 1977, Act 608, § 4; Acts of 1979, Act 697, § 1; A.S.A. 1947, § 13-554.3

19-5-708 – Limitation on agency contributions

In no event shall any experience rate result in a state agency making contributions of more than three percent (3%) of its gross payroll expenditures. In the event that an agency builds a deficit which would require a contribution rate greater than three percent (3%), then that agency shall continue to make contributions at the rate of three percent (3%), even though eligible for an experience rate reduction, until any deficit owed the fund is repaid. Only then shall the actual experience rate be used to compute such agency contributions.

History: Acts of 1977, Act 608, § 5; A.S.A. 1947, § 13-554.4

P1-19-5-708 Contributions Policy

Notification of the next fiscal year's contribution rate for each state agency shall be distributed by March 1st of each year. These rate assignments shall be forwarded to the DFA-OB as well.

A newly established agency shall be assigned a contribution rate equal to the experience rate of state government agencies as a whole (the total claims divided by the total salaries). Contribution rates for second and subsequent years shall be established through experience rating. The rate calculation method is outlined herein.

To each agency's current balance:

- Add each agency's pro-rata share of accrued interest,
- Add the projected interest through the next fiscal year,
- Add the contributions yet due from current year rates,
- Subtract projected claims through the next fiscal year,
- Subtract the desired fund level (75% of the last 2-year average of claims).

These steps will have established the amount of contributions due for the next fiscal year. Each agency's contribution rate is determined by dividing the contributions due amount by the projected salaries for the fiscal year.

Maximum Contributions

Unemployment contribution rates may not exceed 3% of agency's total gross salaries.

Rate Calculation Procedure

- A. At the time a new agency is appropriated salaries, it shall be assigned a contribution rate equal to the experience rate of state government agencies as a whole. (The total claims



- divided by the total salaries). Second and subsequent years contribution rate shall be established in accordance with the rate calculation process below.
- B. Contribution rates for the upcoming fiscal year shall be calculated, and these rates shall be sent to the agencies by March 1 of each fiscal year. These rate assignments shall also be sent to the Office of Budget.
 - C. The following is a general outline of the rate calculation process:
 - 1. Compute the last 2-year average of expenditures. Seventy-five percent of this total is the desired funding level.
 - 2. Distribute interest to each account using the agencies' pro-rata share of the fund balance.
 - 3. Project expenditures for the next fiscal year using the agencies' pro-rata share of the last 2 years of expenditures.
 - 4. Project the contributions yet due based on the current fiscal year rates.
 - 5. To the current balance (after interest has been distributed):
 - a. Add the projected interest through the next fiscal year,
 - b. Add the contributions yet due from current year rates,
 - c. Subtract projected expenditures,
 - d. Subtract the desired fund level.
 - 6. These steps will have established the amount of contributions to be collected the next fiscal year.
 - 7. Divide the agencies contributions requirement by the salary projections for the next fiscal year to determine the contribution rates.

Contribution Accounting Procedure

Quarterly contributions are due within 14 calendar days following the end of each calendar quarter.

At the end of each quarter, agencies with unemployment compensation rates other than zero shall receive an invoice from the DFA-OAS for the amount of the contribution due made payable to:

**DFA-UNEMPLOYMENT COMPENSATION
1515 WEST 7th, ROOM 700
PO BOX 2485
LITTLE ROCK, AR 72203**

The vendor code is 9996101 for unemployment contributions. The general ledger code is 5010008000 for unemployment contributions. Unemployment and Workers' compensation contributions may not be combined on a single state warrant or check.

The State of Arkansas' Accounting System provides the Gross amount expended for a payroll period for all state agencies. Gross amount expended for a payroll period for Unemployment Compensation purposes is downloaded from State of Arkansas' Accounting System into an invoice. These invoices are generated by the DFA-OAS and are distributed to the agency each quarter through messenger service, e-mail, or regular mail. Copies of invoices shall be sent only with checks. The agency number and the quarter ending date shall be provided on the state



warrant stub by keying this information in the text box on the basic tab when processing the payment in the State of Arkansas' Accounting System. See F1-19-5-701.

The DFA-OAS deposits these warrants and checks to the Unemployment Compensation Trust Fund (TUC). The TUC Trust Fund shall be used by the DFA-OAS to reimburse the Division of Workforce Services for Unemployment Claims paid to former state employees, charged to the applicable agency.

Call the DFA-OAS – Fiscal Accounting Section at (501) 324-9057 with any questions about unemployment compensation contributions.

Call the Division of Workforce Services – Unemployment Insurance Section at (800) 285-1131 with any questions about Employer Accounts.

Fiscal Year-End Accrual Procedure

Each state agency shall record a journal entry utilizing the State of Arkansas' Accounting System's transaction "ENTER GL ACCOUNT DOCUMENT", for the amount of the accrued but unpaid quarterly unemployment contribution to be provided by DFA-OAS. Conversely, the Unemployment Compensation Trust Fund will record a reciprocal amount due from all the agencies for the unpaid accrual.

DFA-OAS – Fiscal Accounting shall distribute the 4th fiscal quarter invoices to the agencies after the fiscal quarter's close. Agency contributions are due 14 days after the fiscal quarter closes. A memo shall be attached to each agency invoice reminding the agencies to book the fiscal year-end liability in the State of Arkansas' Accounting System and to reverse the prior fiscal year's liability accrual entry. An advance payment memo shall be attached to the invoices applicable to those agencies which prepay the 4th fiscal quarter invoice prior to the quarter's close in order to avoid erroneously booking a year-end accrual entry.

DFA-OAS-FA shall record a receivable for agency unemployment contributions due reduced for amounts received as advance payments.

Subchapter 8 – Reimbursement of Workers' Compensation Benefits

Purpose

All programs of state government shall contribute their fair share to the cost of workers' compensation benefits charged to the state agencies operating such programs. To do this, each state agency receiving an appropriation of Regular Salaries, Extra Help, or Authorized Overtime from Treasury or Cash Funds shall contribute from their Personal Services Matching Funds a percentage of their gross payroll.

Authority

Refer to Workers' Compensation Revolving Fund Law and Reimbursement of Workers' Compensation Benefits – Ark. Code Ann. §§ 19-5-940, 19-5-801 – 19-5-809.



History

Workers' Compensation requirements for Arkansas State Government were established under the authority of Acts 924 of 1977, 807 of 1979 and 25 of 1981 and incorporated into Ark. Code Ann. §§ 19-5-940, 19-5-801 – 19-5-809.

Administration

The DFA-OAS administers this program for the Chief Fiscal Officer of the State of Arkansas.

PLEASE NOTE: *The Workers' Compensation regulations are a compilation of Ark. Code Ann. §§ 19-5-801 – 19-5-809 and may be reviewed in their entirety within the Arkansas Code. Only the applicable sections are shown below.*

19-5-801 – Intent

It is the purpose of this subchapter that all programs, regardless of their funding source, contribute equally to the cost of workers' compensation benefits charged to the state agencies operating such programs.

History: Acts of 1977, Act 924, § 1; A.S.A. 1947, § 13-1407.1

19-5-802 – Definitions

As used in this subchapter, unless the context otherwise requires:

- (1) "Contribution" means a percentage of payroll expenditures paid to the Workers' Compensation Revolving Fund by a state agency in order to provide current and timely reimbursements of benefits paid by the Workers' Compensation Commission for workers' compensation benefits charged to the agency;
- (2) "Experience rate" means the process of adjustment in a future period of the contribution rate of a state agency based on the difference of the amounts paid to the Workers' Compensation Revolving Fund for a fiscal year compared to the amounts of workers' compensation benefits charged to the agency for a fiscal year in order to recover deficits and refund surpluses;
- (3) "Payroll" means the gross total amount expended for a payroll period for regular salaries, extra help, and authorized overtime payments; and
- (4) "State agency" means any state agency, board, commission, department, institution, college, university, and community junior college receiving appropriation for regular salaries, extra help, and authorized overtime payable from funds deposited into the State Treasury or depositories other than the State Treasury by the General Assembly.

