

U.S. Department of Education
Rural, Insular, and Native Achievement Programs



Small Rural School Achievement (SRSA) Grant Program

**Fiscal Year 2023 Monitoring Report
Custer County School District**

July 28, 2023



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Monitoring Information

Process

The Office of Rural, Insular, and Native Achievement Programs (RINAP) is committed to supporting State and local educational agencies (SEAs and LEAs) as they implement Federal grant programs. Part of this commitment includes a monitoring process designed to not only address RINAP's responsibilities for fiscal and programmatic oversight, but to also identify areas in which grantees need assistance and support to meet their goals and obligations. The monitoring process is anchored around ongoing conversations between RINAP program officers and grantees. For fiscal year (FY) 2023, RINAP conducted this process through a virtual (desk) monitoring.

The goal of the monitoring process is to conduct a program-centered, performance-focused review of the Small, Rural School Achievement (SRSA) grant program through a single, streamlined process that results in improved and strengthened partnerships between the U.S. Department of Education (Department) and its grantees. To accomplish this, the RINAP monitoring process is organized into specific grant performance topics, which reflect the programmatic and fiscal requirements of the SRSA program.

Report

This monitoring report summarizes the results of the April 24, 2023, RINAP review of Custer County School District (Custer County) in Westcliffe, Colorado. The report is based on information provided through the monitoring process and other relevant quantitative and qualitative data. The primary goal of monitoring is to ensure that Custer County's implementation of the SRSA program is consistent with the fiscal, administrative, and select program requirements contained in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance: 2 Code of Federal Regulations (CFR) Part 200), the Education Department General Administrative Requirements (EDGAR), and the Elementary and Secondary Education Act of 1965 (ESEA).¹

¹The RINAP office has chosen to focus only on select fiscal and program requirements. Because this report summarizes the results of a non-comprehensive set of fiscal and program requirements, the issuance of this report does not preclude other Department program offices, or independent auditors, from identifying areas of noncompliance that are not outlined in this report.



List of Acronyms

CDE: Colorado Department of Education
Custer County: Custer County School District
Department: U.S. Department of Education
EDGAR: Education Department General Administrative Requirements
ESEA: Elementary and Secondary Education Act of 1965
FY: Fiscal Year
LEA: Local Educational Agency
OESE: Office of Elementary and Secondary Education
REAP: Rural Education Achievement Program
RINAP: Office of Rural, Insular, and Native Achievement Programs
RLIS: Rural and Low-Income School program
SEA: State Educational Agency
Uniform Guidance: Uniform Guidance (2 CFR § 200)

Grantee Overview

Custer County is a small, rural LEA located in South-Central Colorado. In FY 2022, the LEA received grant funds under the SRSA program in the amount of \$14,846.00 and in FY 2021, the LEA received \$23,035.00. After being selected for monitoring, Custer County completed an online self-assessment and participated in a virtual monitoring interview with members of RINAP on April 24, 2023. For purposes of this review, Alice Kinney served as the lead Program Officer and Justin Tabor served as the supporting Program Officer. Leslie Poynter, REAP Group Leader, also participated in the monitoring interview and subsequent processes.



Performance Assessment

Provided below is a performance snapshot for each topic reviewed by RINAP, reflecting how well Custer County is meeting specific fiscal and program requirements. Ratings are based on a four-point scale, “commendation”; “met requirements”; “recommendations”; and “action required.” Documentation indicating the completion of each required action must be provided to RINAP within 90 business days of the receipt of the final Monitoring Report. Each rating is described in more detail below:

Section I: Commendation ● ● ● ●

This section highlights the areas where the grantee has exceeded requirements and is commended on the grant administration and fiscal management. In addition, this section provides an opportunity for RINAP to highlight those areas where the grantee has implemented an innovative or highly successful system or approach. In these areas, RINAP is not recommending or requiring the grantee to take any further action.

Section II: Met Requirements ● ● ● ○

This section identifies the areas where RINAP has determined that the grantee has met basic requirements of grant administration and fiscal management and is implementing those requirements in a satisfactory manner. The description of satisfactory implementation by relevant area and requirement is an indication of an acceptable implementation quality level. In these areas, RINAP is not recommending or requiring the grantee to take any further action.

