

CFDA	Types of Compliance Requirements													
	A. Activities Allowed or Unallowed	B. Allowable Costs/Cost Principles	C. Cash Management	D. Reserved	E. Eligibility	F. Equipment and Real Property Management	G. Matching, Level of Effort, Earmarking	H. Period of Performance	I. Procurement and Suspension and Debarment	J. Program Income	K. Reserved	L. Reporting	M. Subrecipient Monitoring	N. Special Tests and Provisions
66 – Environmental Protection Agency (EPA)														
66.458 66.482	Y	Y	Y		N	N	Y	Y	Y	Y		Y	Y	Y
66.468 66.483	Y	Y	Y		N	N	Y	Y	Y	Y		Y	Y	Y
81 – Department of Energy (DOE)														
81.041	Y	Y	Y		N	N	Y	Y	Y	N		Y	Y	N
81.042	Y	Y	Y		Y	N	Y	N	Y	Y		Y	Y	N
84 – Department of Education (ED)														
84.002	Y	Y	Y		N	Y	Y	Y	Y	N		Y	Y	Y
84.010	Y	Y	Y		Y	Y	Y	Y	Y	N		Y	Y	Y
84.011	Y	Y	Y		Y	N	Y	Y	N	N		Y	Y	Y
84.027 84.173	Y	Y	Y		N	Y	Y	Y	Y	N		Y	Y	Y
84.032-G	Y	N	N		N	N	N	N	N	N		Y	N	Y
84.032-L	N	N	N		N	N	Y	N	Y	N		Y	N	Y
84.041	Y	Y	N		N	N	Y	N	N	N		Y	N	Y
84.042 84.044 84.047 84.066 84.217	Y	Y	Y		Y	Y	Y	Y	Y	N		Y	N	Y
84.048	Y	Y	Y		Y	N	Y	Y	Y	N		Y	Y	Y
84.126	Y	Y	Y		Y	N	Y	Y	Y	Y		Y	N	Y
84.181	Y	Y	Y		N	Y	Y	Y	Y	N		Y	N	N
84.282	Y	Y	Y		Y	Y	Y	Y	Y	N		Y	Y	N
84.287	Y	Y	Y		Y	N	Y	Y	N	Y		Y	Y	Y

ELECTRONIC CODE OF FEDERAL REGULATIONS

e-CFR data is current as of August 16, 2016

[Title 2](#) → [Subtitle A](#) → [Chapter II](#) → [Part 200](#) → [Subpart D](#) → §200.318

Title 2: Grants and Agreements

[PART 200—UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS](#)

[Subpart D—Post Federal Award Requirements](#)

§200.318 General procurement standards.

(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part.

(b) Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

(c)(1) The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the non-Federal entity may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, non-Federal entities may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity.

(2) If the non-Federal entity has a parent, affiliate, or subsidiary organization that is not a state, local government, or Indian tribe, the non-Federal entity must also maintain written standards of conduct covering organizational conflicts of interest. Organizational conflicts of interest means that because of relationships with a parent company, affiliate, or subsidiary organization, the non-Federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization.

(d) The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.

(e) To foster greater economy and efficiency, and in accordance with efforts to promote cost-effective use of shared services across the Federal Government, the non-Federal entity is encouraged to enter into state and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services.

(f) The non-Federal entity is encouraged to use Federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.

(g) The non-Federal entity is encouraged to use value engineering clauses in contracts for construction projects of sufficient size to offer reasonable opportunities for cost reductions. Value engineering is a systematic and creative analysis of each contract item or task to ensure that its essential function is provided at the overall lower cost.

(h) The non-Federal entity must award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources. See also §200.213 Suspension and debarment.

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

(j)(1) The non-Federal entity may use a time and materials type contract only after a determination that no other contract is suitable and if the contract includes a ceiling price that the contractor exceeds at its own risk. Time and materials type contract means a contract whose cost to a non-Federal entity is the sum of:

(i) The actual cost of materials; and

(ii) Direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit.