History: Acts of 1977, Act 924, § 2; A.S.A. 1947, § 13-1407.2



19-5-804 – Administration

This subchapter shall be administered by the Chief Fiscal Officer of the State. The Chief Fiscal Officer of the State shall have the authority to establish procedures and to make such rules as are necessary to enforce the provisions of this subchapter.

History: Acts of 1977, Act 924, § 8; Acts of 2019, Act 315, § 1740; A.S.A. 1947, § 13-1407.8

19-5-806 – Agency contributions

Each state agency shall make contributions to the Workers' Compensation Revolving Fund, using the experience rate determined in accordance with this section, from personal services matching costs funds within fourteen (14) calendar days following the end of each calendar quarter. The experience rate for each even-numbered fiscal year will be used to fix the rate for the next even-numbered fiscal year. Each odd-numbered fiscal year's experience rate will be used to fix the next odd-numbered fiscal year's rate.

If during any fiscal year the Chief Fiscal Officer of the State determines that the contribution rate for any agency will result in a significant surplus or deficit for that fiscal year, he or she shall have the authority to adjust the agency contribution rate to reduce such surplus or recover any such deficit, subject to the provisions of § 19-5-807.

History: Acts of 1977, Act 924, § 4; Acts of 1979, Act 807, § 1; A.S.A. 1947, § 13-1407.4

19-5-807 – Limitation on agency contributions

In the event a state agency builds a deficit which would require a contribution rate greater than two percent (2%), the agency shall continue to make contributions at the rate of two percent (2%) until any deficit owed the fund is repaid. In the event an agency's experience rate exceeds two percent (2%) for one (1) full fiscal year, their contribution rate shall be adjusted to equal their experience rate, not to exceed a maximum of five percent (5%). Their contributions shall remain at that level until their experience rate decreases and their accumulated deficit is repaid.

History: Acts of 1977, Act 924, § 5; Acts of 1981, Act 25, § 1; A.S.A. 1947, § 13-1407.5

P1-19-5-807 Contributions Policy

Notification of the next fiscal year's contribution rate for each state agency shall be distributed by March 1 of each year. These rate assignments shall be forwarded to the DFA-OB as well.

A newly established agency shall be assigned a contribution rate equal to the experience rate of state government agencies as a whole (the total claims divided by the total salaries). Contribution rates for second and subsequent years shall be established through experience rating. The rate calculation method is outlined herein.

To each agency's current balance:

- *Add each agency's pro-rata share of accrued interest,*
- *Add the projected interest through the next fiscal year,*
- *Add the contributions yet due from current year rates,*



- Subtract projected claims through the next fiscal year,
- Subtract the desired fund level (75% of the last 2 years average of claims).

These steps will have established the amount of contributions due for the next fiscal year. Each agency's contribution rate is determined by dividing the contributions due amount by the projected salaries for the fiscal year.

Maximum Contributions

Workers' compensation rates may not exceed 5% of the agency's total gross salaries.

Rate Calculation Procedure

- A. At the time a new agency is appropriated salaries, it shall be assigned a contribution rate equal to the experience rate of state government agencies as a whole. (The total claims divided by the total salaries). Second and subsequent years' contribution rate shall be established in accordance with the rate calculation process below.*
- B. Contribution rates for the upcoming fiscal year shall be calculated, and these rates shall be sent to the agencies by March 1 of each fiscal year. These rate assignments shall also be sent to the Office of Budget.*
- C. The following is a general outline of the rate calculation process:*
 - 1. Compute the last 2-year average of expenditures. Seventy-five percent of this total is the desired funding level.*
 - 2. Distribute interest to each account using the agencies' pro-rata share of the fund balance.*
 - 3. Project expenditures for the next fiscal year using the agencies' pro-rata share of the last 2 years of expenditures.*
 - 4. Project the contributions yet due based on the current fiscal year rates.*
 - 5. To the current balance (after interest has been distributed):*
 - a. Add the projected interest through the next fiscal year,*
 - b. Add the contributions yet due from current year rates,*
 - c. Subtract project expenditures,*
 - d. Subtract the desired fund level.*
 - 6. These steps will have established the amount of contributions to be collected the next fiscal year.*
 - 7. Divide the agencies contributions requirement by the salary projections for the next fiscal year to determine the contribution rates.*

Contribution Accounting Procedure

Quarterly contributions are due within 14 calendar days following the end of each calendar quarter.



At the end of each quarter, agencies with workers' compensation rates other than zero shall receive an invoice from DFA-OAS for the compensation due amount payable to:

**DFA-WORKERS' COMPENSATION
1515 WEST 7th, ROOM 700
PO BOX 2485
LITTLE ROCK, AR 72203**

The vendor code is 9990613 for workers' compensation contributions. The general ledger code is 5010009000 for workers' compensation contributions. Unemployment and Workers' compensation contributions may not be combined on a single state warrant or check.

AASIS provides the gross amount expended for a payroll period for all state agencies except the Drug Task Forces. Gross amount expended for a payroll period for Workers' Compensation purposes is downloaded from the State of Arkansas' Accounting System into an invoice. These invoices are generated by the DFA-OAS and are distributed to the agency each quarter through messenger service, e-mail or regular mail. Copies of invoices shall be sent only with checks. The agency number and the quarter ending date shall be provided on the state warrant stub by keying this information in the text box on the basic tab when processing the payment in AASIS. See F1-19-5-801

In the event an agency does not participate in AASIS, the agency must complete pro-forma invoices that will be mailed out to the agency each quarter. These pro-forma invoices must be submitted to the payee along with the remittance. See F2-19-5-802

DFA-OAS deposits these warrants and checks to the Workers' Compensation Revolving Fund (TUW). The TUW Trust Fund shall be used by the Public Employee Claims Division of the State Insurance Department to pay for workers' compensation claims of state employees charged to the applicable agency.

Call the DFA-OAS – Fiscal Accounting Section at (501) 324-9057 with any questions about workers' compensation contributions.

Call (800) 622-4472 with any questions about workers' compensation claims.

Fiscal Year-End Accrual Procedure

Each state agency shall record a journal entry utilizing the State of Arkansas' Accounting System's transaction ENTER GL ACCOUNT DOCUMENT for the amount of the accrued but unpaid quarterly Workers Compensation contribution to be provided by DFA-OAS. Conversely, the Workers Compensation Trust Fund will record a reciprocal amount due from all the agencies for the unpaid accrual.

The Department of Finance and Administration-Office of Administrative Services-Fiscal Accounting (DFA-OAS-FA) shall e-mail the 4th fiscal quarter invoices to the agencies after the fiscal quarter's close. Agency contributions are due 14 days after the fiscal quarter closes. A memo shall be attached to each agency invoice reminding the agencies to book the fiscal year-end liability in AASIS and to reverse the prior fiscal year's liability accrual entry. An advance



payment memo shall be attached to the invoices applicable to those agencies which prepay the 4th fiscal quarter invoice prior to the quarter's close in order to avoid erroneously booking a year-end accrual entry.

DFA-OAS – Fiscal Accounting shall record a receivable for agency workers compensation contributions due reduced for amounts received as advance payments.

Workers Compensation Administrative Cost Reimbursements

Each state agency's share of the administrative costs of processing the Workers Compensation claims attributable to that agency is to be transferred to State Insurance Department – Public Employee Claims Division. The Insurance Department computes the amounts and the request for the transfer of funds is sent to DFA-OA – Funds Group. The computations also include those amounts due by public school employees, and it is administered by the Department of Education. The Treasurer of State administers the charges for the county and municipal employees.

This fund transfer is usually done in the first month of each quarter for the previous quarter. Since the amount due for the last quarter of each fiscal year is not computed until July of the following fiscal year, the amount due should be accrued in the closing books as soon as DFA-OA – Fund Group sends the amount.