Section III: Recommendation ● ● ○ ○

This section identifies the areas where RINAP has quality implementation concerns related to grant administration and fiscal management. In these instances, RINAP is determining that the grantee is currently complying with requirements, but that improvements could be made to improve the efficiency or effectiveness of select operations. Identified issues are grouped according to relevant area and requirement, with citations provided. For each issue listed, RINAP will provide a recommendation for improvement, but is not requiring the grantee to take any further action.



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Section IV: Action Required ● ○ ○ ○

This section identifies the areas where RINAP has significant compliance and quality concerns. For each issue listed, RINAP will outline the current practice, the nature of noncompliance, and the required action. Documentation indicating the completion of each required action must be provided to RINAP within 90 business days of the receipt of the final Monitoring Report.

Custer County Monitoring Assessment

Monitoring Topic	Assessment
Financial Management	Action Required
Period of Availability	Recommendation
Uses of Funds	Recommendation
Audit Requirements	Met Requirements
Equipment and Supplies Management	Recommendation
Personnel	Met Requirements
Procurement	Recommendation



II. Met Requirements: Audit Requirements



This section highlights areas of acceptable quality that are meeting expectations.

Requirement Summary

An LEA that expends greater than \$750,000 in Federal funding in a given fiscal year is required to have an audit conducted in accordance with the requirements established in the Uniform Guidance. Completed audits must be submitted within the earlier of 30 calendar days after receipt of the auditors' report or nine months after the end of the audit period. An LEA must promptly follow up and take corrective action on all audit findings.

Uniform Guidance: [2 C.F.R. 200.511\(a\)](#), [2 C.F.R. 200.512](#)

Description

Custer County meets the Single Audit threshold and has had two audits performed within the past three fiscal years. The LEA has not received any audit findings for the covered programs (either program-specific or cross-cutting). During the monitoring interview, the LEA stated that having a Single Audit helped the new superintendent better understand the business manager's processes and overall encouraged the LEA to hone their financial management practices.



II. Met Requirements: Personnel



This section highlights areas of acceptable quality that are meeting expectations.

Requirement Summary

An LEA shall ensure that charges to Federal awards for salaries are based on records that accurately reflect the work performed. These records must be supported by a system of internal controls, which provide reasonable assurance that the charges are accurate, allowable, and properly allocated.

Uniform Guidance: [2 C.F.R. 200.430](#)

Description

During the monitoring interview, Custer County officials described its process for tracking time and effort for the school nurse and school counselor that were paid with SRSA funds. The LEA described that its status as a small school makes tracking time and effort on a percentage basis difficult for these employees as they change roles frequently to adapt to daily needs.

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. However, consistent with 2 CFR 200.430(i), an LEA must maintain time distribution records (sometimes called “time and effort” reporting) only if an individual employee is splitting his or her time between activities that may be funded under SRSA and activities that are not allowable under SRSA. Given that the salary for the school nurse and school counselor are activities that may be funded under SRSA, and REAP staff understand that these two employees do not split their time between other activities, Custer County’s current practices are sufficient to provide a reasonable assurance that the charges are accurate, allowable, and properly allocated.



III. Recommendation: Period of Availability



This section identifies areas where RINAP has determined that the grantee is currently complying with requirements, but that improvements could be made to improve the efficiency or effectiveness of select operations.

Requirement Summary

An LEA may only charge a grant program for allowable costs incurred during the period of availability and shall liquidate all obligations incurred under the award not later than 120 calendar days after the end date of the period of availability.

EDGAR: [34 C.F.R. 75.703](#); [34 C.F.R. 75.707](#)

Description

During the monitoring interview, Custer County officials explained that due to delays and oversight caused by the COVID-19 pandemic, the previous administration was unaware of the SRSA grant awards from FYs 2019, 2020, and 2021. Once the LEA became aware of the three available awards the former superintendent and current business manager divided the FY 2019 SRSA award into two portions and allocated each half to the FY 2020 and FY 2021 SRSA funding pools. While this is not a recommended practice, the LEA did obligate all funds by the applicable deadline as well as liquidate all balances from the G5.gov system prior to the close of the liquidation period. Custer County officials described a process by which they track and manage the various deadlines attached to each grant award the LEA receives, however no written procedures exist to document these practices.