(2) Since this formula generates an open-ended contract price, a time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, each contract must set a ceiling price that the contractor exceeds at its own risk. Further, the non-Federal entity awarding such a contract must assert a high degree of oversight in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.

(k) The non-Federal entity alone must be responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the non-Federal entity of any contractual responsibilities under its contracts. The Federal awarding agency will not substitute its judgment for that of the non-Federal entity unless the matter is primarily a Federal concern. Violations of law will be referred to the local, state, or Federal authority having proper jurisdiction.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75885, Dec. 19, 2014; 80 FR 43309, July 22, 2015]

[Need assistance?](#)

ELECTRONIC CODE OF FEDERAL REGULATIONS

e-CFR data is current as of August 16, 2016

[Title 2](#) → [Subtitle A](#) → [Chapter II](#) → [Part 200](#) → [Subpart D](#) → §200.320

Title 2: Grants and Agreements

[PART 200—UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS](#)

[Subpart D—Post Federal Award Requirements](#)

§200.320 Methods of procurement to be followed.

The non-Federal entity must use one of the following methods of procurement.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply.

(1) In order for sealed bidding to be feasible, the following conditions should be present:

(i) A complete, adequate, and realistic specification or purchase description is available;

(ii) Two or more responsible bidders are willing and able to compete effectively for the business; and

(iii) The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

(2) If sealed bids are used, the following requirements apply:

(i) Bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids, for local, and tribal governments, the invitation for bids must be publicly advertised;

(ii) The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;

(iii) All bids will be opened at the time and place prescribed in the invitation for bids, and for local and tribal governments, the bids must be opened publicly;

(iv) A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and

(v) Any or all bids may be rejected if there is a sound documented reason.

(d) Procurement by competitive proposals. The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements

apply:

(1) Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals must be considered to the maximum extent practical;

(2) Proposals must be solicited from an adequate number of qualified sources;

(3) The non-Federal entity must have a written method for conducting technical evaluations of the proposals received and for selecting recipients;

(4) Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered; and

(5) The non-Federal entity may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms are a potential source to perform the proposed effort.

(e) [Reserved]

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

(1) The item is available only from a single source;

(2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;

(3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or

(4) After solicitation of a number of sources, competition is determined inadequate.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75885, Dec. 19, 2014; 80 FR 54409, Sept. 10, 2015]

[Need assistance?](#)

PART 6 - INTERNAL CONTROL

Internal control is generally defined as a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

The A-102 Common Rule, OMB Circular A-110 and 2 CFR section 200.303 require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. 2 CFR section 200.514 requires auditors to obtain an understanding of the non-Federal entity's internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk of noncompliance for major programs, and, unless internal control is likely to be ineffective, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program and perform testing of internal control as planned.

The objectives of internal control over the compliance requirements for Federal awards as found in 2 CFR section 200.62, are as follows:

1. Transactions are properly recorded and accounted for in order to:
 - a. Permit the preparation of reliable financial statements and Federal reports;
 - b. Maintain accountability over assets; and
 - c. Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;
2. Transactions are executed in compliance with:
 - a. Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and
 - b. Any other Federal statutes and regulations that are identified in the Compliance Supplement; and
3. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

A system of internal control is expected to provide a non-Federal entity with reasonable assurance that these objectives relating to compliance with Federal statutes, regulations, and the terms and conditions of Federal awards will be achieved.

Internal control should be an integral part of the entire cycle of planning, budgeting, management, accounting, monitoring, and reporting. It should support the effectiveness and the integrity of every step of the process and provide continual feedback to management. Non-Federal entities' program managers must carefully consider the appropriate balance between

controls and risk in their grant award programs and operations. Too many controls can result in inefficient and ineffective operations; managers must ensure an appropriate balance between the strength of controls and the relative risk associated with particular grant award programs and operations. Additionally, the benefits of controls should outweigh the costs. Non-Federal entities should consider both qualitative and quantitative factors when analyzing costs against benefits.

