Procurement Through the Monitor's Lens

Testing CAA procurement compliance during State CSBG fiscal monitoring

1

Purchase

CAA transaction occurs

2

Procurement File

Documentation assembled

3

Monitor Review

Evidence tested

4

Conclusion

Finding or compliance

2 CFR §§200.317–200.327 | 42 USC §§9914–9916

Procurement Through the Monitor's Lens

From the perspective of the fiscal monitor, the focus is not on how to conduct a procurement, but on how to **review and evaluate** whether a CAA's completed procurement transactions complied with applicable federal and state requirements. Monitors must assess what happened after the fact, using documentation and evidence to reach defensible conclusions.

Uniform Guidance Standards

2 CFR §§200.318–327 applied to CAA subrecipients

Evidence-Based Monitoring

What rule applied? What actually occurred? What evidence supports it?

Risk-Focused Testing

Sample by risk profile, not convenience

Exception → Corrective Action

Translate findings into defensible conclusions

Monitor's Key Question: Not "Did they get three bids?" but "What rule applied, what did the entity's policy require, what actually occurred, and what evidence supports it?"

2 CFR §§200.317–200.327

Why Procurement Is a CSBG Monitoring Issue

Procurement monitoring is not an optional audit technique. It sits within the State's **statutory responsibility** to monitor eligible entities under the CSBG Act.

Program Performance

42 U.S.C. §9914 requires States to review whether eligible entities meet performance goals, administrative standards, and financial-management requirements.

Fiscal Controls

42 U.S.C. §9916 requires States to establish fiscal-control and fund-accounting procedures — including procedures to monitor CSBG funds specifically.

Mandatory Review Cadence

Full onsite review at least once every 3 years; additional reviews for newly designated entities and entities with deficiencies.

MONITOR'S LENS: Procurement testing is part of the State's assessment of whether the CAA has functioning fiscal controls — not simply a checklist exercise.

42 U.S.C. §9914 (CSBG Act §678B) | 42 U.S.C. §9916 (CSBG Act §678D)

Which Procurement Rules Apply to a CAA?

Before testing any transaction, establish the correct regulatory framework. **Do not apply the State agency's procurement rules** as a substitute for the rules that govern the CAA as a subrecipient.

1

1. CSBG Award / Subaward Terms

Begin here — award terms may impose requirements beyond the regulatory baseline.

2

2. CSBG Act + HHS/OCS Requirements

Statutory and program-specific overlay.

3

3. 2 CFR Part 200 / HHS Part 300

CAA subrecipients follow §§200.318–200.327. HHS adopted Part 200 via 2 CFR §300.106.

4

4. State / Local Law and Regulation

Applicable State and local requirements layer on top of Federal standards.

5

5. CAA's Written Procurement Policy

Must be consistent with all of the above. Obtain the policy in effect at the time of the transaction — not today's version.

MONITOR'S LENS: §200.317 gives States special treatment for their own procurements. But CAA subrecipients must follow §§200.318–200.327. Establish the applicable criteria before selecting a finding.

2 CFR §300.106 | 2 CFR §§200.317–200.318

Start With the Thresholds — Then Choose the Method

The first monitoring step for every sampled transaction is to **establish the applicable threshold** that was in effect on the date of purchase — then determine which method applied.

Permitted Exception

Noncompetitive Procurement

Above SAT

Formal Procurement

Above MPT to SAT

Simplified Acquisition

At or Below MPT

Use Micro-Purchase

Federal FAR Baselines (eff. 10/1/2025)

Micro-Purchase Threshold (MPT): $15,000
Simplified Acquisition Threshold (SAT): $350,000

⚠️ Verify the CAA's Documented Thresholds

A CAA may adopt a **lower SAT**, or a **higher MPT** up to $50,000 (annual self-certification) or above $50,000 (cognizant-agency approval). Ask: *"Show me the policy and documentation establishing the thresholds in effect on the date of this purchase."*

Federal baseline thresholds shown as of October 1, 2025. Verify the entity's approved thresholds, applicable State/local requirements, award terms, and rules in effect at the time of procurement. | 2 CFR §200.320(a)

Informal Procurement: What Should the Monitor Test?

