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# **BUSINESS and FINANCIAL MANAGEMENT**

## **7.1—FISCAL YEAR**

The District's fiscal year shall begin July 1 and end on the following June 30.

Legal Reference:       A.C.A. § 6-20-410

Date Adopted: 7/05/04

Last Revised: 1/13/09

## **7.2—ANNUAL OPERATING BUDGET**

The Superintendent shall be responsible for the preparation of the annual operating budget for the District. The Superintendent shall present the budget to the Board for its review, modification, and approval.

The budget shall be prepared in the electronic format as prescribed by the State Board of Education and filed with the Arkansas Department of Education no later than September 30 of each year.

The approved budget shall provide for expenditures that are within anticipated revenues and reserves. The District Treasurer shall present monthly reconciliation reports and a statement on the general financial condition of the District monthly to the Board.

Any changes made to the budget shall be in accordance with District policy and state law.

Legal References:     A.C.A. § 6-17-914  
                          A.C.A. § 6-13-701(e)(3)  
                          A.C.A. § 6-20-2202

Date Adopted: 7/05/04  
Last Revised: 5/13/14

### **7.3—MILLAGE RATE**

The Board shall publish one time in some newspaper published in the county in which the district lies<sup>1</sup>, at least sixty (60) days in advance of the school election at which the annual ad valorem property tax for the district is decided by the electors, the District's proposed budget, together with a millage rate sufficient to provide the funds necessary for the District's operation.

Note: <sup>1</sup> If your district lies in more than one county, the requirement is to publish the budget in a newspaper in the county in which the district is administered.

Legal References:       A.C.A. § 6-13-622  
                                  Arkansas Constitution: Article 14 Section 3 (c) as amended by Amendment 74

Date Adopted: 7/05/04  
Last Revised: 06/14/11

## **7.4—GRANTS AND SPECIAL FUNDING**

The Superintendent or his/her designee may apply for grants or special funding for the District. Any grants or special funding that require matching District resources shall receive Board approval prior to the filing of the grant's or special resource's application.

Date Adopted: 7/05/04

Last Revised: 1/13/09

## **7.5—PURCHASES OF COMMODITIES**

Purchases shall be made in accordance with State laws and procurement procedures governing school purchases that are deemed to be in the best interest of the District and are the result of fair and open competition between qualified bidders and suppliers.

### DEFINITIONS

“Commodities” are all supplies, goods, material, equipment, computers, software, machinery, facilities, personal property, and services, other than personal and professional services, purchased on behalf of the District.

“Specifications” means a technical description or other description of the physical and/or functional characteristics of a commodity.

Purchases of commodities with a purchase price of more than \$\_\_\_\_\_<sup>1</sup> require prior Board<sup>2</sup> approval, unless an emergency exists in which case the Superintendent may waive this requirement.

The district shall notify in writing all actual or prospective bidders, offerors, or contractors who make a written request to the district for notification of opportunities to bid. The notification shall be made in sufficient time to allow actual or prospective bidders, offerors, or contractors to submit a bid or other appropriate response.<sup>3</sup> The board shall accept bids submitted electronically by email or fax for any and all district purchases, unless specified to be submitted by other means or methods, and except those bids which have been specified to have a designated date upon which the bids shall be opened. The superintendent shall be responsible for ensuring submitted bids, whether written, faxed, or emailed, are retained in accordance with policy 7.15—RECORD RETENTION AND DESTRUCTION.

The district will not solicit bids or otherwise contract for a sum greater than \$25,000 with vendors that are on the “excluded parties list” if the contract is to be paid from federal grant funds.<sup>4</sup>

All purchases of commodities in which the estimated purchase price equals or exceeds ten thousand dollars (\$10,000) shall be procured by soliciting bids. Specifications shall be devised for all commodities to be bid that are specific enough to ensure uniformity of the bid and yet not so restrictive that it would prevent competitive bidding. The bid specifications shall not include the name or identity of any specific vendor. The Board reserves the right to reject all bids and to purchase the commodity by negotiating a contract. In such an instance, each responsible bidder who submitted a bid shall be notified and given a reasonable opportunity to negotiate.<sup>5</sup>

Bids shall be awarded after careful examination of the details of the bid to determine the best overall value to the District. In instances where the low bid was not accepted a statement of the reasons shall be attached to the bid. Bidders submitting written bids shall be notified in writing of the bid award.

The following commodities may be purchased without soliciting bids provided that the purchasing official<sup>6</sup> determines in writing that it is not practicable to use other than the required or designated commodity or service, and a copy of this statement is attached to the purchase order:



1. Commodities in instances of an unforeseen and unavoidable emergency;
2. Commodities available only from the federal government;
3. Utility services;
4. Used equipment and machinery;<sup>7</sup> and
5. Commodities available only from a single source.<sup>8</sup>

Prospective bidders, offerors, or contractors may appeal to the district's superintendent if they believe the district failed to follow district bidding and purchasing policy or state law.

Any award of a contract shall be subject to revocation for ten (10) working days or, if an appeal is received, after resolution of the appeal. This shall give prospective bidders, offerors, or contractors the opportunity to appeal the bid award if they believe the facts warrant an appeal. Any appeal shall be **in writing by certified mail** and received by the district office, "attention to the superintendent" within seven (7) calendar days following the initial and revocable award of the contract.

If the district receives an appeal of a bid award, they shall notify, in writing, those prospective bidders, offerors, or contractors who have made a written request to the district for notification of opportunities to bid that an appeal has been submitted. The notification shall state:

- that the contract award has been halted pending resolution of the appeal and could be revoked;
- the reasons for the appeal;
- that the recipient of the letter may respond to the protested issues identified in the appeal;
- the date the decision on the appeal will be made and notification sent;
- that if the appeal is upheld, the bidding process will start all over again;
- that if the bidding is re-opened, changes will be made to the request for bids as necessary to satisfy the reasons for upholding the appeal.<sup>9</sup>

The sole authority to resolve any appeal made relating to this policy shall rest with the superintendent. The superintendent's decision shall be final and conclusive. In the event the district upholds an appeal, the sole responsibility of the district to the aggrieved bidder(s) shall be the re-opening of the bidding process.

The District reserves the right to extend or renew a contract that was previously awarded under the process governed by this policy and law, provided the extension or renewal meet the following criteria.

1. The equipment and services provided under the extended or renewed contract meets or exceeds the specifications of the original bid.
2. The extended or renewed contract agreement complies with the state of Arkansas's documentation requirements.
3. The cost of the extended or renewed contract is the same or less than the original contract.
4. The extension or renewal is approved by the local school board.

Notes: <sup>1</sup> Insert an amount less than \$10,000 if your board determines a lesser amount is appropriate.

<sup>2</sup>Your district may elect to employ a "designated agent of the district," if so, substitute it for "Board."

<sup>3</sup> ASBA strongly recommends that each district keep a record of all requests to be a “bidder.”

<sup>4</sup> Names of vendors on the excluded parties list can be found at <http://www.epls.gov>.

<sup>5</sup> Any commodities purchased by the district through the TAPS program satisfies the bidding requirements.

<sup>6</sup> This is the school board if specified in this policy (see #<sup>2</sup> above) as the body to approve the purchase of commodities.

<sup>7</sup> Used school buses, over two years old as defined in A.C.A. § 6-21-306(a), are exempt from bidding requirements.

<sup>8</sup> A “sole source justification document” should be attached to the purchase order and maintained in the audit file for all commodities purchased as such. ADE stipulates the following seven criteria which the justification must meet:

- Why the service or product is needed;
- The methods used to determine that a lack of responsible/responsive competition exists for the service or product;
- How it was determined that the provider possesses exclusive capabilities;
- Why the service or product is unique;
- Whether or not there are patent or property rights which make the required service or product unavailable from other sources;
- What the district would do if the provider/service product were no longer available;
- Any program considerations which make the use of a “sole source” critical to the successful completion of the district’s task.

<sup>9</sup> Act 2161 of 2005 specifically states the parameters required within the appeal process. Your district could choose to alter the paragraph and how it intends to deal with the appeal and its resolution. An example would be to award a financial settlement to the appellant if the appeal is upheld. Another example would be to state, by policy, the length of time for the resolution of the appeal process.

Legal References:      A.C.A. § 6-21-301, 303, 304, 305, 306  
                                  A.C.A. § 6-24-101 et seq.

Date Adopted: 7/05/04  
Last Revised: 5/13/14

**7.5F—COMMODITIES BIDDER AFFIDAVIT**

NAME OF SCHOOL DISTRICT

NAME OF COUNTY

I, \_\_\_\_\_, hereby state:

(1) I am the duly authorized agent of \_\_\_\_\_, the bidder submitting the competitive bid which is attached to this statement. I certify the facts as detailed below pertaining to the non-existence of collusion among and between bidders and state officials, as well as to the facts pertaining to the giving or offering of things of value to government personnel in return for special consideration in the awarding of any contract pursuant to the bid to which this statement is attached.

(2) I am fully aware of the facts and circumstances surrounding the making of the bid to which this statement is attached and have been personally and directly involved in the proceedings leading to the submission of the bid.

(3) Neither the bidder nor anyone subject to the bidder's direction or control has been a party:

(A) To any collusion among bidders in restraint of freedom of competition by agreement to bid at a fixed price or to refrain from bidding;

(B) To any collusion with any state official or employee as to quantity, quality, or price in the prospective contract, or as to any other terms of the prospective contract; or

(C) In any discussions between bidders and any state official concerning exchange of money or other thing of value for special consideration in the awarding of a contract.

(4) I hereby guarantee that the specifications outlined in the bid shall be followed as specified and that deviations from the specifications shall occur only as part of a formal change process approved by the Board of Directors of the school district.

\_\_\_\_\_

Signature

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_

Notary Public

**7.5F2— FOOD SERVICE COMMODITIES BIDDER AFFIDAVIT**

NAME OF SCHOOL DISTRICT

NAME OF COUNTY

I, \_\_\_\_\_, hereby state:

(1) I am the duly authorized agent of \_\_\_\_\_, the bidder submitting the competitive bid which is attached to this statement. I certify the facts as detailed below pertaining to the non-existence of collusion among and between bidders and state officials, as well as to the facts pertaining to the giving or offering of things of value to government personnel in return for special consideration in the awarding of any contract pursuant to the bid to which this statement is attached.

(2) I am fully aware of the facts and circumstances surrounding the making of the bid to which this statement is attached and have been personally and directly involved in the proceedings leading to the submission of the bid.

(3) Neither the bidder nor anyone subject to the bidder's direction or control has been a party:

(A) To any collusion among bidders in restraint of freedom of competition by agreement to bid at a fixed price or to refrain from bidding;

(B) To any collusion with any state official or employee as to quantity, quality, or price in the prospective contract, or as to any other terms of the prospective contract; or

(C) In any discussions between bidders and any state official concerning exchange of money or other thing of value for special consideration in the awarding of a contract.

(4) I hereby guarantee that the specifications outlined in the bid shall be followed as specified and that deviations from the specifications shall occur only as part of a formal change process approved by the Board of Directors of the school district.

(5) I hereby certify that the bid, unless specifically exempted by the USDA, is for agricultural commodities that have been produced in the U.S. or if the bid contains food products that at least 51% of food in the product was produced in the U.S. I understand that the district shall not accept any product that does not meet this requirement and is not liable for any loss I may incur as a result of such refusal to accept.

\_\_\_\_\_  
Signature

Subscribed and sworn to before me this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Notary Public

## **7.6—ACTIVITY ACCOUNT**

The District shall maintain an account of activity funds. The funds for the account are those revenues derived from the sale of tickets to athletic contests or other school sponsored activities; the sale of food other than that sold in the cafeteria; the sale of soft drinks, school supplies, and books; and fees charged by clubs and organizations.

Activity funds are considered “school funds” and as such may only be spent for school related purposes.<sup>1</sup>

The Superintendent shall be the custodian of all activity funds and shall be responsible and accountable for the funds. The Superintendent may appoint a co-custodian for each school in the District who shall also be responsible for the activity funds he/she maintains.