Recommendation

The Department recommends that Custer County develop written procedures to ensure compliance with 34 C.F.R. § 75.703 which requires LEAs to only obligate grant funds during the period of availability specific to each award. The document should include deadlines for the obligation and liquidation of SRSA grant funds and ensure that each fiscal year of the SRSA award is tracked separately in the LEA's accounting system. 34 C.F.R. 75.707 defines what constitutes an obligation and may be used to help the LEA determine appropriate obligation procedures.



III. Recommendation: Uses of Funds



This section identifies areas where RINAP has determined that the grantee is currently complying with requirements, but that improvements could be made to improve the efficiency or effectiveness of select operations.

Requirement Summary

An LEA can only use SRSA funds for allowable costs, as defined in the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements* (2 C.F.R. §200), which include, among other things, the requirement that costs be reasonable and necessary for the accomplishment of program objectives. An LEA must use SRSA funds to supplement, and not supplant, any other Federal, State, or local education funds and may use SRSA funds to carry out local activities authorized under Title I, Part A; Title II, Part A; Title III; and Title IV, Part A or B of the ESEA.

ESEA: [§5212](#), [§5232](#)
EDGAR: [34 C.F.R. 75.530](#)
Uniform Guidance: [2 C.F.R. 200.403-408](#); [2 C.F.R. 200.420-475](#)

Description

Custer County used its SRSA grant funds from FYs 2019, 2020, and 2021 to pay for band/music supplies and Spanish curriculum materials as well as to support the salaries and benefits of a school nurse and a school counselor. LEA officials expressed plans of continuing to use future SRSA grant awards to support the school nurse and school counselor. Although these uses of funds are generally allowable, Custer County does not maintain written procedures for determining the allowability of these costs or compliance with supplement, not supplant requirements. Thus, LEA officials were unable to demonstrate how they arrived at the decisions that these uses met Federal guidelines.

Recommendation

The Department recommends that Custer County develop written procedures to ensure compliance with updated uses of funds procedures, which may be included in the procedures developed to address the Financial Management “Action Required” described later in this report. These procedures must demonstrate compliance with the applicable sections of the ESEA, EDGAR, and Uniform Guidance. The Department recommends utilizing relevant statutes, guidance, and regulations, as well as the SRSA program website for resources and support in developing SRSA use of funds policies and procedures. These updated procedures should ensure that the LEA will adhere to cost allowability requirements, including the requirement that costs be reasonable and necessary for the accomplishment of program objectives and the requirement



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that SRSA funds supplement, and do not supplant, any other Federal, State, or local education funds.



III. Recommendation: Equipment and Supplies Management



This section identifies areas where RINAP has determined that the grantee is currently complying with requirements, but that improvements could be made to improve the efficiency or effectiveness of select operations.

Requirement Summary

An LEA shall use, manage, and dispose of equipment and supplies purchased using Federal funds in accordance with all relevant Federal laws and procedures. LEAs shall also ensure that equipment and supplies are used only for authorized purposes of the project during the period of performance (or until no longer needed).

Uniform Guidance: [2 C.F.R. 200.313-314](#)

GAO Green Book: [Principle 10.03](#)

Description

As indicated in its self-assessment, Custer County purchases items using Federal funds (including SRSA funds). During the monitoring interview, Custer County officials stated that while the LEA does not have written inventory procedures available for staff to follow, they have classroom-specific inventories that are maintained by the directly involved staff member(s). Some of these processes are still conducted using traditional, hand-written tracking but the LEA is working to develop an electronic inventory system. Additionally, during the monitoring interview, Custer County officials noted that the LEA has not disposed of any equipment purchased with Federal funds in the past three fiscal years and do not have written procedures for doing so.

Recommendation

The Department recommends that Custer County develop written procedures to ensure compliance with 2 C.F.R. § 200.313-314 which require that an LEA maintain property records that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.