Micro-Purchase (≤ authorized MPT)

Verify:

- Transaction is within the CAA's authorized MPT
- Price was considered reasonable
- Equitable distribution among vendors when practicable

Evidence to Request:

- Policy/threshold documentation
- Invoice, catalog, price history, or market check
- Approval documentation

Simplified Acquisition (above MPT through SAT)

Verify:

- Purchase is above MPT but at or below the entity's SAT
- Quotes from an adequate number of qualified sources
- Selection consistent with documented policy

Evidence to Request:

- Quotes, emails, or screenshots
- Comparison sheet / bid tabulation
- Approval and selection rationale

🚩 **RED FLAG:** Repeated transactions with the same vendor at amounts near or just below a threshold — review the full vendor ledger, not individual invoices. Uniform Guidance does not establish a universal "three-quote rule." If the CAA's policy requires three quotes, that becomes relevant because the entity must follow its documented procedures.

MONITORING PRACTICE: Transaction-splitting review | 2 CFR §200.320(a)

Formal Procurement: Follow the Competition Trail

Above the CAA's simplified acquisition threshold, formal competitive procurement is required. The monitor's job is to **reperform the selection from the file.**

Sealed Bids

- Public solicitation (Invitation for Bids)
- Clear, complete specifications
- Responsive and responsible bidder determination
- Award to lowest responsive/responsible bidder
- Rejected bids documented with rationale

Competitive Proposals

- Public notice of RFP
- Evaluation factors and relative importance disclosed upfront
- Multiple qualified sources solicited
- Written evaluation procedures and scoring
- Best-value selection with documented rationale

MONITOR'S LENS — Verify: Can you see why the selected bidder was responsive and responsible? Can you see why rejected bids were rejected? **Red Flag:** Qualifications-based selection with no price factor is permitted for A/E professional services — it should *not* be used as a general no-price method for ordinary consulting contracts.

2 CFR §200.320(b)

Noncompetitive Procurement: Validate the Path

Noncompetitive procurement is allowed **only** when a specifically authorized circumstance applies. "Preferred vendor" is never an authorized basis.

01

At or Below Authorized MPT

Transaction falls within the entity's documented micro-purchase threshold.

02

Only One Source Available

Item/service is available only from a single source. *Ask: What evidence establishes that?*

03

Public Exigency or Emergency

Urgency genuinely prevented the delay associated with competition. Scope must match the emergency.

04

Written Federal / PTE Approval

Written request submitted and written approval received from the Federal agency or pass-through entity.

05

Inadequate Competition

Competition was inadequate after several sources were genuinely solicited.

🚩 **RED FLAG — "Preferred Vendor" ≠ "Single Source."** Test the *facts* underlying the exception — not merely whether a form labeled "sole source justification" exists. Look for: contemporaneous justification, facts supporting the exception, vendor-selection rationale, price reasonableness, and required approvals.

2 CFR §200.320(c)

Competition, Conflicts & Contract Guardrails

Competition — REQUIRED

- Full and open competition; neutral specifications
- Spec writer cannot compete on that procurement
- Avoid arbitrary restrictions (unreasonable qualifications, unjustified brand-name specs)
- Consider small, minority, women-owned, veteran-owned, and labor-surplus-area businesses when practicable

Conflicts of Interest — REQUIRED

- Written standards of conduct required
- Applies to employees, officers, agents, **and board members**
- Both real and apparent conflicts trigger disclosure + recusal
- Test: Are disclosures documented? Is there evidence of recusal?