Note: <sup>1</sup> “School related purposes” has been narrowly interpreted by the courts under Article 14 of the Arkansas Constitution to require the expenditures to be for a legitimate public purpose closely related to the provision of K-12 education.

Legal Reference:       A.C.A. § 6-13-701(g)

Date Adopted: 7/05/04

Last Revised: 6/14/11

## 7.7—CASH IN CLASSROOMS

No cash or checks are to be left in any classroom overnight. Staff, other than the District bookkeeper, who collect funds in the course of their employment should deposit the funds daily with the bookkeeper.

Bookkeepers should deposit daily, unless otherwise directed by the superintendent or business manager.<sup>1</sup>

Notes: Policies 3.47 and 8.39 both require daily deposits with the superintendent or designee determining if the fund collection requires receipts and/or other record keeping requirements. That language is not repeated in this policy, but the reasons for daily deposits are the same as for those policies. Specifically, the goal is to protect both the district and the staff from possible overnight theft which is only covered by insurance if there are receipts to prove the existence of the funds and even then, there is a deductible (often \$1000). It could often be the case that the receipts and the funds would be in the same envelope and be stolen at the same time. Bottom line is that the daily timeline is to protect both the district and the staff.

<sup>1</sup>Select the job title of the person to whom the deposits are to be made, it does not have to be the bookkeeper.

Date Adopted: 7/05/04

Last Revised: 6/12/12

## **7.8—PERSONAL PROPERTY**

To avoid confusion and the potential for misunderstandings, District staff who bring personal property to school to use in the performance of their jobs should label the items with their names. Any such items should be removed from the school at the close of school each year. The District assumes no responsibility for damage to, or the loss of, personal property brought to District facilities by District staff.

Date Adopted: 7/05/04

Last Revised: 1/13/09

## **7.9—PROPERTY INSURANCE**

The Superintendent shall be responsible, with approval of the Board, for maintaining adequate insurance coverage for all District properties. At a minimum, the District will purchase insurance coverage sufficient to meet the requirements by the Arkansas Commission for Public School Academic Facilities and Transportation.

Legal References:       A.C.A. § 6-21-114(d)  
Arkansas Commission for Public School Academic Facilities and Transportation Rules  
Governing Property Insurance Requirements

Date Adopted: 7/05/04

Last Revised: 6/14/11



## 7.10—PUBLIC USE OF SCHOOL BUILDINGS

It is the policy of the Board that District school buildings may be used by citizens of the District to conduct lawful meetings for social, civic, or recreational purposes provided such meetings do not interfere with the regular school work and proper protection is afforded the district against the potential costs of such use. The Superintendent shall be responsible, with Board approval, for establishing procedures governing such use of school buildings. The governing procedures shall be viewpoint neutral. Building principals shall be consulted to determine if there exists any conflict with planned school activities prior to other groups being allowed to use school facilities.

The District shall establish a fee schedule for the use of school facilities. Charges made for the use of school facilities shall reflect the actual costs (e.g. labor, utility, and materials) incurred by the District. The District shall also require any non-school related group using a district facility to purchase sufficient general liability insurance to cover the damage to, or the cost to entirely replace the structure(s) and furnishing(s), if necessary due to the loss of, or damage to, District property.<sup>1</sup>

Organizations using school facilities assume full and complete responsibility for the conduct of all persons, regardless of age, associated with their use of the facility while they are in or about the facility. Smoking or the use of tobacco or products containing tobacco in any form or the use of drugs or intoxicants is prohibited. Firearms of any kind are not allowed on school property unless the person carrying the firearm is permitted to do so by law as defined in A.C.A. § 5-73-120.<sup>2</sup>

Notes: <sup>1</sup> ASBA is well aware that many, if not most, Arkansas districts permit outside groups to use district facilities. This is an example of where the public (and often School Boards and Superintendents) are insufficiently aware of the Constitutional constraints on school districts. There are multiple issues involved in any discussion on this topic.

First, there is the issue of a "limited open forum." If your district allows non-school related groups to use a district facility, it cannot deny any group access based solely on the views or beliefs of the organization. (There can, however, be other reasons for denial such as the potential for violence.)

Second, there is Article 14, Section 2 of the Arkansas Constitution which states, "No money or property belonging to the public school fund, or to this State, for the benefit of schools or universities, shall ever be used for any other purpose than for the respective purposes to which it belongs." This has been very narrowly interpreted by Court decisions such that expenditures which do not tangibly benefit students run afoul of the Constitution.

Third, there is the cost, or the potential cost, to the district of outside group use of district facilities. On the surface, the costs would include such things as heating, cooling, and general wear and tear. But there is also the always present possibility that something major could occur such as a fire that could destroy an entire building. While local groups will generally agree with a facility use fee, such a fee will NOT cover the deductible for replacing a building or the loss of use of the building or the disruption to

the district's academic program. While most community members will support community use of district facilities, should a major calamity occur, it is not a far stretch to envision a disgruntled patron using the opportunity to sue the district for illegal exaction for violating the Arkansas Constitution. So while the district would certainly be out the insurance deductible necessary to replace the building, it might well also be out the lawyer fees to defend itself against the suit.

Fourth, while districts have tort immunity, many Joint Use agreements either require or recommend the district fully indemnify and hold harmless the other parties to the agreement. The indemnification language could potentially threaten a school district's statutory immunity from actions for damages and torts under Arkansas law. Moreover the indemnification language would potentially obligate school districts to a financially open-ended indemnification of the other parties to the joint use agreement. The monetary implications of such indemnifications could be material, even catastrophic, for school districts.

Finally, there are Arkansas statutes (A.C.A. § 6-21-101 for example) that, in our opinion, conflict with the restrictions placed on districts by Article 14 of the Arkansas Constitution. While statutes are presumed sound until determined otherwise by a court, ASBA is sufficiently concerned about the defensibility of the statutes that it is not willing to write a Joint Use Agreement model policy. ASBA staff spent many hours working with the ADE Coordinated School Health trying to find a way to support the Joint Use program. The longer we worked on it, the more complicated the issues became until we finally came to believe the program flies in the face of Article 14 and we had to discontinue our association with the program. At a minimum, we urge any district considering a Joint Use Agreement to seek legal council before signing any agreement.

The changes to this policy are the result of ASBA's considerable time spent working on the Joint Use issue. ASBA's position is not philosophical, we strongly support the concept of Joint Use, but believe the Constitution will have to be amended before districts can participate without fearing potential major adverse consequences.

<sup>2</sup> Your district could include weapons besides firearms in this sentence if you choose to do so. Consult A.C.A. § 5-73-120 for a list of possible weapons.

Legal References:       A.C.A. § 6-21-101  
                              A.C.A. § 5-73-120  
                              Arkansas Constitution Article 14, § 2

Date Adopted: 7/05/04  
Last Revised: 5/13/14

## **7.11—USE OF SCHOOL FUNDS FOR NON-SCHOOL RELATED PURPOSES**

School funds shall not be used for political, charitable, or humanitarian purposes.

No employee of the District shall use school time, school property, school personnel, or school equipment for the purpose of furthering the interests of any political party, the campaign of any political candidate or the advocacy of any political issue or ballot issue whether partisan or non-partisan. School employees may participate as part of a community organization which is renting a school facility for a political purpose.

Any school employee found guilty or who pleads guilty, or nolo contendere to the use of District funds to support any ballot measure shall be immediately suspended, and recommended for termination by the superintendent.

The Board of Directors is not prohibited from expressing an opinion on a ballot measure through the passage of resolution or proclamation. School employees are allowed to verbally express their views on a ballot measure other than in an attempt to persuade a student to the employee's point of view.

District employees and members of the Board of Directors may incur incidental expenditure of District funds for travel costs when speaking at an event in which a ballot measure is discussed if the subject matter of the speaking engagement is within the scope of the person's official duties and responsibilities.

District funds may be used to disseminate public information at a public speaking engagement. The incidental use of District resources may be used to prepare an analysis of the public information if such information is within the scope of the person's official duties and responsibilities.

Legal References:       Arkansas Constitution Article 14 § 2  
                                  A.C.A. § 7-1-103  
                                  A.C.A. § 7-1-111  
                                  A.C.A. § 21-8-402

Date Adopted: 7/05/04

Last Revised: 6/28/13

## **7.12—EXPENSE REIMBURSEMENT**

The requirements of this policy shall govern reimbursement for expenses related to travel and/or attendance at conferences and professional development activities incurred by district employees and/or members of the Board of Directors on behalf of the district. Employees are only eligible for reimbursement for travel expenses for travel which has been approved in advance. Original receipts must accompany all requests for reimbursement to the extent that such receipts are customarily available. For a receipt to be valid it should contain the name of the issuing company, the date, and the amount. No cash advances shall be made for travel. Mileage, lodging, and meal expenses will not be reimbursed when incurred for the personal convenience of the employee and not required by the reason for the travel.<sup>1</sup> Reimbursement for travel shall be for the lesser of the cost between travel by air or by car with some consideration allowed for length of time of the method of travel.

To the extent practicable, employees shall have the district pay initial conference and professional development registration fees and associated necessary materials. In the occasional circumstances where this is not practical, the district shall reimburse the employee for such fees if they were authorized in advance and are supported with proper receipts.

The district will not reimburse expenses of any non-school board member or non-employee who accompanies the school board member or employee during his/her school related travel.

### **Reimbursable Expenses**

Mileage that is driven for a district sanctioned purpose in an employee's personal vehicle shall be reimbursed provided appropriate documentation is submitted establishing the date and time, place, and purpose of the travel. Mileage shall be reimbursed at the current rate authorized by the state/IRS<sup>2</sup> and shall be based on the shortest, most reasonable, route available.

Meals may be reimbursed for travel which necessitates an overnight stay when submitted according to the dictates of this policy. Reimbursement shall be prorated based on the percent of a day the employee is away on travel. For example, if an employee returns from his/her travel in the afternoon, he/she is only eligible for reimbursement for breakfast and lunch expenditures. Meals shall be reimbursed for the actual expense to the extent that they are not lavish and are reasonable based on circumstances.<sup>3</sup> Except as otherwise specified by this policy, meals are only reimbursable in conjunction with travel requiring an overnight stay.

Tips paid by a school employee for meals associated with travel as defined in this policy are reimbursable for up to 15% of the cost of the meal provided the employee submits a receipt for the meal as part of an "accountable plan" for reimbursement.<sup>4</sup> Tips are not allowed if an employee is reimbursed using a "per diem" plan.

Meal expenses incurred by the superintendent or other administrators as necessary, in the performance of their duties when meeting with state officials or consultants may be reimbursed on a prorated, per person basis in line with the mandates of this policy. Such expenses shall only be reimbursed when the expenditure is likely to result in a tangible benefit to the district.

Travel necessitating overnight lodging shall be reimbursed to the extent that it is not lavish and is reasonable based on circumstances of the expenditure. Proper documentation establishing the date and time, place, and purpose of the travel must be submitted along with a receipt for the overnight accommodations. To the extent practicable, employees shall receive assistance from administrators or their designee in arranging travel plans to help keep expenses to a minimum.

### **Expenses not covered**

The district shall not reimburse the following items/categories of expenses.

- Alcoholic beverages;
- Entertainment expenses – including sports or sporting events; pay per view or game expenses at motels;
- Replacement due to loss or theft;
- Discretionary expenses for items such as clothing or gifts;
- Medical expenses incurred while on route to or from or at the destination of the reason for the travel; and
- Optional or supplementary insurance obtained by the employee for the period covered during the travel.

### **Credit Cards**

Only those employees specifically issued credit cards to be used in the performance of their jobs to purchase goods, services, or supplies on behalf of the district shall be allowed to use such cards. Employees who incur reimbursable expenses as defined in this policy are expected to pay for them initially by any means they choose and then submit their request for reimbursement. The district assumes no responsibility for the payment of any personal credit card charges incurred by a district employee.