2 CFR section 200.303 indicates that the internal controls required to be established by a non-Federal entity receiving Federal awards should be in compliance with guidance in “Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States (Green Book) or the “Internal Control Integrated Framework” (revised in 2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COFAR Frequently Asked Question (FAQ) 200.303-2 indicates that the word “should” is used in 2 CFR part 200 to indicate a best practice. In addition, COFAR FAQ 200.303-3 indicates that, while non-Federal entities must have effective internal control, there is no expectation or requirement that the non-Federal entity document or evaluate internal controls prescriptively in accordance with COSO, the Green Book, or this part of the Supplement, or that the non-Federal entity or auditor reconcile technical differences between them.

The Green Book and COSO are both organized by five components of internal control as shown in the exhibit below. COSO introduced the concept of 17 principles related to the five components of internal control, each of which has important attributes which explain the principles in greater detail. The Green Book adapts these principles for a government environment.

Summary of Green Book and COSO Components and Principles of Internal Control

Components of Internal Control	Principles
A. Control Environment	<ol style="list-style-type: none"> 1. Demonstrate Commitment to Integrity and Ethical Values 2. Exercise Oversight Responsibility 3. Establish Structure, Responsibility and Authority 4. Demonstrate Commitment to Competence 5. Enforce Accountability
B. Risk Assessment	<ol style="list-style-type: none"> 6. Define Objectives and Risk Tolerances 7. Identify, Analyze, and Respond to Risks 8. Assess Fraud Risk 9. Identify, Analyze, and Respond to Change
C. Control Activities	<ol style="list-style-type: none"> 10. Design Control Activities 11. Design Activities for the Information System 12. Implement Control Activities
D. Information and Communication	<ol style="list-style-type: none"> 13. Use Quality Information 14. Communicate Internally 15. Communicate Externally
E. Monitoring	<ol style="list-style-type: none"> 16. Perform Monitoring Activities 17. Evaluate Issues and Remediate Deficiencies

Because both COSO and the Green Book have the same components of internal control and similar principles, for simplicity, the remaining discussion in this part is based on the Green Book.

The following describes characteristics of internal control relating to each of the five components of internal control (as defined by the Green Book) that should reasonably ensure compliance with the requirements of Federal statutes, regulations, and the terms and conditions of Federal awards. (The bracketed information highlights a relationship to one of the Green Book principles.). This description is intended to assist non-Federal entities and their auditors in complying with their respective requirements. However, the characteristics may not necessarily reflect how an entity considers and implements internal control. Also, the following is not a checklist of required internal control characteristics. Non-Federal entities could have adequate internal control even though some or all of the following characteristics are not present. Further, non-Federal entities could have other appropriate internal controls operating effectively that have not been included. Non-Federal entities will need to exercise judgment in determining the most appropriate and cost-effective internal control in a given environment or circumstance, to provide reasonable assurance of compliance with Federal program requirements.

A. Control Environment. The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

- There is a sense of conducting operations ethically, as evidenced by a code of conduct or other verbal or written directive. [Principle 1]
- There is a governing Board or equivalent that is responsible for engaging the auditor, receiving all reports and communications from the auditor, and ensuring that audit findings and recommendations are adequately addressed, and they fulfill those responsibilities. [Principle 2]
- Key managers' responsibilities are clearly defined. [Principle 3].
- The Board has established an Audit Committee. [Principle 3]
- Key managers have adequate knowledge and experience to discharge their responsibilities. [Principle 4]
- Management's commitment to competence ensures that staff receive adequate training to perform their duties. [Principle 4]
- Staff are knowledgeable about compliance requirements and are given responsibility to communicate all instances of noncompliance to management. [Principle 4]
- Management demonstrates respect for and adherence to program compliance requirements. [Principle 5]
- Management initiates positive responsiveness to prior compliance and control findings. [Principle 4]
- Management makes evident its support of adequate information and reporting systems. [Principle 1]