Contract Controls — REQUIRED

- Contractor oversight after award (§200.318)
- Applicable Appendix II clauses in contracts (§200.327)
- No cost-plus-percentage-of-cost arrangements
- No percentage-of-construction-cost arrangements

MONITOR'S LENS: Review does not stop at contract award. §200.318 requires ongoing contractor oversight. Conflict rules extend to board members — verify both the standards of conduct policy and evidence of its application.

2 CFR §§200.318–200.319, 200.321–200.322, 200.324(c), 200.327

Cost or Price Analysis: What the Rule Actually Requires

Section 200.324 does not require a formal cost or price analysis for every purchase. The requirement applies to transactions **in excess of the simplified acquisition threshold**, including modifications.

Timing

Independent estimate made before bids or proposals.

Evidence

Analysis doc, independent estimate, mod reviews.

Rule

Cost/price analysis required above SAT, including mods.

Monitor Test

Was analysis timely and does it support reasonableness?

Price Analysis

Compares total proposed price against competition, catalog prices, or market data. Used when competition provides adequate basis.

Cost Analysis

Examines individual cost elements/components. Required when circumstances warrant deeper scrutiny — e.g., noncompetitive awards above SAT.

⚠ **Important Distinction:** Obtaining quotes for a simplified acquisition is not the same as conducting a §200.324 cost/price analysis. The method and degree of analysis depend on the facts and circumstances of each procurement.

2 CFR §200.324(a)–(c)

Can You Reconstruct the Procurement File?

The monitor's objective is to reconstruct the procurement from beginning to end. **The file should tell a coherent story** — from identified need to contractor performance.

1 Need

What was purchased and why? Requisition, scope of work, or specifications.

2 Method

Why was this procurement method appropriate? Threshold support; policy in effect at time of purchase.

3 Competition

Who was solicited? Who responded? Quotes, bids, or proposals; evaluation; conflict disclosures; noncompetitive justification if applicable.

4 Decision

Why this contractor at this price? Selection rationale; cost/price analysis when required; contract/PO with applicable clauses and required approvals.

5 Performance

Did the contractor deliver as required? Invoice/payment support; amendments; contractor oversight evidence.

Record Retention: General Federal rule is **3 years from submission of the final financial report** — not 3 years from final payment. Different starting point applies for quarterly/annually renewed awards. See 2 CFR §200.334 for exceptions.

2 CFR §§200.318, 200.327, 200.334

Monitoring Fieldwork: Sample for Risk, Not Convenience

Do not begin by asking the CAA to choose files for you. **Start from accounting and procurement populations** and select samples based on risk indicators.

Start With Data

- General ledger
- Accounts payable / vendor report
- Contract list
- Procurement log

Prioritize These Risk Indicators

- Transactions near or above thresholds
- Noncompetitive awards
- Repeat vendors (test aggregate relationship)
- Related-party indicators
- Large amendments or change orders
- Construction, IT, or professional services
- Items flagged in prior reviews or audits

Criteria

What rule applied?

Evidence

What did you review?

Test

What did you compare?

Conclusion

Compliant or deficient?

MONITORING PRACTICE: Sample design is not prescribed by §200.320.

Make the Call: Evidence → Conclusion → Corrective Action

🎯 Scenario

A CAA purchases **$48,000 of consulting services** from a recurring vendor. No competing quotes. Staff explanation: *"They're our preferred consultant."*

Discussion Questions

1. What threshold was in effect?
2. What method should have applied?
3. What evidence would you request?
4. Is there an authorized noncompetitive basis?
5. What would support your monitoring conclusion?