### **Airport Associated Expenses**

Receipts for airport associated expenses are required for reimbursement. All airline flights shall be by coach/economy class. Upon arrival at their destination, employees are expected to take the less expensive option between a taxi and an airport shuttle service to his/her hotel or meeting site. When circumstances dictate that a rental car is necessary and/or the most economical approach to the travel requirements, the least expensive car that will accomplish the job should be rented. The district shall not reimburse for any kind of rental car supplemental insurance.

Notes: The following IRS publications were used in the development of this policy:  
15-A, 15-B, 463, 535, and the Fringe Benefit Training Guide

<sup>1</sup> If the Board wishes to list any stipulations on reimbursement for travel made by the superintendent or other administrative personnel, specify the stipulations in this policy. Examples could be that administrators would be reimbursed for reasonable expenses incurred in the performance of their jobs which benefit the district and that had been pre-approved by their immediate supervisor(s).

Superintendents could be contractually pre-cleared for reimbursement for specified travel purposes (actions required in the performance of their role as district leader and/or spokesperson and which

benefit the district), mileage for their personal vehicle driven on district business, etc. If they felt the need, the Board could also periodically review the reimbursement records regarding the Superintendent to verify that they are in line with its intentions. Keep in mind that reimbursable expenses must not be lavish but reasonable based on the circumstances of the expenditure. Reimbursed expenses which exceed this threshold are considered income and must be reported as such to the IRS.

<sup>2</sup> You are not required to use either the state or the IRS rate, but by referring to a “going rate” it will make changing the rate a non-policy issue. It should be no more than the current rate recognized by the IRS. To find the current rate recognized by the IRS go to [www.irs.gov](http://www.irs.gov) and type in “mileage rates” in the search box. To access the current reimbursement rate for state employees, go to [www.arkansas.gov/dfa/accounting](http://www.arkansas.gov/dfa/accounting).

<sup>3</sup>Per diem reimbursement rates are established by the IRS and for the purposes of this policy you may use them as either a guide or the gospel for meals, lodging, or both. We have chosen not to stipulate expenditures remain within the per diem rates because so many conferences are at hotels that simply do not fit IRS’s rates. If you choose to limit meal reimbursement to the per diem rates, substitute the following sentence for the one included in the policy. “Meals shall be reimbursed for the actual expense up to the IRS per diem limits.” You can further choose to specify that your reimbursement will be “x” percent per meal (breakfast, lunch and dinner) of the per diem rate. Please note that reimbursed expenditures which are lavish based on the circumstances of the expenditure are considered wages to the extent they are excessive. The language in the policy allows reimbursements for actual expenses (hotel or food) to **not** be taxable income so long as they are not “lavish.” An example of lavish would be if the employee chose to stay in a suite instead of a non-suite room. In the context of conference based travel, the conferences usually have a block of rooms at a special rate. If that option is available and the employee chooses a higher cost room, it would be “lavish.” The following information is provided for your convenience if you choose to limit expenditures to the per diem rates.

Reimbursement rates vary and can be determined by going to:

[http://www.gsa.gov/portal/content/104877?utm\\_source=OGP&utm\\_medium=print-radio&utm\\_term=portal/category/21287&utm\\_campaign=shortcuts](http://www.gsa.gov/portal/content/104877?utm_source=OGP&utm_medium=print-radio&utm_term=portal/category/21287&utm_campaign=shortcuts)[http://www.gsa.gov/portal/content/104877?utm\\_source=OGP&utm\\_medium=print-radio&utm\\_term=portal/category/21287&utm\\_campaign=shortcuts](http://www.gsa.gov/portal/content/104877?utm_source=OGP&utm_medium=print-radio&utm_term=portal/category/21287&utm_campaign=shortcuts)

<sup>4</sup> Act 715 of 2007 allows state employees to be reimbursed for tips for amounts up to 15% of the bill. Page 5 of IRS Publication 463 specifies tips the IRS deems acceptable for certain expenses, but state law can be more restrictive than what IRS permits. Attorney General's Opinion 2012-070 essentially blesses tips up to a 15% cap paid by municipal employees in such a way that it can be construed to also apply to school employees. To be eligible for tip reimbursement, the employee must file for actual expenses (receipts required) and NOT as part of a per diem rate reimbursement.

Cross References: 3.20—CERTIFIED PERSONNEL REIMBURSEMENT OF TRAVEL EXPENSES  
8.14—CLASSIFIED PERSONNEL REIMBURSEMENT OF TRAVEL EXPENSES

Date Adopted: 7/05/04

Last Revised: 6/28/13

## **7.13—MANAGEMENT AND DISPOSAL OF DISTRICT PROPERTY**

### **Definitions**

For the purposes of this policy, the following definitions apply:

“Commodities” are all supplies, goods, material, computers, software, machinery and other equipment purchased on behalf of the district having a useful life of more than one year and an acquisition cost of \$1,000 or more per unit.

“Surplus commodities” are those commodities that are no longer needed, obsolete, irreparable, or worn out.

“Real property” is land and whatever is erected or affixed to land, such as structures or buildings.

“Surplus real property” is real property that is not presently needed or foreseen to be needed by the District, and that has been authorized for sale as surplus real property by vote of the School Board.

"Trash" are those items that would otherwise belong to another category of goods or property defined in this policy, but which, due to the property's age or an act of God, have less value than it would cost to repair the item. Examples could include, but are not limited to, fire damage, vehicle accidents, extreme age and/or decline in value of the item.

The District's purchases of commodities shall be in accordance with Policy 7.5—PURCHASES OF COMMODITIES and, to the extent applicable, the procurement requirements of any granting source of funding used to purchase the commodity. The Superintendent shall develop procedures governing the use, management, and dispersal of commodities. At a minimum, the procedures will cover the following topics.

- labeling all commodities<sup>1</sup>;
- establishing adequate controls to account for their location, custody, and security;
- annually auditing the inventory of commodities and updating a listing of such commodities to reconcile the audit with the district's inventory records. The audit will be documented and account for any transfer and/or disposal of a commodity.
- Disposing of surplus commodities and surplus real property, whether purchased in whole or in part with federal grant funds or with local funds.

### **Disposal of Surplus Commodities**

The Board of Directors recognizes that commodities sometimes become of no use to the District and thus meet this policy's definition of surplus commodities.

The Superintendent or designee(s) will determine the objective fair market value of surplus commodities. The District will strive to dispose of surplus commodities at or near their fair market value.<sup>2</sup>

The Superintendent may declare surplus any commodity with a fair market value of less than \$1000. Surplus commodities with a fair market value of less than \$1000 will be periodically sold by the most efficient, cost effective means that is likely to result in sales at or near fair market value.

The Superintendent may submit a list of surplus commodities deemed to have a fair market value of \$1,000 or greater to the Board of Directors for authorization to sell such surplus commodities. Once the Board of Directors has authorized the sale of such surplus commodities, the Superintendent or designee(s) may sell that surplus commodity as the need arises. Items with a fair market value of \$1,000 or greater will be sold by the most efficient, cost effective means that is likely to result in sales at or near fair market value. If the Superintendent chooses to dispose of the surplus items by bid, the Superintendent or designee may set a minimum or reserve price on any item, and may reject all bids. The Superintendent or designee is authorized to accept the high bid provided the high bid is at or near the fair market value without further Board action unless the high bid comes under the jurisdiction of Arkansas ethics legislation in which case the provisions of A.C.A. §§ 6-24-101–107 would apply.

If attempts at public sales fail to produce any interested buyers or bidders, such remaining unsold commodities may then, at the discretion of the Superintendent, be disposed of as scrap or junk or be donated to appropriate charitable or education related entities. Computer or technology equipment will be cleansed of data prior to disposal.

### **Disposal of Surplus Real Property**

The Board of Directors recognizes that real property it owns sometimes becomes no longer of use to the District and thus meets this policy's definition of surplus real property.

The Superintendent may submit a request to the Board of Directors for authorization to sell surplus real property. Once the Board of Directors has authorized the sale of such surplus real property, the Superintendent or designated individual(s) may sell that surplus real property as the need arises. The Superintendent or designee(s) shall be responsible for getting a determination of the objective fair market value of surplus real property<sup>3</sup>. The district will strive to dispose of surplus items at or near their fair market value. The real property may be listed for sale with a real estate broker, and the Superintendent or designated individual may contract on behalf of the district to pay the usual and customary sales commission for such transactions, upon sale of the property.

If the Superintendent chooses to dispose of the surplus items by bid, the Superintendent or designee(s) may set a minimum or reserve price on any item, and may reject all bids. The Superintendent or designee is authorized to accept the high bid provided the high bid is at or near the fair market value without further Board action unless the high bid comes under the jurisdiction of Arkansas ethics legislation in which case the provisions of A.C.A. §§ 6-24-101–107 would apply.

If attempts at public sales fail to produce any interested buyers or bidders, such remaining unsold real property may then, if agreed to by the Superintendent and Board of Directors, be donated to appropriate education related entities, not-for-profit organizations, or the county/city in accordance with the provisions of state law.<sup>4</sup>

Items obtained with federal funds shall be handled in accordance with applicable federal regulations, if any.

The disposal of school property must be for the benefit of the school district and consistent with good business principles.



Trash, as defined in this policy, may be disposed of in the most cost efficient or effective method available to the district.

### **Disposal of Surplus Real Property After Consolidation**

Real property of a consolidated school district that is no longer being used for educational purposes and has not been sold, preserved, leased, or donated two (2) years after the effective date of consolidation shall be made available for use by a publicly supported institution of higher education, a technical institute, a community college, a not-for-profit organization, a county, or a city by the Board of Directors for the following purposes:

- Having the real property preserved, improved, upgraded, rehabilitated, or enlarged by the donee;
- Holding of classes by statutorily authorized education related entities; or
- Providing community programs and beneficial educational services, social enrichment programs, or after-school programs.

Notes: <sup>1</sup> Due to federal monitoring and disposal requirements, we suggest differentiating the labeling of items purchased with federal funds from non-federal fund items.

<sup>2</sup> The fair market value (FMV) of items must be established prior to their disposal. The determination of the surplus commodity's value will determine whether the superintendent has to submit it to the board. You need to document how you reached FMV; Digital photos can be very useful, particularly if you decide FMV seems low.

The disposal of items purchased with federal grant funds is governed by the following requirements, which are located at 34 CFR 80.32(e):

*Disposition. When original or replacement equipment acquired under a grant or subgrant is no longer needed for the original project or program or for other activities currently or previously supported by a Federal agency, disposition of the equipment will be made as follows:*

*(1) Items of equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold or otherwise disposed of with no further obligation to the awarding agency.*

*(2) Items of equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment.*

<sup>3</sup> The fair market value (FMV) of items must be established prior to their disposal. In the case of real property, this should be established by means of a survey and real estate appraisal by a licensed surveyor and appraiser performed within the preceding six months.

The disposal of real property purchased with federal grant funds is governed by the requirements contained in 34 CFR 80.31 which states in part:

*(c) Disposition. When real property is no longer needed for the originally authorized purpose, the grantee or subgrantee will request disposition instructions from the awarding agency. The instructions will provide for one of the following alternatives:*

*(1) Retention of title. Retain title after compensating the awarding agency. The amount paid to the awarding agency will be computed by applying the awarding agency's percentage of participation in the cost of the original purchase to the fair market value of the property. However, in those situations where a grantee or subgrantee is disposing of real property acquired with grant funds and acquiring replacement real property under the same program, the net proceeds from the disposition may be used as an offset to the cost of the replacement property.*

*(2) Sale of property. Sell the property and compensate the awarding agency. The amount due to the awarding agency will be calculated by applying the awarding agency's percentage of participation in the cost of the original purchase to the proceeds of the sale after deduction of any actual and reasonable selling and fixing-up expenses. If the grant is still active, the net proceeds from sale may be offset against the original cost of the property. When a grantee or subgrantee is directed to sell property, sales procedures shall be followed that provide for competition to the extent practicable and result in the highest possible return.*

*(3) Transfer of title. Transfer title to the awarding agency or to a third-party designated/approved by the awarding agency. The grantee or subgrantee shall be paid an amount calculated by applying the grantee or subgrantee's percentage of participation in the purchase of the real property to the current fair market value of the property.*

<sup>4</sup> A.C.A. § 6-13-111 and A.C.A. § 6-21-108 are the statutes that cover donating District property. Please keep in mind that selling below Fair Market Value has the same legal connotation as donating. A.C.A. § 6-13-111(c)(d) establish a system for selling district owned real property that fails to draw a buyer at a previously established Fair Market Price. We suggest consulting the statute for assistance in such a situation. A.C.A. § 6-21-108 sets forth additional requirements for consolidated school districts that is included as a separate section at the end of this policy.