Procedure

The Insurance Department – Public Employee Claims Division sends a worksheet with the calculations per agency and fund. Since funds and appropriations may change over time, the DFA-OA – Funds Group Manager sends a spreadsheet to the agencies that may have changes to make. Any changes requested are made. The Funds Group transfers the funds to the Insurance Department – Public Employee Claims Division fund from the agency's funds within a week after the notification. The information is sent to DFA-OB. (Ark. Code Ann. § 11-9-307)

Subchapter 10 – Miscellaneous Funds

19-5-1002 – Motor Vehicle Acquisition Revolving Fund

- (a) There is established on the books of the Treasurer of State, the Auditor of State, and the Chief Fiscal Officer of the State a fund to be known as the "Motor Vehicle Acquisition Revolving Fund".
- (b) The fund shall be used for the purpose of acquiring motor vehicles as authorized by §§ 22-8-201 -- 22-8-209.
- (c) The fund shall be financed by:
 - (1) Its proportionate share of moneys made available from the allocation of general revenues as authorized by the Revenue Stabilization Law, § 19-5-101 et seq.;



- (2) Moneys made available upon the disposal of used vehicles, which moneys shall be deposited to the credit of the Motor Vehicle Acquisition Revolving Fund rather than being deposited to the owing state agency's fund;
- (3) Deposits of moneys from benefiting state agencies; and
- (4) Transfers from other State Treasury funds and fund accounts of benefiting state agencies.

History: Acts of 1973, Act 750, § 7; Acts of 1985, Act 888, § 9; A.S.A. 1947, § 13-523

P1-19-5-1002 Motor Vehicle Acquisition

The Secretary of DFA has designated the DFA-OAS as his agent authorized to purchase new and used vehicles for all state agencies, boards, commissions, departments, and institutions of higher education. Such purchases shall be made from the Motor Vehicle Acquisition Revolving Fund (MMV Fund) which was established for the purpose of acquiring motor vehicles of the State. The amounts deposited into this fund include a portion of state general revenues as authorized by the Revenue Stabilization Law, amounts received upon the disposal of used vehicles and deposits or transfers from benefiting agencies. (Ark. Code Ann. §§ 19-5-1002, 22-8-206 (a-c), and 22-8-207)

PLEASE NOTE: See additional information regarding vehicles in P1-19-4-1503 Property Management and P1-19-11-243 Marketing and Redistribution.

Chapter 6 – Revenue Classification Law

Subchapter 1 – General Provisions

19-6-101 – Citation

This chapter shall be referred to and may be cited as the “Revenue Classification Law” of Arkansas.

History: Acts of 1973, Act 808, § 1; A.S.A. 1947, § 13-503

PLEASE NOTE: The Revenue Stabilization Law now changes each fiscal year due to the General Assembly meeting in both regular and fiscal session.

P1- 19-6-101 Revenue Classification

Revenue is classified by general ledger account number. All general ledger accounts are identified by a ten (10) digit account number and an appropriate account description. The ten (10) digit account number is designed to identify the revenue receipt(s) of a state entity. The revenue accounts may be used by any agency to record a receipt and, with only a few exceptions, may be used for any fund. The account number is broken down into four main parts: the financial statement type, the revenue type, the revenue source and a unique identifier.

All revenue accounts begin with “4”. The type of revenue is identified by the third digit of the account number. The fourth digit of the account number indicates the revenue source. The



remaining six digits are assigned by the DFA-OA in a systematic manner to uniquely identify the account.

Revenue Type

The revenue type (the third digit in the account number series) is established in accordance with the Revenue Classification Law to provide a basic breakdown of the revenues. The revenue types are General Revenues, Special Revenues, Non-revenue Receipts and Other Revenue, Grants and Reimbursements. (Ark. Code Ann. § 19-6-108) A description of each revenue type is listed below.

PLEASE NOTE: The revenue type directs the Treasurer of State’s distribution process. The use of an incorrect revenue type will cause incorrect distribution of the related funds.

Revenues deposited in revenue account types “1,” “2” or “3” remain on deposit with the Treasurer of State until the end of the month. At that time, a percentage as specified by law is deducted for the Constitutional Officers Fund and the State Central Services Fund. The remaining balance after deduction of fees is distributed to the designated fund. Revenue receipt deposits with account types "4" or "5" are credited to the designated fund at the time the receipt is processed in AASIS, and these revenues may be utilized as soon as posting is complete.

Series	Revenue Type	Description
(40)1	General Revenues	Used only when the revenue(s) is to be deposited into the General Revenue Fund Account of the State Apportionment Fund – AGA0000. A detailed list of these revenues is located in Ark. Code Ann. § 19-6-201.
(40)2	Special Revenues - 3%	As required by law, certain special revenues are held in the Special Revenue Fund Account of the State Apportionment Fund – ASA0000 prior to being credited to the special revenue fund as provided on the receipt document. The revenues recorded in this manner are usually collected by the 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. A detailed list of these revenues is located in Ark. Code Ann. § 19-6-301. The fee deducted from these collections to support State Central Services Fund and Constitutional Officers Fund ranges from 3 to 4% by law.
(40)3	Special Revenues - 1½%	Same as type "2" except a smaller deduction is made at month end. Typically, the agency collecting the revenue(s) is an agency other than a Constitutional and Fiscal Agency Fund agency or an agency in the State Central Services Fund. The revenues recorded in this manner are usually funds of the collecting agency. A detailed list of these revenues can be found in Ark. Code Ann. § 19-6-401 et seq. The fee deducted from these collections to support State Central Services Fund and the Constitutional Officers Fund ranges from 1 ½% to 2%.
(40)4	Non-Revenue Receipts	Used to account for receipts received that are deemed non-revenue. A list of receipts that are statutorily required to be non-revenue is detailed in Ark. Code Ann. § 19-6-701.



Series	Revenue Type	Description
(40)5	Other Revenue, Grants, and 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. (Ark. Code Ann. § 19-6-501)

Revenue Source

The revenue source number (the fourth digit in the account number series) is established to designate the basic source of the revenue. The types of sources with their related description follow:

Series	Description
(40X)0	Taxes
(40X)1	Fees
(40X)2	Fines and Penalties
(40X)3	Licenses and Permits
(40X)4	Rents, Royalties and Leases
(40X)5	Grants and Federal Reimbursements
(40X)6	Non-Revenue
(40X)7	Miscellaneous
(40X)8	Sale of Property (whether purchased or produced)
(40X)9	Interest on investments

An updated listing of revenue account numbers can be obtained any time by running a Chart of Accounts Report in AASIS. To obtain only revenue account numbers, enter “4*” in the GL Accounts field. Agencies that do not have direct access to AASIS may request a copy of the listing from the DFA-OA at any time.

Additional accounts may be requested by contacting your ACFR liaison or emailing a General Ledger Account Request Form to <mailto:DFA.OAMasterDataMaintenance@dfa.arkansas.gov>. DFA-OA reserves the right to limit the adding of new accounts.

P2-19-6-101 Revenue Receipts and Deposits

All cash, checks and legal tender received by a state agency, board, commission or institution must be immediately deposited with the Treasurer of State or one of the agency's bank or investment accounts. Additionally, all cash, checks and legal tender receipts must be immediately recorded in AASIS (through direct access, interface software, or by the Service Bureau).

Trust and agency funds must also be posted to a cash or investment account in AASIS using a fiduciary fund type. In creating journal entries, the offsetting debit or credit for agency funds will be the “Agency Fund Liability” account (general ledger #2114004000). Additions and deductions to trust-type funds must be recorded in the appropriate general ledger accounts.



Procedures for Posting Receipts in the AASIS

Cash Journals are used by AASIS for revenue receipts. The AASIS operation records revenue receipts in a Cash Journal. Each Cash Journal is assigned a specific general ledger account which is updated by cash journal receipts and deposits. Thus, the purpose of the Cash Journal is to keep track of revenue received in various forms and to post the revenue to the appropriate general ledger account.