The Monitor's Conclusion Chain

01

Requirement

Identify the applicable standard

02

Condition

Document what actually occurred

03

Evidence

Cite what you reviewed and tested

04

Conclusion

Compliant / deficient / inconclusive

05

Corrective Action

Linked to CSBG Act §678C / OCS IM #116

Key Takeaway: A strong procurement monitoring conclusion is not *"they didn't get three bids."* It is: **"The applicable requirement was X; the evidence shows Y; therefore the transaction was [or was not] compliant."**

2 CFR §200.320 | 42 U.S.C. §9915 / CSBG Act §678C | OCS IM #116

APPENDIX A

Procurement Monitoring Quick Reference

⚠ **Threshold Disclaimer:** Federal baseline thresholds shown as of October 1, 2025. Verify the entity's approved thresholds, applicable State/local requirements, award terms, and rules in effect at the time of procurement.

	Trigger	Core Requirement	
Micro-Purchase	≤ approved MPT (FAR baseline: $15,000)	Reasonable price; no quotes required; equitable distribution among vendors when practicable	Threshold support; price-reasonableness evidence (invoice, catalog, market check); approval
Simplified Acquisition	Above MPT through approved SAT (FAR baseline: $350,000)	Quotes from adequate number of qualified sources; selection consistent with policy	Quotes; comparison/bid tabulation; selection rationale; approval
Sealed Bid	Above SAT; price-determinative competition appropriate	Formal competition; award to lowest responsive/responsible bidder	IFB; bids received; opening documentation; bid tabulation; responsibility determination
Competitive Proposal	Above SAT; price not sole basis for award	Public notice; evaluation factors disclosed; written evaluation process; best-value selection	RFP; proposals received; evaluation scores; selection rationale
Noncompetitive	Only when a permitted circumstance applies (§200.320(c))	Document the applicable authorized basis; price reasonableness; required approvals	Contemporaneous justification and supporting facts; vendor-selection rationale; approval documentation

2 CFR §200.320

APPENDIX B

Procurement File Monitoring Checklist

📋 Policy & Threshold

- [ ] Procurement policy in effect at time of transaction
- [ ] MPT and SAT documentation and support
- [ ] Required approval levels confirmed

🔍 Competition

- [ ] Solicitation documented (IFB, RFP, or quotes)
- [ ] Quotes, bids, or proposals received and retained
- [ ] Evaluation criteria and scoring documented
- [ ] Contractor responsibility determination on file
- [ ] Conflict-of-interest disclosures completed
- [ ] Recusal documentation where applicable

💲 Price

- [ ] Price reasonableness support documented
- [ ] Independent estimate prepared before bids/proposals (when above SAT)
- [ ] Cost or price analysis performed when above SAT

📄 Award & Administration

- [ ] Contract or purchase order on file
- [ ] Applicable Appendix II clauses included
- [ ] Amendments and change orders documented with approvals
- [ ] Contractor performance documented
- [ ] Invoice and payment support retained

🗂️ Retention

- [ ] Records retained in accordance with 2 CFR §200.334 (generally 3 years from submission of final financial report)

MONITOR'S LENS: Missing documentation is a technical gap — it may prevent you from establishing whether competition, price reasonableness, conflicts, or required approvals were actually addressed.

2 CFR §§200.318–200.327, 200.334

APPENDIX C

Federal Reference Crosswalk

CSBG-Specific Authorities

42 U.S.C. §9914 / CSBG Act §678B

Monitoring of eligible entities — performance, administrative standards, financial management. govinfo.gov

42 U.S.C. §9915 / CSBG Act §678C

Corrective action; deficiency notice; quality improvement; termination/reduction procedures. govinfo.gov

42 U.S.C. §9916 / CSBG Act §678D

Fiscal controls, audits, and monitoring — including monitoring of CSBG funds. govinfo.gov

OCS IM #116

Corrective action, termination, and reduction of funding procedures. acf.gov

OCS CSBG State Plan Toolkit

Current State Plan resources and guidance. acf.gov

Uniform Guidance / HHS Authorities

2 CFR §300.106

HHS adoption of Part 200 Uniform Guidance. ecfr.gov

2 CFR §200.317

State procurement — special treatment for State's own procurements vs. subrecipient rules. ecfr.gov