Legal References:      A.C.A. § 6-13-111  
                                 A.C.A. § 6-13-620  
                                 A.C.A. § 6-21-108  
                                 A.C.A. § 6-21-110  
                                 A.C.A. § 6-24-101–107  
                                 34 CFR § 80.3 – 80.52  
                                 34 CFR § 80.31  
                                 34 CFR § 80.32(d)(e)

Date Adopted: 1/13/09  
Last Revised: 5/13/14

## 7.14—USE OF DISTRICT CELL PHONES AND COMPUTERS

Board members, staff, and students shall not be given cell phones or computers for any purpose other than their specific use associated with school business. School employees who use a school issued cell phones and/or computers for non-school purposes, except as permitted by District policy, shall be subject to discipline, up to and including termination. School employees may be issued District cell phones if their position requires the employee be available at all times for work related emergencies or the employee be available to speak with others on school related business when the employee is away from the office. Employees issued cell phones for such purposes may use the phone for personal use on an “as needed” basis.<sup>1</sup>

Students who use school-issued cell phones and/or computers for non-school purposes, except as permitted by the District’s Internet/computer use policy, shall be subject to discipline, up to and including suspension or expulsion.

All employees are forbidden from using school-issued cell phones while driving any vehicle at any time. Violation may result in disciplinary action up to and including termination.<sup>2</sup>

Notes: <sup>1</sup> The IRS has changed its position regarding the use of district issued cell phones for personal use for those employees who have a genuine **need** for a cell phone due to their job’s duties. Cell phones **cannot** be issued as a fringe benefit, but only as a “legitimate” need related to their job’s responsibilities. There is no longer a need to keep track of personal calls and claim their value as income. The district has the option of supplying the phone directly to the employee or of reimbursing the employee for the cost of his/her personal phone that is used for both District and personal purposes. Any such reimbursement can only be for the specific employee and not any other individuals associated with that employee’s cell phone plan. There has been no change to the use of school computers for personal purposes. Use of school issued cell phones and/or computers by board members or employees who do not meet the policy’s definition of eligibility for non-school purposes is considered income by the Internal Revenue Service. “Income” in this sense means the fair market value that the individual would have had to pay for the use of the cell phone or computer on the open market. Any board member, or employees who do not meet the policy’s definition of eligibility, who uses school-issued cell phones and/or computers for non-school purposes should be issued the appropriate IRS form (1099) stating the amount of income they have been paid by the district.

Please be aware that telephone records for both personal and school business calls of any school employee’s district-provided cell phone can be requested and must be disclosed by the school district under the Arkansas Freedom of Information Act.

<sup>2</sup> This sentence is included because insurance companies have ruled that injuries occurring while driving and talking on school issued cell phones are subject to workers comp awards.

Cross References: 3.34—CERTIFIED PERSONNEL CELL PHONE USE

4.47— POSSESSION AND USE OF CELL PHONES, BEEPERS, ETC.  
8.25— CLASSIFIED PERSONNEL CELL PHONE USE

Legal References:     IRC § 132(d)  
                          IRC § 274(d)  
                          IRC § 280F(d)(4)  
                          IRS Publication 15 B

Date Adopted: 1/13/09  
Last Revised: 6/12/12

## 7.15—RECORD RETENTION AND DESTRUCTION

It is necessary to maintain district records in a manner that provides for efficient document storage and retrieval and is conducive to eliminating unnecessary record retention. Due to the variety of records that may need to be retained and accessed, the superintendent shall ensure that all staff receive appropriate training to understand this policy. Staff shall also understand the possible ramifications to the district and/or themselves for failure to properly maintain records and follow the requirements contained in this policy.

### Definitions

"Directly or directly interested" (hereinafter "directly") means receiving compensation or other benefits personally or to an individual's household from the person, business, or entity contracting with the District.

"Indirectly or indirectly interested" (hereinafter "indirectly") means that a family member, business, or other entity in which the individual or a family member has a financial interest will receive compensation or benefits.

"Record" is defined for the purposes of this policy, as an item or items, whether electronic or material, that are created by, at the request of, or received by and purposefully retained by a board member, administrator, or employee in the ordinary course of District business. Examples include, but are not limited to:

- Any kind of correspondence;
- Calendars;
- Computer files and documents (which may include drafts);
- Telephone logs;
- Expense records;
- Audio or video recordings that are created for the purpose of monitoring the security of District property or the safety of District students;
- Documentation related to transactions or contracts for:<sup>1</sup>
  - Services with Board members, administrators, employees, or members of their families covered under the statutorily defined ethical restrictions associated with a contract for services provided for the District involving a Board member, administrator, or employee who "directly or indirectly" benefits from the contract;
  - An exemption granted by the Arkansas Department of Education (ADE) from the statutorily defined ethical restrictions associated with a contract for employment or for services provided for the District that involves a District administrator, board member, or employee.

The superintendent shall be responsible for establishing a schedule for the routine destruction of district records that accommodates the needs of the district. The schedule shall specify the length of retention for any records not specifically delineated by this policy and be distributed to staff on a need-to-know basis according to their respective employment duties and responsibilities. The schedule should accommodate the need for records to be stored as a blend of printed, bound and electronically recorded (e.g., audio tape, video tape, micro-fiche, computer disk) material. The superintendent or designee shall ensure the effective and efficient securing, cataloging, storing, and appropriate scheduled destruction of all records.

The following records categories shall be retained for the time specified.

Board of Education Minutes – forever

Personnel files – forever

Student files – until the student receives a high school diploma or its equivalent, or is beyond the age of compulsory school attendance<sup>2</sup>

Student records of attendance/graduation – forever<sup>3</sup>

Financial Records – five (5) years<sup>4</sup>

Documentation, including letters of approval, related to transactions or contracts for services covered by this policy and Arkansas statutes for Board members or members of their families or for waivers granted to District employees - thirteen years<sup>5</sup>

Employment applications, including applicant lists, applicant interview evaluations, documentation in response to requests for reasons for a failure to be interviewed and/or hired, and hiring determinations - five (5) years<sup>6</sup>

Expenditures made with federal grant monies<sup>7</sup> – governed by the terms of each grant

Video Surveillance Recordings – the timeline established in Policy 4.48—VIDEO SURVEILLANCE

Emails – whatever the district’s policy is on this subject<sup>8</sup>

Documents filed with the IRS, including those required in Policy 7.23-Health Care Coverage and the Affordable Care Act – four (4) years

The superintendent or designee shall be responsible for determining when there is a need to interrupt the routine destruction of records.<sup>9</sup> When the superintendent or designee makes the decision to cease the routine disposal of records, staff affected by the decision shall be promptly informed of the decision and of the nature of records that are to be retained. Such records shall be retained until the superintendent or designee has authorized their destruction. Employee training on the district’s records retention schedule shall specifically include information on the records that may need to be retained due to pending disciplinary or legal actions which otherwise are subject to routine disposal. If an employee has doubt about the need to retain any record otherwise scheduled for destruction, he/she shall consult with the superintendent or designee prior to destroying such records.<sup>10</sup>

The records’ storage system devised by the superintendent and designee(s) shall be organized in a manner that enables the efficient retrieval of data and documents. The district shall have adequate backup of critical data which is stored electronically.<sup>11</sup> The system shall be communicated to employees in a manner that enables them to understand and follow the system’s requirements.

In retaining and destroying records, no employee shall:

- Destroy, alter, mutilate, conceal, cover up, falsify, or make a false entry in any record that may be connected to a disciplinary matter or lawsuit or to a matter within the jurisdiction of a federal or state agency, in violation of federal or state law or regulations.
- Alter, destroy or conceal a document, or attempt to do so, with the intent to impair the document’s availability for use in a disciplinary matter, lawsuit or an official proceeding or otherwise obstruct, influence or impede any lawsuit or official proceeding, in violation of federal or state law or regulations.
- Retaliate or discriminate against an employee who refuses to violate this policy or to coerce or threaten an employee to violate this policy.

Failure to follow the requirements set forth in this policy may result in disciplinary action against the employee(s), up to and including termination. The district’s board of directors prohibits and will not tolerate any form of reprisal, retaliation or discrimination against any employee who, in good faith, has attempted to comply with this policy.

Notes: <sup>1</sup> While A.C.A. § 6-24-105(b)(1)(A)(i) permits a district to employ a Board member's family member for up to a \$5000 limit during the total tenure of the Board member without the District having to receive waivers for such employment, the need to retain documentation for all compensation exists if for no other reason than to establish when that the limit may be reached.

<sup>2</sup> These are the records required to be maintained during a student's attendance at your district and must be aligned with Policy 4.38—PERMANENT RECORDS.

<sup>3</sup> This is limited to the dates a student attended school in your district and if the student earned a diploma. This is information students and adults need from time to time to prove they lived somewhere or to enroll in a college, for security clearances, or for background checks.

<sup>4</sup> This is a suggested length of time. The minimum time your district must keep financial records (specifically original receipts of district expenditures) is until the records have been audited. In setting up your retention schedule, you might consider the warranty and/or depreciation schedule of the items purchased and keep all financial records until, at a minimum, the warranty has expired or the item has been fully depreciated. As with all other retention schedules, relevant data must be retained if there is pending litigation or the likelihood of litigation until the matter is resolved.

<sup>5</sup> A.C.A. § 6-24-115 makes it a criminal act to violate the statutes governing Board member and District employees' ethical behavior. A.C.A. § 5-1-109(c)(2) allows for a public servant to be charged for felonious conduct for up to ten years after the officer leaves office or the violation should have been discovered (whichever comes first), but this can be extended by an additional three years if the individual is out of state for a continuous period under A.C.A. § 5-1-109(g). While employees are not public servants, we chose the simpler position of having the same retention requirements for both Board members and employees.

<sup>6</sup> The requirements contained with A.C.A. § 21-3-302 and 303 necessitate the addition of this record retention category. The five (5) year retention length is not required by statute but is recommended. Any civil suit that would require the documents included in the employment application would be barred after five (5) years by A.C.A. § 16-56-115. Retention for the five years would assure you had the necessary records if a suit was filed during that time.

<sup>7</sup> We suggest making this determination on a case-by-case basis using the latest of: the terms required by the grant, any related litigation is concluded, the records have been audited, or the 5 year statute of limitations for contracts.

<sup>8</sup> **Routine** deletion of records, email or other records, is not a problem **so long as** prompt action is taken to stop the deletion relating to matters that common sense and/or previous experience indicates could result in legal and/or disciplinary action. In districts that have routine deletion settings for electronic devices, the person responsible for halting the routine destruction of district records will need to inform the district's Network Administrator (or equivalent) when events trigger the need to retain information that would otherwise be routinely deleted.