A revenue code must be designated in AASIS for all cash receipt transactions. It is important to select the correct revenue code based on the type of revenue. Note that General Revenue codes begin with 401, and Special Revenue codes begin with 402 or 403. All General Revenue is deposited to fund AGA0000 using cost center 383359 and business area number 0610. Special Revenue funds are receipted to the agency's fund and subsequently transferred to fund ASA0000 daily by the Treasurer of State. At the end of each month, Special Revenues are distributed back to the agency's fund less the corresponding Treasury fee (3% for 402 and 1.5% for 403 revenue codes).

General ledger accounts that begin with 404 and 405 identify Other Revenue. Other Revenue must be deposited directly to the agency's fund. General ledger accounts that begin with 601 through 699 will be used for other financing sources (such as Refunds to Expenditure, Intra-Agency Transfers, and Inter-Agency Transfers).

Recording a revenue receipt requires selecting a business transaction in the Cash Journal corresponding to the appropriate revenue code. A cost center is required on the entry of a revenue receipt and will derive the fund assigned in AASIS. Check to be sure the desired fund is derived from the cost center. If the moneys are to be deposited to a different fund, the cost center must be modified. As appropriate, the revenue receipt will debit "Cash in Treasury-Incoming," "Cash in Bank-Incoming" or a "Non-AASIS House Bank" account and credit the selected revenue account.

Recording the receipt of a customer's payment requires information to be obtained from the customer's account in AASIS. The customer number, assignment number, fund and cost center must be entered. The cost center, fund and general ledger revenue account fields shall be the same as those recorded in AASIS for the original invoice which has now been paid. Since the initial accounts receivable transaction debited the customer account and credited the appropriate revenue account, the receipt of a customer payment will credit the customer's account and debit the "Cash in Treasury – Incoming" or agency bank account.

Authorized Individuals

Agencies determine role needs and request roles from the AASIS Security Department. Roles available for Cash Receipting are the Agency Cash Receipt Specialist and the Agency Cash Deposit Specialist. Security roles determine the transactions that a user can perform. Features within permissible transactions can be further configured for security purposes. Transactions for Cash Journals have two security roles -- one for recording and saving entries and one for posting and preparing deposits.



To maintain internal control, receipts are to be entered and saved by the role of Cash Receipt Specialist and then posted by the role of Cash Deposit Specialist. Smaller agencies with limited personnel, which are unable to provide for an adequate segregation of duties, may be granted an exception to this requirement by obtaining an approval of their applicable mitigating controls from DFA-OA.

Procedure for Treasury Deposits

The AASIS transaction ZBCJ is used to print a deposit ticket for Treasury deposits. Printing of deposit tickets in ZBCJ will trigger the posting of Special Revenue to Fund ASA0000.

PLEASE NOTE: Caution must be taken when reprinting a deposit ticket not to make a duplicate posting of Special Revenue. Deposit tickets must have an AASIS document number in order for the Treasurer of State to accept the deposit.

Refer to the AASIS [website](#)⁵⁶ for transaction training tutorials and detailed instructions regarding the preparation and printing of a deposit ticket.

PLEASE NOTE: Once a deposit has been processed by the Treasurer of State, that deposit transaction may only be corrected with a journal entry by DFA-OA.

Deposit tickets relative to funds on deposit with the Treasurer of State must only contain Treasury fund related transactions. Refer to AASIS [website](#)⁵⁷ and their transaction training tutorials for detailed instructions regarding the proper procedures to omit cash fund related deposits from Treasury fund deposit tickets.

Procedure for Cash Fund Deposits

Procedures for cash fund deposits are identical to those for Treasury deposits except for the fact that the funds are not transferred to the Treasurer of State. Additionally, the agency has the option to print a deposit ticket using AASIS as supplemental supporting documentation to its pre-printed bank deposit tickets.

Refund to Expenditures

Ark. Code Ann. § 19-6-701 (b) (1) – (10) states that refunds to expenditures “shall consist of:

- (1) Proceeds received from insurance policies for casualty losses by state agencies, departments, or institutions;
- (2) Proceeds received from vendors on account of overpayment of obligations remitted by state agencies, departments, or institutions;
- (3) Refunds to state agencies for cash advances or over allocations made to other state and local agencies for subgrants;
- (4) Refunds to state agencies for the erroneous payment or overpayment of salaries to state employees;
- (5) Proceeds derived from the maturity or redemption of investments;

⁵⁶ <https://www.dfa.arkansas.gov/aasis/training-links/>

⁵⁷ <https://www.dfa.arkansas.gov/aasis/training-links/>



- (6) Reimbursements to institutions of higher learning for cash fund expenditures for salaries which are properly chargeable to funds in the State Treasury;
- (7) Deposits by the counties in the State Aid Road Fund and in the County Supplement Fund Account in the State Treasury for matching funds available in the state aid road construction program.
- (8) Reimbursements to state agencies for cost-sharing purposes;
- (9) Federal reimbursements of expenses paid in advance by the state on behalf of the federal government; and
- (10) Reimbursements by vendors or their agents for warranties, product rebates, and service adjustments.”

Act 716 of 2007 amended Ark. Code Ann. § 19-6-701 (b) by adding two additional items, (9) and (10) that are eligible for refund to expenditure processing. Ark. Code Ann. § 19-6-701 (b)(9), “Federal reimbursements of expenses paid in advance by the state on behalf of the federal government” would apply to expenses such as those encountered during the Hurricane Katrina crisis. If reimbursement is received by the agency during the fiscal year of the disbursement, then the receipt will be processed as a Current Year Refund to Expenditure and the appropriation for that disbursement will be restored. If the reimbursement is received for disbursements made in a prior fiscal year, then the receipt will be processed as a Prior Year Refund to Expenditure with no restoration of appropriation. Ark. Code Ann. § 19-6-701 (b)(10), “Reimbursements by vendors or their agents for warranties, product rebates, and service adjustments” must be received in the year of the original disbursement to restore appropriation.

Please note that Ark. Code Ann. § 19-6-701 (b) (8) “reimbursements to state agencies for cost-sharing purposes” is in reference to cost-sharing between agencies and not with public entities. Also, refunds to expenditures generally do not apply to cost-sharing within an agency. This would need to be treated as an expense error correction.

There are two types of refunds to expenditure: current year and prior year. Current year refunds to expenditures are used to reduce expense and restore the appropriation on the books of an agency where covered by Ark. Code Ann. § 19-6-701 (b) (1) – (10) or special language contained in individual agency current year Acts. Prior year refunds to expenditures do not reduce expenses nor restore appropriation except in specific circumstances.

Current Year Refund to Expenditure

If monies are received by an agency in current fiscal year for payment(s) made in the same fiscal year and the monies are covered as a refund to expenditure under any of the criteria set out in Ark. Code Ann. § 19-6-701 (b) (1) – (10) or by special language in individual Agency current Acts, then the agency must record the deposit into the agency’s fund as a current year refund to expenditure using the vendor number or general ledger code 6080001000. Using the vendor number if the check is returned from the vendor will correct the Arkansas Transparency Website. See instructions for vendor deposits located on our [website](#)⁵⁸.

⁵⁸ <https://www.dfa.arkansas.gov/accounting-office/forms/>



General Procedure

The excess funding in certain General Revenue funds is subject to reclaim per Ark. Code Ann. § 19-5-1004. Since some expenditures are often refunded or the warrants are cancelled subsequent to the close of the fiscal year, the deposits or journal entries that restore the funds expended in the previous year are also subject to reclaim.

Prior Year Warrant Cancellations

Agencies that have funds from both general revenue and federal resources will have warrants containing both sources of funds. The portion of the Prior Year Warrant Cancellation that is related to the federal monies will not be reclaimed. Therefore, it is necessary for the agency to certify to the DFA-OA the portion included in the warrant amount that is not reclaimable. The certification form that accompanies this letter must be submitted to DFA-OA – Funds Section when a Prior Year Warrant is cancelled in either the General Revenue Fund or its related paying account.