III. Recommendation: Procurement



This section identifies areas where RINAP has determined that the grantee is currently complying with requirements, but that improvements could be made to improve the efficiency or effectiveness of select operations.

Requirement Summary

An LEA shall ensure that all relevant Federal procurement procedures are followed when procuring goods and services using Federal funds.

Uniform Guidance: [2 C.F.R. 200.318](#)

Description

Custer County officials noted during the monitoring interview that finding an organization to conduct some of the services they charged to the SRSA grant was challenging. For example, there are very limited options for band instrument repair companies in a rural and remote setting. Custer County officials commented that operating in a small community can sometimes mean that there may only be one vendor available. The LEA did, however, describe a process of internal controls that requires additional levels of scrutiny depending on the value of the purchase. All documentation in support of a purchase requires the approval of multiple staff members, who review all purchase requests for appropriateness. The superintendent handles the process of determining if a party has been suspended or debarred and uses resources provided by CDE, although the LEA does not maintain written procedures on this topic. Although Custer County does not use SRSA funds to purchase items over \$5,000, which would require bidding and adherence to the LEA's procurement policy, an LEA must still ensure that all relevant Federal procurement procedures are followed when procuring goods and services using Federal funds.

Recommendation

The Department recommends that Custer County develop written procurement procedures and make them available to current and future staff members to ensure that all laws and regulations are followed when acquiring property or services using Federal funds.



IV. Action Required: Financial Management



This section highlights areas with significant compliance or quality concerns that require urgent attention.

Requirement Summary

An LEA (or its agent) must use fiscal control and fund accounting procedures that ensure proper disbursement of and accounting for SRSA funds. In general, an LEA must expend and account for Federal funds in accordance with Federal laws and regulations. In addition, LEA accounting systems must satisfy Federal requirements regarding the ability to track the use of funds and permit the disclosure of financial results. LEAs must also have written procedures for determining cost allowability and must maintain effective control over all funds.

EDGAR: [34 C.F.R. 75.702](#)

Description

During the monitoring interview, Custer County officials described their financial management practices for handling SRSA grant funds. These practices include assigning an individual to oversee the planning and use of each grant, conducting quarterly reviews of all grant expenditures, performing administrative double-checks of purchase orders, and performing reconciliations as needed. Although these practices signal a basic degree of fiscal control and financial management, neither the descriptions provided during the interview, nor the supporting documentation submitted as part of the self-assessment adequately demonstrate that Custer County's current policies and procedures ensure proper disbursement of and accounting for SRSA funds.

While it was made known during the monitoring interview that the LEA has recently begun using an online accounting software designed for school districts, the processes used with the SRSA grant funds from FYs 2019, 2020, and 2021 reflected a different approach. Under the previous financial process, accounting information was entered using hand-written notes. Due to the hand-written element of the previous financial management process, it was discovered that an accounting error occurred when charges for expenditures related to reading were incorrectly attributed to the SRSA grant program. Specifically, this occurred because READ and REAP looked similar on the purchase order. Given that the RINAP reviewers were unable to sufficiently track the LEA's purchase orders, expenditure receipts, and other documentation to verify



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Uniform Guidance: [2 C.F.R. 200.302](#); [2 C.F.R. 200.303](#)

its compliance, the LEA's system does not satisfy Federal requirements under 34 CFR 75.702. Additionally, Custer County did not provide documentation regarding its written procedures for determining the allowability of costs pursuant to 2 C.F.R. 200.302(b)(7).

Action Required

Within 90 business days of receiving this report, Custer County must provide RINAP with financial management procedures that demonstrate compliance with 34 C.F.R. § 75.702, 2 C.F.R. § 200.302, and 2 C.F.R. § 200.303, which require an LEA to use fiscal control and fund accounting procedures that ensure proper disbursement of and accounting for any awarded SRSA funds. In particular, the procedures must ensure that the LEA will account for when it receives a Federal award, the award's performance period, and each expenditure associated with the award. The document must also address the requirements that the LEA: have written procedures for determining cost allowability; maintain effective control over all funds; and adhere to supplement, not supplant requirements. Additionally, the updated procedures document should describe how Custer County's recent transition to a web-based accounting system will adhere to Federal requirements.