<sup>9</sup> Due to the potential adverse repercussions for the failure to cease the destruction of such records, the person responsible for making a “cessation” decision should be close to the source of the cause precipitating the cessation. When an incident occurs that common sense and/or previous experience indicate could result in legal and/or disciplinary action, the routine destruction of district records relating to the incident must be suspended until such time as the legal or disciplinary action, or the likelihood of such action, has concluded. The Federal Rules of Civil Procedure (FCRP) as amended in December of 2006 specifically require litigants to be able to produce pertinent electronically stored information (ESI). FCRP’s Rule 37(f) specifically acknowledges the need for routine deletion of records. The issue becomes one of a “good faith” effort to stop record destruction when necessary. The committee’s (responsible for developing the rules) notes on this matter state, *“When a party is under a duty to preserve information because of pending or reasonably anticipated litigation, intervention in the routine operation of an information system is one aspect of what is often called a ‘litigation hold.’ Among the factors that bear on a party’s good faith in the routine operation of an information system are the steps the party took to comply with a court order in the case or party agreement requiring preservation of specific electronically stored information.”* Records which cannot be produced in a timely manner and/or have been destroyed when common sense and/or previous experience indicated legal and/or disciplinary action could result can cause the district unnecessary and expensive trouble. Besides the inevitable bad public relations of having destroyed records that, the press will be sure to point out, obviously should have been retained, there can also be significant financial costs and/or penalties for the process of attempting to retrieve the records. ASBA would like to stress that deleting electronic records doesn’t really get rid of them until they have been overwritten several times by new entries. The process of getting to the supposedly deleted ESI can be a costly one.

<sup>10</sup> If there is any doubt concerning the need to retain, prudence would dictate retention.

<sup>11</sup> While there is a need and/or a place for different formats of document storage/retention (paper, audio tape, video tape, micro-fiche, computer disk), the space required for records storage quickly tilts the equation in favor of electronic methods to the maximum extent possible. The vast majority of documents can be transferred electronically (if created electronically) or scanned into a digital format (if created on paper) and stored on external hard drives, firewalls, servers, tape drives, CDs or DVDs. While this method/process is not free, it can be relatively inexpensive and quite possibly save the district money in the long run when stored records are needed. Consult with your district’s technology person to devise the system that will best meet your district’s needs, but here are a few points to consider. 1) When scanning, store the documents as PDFs which uses little memory space. If you do the scanning in an Optical Character Recognition (OCR) format, the final documents can be stored in a data base and searched which can save you many hours and much frustration when you need to retrieve something (which is, after all, the reason for the storage). 2) Make multiple copies of the stored documents on separate external storage devices and store the duplicate devices at separate locations to ensure the survival of at least one copy if there is a fire or natural disaster that destroys one of the storage sites. This should be included as part of the district’s Disaster Recovery Plan. 3) It is important to remember that technology gets old and obsolete. This necessitates that you establish a schedule or a trigger for the updating of the stored data/documents that are to be retained for more than 10 years. For example, 5” floppies are nearly extinct. If you had stored any such floppies, it would be necessary to convert them to a more modern storage device. In short, you need to include file format update/upgrades as part of your district’s technology plans.



Cross References: Policy 3.19—LICENSED PERSONNEL EMPLOYMENT  
Policy 8.13—CLASSIFIED EMPLOYMENT

Legal References: A.C.A. § 5-1-109(c)(2), (g)  
A.C.A. § 6-13-619  
A.C.A. § 6-17-104  
A.C.A. § 6-17-2301  
A.C.A. § 6-18-901  
A.C.A. § 6-24-102(8)(15)  
A.C.A. § 6-24-105(d)  
A.C.A. § 6-24-106(c)(6)  
A.C.A. § 6-24-107(c)  
A.C.A. § 6-24-115  
A.C.A. § 21-3-302, 303  
ADE Rules Governing Ethical Guidelines and Prohibitions for Educational Administrators,  
Employees, Board Members, and Other Parties  
26 C.F.R. § 31.6001-1  
34 C.F.R. § 99.2  
Federal Rules of Civil Procedure Numbers 16, 26, 33, 34, 37, and 45

Date Adopted: 1/13/09

Last Revised: 5/13/14

## **7.16—INFORMATION TECHNOLOGY SECURITY**

The superintendent shall be responsible for ensuring the district has the necessary components in place to meet the district's needs and the state's requirements for information technology (IT) security. The district shall appoint an information technology security officer (ISO) who, along with other IT staff, the superintendent and district management appointed by the superintendent shall develop the necessary procedures to create a district-wide information technology security system meeting the requirements of this policy and the standards prescribed by the Arkansas Department of Education.

The IT security system shall contain the necessary components designed to accomplish the following.

1. Sensitive information shall be protected from improper denial, disclosure, or modification.
2. Physical access to computer facilities, data rooms, systems, networks and data will be limited to those authorized personnel who require access to perform assigned duties.
3. Traffic between internal (district) resources and external (Internet) entities will be regulated by network perimeter controls. To the extent technologically feasible, network transmission of sensitive data should enforce encryption.
4. User access to the district's technology system and its applications shall be based on the least amount of access to data and programs necessary to perform the user's job duties.
5. Student or financial applications software developed for or by the district will be tested prior to implementation to ensure data security through proper segregation of programs.
6. Monitoring of internal and external networks and systems will be designed to provide early notification of events and rapid response and recovery from IT related incidents and/or attacks.
7. Continuity of critical IT services will be ensured through the development of a disaster recovery plan appropriate for the size and complexity of the district's IT operations.
8. Software protection of servers and workstations will be deployed to identify and eradicate malicious software attacks such as viruses, spyware, and malware.

Legal Reference: Commissioner's Memo RT 09-010

Date Adopted: 7/14/11

Last Revised:

## **7.17—FOOD SERVICE PREPAYMENT**

The district does not offer credit for food items purchased in the school cafeteria; payment for such items is due at the time the food items are received. Staff, students, or parents choosing to do so may pay weekly or monthly in advance for meals.

Notes: The federal Fair and Accurate Credit Transaction Act of 2007 (15 USC. § 1601 et seq.), along with its accompanying regulations (16 CFR 681, effective 5/1/2009), require “creditors” to implement an Identity Theft Protection Program. This is a financial and potentially time-consuming burden that districts can avoid by not having practices deemed to make them “creditors.” This is accomplished by the language in this policy.

Please note that districts cannot withhold wages to cover staff debts without the express, written authorization from the affected employee(s).

This policy is similar to policy 4.51. If you change this policy, please review 4.51 at the same time to ensure applicable consistency between the two.

Date Adopted: 7/14/11

Last Revised:

## 7.18—DISPOSAL OF NON-NEGOTIATED CHECKS OR UNCLAIMED PROPERTY

State law specifies how the district is to dispose of retained funds in the form of issued but non-negotiated checks that have been not been presented for payment within one calendar year. The district shall dispose of these retained funds in accordance with the law and remit the amount of all non-negotiated checks to the Unclaimed Property Division of the Arkansas Auditor’s Office.

The district shall make a good faith effort to return physical items that have been left on district property to their rightful owners. When contact information is known for the owner of an item of a non-perishable nature left at the district, the district shall use the information to attempt to contact the owner to inform him/her of the location of the item. Owners of such items shall be given at least three weeks<sup>1</sup> to pick up the item he/she left at the district. If the owner fails to pick up the item within the time allotted, the district may dispose of the item in a manner of its choosing.

The district is under no obligation to retain an abandoned, perishable item left on district property.

Notes: The first paragraph of this policy is short, but it has great importance especially if your district has not been submitting reports as the law requires. Checks are considered to be non-negotiated when they have not been paid by the bank from the school district’s checking account and shown as cleared on the school district’s bank statement. Funds are considered “unclaimed” after a check has been issued and mailed, but is not presented for payment at the bank or appear on the bank statement in the 12 month period after it has been issued. Districts are required to file annual reports by October 31.

The state auditor’s website <http://www.auditor.ar.gov/index.html> has a section that does a good job of explaining the requirements.

<sup>1</sup> You may choose the time period that works for your district. Enforcing the time limit may depend on the item that has been left behind and possible circumstances surrounding how the item was left at the district.

Legal References:       A.C.A. § 18-28-201  
                                  A.C.A. § 18-28-202(11), (c), (d)  
                                  A.C.A. § 18-28-204  
                                  A.C.A. § 18-28-206  
                                  A.C.A. § 18-28-207  
                                  A.C.A. § 18-28-208(a)  
                                  A.C.A. § 18-28-210(b)(c)  
                                  A.C.A. § 18-28-217  
                                  A.C.A. § 18-28-221(a)  
                                  A.C.A. § 18-28-224

Date Adopted: 7/14/11  
Last Revised: 06/12/12

## 7.19—SERVICE ANIMALS IN DISTRICT FACILITIES

In accordance with the provisions of the Americans with Disabilities Act and Arkansas statutes, service dogs and trained miniature horses<sup>1</sup> (hereinafter referred to as *service animals*) are permitted for use by individuals with disabilities on district property and in district facilities provided the individuals and their animals meet the requirements and responsibilities covered in this policy.

When an individual with a disability seeks to bring a service animal into a district facility, the district is entitled to ask the individual if the animal is required because of a disability and what work or task the animal has been trained to perform.<sup>2</sup> The district is not entitled to ask for documentation that the animal has been properly trained, but the individual bringing the animal into a district facility will be held accountable for the animal's behavior.

Any service animal brought into a district facility by an individual with a disability must have been trained to do work or perform tasks for the individual. The work or tasks performed by the service animal must be directly related to the handler's disability. Examples of work or tasks include, but are not limited to, assisting individuals who are blind or have low vision with navigation and other tasks, alerting individuals who are deaf or hard of hearing to the presence of people or sounds, providing non-violent protection, pulling a wheelchair, assisting an individual during a seizure, alerting individuals to the presence of allergens, retrieving items such as medicine, providing physical support and assistance with balance and stability to individuals with mobility disabilities, and helping persons with psychiatric and neurological disabilities by preventing or interrupting impulsive or destructive behaviors.

The crime deterrent effects of an animal's presence and the provision of emotional support, well-being, comfort, or companionship do **not** constitute work or tasks for the purposes of this policy; no animal brought solely for any of these reasons shall be permitted on school grounds.<sup>3</sup>

Individuals with disabilities shall be permitted to be accompanied by their service animals in all areas of a public entity's facilities where members of the public, participants in services, programs or activities, or invitees, as relevant, are allowed to go.

A service animal shall be under the control of its handler. A service animal shall have a harness, leash, or other tether, unless either the handler is unable because of a disability to use a harness, leash, or other tether, or the use of a harness, leash, or other tether would interfere with the service animal's safe, effective performance of work or tasks, in which case the service animal must be otherwise under the handler's control by means of voice control, signals, or other effective means.

A service animal shall be groomed to prevent shedding and dander and shall be kept clean of fleas and ticks.

District staff may ask an individual with a disability to remove a service animal from the premises if:

- (1) The animal is out of control and the animal's handler does not take effective action to control it;
- (2) The animal is not housebroken; or
- (3) Making reasonable accommodations for the service animal's presence would fundamentally alter the nature of the service, program, or activity.

If the district excludes a service animal due to the reasons listed above, the district shall give the individual with a disability the opportunity to participate in the service, program, or activity without having the service animal on the premises.

The District and its staff are not responsible for the care or supervision of a service animal brought onto district property or into district facilities by an individual with a disability. Students with service animals are expected to care for and supervise their animal. In the case of a young child or a student with disabilities who is unable to care for or supervise the service animal, the parent is responsible for providing care and supervision of the animal. Prior to working in the school, any person responsible for providing care and supervision of the animal must go through the same process for background checks as required of all employees of the school system.

The District shall not ask or require an individual with a disability to pay a surcharge, even if people accompanied by pets are required to pay fees, or to comply with other requirements generally not applicable to people without pets.<sup>4</sup>

Notes: <sup>1</sup> A service dog is any breed unless restricted by a local ordinance. A miniature horse is not one specific breed, but may be one of several breeds, with distinct characteristics that produce animals suited to service animal work. The animals generally range in height from 24 inches to 34 inches measured to the withers, or shoulders, and generally weigh between 70 and 100 pounds. There is a bit more flexibility for Districts in determining if a facility can accommodate a horse than for a dog. Miniature horses are less flexible than dogs and therefore may not fit into smaller spaces as well as a dog. In specific instances when the horse's size poses a legitimate safety hazard, the horse could be prohibited from that specific event or facility. Keep in mind, however, that if a facility could reasonably accommodate a 24" dog, it could likely accommodate a 24" horse.