Prior Year Refunds to Expenditures

Agencies that have funds from both general revenue and federal resources will have Prior Year Refunds to Expenditures containing both sources of funds. The portion of the Prior Year Refunds to Expenditures that is related to the federal monies will not be reclaimed. Therefore, it is necessary for the agency to certify to DFA-OA the portion included in the refund amount that is not reclaimable. The certification form that accompanies this letter must be used to certify the non-reclaimable share of each Prior Year Refunds to Expenditure deposited in either the General Revenue Fund or its related paying account.

Record Deposit as Current Year Refund to Expenditure in a FB50

Debit 1100001002

Credit 2110007500 (vendor number)/6080001000

The agency must then complete and submit a “Request for Refund to Expenditure Form” along with a photocopy of the check/warrant processed as a receipt of funds to support the “refund to expenditure” to DFA-OA – Reconciliation Manager.

The request will be reviewed and, if approved, will be processed reducing the agency expense and restoring appropriation.

Debit 2110007500 (vendor number)/6080001000

Credit 5XXXXXXXXXX

A photocopy of the original request will be returned to the agency with the document number for documentation. The original will be maintained by DFA-OA.

Prior Year Refund to Expenditure

If monies are received by an agency in current fiscal year for payment(s) made in the prior fiscal year and the monies are covered as a refund to expenditure under any of the criteria set out in Arkansas Code 19-6-701 (b) (1) – (10) or by special language in individual agency current Acts,



then the agency must record the deposit into the agency's fund as a prior year refund to expenditure using general ledger code 6990003000.

Record Deposit as Prior Year Refund to Expenditure

Debit 1100001002

Credit 6990003000

If the refund to expenditure is for a prior year transaction, a Reclaim Certification Form, F1-19-6-101, must be completed and submitted to DFA-OA. The appropriation shall not be restored unless it involves a carry-forward appropriation item.

If a warrant from a prior year is cancelled or refund to expenditure from a prior year is deposited into a reclaimable fund, it is reclaimed based upon the appropriate procedures.

The Certification of Non-Reclaimable PY Warrant Cancellations and Refunds to Expenditures Form are located on the DFA-OA [website](#)⁵⁹.

P3-19-6-101 Sales and Use Tax

It is the responsibility of the agency to accurately accrue and pay to DFA-OA sales and use tax by the 15th of each month. It is the responsibility of DFA-OA to accurately report and remit sales and use tax for State agencies to the DFA – Revenue Division.

Sales Tax, also referred to as Gross Receipts Tax, is a tax levied against the sale of tangible personal property and various services. Sales tax is the responsibility of the seller to collect and remit to the State.

Use Tax, also referred to as Consumer Use Tax, is a tax levied against the purchase of tangible personal property from out-of-state vendors who are not registered with the State to remit sales and use tax. Use tax is the responsibility of the buyer to accrue and remit to the State.

DFA-OA must report and remit sales and use tax by the 20th of each month to DFA – Revenue Division. Therefore, it is imperative that agencies remit the payment of their sales and use tax to DFA-OA no later than the 15th of each month.

Refer to F2-19-6-101 for further information.

Chapter 9 – Public Obligations

Subchapter 2 – State Obligations

19-9-201 – State Board of Finance

The State Board of Finance is authorized to:

- (1) Take such action as may be provided by law for the issuance of refunding bonds for outstanding obligations to the State of Arkansas;

⁵⁹ <https://www.dfa.arkansas.gov/accounting-office/financial-management-guide/>



- (2) Issue replacement bonds, either typewritten, printed, or lithographed, for lost, mislaid, destroyed, or stolen bonds of the State of Arkansas in the manner and within the limitations provided by § 19-9-102;
- (3) Take such action as may appear necessary or desirable to collect any funds which may have been in the hands of paying agents for a period of three (3) years or longer and to invest any funds so collected in the manner provided by §§ 19-9-103 -- 19-9-105; and
- (4) Take such other action, not inconsistent with law, as may appear necessary or desirable to:
 - (A) Retire the direct bonded debt of the State of Arkansas in an orderly manner;
 - (B) Safeguard state funds pledged for the payment of such obligations; and
 - (C) Maintain and improve the credit standing of the State of Arkansas.

History: Acts of 1955, Act 338, § 11; Acts of 1965 (1st Ex. Sess.), Act 12, § 13; A.S.A. 1947, § 13-411

P1-19-9-201 Long-Term Debt

Article 16, Section 1 of the Constitution of Arkansas states: "Neither the State nor any city, county, town or other municipality in this State shall ever lend its credit for any purpose whatever; nor shall any county, city or town or municipality ever issue any interest bearing evidences of indebtedness, except such bonds as may be authorized by law to provide for and secure the payment of the indebtedness existing at the time of the adoption of the Constitution of 1874, and the State shall never issue any interest-bearing Treasury warrants or scrip. [As amended by Const. Amends. 13 and 62.]"

Amendment 20 to the Constitution of Arkansas states: "Bonds prohibited except when approved by majority vote of electors. – Except for the purpose of refunding the existing outstanding indebtedness of the State and for assuming and refunding valid outstanding road improvement district bonds, the State of Arkansas shall issue no bonds or other evidence of indebtedness pledging the faith and credit of the State or any of its revenues for any purpose whatsoever, except by and with the consent of the majority of the qualified electors of the State voting on the question at a general election or at a special election called for that purpose. This Amendment to the Constitution of Arkansas shall be self-executing and require no enabling act but shall take and have full force and effect immediately upon its adoption by the electors of the State."

Bonds shall be the direct general obligations of the State of Arkansas for the payment of the debt service on which the full faith and credit of the State of Arkansas are irrevocably pledged so long as any such bonds are outstanding. The bonds shall be payable from the general revenues of the State as termed in the Revenue Stabilization Law § 19-5-101 et seq., and general revenues that are necessary for the payment of debt service on the bonds shall be and remain pledged for such purposes. (Ark. Code Ann. §§ 6-62-718, 15-22-615, and 15-22-714)

Authorization to Borrow

The Arkansas Development Finance Authority has been given the authorization to borrow moneys and issue bonds to provide financing for a specific activity or particular project which is



secured by and payable solely from the bonds, lease payments or other obligations issued by or payable to the state agencies and political subdivisions of the State. The specific activities or particular projects may include capital improvement facilities, educational facilities or health care facilities. (Ark. Code Ann. §§ 15-5-301 and 15-5-207)

PLEASE NOTE: If the long-term debt is financed through Arkansas Development Finance Authority, contact the DFA-OA – Financial Reporting Section for further instructions.

Long-term obligations may be backed by the full faith and credit of the State or specific revenue as defined in authorizing legislation. Generally, long-term debts are not expected to be paid within the next twelve months.

Depending on the nature of the obligation, long-term obligations of the State are accounted for in one of two ways. Long-term obligations related to and expected to be paid from proprietary and fiduciary fund type funds are accounted for in those funds. All other long-term debt will be identified as a general liability and accounted for in Fund 7006101 for inclusion in the government-wide Statement of Net Position.

Types of Bonds

General Obligation Bonds are statewide bond issues that are secured by an unconditional pledge of the full faith and credit of the State.

Revenue Bonds are bond issues secured by specific sources of revenue and do not involve a pledge of the full faith and credit of the State but require legislation authorizing the specific revenue. They are payable from identified sources of revenue which are generally derived from the assets acquired or constructed with the bond proceeds.

Refunding Bonds are issued to retire bonds already outstanding. Refundings are classified as current or advance refundings.

New Issues

GAAP direct that the proceeds from long-term debt be treated as an "other financing source" rather than as revenue in governmental fund types. The amount reported as an "other financing source" should be equal to the face amount of the debt. For accounting and financial reporting purposes, a long-term debt issue is considered to have taken place as of the closing date. Consequently, bond or loan proceeds should be reported as an "other financing source" as of the closing date. Due to withheld underwriter's fees, issuance costs and any premium or discount the amount of cash received is typically different than the face amount of the debt. A discount arises when the stated rate of interest on the debt is less than the market rate of interest for similar securities when the debt was issued. A premium arises when the stated rate of interest on the debt is greater than the market rate of interest. AASIS uses "6" series general ledger account numbers to record "other financing sources" as well as "other financing uses."