2 CFR §§200.318 200.327

Full procurement standards applicable to CAA subrecipients. ecfr.gov

2 CFR §200.324

Cost or price analysis — required for transactions above SAT including modifications. ecfr.gov

2 CFR §200.334

Record retention — generally 3 years from submission of final financial report. ecfr.gov

Evaluating Internal Controls During CSBG Fiscal Monitoring

From written policies to evidence that controls actually work

Policy **Process** **Evidence** **Conclusion**

CSBG Act §678B | 2 CFR §§200.302, 200.303, 200.332

The Monitor's Job Is Different

State monitors evaluate controls — they don't design or operate them. Knowing the difference sharpens every interview, every document request, and every conclusion.

CAA Responsibility

- Establish controls
- Follow controls
- Monitor compliance
- Correct problems

State Monitor Responsibility

- Understand the control design
- Verify implementation
- Test selected evidence
- Evaluate exceptions
- Require corrective follow-up when necessary

⚠ Do not stop at "Do you have a policy?" — Inquiry alone is weak monitoring evidence.

2 CFR §200.303

Why State CSBG Staff Evaluate Controls

Four overlapping authorities establish the State's responsibility and access rights during fiscal monitoring.

CSBG Act — 42 USC §9914

State monitoring of eligible entities; onsite review required at least once per three-year period

2 CFR §200.302

Financial management system requirements: source documentation, asset control, budget comparisons, written procedures

2 CFR §200.303

Effective, documented internal controls and ongoing compliance monitoring by recipients and subrecipients

2 CFR §200.332

Pass-through entity risk assessment and monitoring obligations; §200.337 establishes access to records and personnel

42 USC §9914 | 2 CFR Subpart D

Five Components, One Monitoring Question

The GAO/COSO framework referenced in 2 CFR §200.303 becomes the monitor's organizing structure. For every component, apply the same four stage test.

01

Control Environment

Does leadership create accountability?

02

Risk Assessment

Does the agency know what can go wrong?

03

Control Activities

What actually prevents or detects it?

04

Information & Communication

Does the right information reach the right people?

05

Monitoring

Does management know whether controls are working?

The Four-Stage Monitor Test

1

Design

Is there a control that addresses the risk?

2

Implementation

Has the agency put the control into operation?

3

Evidence

Can the agency demonstrate it occurred?

4

Effectiveness

Does the control provide reasonable assurance consistently?

2 CFR §200.303 | GAO Green Book | COSO Internal Control Integrated Framework

How to Test a Control

Strong monitoring conclusions combine multiple evidence types. Corroborate what people tell you.

ASK — Inquiry

"Walk me through how an invoice is processed."

LOOK — Inspect Records

Policy, invoice, approval, PO, receiving evidence, coding, payment

WATCH — Observe Process

System access, approval routing, check or electronic payment release

TEST — Trace or Reperform

Compare allocation to methodology; trace expense from GL to Federal report

Control Environment: Start at the Top

Controls begin with governance and management tone. A policy may look strong while the actual culture undermines it.

✅ Verify

- Clear fiscal authority and delegations
- Active board financial oversight
- Conflict-of-interest expectations
- Ethical reporting and escalation culture

📄 Evidence

- Board minutes
- Fiscal policies and org chart
- Conflict-of-interest disclosures
- Whistleblower policy

⚠️ Red Flags

- Routine management override
- Long-standing key vacancies
- Board receives little fiscal information
- Policies ignored "because we always do it this way"

Org Standards (private/nonprofit): 4.6 Risk assessment reported to board | 5.6 COI acknowledgments | 7.7 Whistleblower policy | Category 8 Board fiscal oversight — verify State-adopted tool; public entity standards differ.

OCS IM 138 | 2 CFR §200.303

Risk Assessment: Does the Agency Know Where It Is Vulnerable?

What Monitors Look For

Risk assessment should not sit on a shelf. Ask what has **changed** since the last monitoring visit new staff, new software, program growth, banking changes, or prior findings and what management changed because of that risk.