<sup>2</sup> Districts are **not** allowed to ask about the nature or extent of a person's disability.

<sup>3</sup> This paragraph is optional. The school is not required to allow an individual to bring an animal that is only for crime deterrence, emotional support, or comfort onto school grounds but may do so if it wishes.

<sup>4</sup> The District can only charge an individual with a disability for damage caused by his or her service animal if it charges other individuals for damages they cause.

Legal References:      28 CFR § 35.104  
                                 28 CFR § 35.136  
                                 A.C.A. § 20-14-304  
                                 A.C.A. § 20-14-308

Date Adopted: 5/10/11

Last Revised: 5/13/14

## **7.20—ELECTRONIC FUND TRANSFERS**

District funds shall only be disbursed by the district treasurer upon the receipt of checks or warrants signed by the District Board of Directors' Disbursing Officer and the Superintendent or through the electronic transfer of funds. Any electronic transfer of funds must be initiated by the District and authorized in writing by both the Disbursing Officer of the school district Board of Directors and the Superintendent.

For the purposes of this policy, "initiated by the District" means the District controls both the timing and the amount of the funds transfer.

The district treasurer shall maintain evidence of authority for the disbursement in the form of invoices, payrolls that conform with written contracts on file in his/her office, or other appropriate documentation indicating an authority to disburse District funds.

"Other appropriate documentation" includes one-time, signed authorization for recurring transactions. The Board of Directors Disbursing Officer must pre-authorize the electronic transfer of funds for non-recurring transactions which can be accomplished by a signed authorization or an email authorizing such a disbursement of funds.<sup>1</sup>

Cross Reference: 1.16 —DUTIES OF BOARD DISBURSING OFFICER

Notes: <sup>1</sup> Commissioner's Memo Com-12-036 suggests the use of email as a way to obtain pre-authorization for non-recurring transactions. You may add to or change this language to reflect district practice provided adequate internal control is maintained for such transactions.

The Commissioner's Memo strongly discourages use of district debit cards. While we did not include any language to that effect in this policy, we agree with both the ADE and Legislative Audit that districts would be wise to avoid their use. The occasional use of District credit cards is unavoidable, but Legislative Audit urges stringent internal controls to help ensure such use is not abused.

Legal References: A.C.A. § 6-13-701(e)  
Commissioner's Memo Com-12-036

Date Adopted: 6/12/12  
Last Revised:

## 7.21—NAMING SCHOOL FACILITIES

Except as otherwise permitted in this policy or Arkansas law, the District shall not name any building, structure, or facility, paid for in whole or in part with District funds, for an individual living at the time of its completion who, in the ten (10) years preceding its construction, was elected, or held, a federal, state, county, or municipal office and received a salary for his/her service.

Exceptions to the preceding paragraph may be made when a building, structure, or facility is constructed through the use of at least 50% private funds or, the name refers to:

1. an individual(s) living at the time of its completion and who has historical significance;
2. an individual who is or has been a prisoner of war; or
3. a living individual who is at least 75 years of age and is retired.

Note: This policy was triggered by Act 1225 of 2013. Prior to the act there were no statutory naming restrictions applicable to school districts. The key language in the new restrictions is the person must be either elected **or** held office **and** received a salary for the office. This would **exempt**, for example, school employees and also school board members, but would **include** the Commissioner of Education, the governor, or a federally appointed judge.

Legal Reference: A.C.A. § 25-1-121

Date Adopted: 5/13/14

Last Revised:



## **7.22—PRIVATE SPONSORSHIP OF EXTRACURRICULAR EVENTS**

The Superintendent, or designee, may negotiate for the private sponsorship of an event to take place during the time allotted for a half-time break of any of the District’s interscholastic activities. The amount of time for a half-time break shall not be extended for the event.

The school district shall not discriminate against potential sponsors based on political affiliation, religion, or perceived message. The superintendent, or designee, may decline sponsorship for any of the following reasons:

- The sponsored event would conflict with school or school group presentations;
- The proposed event would be logistically impracticable due to the estimated time, required materials for the event, or for other reasons associated with the implementation of the event;
- The proposed event would make continuation of the interscholastic activity impracticable due to residual mess/trash resulting from the activity; or
- The proposed event would present an unacceptable safety risk to students or viewing audience.

The superintendent’s, or designee’s, decision to accept or decline the proposed sponsored event shall be final.

Any potential sponsor shall be required to demonstrate proof of an in force, minimum face value one million dollar (\$1,000,000) general liability insurance policy that would cover the event. The sponsor must also agree to indemnify the school against any damages to school property, school employees, students, or bystanders that arise as a result of the sponsored event as well as from any law suits that are filed in response to such damages.

There shall be no live or recorded speech, music, or other media provided by the sponsor used during the sponsored event.<sup>2</sup> A member of the school’s administration shall announce the name of the sponsor of the event and shall be present to assist in conducting the event. The school administrator shall be a neutral participant and shall only make content neutral statements during the event. To meet this standard, the administrator shall not promote or act in a manner that creates the appearance, or that could give the impression, that the District sponsors, endorses or otherwise agrees with the product, person/group, or event being promoted by the sponsor. No school employee may act as the representative of a sponsor or wear attire/apparel that is provided by the sponsor or that could be interpreted as promoting the sponsor’s interests. Employees or representatives of/affiliated with the sponsor may be present at the event and stand with the member of school administration who is announcing and conducting the event; such employees/representatives of the sponsor may wear clothing identifying them as sponsors of the event.

The superintendent, or designee, shall have the authority to regulate the time, place, and manner of the distribution of promotional materials by the event sponsor. “Promotional materials” includes, but is not limited to, pamphlets, pens/pencils, sports equipment (whether miniature or full sized), or clothing. The event sponsor shall provide the superintendent, or designee, with a complete list of the types of promotional materials the event sponsor intends to distribute at the event so that the superintendent, or designee, may make an informed decision on the time, place, and manner of distribution that would result in the least amount of disturbance with the interscholastic activity.

The superintendent, or designee, should take the following into account when determining the best time, place, and manner of distribution of promotional materials:

- Whether the promotional materials could be a distraction to participants in the interscholastic activity due to the promotional material emitting light or noise;
- Whether the promotional materials have a high possibility of being able to be used against participants of the interscholastic activity to attempt to alter the outcome of the activity;
- The possibility that the promotional materials would be left by recipients to become litter; and
- The possibility that the promotional materials would divert the attention of the audience from the interscholastic activity.

The superintendent, or designee, shall limit the distribution of promotional materials to audience members when they are entering the school building/arena, during the sponsored half-time event, and/or when they are leaving the school building/arena. The superintendent's, or designee's, restrictions on the time, place, and manner of promotional materials shall be final.<sup>3</sup>

Any funds received through private sponsorship shall be placed in the District's Activity Account. The superintendent, or designee, should follow the policy for receiving public gifts or donations when negotiating the sponsorship amount, as set forth in policy 6.3—Public Gifts and Donations to the Schools.

Notes: <sup>1</sup> The purpose of the media restriction is to protect the District from First Amendment lawsuits. First, the restriction prevents the District from being sued based on any misperception that the District endorses any perceived message resulting from the provided media. Second, having such a restriction provides the District protection from suits that the District has been limiting, or not limiting, the content of any message. Third, the restriction prevents the creation of an open forum as it does not allow for any input from the community.

<sup>2</sup> While no law requires time, place, or manner restrictions on the distribution of materials, restrictions that are reasonable are constitutional. The examples in the paragraph are not intended to be exhaustive, but can be used to help you in choosing how best to limit possible interference with the extracurricular event.

Cross Reference: Policy 6.3 —Public Gifts and Donations to the Schools

Legal Reference: ADE Rules Governing Athletic Revenues and Expenditures for Public School Districts

Date Adopted: 5/13/14

Last Revised:



## **7.23—HEALTH CARE COVERAGE AND THE AFFORDABLE CARE ACT**

### **Public School Employee Health Insurance**

All eligible District employees may elect to enroll themselves, their spouse, and/or their dependent(s) in one of the insurance plans through the Arkansas Public School Employee Life and Health Insurance Program (PSELHIP). New employees have until the end of the first full month following the date the employee's employment duties begin to elect to enroll in a PSELHIP plan;<sup>1</sup> Coverage for eligible employees who choose to enroll in a PSELHIP plan shall take effect on the first of the month following the date on the enrollment application and shall be in effect until the end of the calendar year. Employees who experience a Qualifying Status Change Event<sup>2</sup> have thirty (30) days from the date of the Qualifying Status Change Event to file an application to change coverage information. All employees may make changes to their PSELHIP plan during the yearly open enrollment period.

The District shall provide annual education to all eligible employees on the advantages and disadvantages of a consumer-driven health plan option and effective strategies of using a Health Savings Account (HSA).<sup>3</sup>

### **Eligibility**

“Eligible employee” includes:

- All licensed employees in public schools who are normally expected to work nine hundred (900) hours or more per year and whose salaries are paid from the school district's teacher salary fund;
- All licensed employees of the school district whose salaries are not paid from the school district's local or state funds regardless of the number of hours normally expected to be worked;
- All classified employees of the school district who are normally expected to work nine hundred (900) hours or more per year regardless of whether or not the salaries are paid from the school district's local or state revenues;
- A person who contracts with a public school district to operate a school bus for at least seven hundred twenty (720) hours during the school year;
- A person whose primary source of income during the school year is obtained by operating a school bus for a public school district; and
- A person who contracts with a public school district to operate a school bus and is designated by the superintendant as a full-time school bus driver regardless of the number of hours contracted.

### **Contribution to Premiums**

At a minimum, the District shall distribute the statutorily required contribution rate<sup>4</sup> to all employees<sup>5</sup> who are enrolled in one of the PSELHIP plans. Additionally, the District shall calculate if the Arkansas Department of Education (ADE) determination of the District's health insurance funding contained in the State Foundation Funding exceeds the amount the District otherwise distributes to eligible employees. In the event the calculation determines there are additional funds required to be distributed to enrolled employees, the District shall distribute the identified funds to all employees enrolled in a PSELHIP plan and shall be made, at the employee's choosing, to either help defray the cost of the employee's premium or deposited in the employee's HSA. Such funds shall **not** be distributed to employees in any other manner such as a payroll stipend or bonus. To the extent possible, the funds shall be distributed equally to each employee.<sup>6</sup> However, there may be occasions where the amount that would be distributed exceeds the employee's premium and the employee either has no HSA or the employee's plan is not eligible for an HSA. In such instances the employee's surplus funds shall be redistributed to the remaining enrolled employees.<sup>7</sup>

The District recognizes that due to fluctuations in student enrollment and staffing, the funding available to distribute to each enrolled employee based on the health insurance funding contained within the State Foundation Funding, as reported by ADE, may vary from month to month and year to year. Therefore, the district will adjust such additional funding on an as-needed basis.

### **Affordable Care Act**

The District's policies are in compliance with the Affordable Care Act. The District offers health coverage to all eligible and full-time employees and their dependents through the PSELHIP,<sup>8</sup> files IRS Returns on the health care coverage of all full-time employees, indicates the cost of the employee's health coverage on the employee's W-2, and provides a Statement of Return to all full-time employees regarding the employee's IRS Return on the employee's health insurance coverage.

### **Definitions**

“Dependent” for purposes of this policy includes an employee's spouse.

“Full-time employee” means:<sup>9</sup>

- A licensed employee who performs thirty (30) or more hours of service a week;
- a classified employee who works twenty (20) or more hours per week for the school district;
- A person whose primary source of income during the school year is obtained by operating a school bus for a public school district; or
- A person who contracts with a public school district to operate a school bus and is designated by the superintendent as a full-time school bus driver regardless of the number of hours contracted.