"Other financing uses" is a category used to isolate certain non-routine outflows that might otherwise distort the analysis of expenditure trends. Discount, premiums, issuance costs such as amounts withheld for underwriters' fees should be recorded as "other financing uses" in governmental fund types.



Current Financial Resources Measurement Focus (Modified Accrual)

A long-term debt would be recorded at the closing date as:

A debit to a cash account for the amount of the bond or loan proceeds plus or minus the bond premium or discount, respectively, and less the bond issuance costs (actual cash received).

A debit or credit to a bond discount or premium account for the amount of the discount or premium, respectively.

A debit to bond issuance costs account for the amount of the issuance costs which would include underwriters' fees.

A credit to "proceeds from" bonds or loan account for the amount of the bonds or loan.

Economic Resources Measurement Focus (Full Accrual)

At the end of the fiscal year the bonds or loan proceeds and bond discount or premium would be reclassified to bonds or loans payable, unamortized bond discount and unamortized bond premium, respectively. Only bond issuance costs that are insurance premiums would be reclassified to unamortized bond insurance cost. The reclassification entries would be made in accounting period "15" using Fund 7006101. The entry to reclassify the proceeds would be done by debiting the "proceeds from" bonds or loan account and crediting the payable account. The amortization of the discounts, premiums and insurance costs are also recorded in accounting period "15" using Fund 7006101. Discounts, premiums and insurance costs are amortized over the life of the debt using the "straight-line method." Amortization amounts due in the next year need to be reclassified as current. The reclassification is recorded in accounting period "15" using Fund 7006101. Interest owed but not yet due (interest payable) will be accrued and recorded in accounting period "15" using Fund 7006101.

Refunding Issues

When advantageous and permitted by Arkansas code or bond covenants, the State will refund outstanding bond issues. Refundings are transactions to take advantage of changes in interest rates, the maturity date or escape onerous debt covenants by issuing new debt to refinance existing (old) debt. Current refundings immediately apply the proceeds of the refunding debt to redeem the old debt. When the proceeds of the refunding debt are placed into an escrow account pending the call date or maturity of the old debt, the refunding is called advance refunding. Most advance refundings result in the defeasance of the old debt. For accounting purposes, the debt is treated as though it had been redeemed. GAAP directs that the proceeds of refunding bonds, whether used for redemption or placed in escrow, be reported as an "other financing use" rather than as an expenditure (payments to escrow agents).

Current Financial Resources Measurement Focus (Modified Accrual)

A long-term debt would be recorded as:

A debit to the "payments to refunding escrow agent" account for the amount of the old bond or loan or the amount that was paid to the refunding escrow agent;



A debit to a cash account for the amount of the bond or loan proceeds plus or minus the bond premium or discount, respectively, and less the bond issuance costs, and amount paid to the escrow agent;

A debit or credit to a bond discount or premium account, respectively for the amount of the discount or premium, respectively;

A debit to bond issuance costs account for the amount of the issuance costs;

A credit to "proceeds from" bonds or loan account for the amount of the bonds or loan.

Economic Resources Measurement Focus (Full Accrual)

At the end of the fiscal year the bond or loan proceeds and bond discount or premium would be reclassified to bonds or loans payable, unamortized bond discount and unamortized bond premium, respectively. Only bond issuance costs that are insurance premiums would be reclassified to unamortized bond insurance costs. The entry to reclassify the proceeds would be done by debiting the "proceeds from" bonds or loan account, crediting the "payments to refunding escrow agent" account and crediting the bonds or loan payable account for the difference. The amortization of the discounts, premiums and bond insurance costs are also recorded in accounting period "15" using Fund 7006101. Discounts, premiums and issuance costs are amortized over the life of the debt using the "straight-line method." Amortization amounts due in the next year need to be reclassified as current. The reclassification is recorded in accounting period "15" using Fund 7006101.

If material, the difference between the cost of refunding the old bonds (the outstanding principal of the old debt plus any associated costs) and the proceeds of the refunding bonds is deferred and amortized over the remaining life of the old debt or the life of the refunding debt whichever is shorter (deferred outflow of resources on refunding). The amortization of the "deferred outflow of resources on refunding" is recorded in accounting period "15" using Fund 7006101.

Interest owed but not yet due (interest payable) will be accrued and recorded in accounting period "15" using Fund 7006101.

Debt Service - New and Refunding Issues

All bond issue payments include principal and interest. The classification of the principal and interest payment as both being expenses or the interest being an expense and the principal reduction of debt is determined by the financial reporting statements, either modified or full accrual.

Current Financial Resources Measurement Focus (Modified Accrual)

The payment of a long-term debt should be recorded as principal and interest expense following an amortization schedule.



Economic Resources Measurement Focus (Full Accrual)

At the end of the fiscal year the expense for the principal portion will be reclassified as a reduction of the debt. Principal payments due on all long-term debt in the next year need to be reclassified as current. The reclassification is recorded in accounting period "15" using Fund 7006101.

Responsibility of Agencies to Provide DFA-OA – Financial Reporting Section Long-Term Debt Information

The various state agencies, departments and entities are each responsible for safeguarding assets in its charge, the execution of only properly authorized transactions and the maintenance of the necessary financial information to document the discharge of its responsibilities. Therefore, the primary responsibility for the collection, maintenance, recording and transmission of information to permit the DFA-OA – Financial Reporting Section to prepare GAAP financial statements lies with each agency.

It is imperative that agencies and institutions also maintain:

- 1. An adequate internal control structure to reduce the risk that errors or irregularities may occur and not be timely corrected in the normal course of agency staff business.*
- 2. An audit trail that can readily trace the information transmitted to DFA-OA and amounts recorded in the State Financial Management System to the original source transaction information.*
- 3. Therefore, each agency and institution should design their process to compile needed GAAP information to its own circumstances and document those processes for future training and audits.*
- 4. At the close of each fiscal year, DFA-OA – Financial Reporting Section will send a debt service packet out to the agencies to gather information needed to compile the State's ACFR. Journal entries to record long-term debt are located at F1-19-9-201.*

Chapter 10 – Claims Against the State

Subchapter 2 – General Provisions

19-10-101 – Investigatory powers

(a)

- (1) As soon as the Secretary of the Department of Finance and Administration learns of facts from which the secretary concludes that a claim may be filed under this chapter against the state or a state agency, the secretary shall investigate and take evidence concerning the claim.
- (2) The secretary's duty under subdivision (a)(1) of this section applies whether or not the claim has already been filed at the time the secretary learns the relevant facts upon which the secretary bases his or her conclusion.
- (3) Subdivision (a)(1) of this section does not apply to a claim for personal injury or death of a state employee.



- (b) To carry out his or her duties under this section, the secretary may exercise all necessary investigatory powers conferred upon him or her by this chapter.
- (c) All information acquired by the secretary under this section shall be made available to the Arkansas State Claims Commission before the hearing and determination of the claim.

History: Acts of 1949, Act 462, § 12; Acts of 1951, Act 373, § 7; Acts of 2019, Act 910, § 3471; Acts of 2019, Act 785, § 1; A.S.A. 1947, § 13-1412

P1-19-10-101 Claims, Judgments & Other Contingent Liabilities

Claims and judgments are obligations related to the payment of claims declared or court-imposed awards. Generally, the events creating these obligations have already occurred and one can reasonably determine their future impact. Contingent liabilities are potential future amounts to be paid based on conditions that existed as of the financial statement date. The circumstances related to contingent liabilities have occurred, but their future impact may not be certain for a variety of reasons including, but not limited to, a claim not being asserted, or the amount owed not being determinable. Examples of claims, judgments and other contingent liabilities may include, but are not limited to, claims brought before or awards made by the Arkansas State Claims Commission or other courts where jurisdiction may reside, accrued leave, potential benefits under the State Workers' Compensation Program and disputed costs in connection with federal funding.