Risk identified → Control assigned → Follow up documented

For private CAAs, Org Standard **4.6** requires an organization wide risk assessment reported to the governing board. Under §200.332, pass through entities must also evaluate each subrecipient's fraud risk and noncompliance risk.

2 CFR §200.332 | OCS IM 138 Standard 4.6

Control Activities: Where Monitoring Becomes Concrete

Control activities are where monitors most readily connect policy to individual transactions. This is typically the most detailed section of a fiscal review.

Approvals

Who authorizes? At what threshold? Is authority documented?

Segregation of Duties

Are initiation, approval, recording, and payment separated? Are compensating controls in place for small agencies?

Reconciliations

Bank, grant, payroll — who performs and who independently reviews?

System Access

Who can enter, edit, or release transactions? Is access reviewed and removed promptly?

Documentation

Source docs, receiving evidence, cost-allocation support — present and sufficient?

Exception Review

Journal entries, cost transfers, manual adjustments — these can bypass normal controls

Apply across common fiscal areas: **AP** • **Payroll** • **Procurement** • **Cost Allocation** • **Journal Entries** • **Cash**

2 CFR §200.302 | 2 CFR §200.403

Information, Communication & Cyber Controls

Effective controls depend on timely information reaching people who can act on it — and on protecting sensitive data from unauthorized access.

Monitor For:

- Timely budget-to-actual reports reaching program managers
- Clear communication of grant restrictions to program staff
- Consistent program and fiscal data across reports
- Policy changes communicated before implementation
- Protected sensitive fiscal and client information

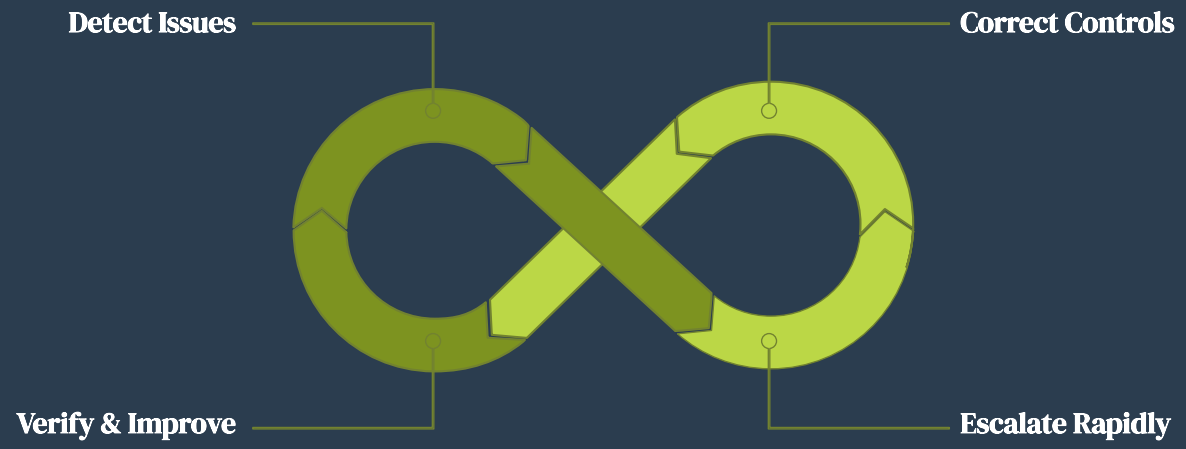
Cyber Questions to Ask:

- Who can access accounting and banking systems?
- Is access removed promptly when staff depart?
- Who can change vendor banking information?

2 CFR §200.303 | OCS IM 138

Monitoring: Does the CAA Catch Its Own Problems?

The CAA's own monitoring activities determine whether its controls continue to work. State monitoring evaluates whether those management processes exist — and whether they are effective.