“Responsible individual” means a primary insured employee who, as a parent or spouse, enrolls one or more individuals in minimum essential coverage through a district's health care plan.

“Tax Identification Number (TIN)” means an individual's social security account number.

### **Look-Back Period**

The District does not use a look-back period when determining if an employee qualifies as a full-time employee.<sup>10</sup>

### **IRS Return**

The IRS requires that a “Return” be filed by the District on every full-time employee.<sup>11</sup> These Returns cover the District's full-time employees and the dependents of a responsible individual's health care coverage status during the previous calendar year. To satisfy the IRS requirement, the District shall:

1. Collect information annually on the participation in, or lack thereof, a PSELHIP plan of all full-time employees and their dependents;
2. Complete the form(s) provided by the IRS that constitute a return for each District full-time employee;<sup>12</sup>
3. File electronically all Returns with the IRS on or before March 31 of each year.

### **W-2**

For all full-time employees who are enrolled in a PSELHIP plan, the District shall indicate in box twelve (12) of the employee's Form W-2 the cost of the employee's health care coverage by using code “DD”.<sup>13</sup>

### **Statement of Return**

The District shall send to each full-time employee a Statement of Return (Statement) regarding the IRS Return filed on the employee. The Statement shall contain: The District's name, address, and Employer Identification Number (EIN) as well as a copy of the IRS Return filed on the employee. The District shall send a copy of the Statement to the employee on or before January 31 of the calendar year following the calendar year the information in the Statement corresponds to. The District shall send only one Statement to the household of an employee who meets the definition of a responsible individual that will include all requisite information for both the responsible individual and the responsible individual's dependent's.

### **Electronic Statements**

The District shall provide the Statement in paper unless the employee has affirmatively consented to receive the Statement in an electronic format. Employees who wish to receive a Statement in an electronic format must submit 7.23F-Electronic Receipt of Statements Consent Form to \_\_\_\_\_.<sup>14</sup> The District shall send an email confirming the receipt of the employee's consent form to the provided email address within ten (10) business days of the receipt.<sup>15</sup> The consent to receive an electronic copy of the statement shall be effective for all future Statements<sup>16</sup> or until thirty (30) days<sup>17</sup> after a written withdrawal of consent is received.

An employee may make a written request to receive a paper copy of the Statement in addition to the electronic copy by sending the written request to \_\_\_\_\_.<sup>14</sup> The written request for an additional paper copy shall not constitute a withdrawal of consent.<sup>18</sup>

An employee may withdraw consent to receive Statements in an electronic format at any time by submitting a written withdrawal of consent to \_\_\_\_\_.<sup>14</sup> The withdrawal of consent shall become effective thirty (30) days<sup>17</sup> after it is received. The District will send an email confirming the receipt of the withdrawal of consent within ten (10) business days<sup>19</sup> that states the date the withdrawal will become effective. Any Statement sent electronically prior to the effective date of the withdrawal of consent shall satisfy the District's obligations.

The District shall automatically discontinue the transmission of Statements in an electronic format starting on February 1 of the year following termination or non-renewal of the employee's employment contract, the retirement of the employee, or the death of the employee.

The District is not responsible for making sure the employee's contact information is up to date. Employees whose contact information changes should submit an amended copy of 7.23F-Electronic Receipt of Statements Consent Form to \_\_\_\_\_.<sup>14</sup> Employees who have elected to receive an electronic Statement shall be notified electronically through the email address on file in the event that any of the District's contact information changes.

The District shall provide the electronic Statements in the Portable Document Format (PDF).<sup>20</sup> In the event the District plans to change the format Statements will be provided in from a previous format, the District shall notify all employees who have consented to receiving electronic Statements to the planned change of format. The notification shall be sent prior to the change in format and shall include:

- a. The new format for electronic Statements;
- b. Hardware/software requirements to access the new format;
- c. The date the new format will begin being used;
- d. A statement that the employee's consent is no longer effective; and

- e. A statement that employees are responsible in resubmitting 7.23F-Electronic Receipt of Statements Consent Form to \_\_\_\_\_<sup>14</sup> if the employee wishes to receive an electronic Statement after receiving notice of a change in format.

The District shall transmit the electronic Statement to employees as an email attachment.<sup>21</sup> The subject line of the email shall be "IMPORTANT TAX RETURN DOCUMENT AVAILABLE". When the District receives notice that the email with an employee's electronic Statement attached was unable to be delivered, the District shall attempt to contact the employee in question to obtain a working email address. In the event the District is unable to acquire a working email address for the employee by either contacting the employee or searching the District's records, the District shall mail or hand deliver a paper copy of the Statement to the employee's last known mailing address within thirty (30) days of the District's receiving the failure to deliver notice.

In the event the District makes corrections to an employee's Statement, the District shall transmit the corrected Statement to the employee within ten (10) business days of the completion of the corrected Statement as an email attachment and will follow all other policies regarding the emailing of Statements.

### **Record Retention**

The District shall maintain copies of the documentation the District uses to notify employees of their ability to elect to enroll in a PSELHIP plan, the IRS Returns filed on employees, and Statements sent to employees in accordance with the requirements for documents transmitted to the IRS in Policy 7.15-Record Retention and Destruction.

Notes: The ACA has a few differences for employers with less than fifty (50) full-time and full-time equivalent (FTE) employees. For the couple of model policy service subscribers that fall into this category, the differences are:

1. You are only required to provide insurance for employees who are "eligible employees" as defined in Arkansas law. See footnote #9 for a more detailed explanation of "full time" and "eligible employees."
2. There is no fine for failing to provide health coverage to all full-time employees. This negates the requirements in footnote #1 and the portion of footnote #8 that discusses ACA's fines.
3. You only have to file "Returns" on the full-time employees who **enroll** in a PSELHIP plan rather than on **all** full time employees.

Note that while you are not required to do so by law, you may adopt the same standards outlined in this policy for employers with fifty (50) or more full-time and FTE employees if you so choose.

This policy is intended to provide districts with information for complying with State and Federal insurance laws. It is not intended to provide information on the specifics of the differences between the available PSELHIP plans; such information may be requested from the Employee Benefits Division (EBD).

The ACA fines large employers for failing to offer its employees insurance within stipulated timelines. Due to the potential for large fines, this policy has been written to help districts avoid them. See footnote #8 for an explanation of the fines.

Many of the requirements around electronic Statements are based on the required disclosures for employees to have affirmatively consented to receive an electronic Statement. Therefore, any changes to the Electronic Statements section of this policy should be checked against the Disclosures section of 7.23F-Electronic Receipt of Statements Consent Form to insure applicable consistency.

<sup>1</sup> The ACA considers a new employee's first day of employment to be the first day the employee performs duties that the employee will be paid for. Should the district require new employees to attend training during the summer months, such as professional development, then the new employees will be treated as having started employment on the date of the earliest training the individual is required to attend even though no salary payment is made until the end of the first pay period.

To determine when a new employee's initial window for applying to enroll in a PSELHIP plan closes, you look to the date of the month when the employee began performing duties. When the date falls on the first of a month, the employee has until the end of that month to apply to enroll in a PSELHIP plan. When the date is not on the first of a month, the employee has until the end of the following month to apply to enroll in a PSELHIP plan. Examples:

T is hired to teach the next year at D. T's first contract day is August 6. T's contract did not begin on the first of a month. T then has until the end of the following month to apply to enroll in a PSELHIP plan. Thus, T has until September 30 to apply to enroll.

C is hired to fill a classified position at D for the following year. C's first contract day is July 1. C's contract began at the first of a month so C must apply to enroll in a PSELHIP plan before the end of the month. Thus, C must apply to enroll by July 31.

The date an employee elects to enroll is very important because it, in turn, determines when the employee's enrollment takes effect. For districts to avoid paying fines for not having offered insurance, each newly hired employee must either be enrolled in a plan or have declined enrollment by the ninety first (91<sup>st</sup>) day the employee performs work for the district as explained in the previous examples. It's important to note that, in the eyes of the IRS, an employee who doesn't enroll and who fails to officially decline to enroll has NOT been offered insurance and therefore the district will be fined as explained in footnote #8. The timeline used in the policy is designed to help ensure your district doesn't get fined by inadvertently missing the deadline for the enrollment's effective date. The following paragraph explains how this timeline works.

The enrollment application timeline used in this policy is designed to fit within a grace period the ACA provides employers for new employees. The ACA provides that an employer will not be fined for not offering a full-time employee health coverage during the first ninety (90) days of employment, starting with the first day of the first full month of employment. Thus, as described at the start of this footnote, if an employee starts on a date that is after the first of a month, then the employer has the remainder of that month plus an additional ninety (90) days before the employee must be offered health coverage; however, if an employee starts on the first day of the month, then the ninety (90) day grace period starts immediately. Districts may amend the enrollment timeline language in the policy but should be aware that IRS regulations only treat an employee as having been offered health coverage if the coverage is effective no later than on the ninety first (91<sup>st</sup>) day the employee performs work for the district (as



explained in the previous examples) and failure to offer coverage on a single day during a month is treated as not having offered coverage for the entire month. PSELHIP coverage does not become effective until the first day of the month following the date on the enrollment application. It is possible for the ninety (90) day grace period to end before the end of a month. If an employee began work between August 2 and September 1, the ninety (90) day period would end on November 29; unless the employee had applied to enroll in a PSELHIP plan on or before October 31, the earliest the employee's health coverage would become effective would be December 1. The district would be viewed as not having offered coverage to the employee on the ninety-first (91st) day of employment (which would be November 30 in this case) and, in the eyes of the IRS, would be treated as not having offered the employee coverage for an entire month. Consequently, ASBA recommends that if you choose to amend the policy by extending the application period that you limit the application period to a length that prevents an employee's effective date in a PSELHIP plan from being after the ninety-first (91st) day of employment.

<sup>2</sup> Qualifying Status Change Events include birth; death; divorce; marriage; and loss or gain of group coverage.

<sup>3</sup> A consumer-driven health plan option is a health insurance plan that qualifies as a high deductible health plan. Currently, the PSELHIP plan that qualifies as a consumer-driven health plan is the Bronze Plan. Districts may satisfy this requirement by allowing a representative from the EBD's list of approved vendors to speak with the district's employees.

<sup>4</sup> Under A.C.A. § 6-17-1116(b), districts are not required to pay the statutory contribution rate for full-time bus drivers who are normally expected to work less than nine hundred (900) hours in the year but may do so if they choose.

<sup>5</sup> The amount for the minimum contribution rate is set forth in A.C.A. § 6-17-1117.

<sup>6</sup> A.C.A. § 6-17-1117(c)(1)(B) requires that the district's contribution rate be the same for all employees enrolled in a PSELHIP plan. But A.C.A. § 21-5-405(b)(4)(C)(i) requires the funding distributed that is above the statutory minimum contribution rate to only apply toward employees' premiums or to be placed into employees' HSA. There is the very real possibility that both statutes cannot be satisfied. See footnote #7 for further explanation and options.

<sup>7</sup> The policy's language satisfies A.C.A. § 21-5-405(b)(4)(C)(i), is consistent with conversations ASBA has had with EBD, and we believe is the most realistic option for districts' required distribution of the funds. If you prefer to satisfy A.C.A. § 6-17-1117(c)(1)(B), substitute the paragraph's sentence with, "Should the amount distributed be more than the health insurance premium and the employee does not have an HSA, the amount distributed that is in excess of the plan premium shall be placed into an escrow account until the employee opens an HSA or such time as the amount can be used to reduce the employee's plan premium."