B. Risk Assessment. Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

- Program managers and staff understand and have identified key compliance objectives and risk tolerances. [Principle 6]
 - Management is aware of results of monitoring, audits, and reviews, and considers related risk of noncompliance. [Principle 7]
 - Management and employees identify, analyze, and adequately respond to risks related to achieving the defined objectives. [Principle 7]
- The organizational structure provides identification of risks of noncompliance [Principle 7]
 - Key managers have been given responsibility to identify and communicate changes.
 - Employees who require close supervision (e.g., they are inexperienced) are identified.
 - Management has identified and assessed complex operations, programs, or projects.
- Management considers the potential for fraud when identifying, analyzing, and responding to risk. This assessment includes at a minimum the following: [Principle 8]
 - types of fraud,
 - fraud risk factors, and
 - response to fraud risks.
- Processes are established to implement significant changes in program objectives and procedures. [Principle 9]

C. Control Activities. The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system.

- Adequate segregation of duties is provided between performance, review, and recordkeeping of a task. [Principle 10]
- Computer and program controls include [Principle 11]:
 - Data entry controls, e.g., edit checks.
 - Exception reporting.
 - Access controls.
 - Reviews of input and output data.
 - Computer general controls and security controls.
- Supervision of employees is commensurate with their level of competence. [Principle 10]
- Personnel possess adequate knowledge and experience to discharge their responsibilities. [Principle 10]
- Operating policies and procedures exist and are clearly written and communicated. [Principle 11]

- Procedures are in place to implement changes in statutes, regulations, and the terms and conditions affecting Federal awards. [Principle 11]
- Management prohibits intervention or overriding established controls. [Principle 11]
- Equipment, inventories, cash, and other assets secured physically and periodically counted and compared to recorded amounts. [Principle 10]
- If there is a governing Board, the Board conducts regular meetings where financial information is reviewed and the results of program activities and accomplishments are discussed. Written documentation is maintained of the matters addressed at such meetings. [Principle 11]

D. Information and Communication. The quality of information management and personnel communicate and use to support the internal control system.

- The accounting system provides for separate identification of Federal and non-Federal transactions and allocation of transactions applicable to both. [Principle 13]
- Adequate source documentation exists to support amounts and items reported. A recordkeeping system is established to ensure that accounting records and documentation are retained for the time period required in the statutes, regulations, and the terms and conditions applicable to the program. [Principle 13]
- Accurate information is accessible to those who need it. [Principle 13]
- Reports are provided timely to managers for review and appropriate action. [Principle 13]
- Reconciliations and reviews ensure accuracy of reports. [Principle 13]
- Established internal and external communication channels exist. [Principle 14]
 - Staff meetings.
 - Bulletin boards.
 - Memos, circulation files, e-mail.
 - Surveys, suggestion box.
- Employees' duties and control responsibilities are effectively communicated. [Principle 14]
- Channels of communication for people to report suspected improprieties have been established. [Principle 14]
- There are established channels of communication between the pass-through entity and subrecipients. [Principle 15]
- Actions are taken as a result of communications received. [Principle 13]

E. Monitoring. Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

- Ongoing monitoring is built-in through independent reconciliations, staff meeting feedback, rotating staff, supervisory review, and management review of reports. [Principle 16]

- Periodic site visits are performed at decentralized locations (including subrecipients' locations) and checks are performed to determine whether procedures are being followed as intended. [Principle 16]
- Management meets with program monitors, auditors, and reviewers to evaluate the condition of the program and controls. [Principle 16]
- Management follows up on irregularities and deficiencies to determine the cause. [Principle 17]
- Internal quality control reviews are performed.
- Internal audit routinely tests for compliance with Federal requirements. [Principle 17]
- If there is a governing Board, the Board reviews the results of all monitoring or audit reports and periodically assesses the adequacy of corrective action. [Principle 17]