Federal Claims & Judgments

Federal awards shall be paid upon receipt of a court order. In the absence of a court order, claims may be paid upon receipt of an out-of-court settlement recommendation made in writing by the Attorney General of the State after an investigation by the Chief Fiscal Officer of the State determines that payment will be in the best interest of the State and upon receiving favorable review from the Legislative Council or Joint Budget Committee. (Ark. Code Ann. § 19-4-1614)

PLEASE NOTE: Also refer to Ark. Code Ann. §§ 19-4-1614 and 19-4-1615 for claims and judgments related to wages or salaries for personal services rendered.

ASCC Claims & Judgments

When the Secretary of the Department of Finance and Administration is made aware of a potential claim that may be filed with the Arkansas State Claims Commission, he/she shall investigate such claims, other than those involving personal injury or death of a state employee. Any information obtained from such investigation will be made available to the ASCC prior to the related hearing. (Ark. Code Ann. § 19-10-101)

Awards, other than those related to wages and salaries, are to be paid upon order by the Arkansas State Claims Commission. If the award is \$15,000 or less, the DFA-OA – Funds Group will reimburse the Arkansas State Claims Commission fund that paid the award via a fund transfer from the paying agency's fund to be charged for the expenditure of the judgment. Awards involving wages and salaries are processed through the State's payroll system to



ensure the appropriate reporting and payments for payroll tax purposes. All awards, including awards for wages and salaries, in excess of \$15,000 require an appropriation from the General Assembly prior to payment. (Ark. Code Ann. § 19-10-215)

When a valid claim is to be paid from funds not in the State Treasury, the Arkansas State Claims Commission Clerk will notify the agency, board, commission or institution of higher education that the claim is charged. Upon receipt of the notification, the agency, board, commission or institution of higher education is required to deliver a check to the Arkansas State Claims Commission Clerk from the agency, board, commission or institution of higher education's cash funds. The check is to be deposited into the Miscellaneous Revolving Fund as a non-revenue receipt for disbursement to the complainant. (Ark. Code Ann. § 19-10-213)

When an agency admits liability to a claim filed with the Arkansas State Claims Commission and the claim involves a contract or the claim exceeds \$15,000, the state agency, board, commission or institution of higher education responsible for the payment of the settlement or judgment shall file a written report to the Litigation Reports Oversight Subcommittee of the Arkansas Legislative Council within 30 days after adjudication by Arkansas State Claims Commission. The report shall include a statement of facts surrounding the claim and an explanation of the agency, board, commission or institution of higher education's liability. (Ark. Code Ann. § 19-10-212)

Contingent Liabilities

GAAP require disclosure and, in some cases, recording of claims, judgments and other contingent liabilities that are reasonably possible (i.e., more than remote, less than likely). The liability for claims, judgments and other contingent liabilities should be recognized (or recorded) when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. As such, if not previously recorded, judicial awards shall be recorded as liabilities when judgment is rendered. Failure to disclose or record such would cause a misstatement in the financial statements. It is imperative that agencies that believe they may have circumstances that meet the criteria for claims, judgments and other contingent liabilities contact the agency's liaison in the DFA-OA – Financial Reporting Section to discuss the circumstances and obtain assistance in determining if the item can or should be recorded as a liability of the agency.

All judicial awards and contingent liabilities shall be recorded by each state agency, board, commission or institution of higher education utilizing the appropriate accounts, funds and periods as instructed in the Fiscal Year-End Closing Instructions unless instructed otherwise in writing by the DFA-OA – Financial Reporting Section. All items that are recorded as liabilities or may be considered claims or contingent liabilities if the liability may exceed \$500,000 shall be disclosed to the DFA-OA – Financial Reporting Section in the agency's Year-End Disclosure Package returned to the DFA-OA – Financial Reporting Section. Additionally, disclosure may be required if the aggregate liability exceeds \$500,000. The disclosure should take the form of completing the Claims and Judgments/Contingencies Questionnaire Section of the Year-End Disclosure Package. Regardless of whether the circumstances for the potential claim or liability existed before or after the end of the fiscal year, if an agency determines that a liability should be recorded or the agency becomes aware of a potential claim or contingent liability after completion and submission of the Year-End Disclosure Package to the DFA-OA – Financial



Reporting Section, the agency should contact their agency's liaison in the DFA-OA – Financial Reporting Section to disclose the determination made and the additional details identified to arrive at such decision.

Recording Contingent Liabilities

All contingent liabilities that are probable (the future event or events are likely to occur) and the related loss can be reasonably estimated should be recorded by each agency, board, commission or institution of higher education on or before year-end. All contingent liabilities should be recorded in non-budget relevant accounts in period “15” to fund 7006101. All amounts expected to be paid within one year of the fiscal year end should be recorded as current liabilities. Any prior year entries to record the claims, judgments or contingent liabilities should be reversed prior to recording current year items. Examples of general journal entries to record some common contingent liabilities follows on the next page.

Accrued Leave

*Debit 5010091000 Accrued Compensated Absence Expense
Credit 2230002000 Non-Current Accrued Compensated Absences
Credit 2115007000 Compensated Absences Current*

Claims/Judgments

*Debit 5110015000 Taxes/Claims
Credit 2114003000 Claims Incurred but not Reported*

Questioned Costs Related to Federal Awards Expected to be Repaid

*Debit 4050004100 NBR – Grant Revenue
Credit 2114003000 Claims Incurred but not Reported*

PLEASE NOTE: *These examples are for illustrative purposes only. The nature of the claim or contingent liability will determine what accounts should be used for recording the liability. Please contact the DFA-OA – Financial Reporting Section for assistance in recording the liability.*

Title 22 – Public Property

Chapter 8 – Motor Vehicles

Subchapter 1 – General Provisions

22-8-102 – Leasing and renting of vehicles by state agencies – Definitions

(a) As used in this section:

- (1) “Lease” means obtaining the use of a motor vehicle from any source for a monetary fee, for a period of thirty-one (31) days or more;
- (2) “Rental” means obtaining the use of a motor vehicle from any source for a monetary fee for a period of thirty (30) days or less; and



(3) “State agency” means the same as defined in § 19-11-203.

(b)

(1) Before any state agency leases any motor vehicle or renews any existing lease for a motor vehicle, the state agency shall submit a written request to the State Procurement Director identifying the motor vehicles sought to be leased by the state agency and all facts and circumstances the director may request to enable him or her to determine the economics, need, and feasibility of leasing the motor vehicle.

(2) Upon receipt, the director shall review the request to lease the motor vehicle, and if he or she determines that the lease is in the best interest of the State of Arkansas and that the state agency has adequate funds to pay the lease, he or she may approve the request but only if the proposed lease has been reviewed by the Legislative Council or, if the General Assembly is in session, the Joint Budget Committee.

(3) If, after the Legislative Council or the Joint Budget Committee has reviewed the proposed lease of the motor vehicle, the director approves the proposed lease of the motor vehicle, the director shall stamp his or her approval on the request and return it to the state agency, which may proceed to enter into the lease as proposed and approved by the director.

(c) If the director disapproves a proposed lease of a motor vehicle, he or she shall stamp his or her disapproval on the request and return it to the state agency, and it shall be unlawful for the state agency to proceed to lease the motor vehicle.

(d) If federal assistance requirements or federal contract requirements conflict with this section, this section shall not prevent a state agency from complying with the terms and conditions of the federal assistance requirements or the federal contract requirements.

(e) It is a violation of state procurement laws, Arkansas Code Title 19, Chapter 11, for a state agency official to conduct multiple rentals of a motor vehicle to avoid the approval and review requirements of this section.

History: Acts of 1977, Act 455, § 3; Acts of 2001, Act 588, § 1; Acts of 2019, Act 417, § 10; A.S.A. 1947, § 14-526

P1-22-8-102 Leasing and renting of vehicles by state agencies

Executive branch agencies will continue to submit State Vehicle Requests to the DFA-OAS as outlined in the Vehicle Use and Management Handbook on the DFA [website](https://www.dfa.arkansas.gov)⁶⁰. When the request involves a lease, the “lease justification letter” addressed to the State Procurement Director will also be submitted with the vehicle request to OIS.