<sup>8</sup> 26 U.S.C. § 4980H places the burden on employers to offer all full-time employees and their dependents employer sponsored health coverage that meets the definitions of "Minimum Essential Coverage (MEC)" and "affordable". Currently, all PSELHIP plans meet the definitions of MEC and

affordable. All full-time employees are considered to have been offered coverage when an employer can demonstrate that it offered health coverage to ninety-five percent (95%) or more of its full-time employees (**Note:** The required percentage is seventy percent (70%) instead of ninety-five percent (95%) for plan year 2015). Failure to offer employer sponsored coverage to all full-time employees can result in the employer being fined one-twelfth (1/12) of two thousand dollars (\$2000) multiplied by the number of **all** full-time employees minus thirty (30) for **each month** the employer is found to not have offered health coverage to all full-time employees. 26 U.S.C. § 4980H(c) defines a full-time employee as an employee who performs thirty (30) or more hours of service per week or an average of one hundred thirty (130) hours of service a month; however, Arkansas law does not define a full time licensed employee and has a lower threshold for a classified employee to be a full-time employee. Under A.C.A. § 6-17-2202(2), a full-time classified employee is a classified employee who works twenty (20) or more hours per week. When a state law grants opportunity to more individuals than the federal law, the state law trumps federal. Therefore, districts have two definitions of a full-time employee to follow. Under the ACA, districts are required to offer health care coverage to all employees who are defined as full time. This applies to licensed personnel who are contracted for at least thirty (30) hours a week and all classified personnel who are contracted for at least twenty (20) hours a week. However, districts are still required to follow Arkansas law and offer insurance to all employees defined as “eligible”, which applies to some employees who do not meet the definition of full time under State or ACA statutes.

<sup>9</sup> It's important to study the policy's definitions of "full time" and "eligible employees". You have to offer insurance to all employees who fall under either trigger, but you only have to file a "Statement of Return" (explained in the policy) for full time employees and it's only full time employees who trigger the ACA fines for failing to offer the required insurance.

Viewed from another angle, Arkansas law defines a "full time" classified employee as one who works 20 hours per week. For a 36 week contract year that amounts to 720 hours. Arkansas law defines an "eligible employee" as one who works 900 hours per year. While there are statutes that make some 20 hour per week employees eligible for insurance, the exceptions do not cover all 720 hour per year employees. Under the ACA that no longer matters and districts will have to offer insurance to all classified employees who work 20 hours per week because they meet the definition of "full time" even if they have not previously been eligible under Arkansas' definition of eligibility.

<sup>10</sup> Districts have the option to use a “look-back period” for determining if new employees, ongoing employees, and temporary employees meet the requirements of a full-time employee. ASBA does not recommend using a look-back period due to its complexity and general lack of applicability to school districts.

<sup>11</sup> The IRS requires that a return be filed on each full-time employee **regardless** of whether or not the full-time employee is enrolled in a PSELHIP plan. The district is not required to obtain any information about a full-time employee’s health insurance coverage unless the employee is enrolled in a PSELHIP plan.

<sup>12</sup> The forms a district will need to submit to the IRS do not currently exist. We believe districts can expect the forms to require the district to submit some, if not all, of the following information: the name, address, and EIN of the district; the name and telephone number of the district’s contact person;

the calendar year the information is being reported upon; a certification that the district offered to its full-time employees, and their dependents, the opportunity to enroll in a PSELHIP plan each month; the months during the previous calendar year that coverage was available; each full-time employee's share of the lowest cost monthly premium by month; the number of full-time employees for each month of the previous calendar year; the name, date of birth, and TIN of each full-time employee; the name, date of birth, and TIN of any dependent who is enrolled in a PSELHIP plan through a district employee; and the months, if any, in the previous calendar year the employee (and dependents) was covered by a PSELIHP plan.

<sup>13</sup> This information has no impact on the employee's taxes as the employee portion of the health coverage premium is still excluded from earned income. The inclusion on the Form W-2 is for informational purposes only.

<sup>14</sup> Fill in this blank with the name, phone number, mailing address, and e-mail address of the district office in charge of handling the Statements; this information is required to be in the consent form signed by the employee.

<sup>15</sup> A confirmation email is required to be sent but the regulations do not state a time limit on when the confirmation email must be sent; however, the consent to receive the Statement in an electronic format is not effective until the confirmation email has been sent. ASBA has no way of knowing how many employees will elect to submit the form or when they may choose to submit it. Both factors will affect the length of time you choose to require the confirmation email to be sent.

<sup>16</sup> While you can have the consent be effective for only one Statement rather than for all future Statements, this language tracks the language in Policy 7.23F and is recommended because mailing paper copies of the Statement of Record could prove costly to districts. Since sending electronic copies is much cheaper and faster than paper copies, we have chosen to make the default position in both this policy and the associated Form be to extend to all future statements to lessen the costs to Districts. If you change the language in the policy be sure to change the language in 7.23F to match.

<sup>17</sup> In the policy we have chosen to make the effective date of the withdrawal of consent thirty (30) days, but the ACA allows the effective date for all withdrawals of consent to be within a range that can be as short as the day the withdrawal is received to as long as sixty (60) days after it is received. You have to establish the effective date in policy, but you may choose the date within the allowable range that works best for you. Should a withdrawal of consent become effective before an electronic copy of the Statement is transmitted, a paper copy sent to the employee within thirty (30) days of the **receipt** of the withdrawal of consent will meet IRS timing regulations even if it is not sent until after January 31.

<sup>18</sup> Alternatively, this sentence may be changed to allow that any request for a paper copy of the statement shall constitute a withdrawal of consent to receive an electronic copy; such a change would obligate the district to supply future copies to the employee on paper and is not recommended due to the increased costs to districts.

<sup>19</sup> A confirmation email is required to be sent but the regulations do not state a time limit on when the confirmation email must be sent. The withdrawal of consent will still take effect on the date set in policy even if there is a failure to send a confirmation email.

<sup>20</sup> The ACA does not require statements be provided as a PDF; however, the law does require that there is uniformity between all documents sent electronically to the employee. This means that the Electronic Receipt of Statement Consent Form, the statement, and any other documents related to the statement that are sent electronically by the District to the employee must be in the same format. Since documents provided by the IRS are traditionally PDFs, that is the suggested format.

<sup>21</sup> Districts have the option of placing employee Statements for employees who have submitted 7.23F-Electronic Receipt of Statements Consent Form on a secure website where employees may download the employee's specific Statement. However, due to the complexity of protecting the employee's privacy and security, ASBA recommends using email to distribute the electronic Statements.

Cross References:      3.1—LICENSED PERSONNEL SALARY SCHEDULE  
                                 3.52—LICENSED PERSONNEL HEALTH CARE COVERAGE REPORTING  
                                 3.52F—LICENSED PERSONNEL HEALTH CARE COVERAGE AND TIN  
                                 REPORT FORM  
                                 7.15—RECORD RETENTION AND DESTRUCTION  
                                 7.23F—LICENSED PERSONNEL ELECTRONIC RECEIPT OF STATEMENTS  
                                 CONSENT FORM  
                                 8.1—CLASSIFIED PERSONNEL SALARY SCHEDULE  
                                 8.41—CLASSIFIED PERSONNEL HEALTH CARE COVERAGE REPORTING  
                                 8.41F—CLASSIFIED PERSONNEL HEALTH CARE COVERAGE AND TIN  
                                 REPORT FORM

Legal References:      A.C.A. § 6-17-1111  
                                 A.C.A. 6-17-1116  
                                 A.C.A. 6-17-1117  
                                 A.C.A. § 6-17-2202  
                                 A.C.A. 21-5-405  
                                 A.C.A. § 21-5-407  
                                 A.C.A. § 21-5-418  
                                 26 C.F.R. § 54.4980h-0 et seq.  
                                 26 U.S.C. § 4980H  
                                 26 U.S.C. § 6001  
                                 26 U.S.C. § 6051  
                                 26 U.S.C. § 6055  
                                 26 U.S.C. § 6056  
                                 26 U.S.C. § 6109  
                                 26 C.F.R. § 31.6001-1

Date Adopted: 5/13/14

Last Revised:

## 7.23F—LICENSED PERSONNEL ELECTRONIC RECEIPT OF STATEMENTS CONSENT FORM

To receive an electronic copy of the statement concerning the tax information for your health insurance coverage, please complete the following information:

Name: \_\_\_\_\_

E-mail address: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Mailing Address:

\_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_

Zip Code: \_\_\_\_\_

(The phone number and mailing address shall only be used for the purpose of acquiring a replacement e-mail address to send a copy of the Statement of Return (Statement) in the event the District receives an “unable to deliver” notification when the District sends an electronic copy of the Statement to the provided e-mail address.)

### Disclosures

An individual who consents to receive an electronic copy of the Statement shall be deemed to be aware of, and agree to, the following disclosures:

1. I shall receive a paper copy of the Statement unless I consent to receive an electronic copy;
2. My consent to receive an electronic copy of the Statement shall be effective for all future Statements unless I withdraw my consent<sup>1</sup> or it is terminated in accordance with this agreement;
3. The District shall terminate the sending of electronic Statements upon the occurrence of any of the following:
  - Thirty (30) days<sup>2</sup> after the District receives a written request to withdraw consent;
  - There is a change in hardware or software that has a material impact on my ability to receive the electronic version of the Statement;
  - February 1 of the year following any of the following:
    - Termination of my employment;
    - My retirement from employment;
    - My death;
4. I may request a paper copy of the Statement even though I have consented to receive an electronic copy of the Statement. The request for a paper copy must be in writing, either electronically or on paper, and shall be delivered to the \_\_\_\_\_.<sup>3</sup> A request to receive a paper copy shall not constitute a withdrawal of consent to receive an electronic copy of the Statement unless I affirmatively state that the request constitutes a withdrawal.<sup>4</sup>
5. I shall receive from the District through either mail or e-mail a confirmation of my withdrawal of consent and the date the withdrawal shall become effective;

6. A withdrawal of consent shall not apply to an electronic copy of the Statement that is sent prior to the effective date of the withdrawal;
7. I am responsible for making sure that the District has my current contact information. I may update any changes to my contact information by sending an amended copy of the Electronic Receipt of Statements Consent Form to the \_\_\_\_\_;<sup>3</sup>
8. The District shall contact me with any changes in the District's contact information;
9. The District shall furnish electronic copies of the Statement in the Portable Document Format (PDF);<sup>5</sup>
10. Arkansas or Federal law could require the printing of a copy of the Statement to attach to a Federal, State, or local tax return;
11. The e-mail containing the electronic copy of the Statement shall have the subject line of "Important Tax Return Document Available" in all capital letters.

I certify that I have read the disclosures and that I wish to affirmatively consent to receive my copy of the Statement in an electronic format.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Notes: <sup>1</sup> While you can have the consent be effective for only one Statement rather than for all future Statements, this language tracks the language in Policy 7.23 and is recommended because mailing paper copies of the Statement of Record could prove costly to districts. Since sending electronic copies is much cheaper and faster than paper copies, we have chosen to make the default position in both this Form and the associated policy be to extend to all future statements to lessen the costs to Districts. If you choose to have the consent be effective for only one Statement rather than for all future Statements, change the language to read "I understand that my consent shall only be effective until February 1 of the following year." If you change the language in this Form be sure to change the language in Policy 7.23 to match.

<sup>2</sup> The ACA allows you to change the implementation date of the withdrawal of consent from the policy's suggested 30 days to range from the day the withdrawal is received to sixty (60) days after it is received.

<sup>3</sup> Fill in this blank with the name, phone number, mailing address, and e-mail address of the district office in charge of handling the Statements; this information is required to be in the consent form signed by the employee.

<sup>4</sup> Alternatively, this sentence may be changed to allow that any request for a paper copy of the statement shall constitute a withdrawal of consent to receive an electronic copy; such a change would obligate the district to supply future copies to the employee on paper and is not recommended due to the increased costs to districts.

<sup>5</sup> The ACA does not require statements be provided as a PDF; however, the law does require that there is uniformity between all documents sent electronically to the employee. This means that the Electronic Receipt of Statement Consent Form, the statement, and any other documents related to the statement that are sent electronically by the District to the employee must be in the same format. Since documents provided by the IRS are traditionally PDFs, that is the suggested format.