Recurring findings are a significant red flag — they may indicate corrective action addressed the symptom rather than the underlying control weakness.

2 CFR §200.303 | 2 CFR §200.332

Look For:

- Reconciliation review by an independent party
- Management review of financial reports
- Internal spot checks and exception tracking
- Prior audit and monitoring finding follow-up
- Documented corrective-action follow-through

Would management know if this control stopped working?

Organizational Standards Are Part of the Control Story

Do not treat Organizational Standards as a separate monitoring universe — many provide direct evidence about the internal-control system. **Private/nonprofit and public-entity standards are not identical.** Apply the standards adopted by your State for the entity being reviewed.

Theme	Standards (private/nonprofit)	Monitor Evidence
Risk & Ethics	4.6 | 5.6 | 7.7	Risk assessment reported to board; COI disclosures; whistleblower policy in place and communicated
Fiscal Oversight	8.1 – 8.9	Audit process and findings; board financial reports; budget approval; payroll controls
Fiscal Infrastructure	8.10 – 8.13	Fiscal policy; procurement policy; cost-allocation methodology; records retention

⚠ Audit threshold under current 2 CFR §200.501: $1 million in Federal awards expended per fiscal year. Do not use obsolete A-133 terminology. Confirm current award terms and State requirements.

OCS IM 138 | 2 CFR §200.501

Follow One Transaction Through the System

Select a real transaction and walk it end to end. Do not look at only the invoice connect every control along the trail.

Need Identified | **Budget & Allowability** | **Procurement** | **Approval** | **Goods Received**

Who?

Which staff member acted at each stage? Did they have authority?

What Evidence?

What document or system record demonstrates the step occurred?

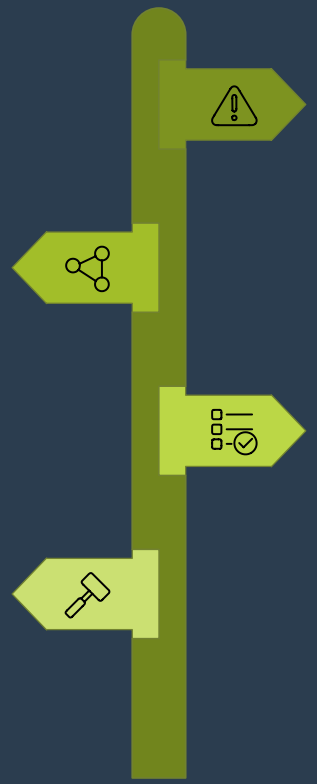
What Control?

Which policy or procedure was supposed to govern this step?

2 CFR §200.403

From Exception to Monitoring Conclusion

Not every exception proves the entire control system is ineffective. Determine scope, connect to a criterion, and document with precision.



Exception Identified

Record the exception and relevant evidence.

Isolated or Systemic?

Assess scope and frequency across processes.

Requirement or Control That Failed

Map to the specific criterion or policy.

Fiscal and Compliance Risk

Evaluate financial and regulatory impact.

Documentation Formula

Criterion

Which requirement, standard, or policy applies?

Condition

What did you find? What evidence supports it?

Risk

Why does this matter for Federal fund stewardship?

Required Action

What corrective step does State protocol require?

Also document effective controls — monitoring should give an accurate picture of the full system.

2 CFR §200.332

Four Questions to Take Into Every Fiscal Review

1

What could go wrong?

Start with the risk before examining the control.

2

What control is supposed to prevent or detect it?

Identify the specific designed control, not the general policy.

3

What evidence shows the control actually operated?

Combine inquiry, inspection, observation, and testing.

4

What happens when the control fails?

Does management detect, escalate, correct, and document exceptions?

Don't just verify the policy. Follow the control.

2 CFR §§200.302–303 | 2 CFR §200.332 | 42 USC §9914 | CSBG Organizational Standards | Confirm current award terms and State monitoring protocol before presenting.