⁶⁰ <https://www.dfa.arkansas.gov/administrative-services/vehicle-fleet-management/>



Title 25 – State Government

Chapter 1 – General Provisions

Subchapter 1 – General Provisions

25-1-118 – Electronic filing of reports

(a) As used in this section:

(1) “Entity of the state” means:

(A) A state agency;

(B) The Governor;

(C) The Lieutenant Governor;

(D) The Attorney General;

(E) The Secretary of State;

(F) The Auditor of State;

(G) The Treasurer of State;

(H) The Commissioner of State Lands;

(I) The General Assembly; and

(J) A committee or subcommittee of the General Assembly, including without limitation the Legislative Council; and

(2) “State agency” means every department, division, office, board, commission, and institution of this state, including state-supported institutions of higher education.

(b) A state agency required by Arkansas law to file a report, including without limitation a written report, with an entity of the state shall:

(1) File the report in electronic form; and

(2)

(A) Post the report on its Internet website, if applicable.

(B) This subdivision shall not apply if information within the report is protected from public disclosure by state or federal law.

History: Acts of 2011, Act 742, § 1



25-1-124 – Reporting by public employee

(a) As used in this section:

(1) “Public employee” means a person who performs a full or part-time service for wages, salary, or other remuneration for a public employer; and

(2) “Public employer” means any of the following:

(A) An agency, department, board, commission, division, office, bureau, council, authority, or other instrumentality of the State of Arkansas, including the offices of the various Arkansas-elected constitutional officers and the General Assembly and its agencies, bureaus, and divisions;

(B) A state-supported college, university, technical college, community college, or other institution of higher education or department, division, or agency of a state institution of higher education;

(C) The Supreme Court, the Court of Appeals, the Administrative Office of the Courts, the circuit courts, and the prosecuting attorneys’ offices;

(D) An office, department, commission, council, agency, board, bureau, committee, corporation, or other instrumentality of a county government or a municipality or a district court, a county subordinate service district, a municipally-owned utility, or a regional or joint governing body of one (1) or more counties or municipalities; or

(E) A public school district, school, or an office or department of a public school district in Arkansas.

(b)

(1) A public employee with supervisory fiduciary responsibility over all fiscal matters of a public employer shall report to Arkansas Legislative Audit a loss of public funds that amounts to one thousand dollars (\$1,000) or more in one (1) calendar year, including without limitation:

(A) Apparent unauthorized disbursements of public funds; or

(B) The apparent theft or misappropriation of public funds or property.

(2) A report under subdivision (b)(1) of this section shall be made within five (5) business days of the date the public employee learns of the loss of public funds.

(c) A public employee with supervisory fiduciary responsibility over all fiscal matters who purposely fails to comply with subsection (b) of this section is guilty of a Class A misdemeanor.

History: Acts of 2015, Act 1103, § 5; Acts of 2017, Act 498, § 1



Subchapter 4—Arkansas Financial Transparency Act

25-1-403 – Definitions

As used in this subchapter:

- (1)
 - (A) “Expenditure data” means information provided by a state agency regarding the spending of public funds that adequately identifies the purpose, amount, payor, and vendor, if such disclosure is permissible under the Arkansas Freedom of Information Act of 1967, § 25-19-101 et seq., and federal laws or regulations.
 - (B) “Expenditure data” does not include expenses of pending litigation.
 - (C) “Expenditure data” includes copies of contingency fee contracts under § 25-16-715;
- (2)
 - (A) “State agency” means any agency, department, authority, board, commission, bureau, council, or other agency of the state excluding institutions of higher education.
 - (B) “State agency” includes without limitation.
 - (i) The offices of the Governor, Lieutenant Governor, Attorney General, Secretary of State, Treasurer of State, Auditor of State, and Commissioner of State Lands;
 - (ii) Legislative commissions, bureaus, and offices;
 - (iii) Judicial offices;
 - (iv) Constitutional offices, commissions and departments that receive a state appropriation for the expenditure of state funds, special revenues, or federal funds; and
 - (v) The Office of the Arkansas Lottery;
- (3) “Vendor” means an entity that:
 - (A) Provides goods and services within its normal business operations;
 - (B) May provide similar goods and services to many different purchasers; and
 - (C) Operates in a competitive environment; and
- (4) “Website” means a site on the internet:
 - (A) Identifiable by a specific uniform resource locator;
 - (B) Accessible to the public at no cost; and



- (C) Requiring no information of the user.

History: Acts of 2011, Act 303, § 1; Acts of 2015, Act 218, § 27; Acts of 2015, Act 851, § 3

25-1-404 – Duties of Department of Finance and Administration

- (a) The Department of Finance and Administration shall:
 - (1) Establish standards and criteria for each state agency to report financial expenditures;
 - (2) Develop and maintain a database of financial information as set forth in this subchapter; and
 - (3) Develop a website presenting expenditure data for each state agency that shall:
 - (A) Report expenditure data in a common format;
 - (B) Include expenditures of state government, whether held in the State Treasury or commercial bank accounts;
 - (C) Allow searches of financial data in common format; and
 - (D)
 - (i) Be updated on a regular basis to present expenditure data for the current fiscal year and prior year's annual expenditures, starting with the 2013 fiscal year.
 - (ii) The website shall retain expenditure data for each state fiscal year, starting with the 2013 fiscal year, until ten (10) such years are available, after which the website shall retain at least ten (10) years of expenditure data.
- (b) Revenue shall be reported at the state agency level by:
 - (1) The source of funding, including without limitation donations and gifts;
 - (2) General ledger codes as defined by rule of the department; and
 - (3) Year to date.
- (c) A state agency shall report information on expenditures by:
 - (1) Budget classification;
 - (2) General ledger code as defined by rule of the department;
 - (3) Year to date; and
 - (4) Vendor.
- (d) A state agency shall report information on compensation of state employees by:
 - (1) Agency;
 - (2) Employee name;



(3) Title;

(4) Position number; and

(5) Annual salary.

(e) A state agency shall report information on bonded indebtedness by the:

(1) Original obligation amount or principal;

(2) Original interest rate;

(3) Statutory authority for the debt;

(4) Issuance date and description, including without limitation whether the current issuance is an original issue or a reissue of indebtedness;

(5) Term of the obligation;

(6) Source of funding for repayment; and

(7) Remaining principal.

(f) Information regarding payments to city and county governments shall be provided in a manner prescribed by rule of the department.

(g) A state agency shall report information on contracts by the:

(1) Date of contract;

(2) Vendor;

(3) Estimated total contract value; and

(4) Type of contract, whether professional services, commodities, capital outlay, or other type of contract.

(h) The department may promulgate rules to implement this section, including without limitation rules concerning the reporting of additional information under this section.

History: Acts of 2011, Act 303, § 1

25-1-405 – Cooperation by state agencies with Department of Finance and Administration-- Report

(a) Each state agency shall:

(1) Cooperate with the Department of Finance and Administration in meeting the requirements of this subchapter; and



- (2) Take actions necessary to provide information under this subchapter.
- (b)
 - (1) The department shall report annually to the Legislative Council the name of each state agency failing to provide information under this subchapter.
 - (2) A copy of the report under subdivision (b)(1) of this section shall be posted on the website required by this subchapter immediately after presentation to the Legislative Council.
- (c) The Office of the Arkansas Lottery shall pay the costs of providing expenditure information for the office in the common format determined by the department.

History: Acts of 2011, Act 303, § 1; Acts of 2015, Act 218, § 28

P1-25-1-405 Update Vendor Text Substitution Rules for Transparency

Payments made by state agencies that are exempt from FOIA must be displayed on the Transparency website, however the vendor information is summarized and masked with a substitute text. The substitution text is controlled with vendor exemption rules in AASIS. The agency is responsible for determining which payments or programs are exempt. If your agency has added a new program that qualifies for vendor text substitution, or if you received a program transferred from another agency, you will need to complete the Transparency Project Expenditure Exemption Form to provide the information necessary to mask the vendor information.