

## APPENDIX II

### Federal and State Requirements

#### Federal Requirements

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- B. Allowable Costs/Costs Principles
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- E. Eligibility
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- I. Procurement & Suspension  
& Debarment
- J. Program Income
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- L. Reporting
- M. Subrecipient Monitoring
- N. Special Tests & Provisions

#### State Requirements

- 1. Activities Allowed or Unallowed
- 2. Allowable Costs/Costs Principles
- 3. Cash Management
- 4. Conflict of Interest
- 5. Eligibility
- 6. Equipment & Real Property  
Management
- 7. Matching, Level of Effort,  
Earmarking
- 8. Period of Availability of  
Federal Funds
- 9. Procurement & Suspension  
& Debarment
- 10. Program Income
- 11. Real Property Acquisition &  
Relocation Assistance
- 12. Reporting
- 13. Subrecipient Monitoring
- 14. Special Tests & Provisions

<b>TYPE OF COMPLIANCE REQUIREMENT</b>
<p><i>Indicate which of the 14 types of compliance requirements are applicable to this program. More information about these requirements may be found in Part 3 of the Compliance Supplement (<a href="http://www.whitehouse.gov/OMB/grants">http://www.whitehouse.gov/OMB/grants</a>)</i></p>
<p><b><i>Activities Allowed or Unallowed</i></b>  The specific requirements for activities allowed or unallowed are unique to each Federal or State program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program. This type of compliance requirement specifies the activities that can or cannot be funded under a specific program. This <u>almost always applies</u> to Federal programs.</p>
<p><b><i>Allowable Costs/Cost Principles</i></b>  The OMB cost principles circulars prescribe the cost accounting policies associated with the administration of Federal awards by non-profit organizations, States, local governments, and Indian tribal governments. This <u>almost always applies</u> since most Federal and State programs have charges for goods or services. However, if a program only involves benefits to eligible recipients, with no administrative costs, purchases of goods or services (including salaries and overhead), or allocated costs, then allowable costs may not apply.</p>
<p><b><i>Cash Management</i></b>  When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. When funds are advanced to recipients they must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and State Treasurer disbursement. When advance payment procedures are used to pay subrecipients, recipients must establish similar procedures for subrecipients. The requirements for cash management are contained in the OMB Circular 102 (Paragraph 2.a.), the A-102 Common Rule (' ____21), OMB Circular A-110 (' ____22), Treasury regulations at 31 CFR part 205, Federal awarding agency regulations, and the terms and conditions of the award. Cash Management <u>almost always applies</u> to Federal programs. An exception would be a Federal award that operates solely on a cost reimbursement basis only with no cash being advanced.</p>
<p><b><i>Davis-Bacon Act (only applies to Federal awards)</i></b>  When required by the Davis Bacon Act, the Department of Labor's (DOL) governmentwide implementation of the Davis-Bacon Act, or by Federal program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL (40 USC 276a to 276a-7).</p> <p><b><i>Conflict of Interest: (only applies to State awards)</i></b>  G.S. 14-234 includes a general prohibition against any public official having a personal interest in any contract to which he/she is a party in his/her official capacity. Any other statute or agency policy that applies should be tested as part of this compliance requirement.</p>
<p><b><i>Eligibility</i></b>  This compliance requirement specifies the criteria for determining the individuals, groups of individuals, or subrecipients that can participate in the program and the amounts for which they qualify. Eligibility applies to most Federal and State programs which provide benefits to individuals, groups of individuals, or make subawards.</p>
<p><b><i>Equipment and Real Property Management</i></b>  This compliance requirement refers to rules governing the vesting, use and disposition to a non-Federal entity of a title to equipment or real property acquired by that entity with Federal awards. These requirements apply to Federal and State programs which purchase equipment or real property.</p>

***Matching, Level of Effort, Earmarking***

This compliance requirement is unique to every program and is defined, respectively as, (1) *matching* or cost sharing includes requirements to provide contributions (usually non-Federal) of a specified amount or percentage to match Federal and State awards; (2) *level of effort* includes requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from non-Federal or Federal/State sources for specified activities to be maintained from period to period, and (c) Federal or State funds to supplement and not supplant non-Federal funding of services; (3) *earmarking* includes requirements that specify the minimum and/or maximum amount or percentage of the program's funding that must/may be used for specified activities, including funds provided to subrecipients. Earmarking may also be specified in relation to the types of participants covered.

***Period of Availability of Federal or State Funds***

This compliance requirement refers to the period during which a non-Federal entity may use the Federal funds. This almost always applies to Federal and State programs.

***Procurement and Suspension and Debarment***

All non-Federal entities follow Federal laws and implementing regulations applicable to procurements, as noted in Federal agency implementation of the A-102 Common Rule and OMB Circular A-110. Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Procurement and Suspension and Debarment applies any time the non-Federal entity procures goods or services. Suspension and debarment applies to both procurements and subawards.

***Program Income***

This compliance requirement refers to gross income received that is directly generated by the Federally funded or State funded project during the grant period. Program income includes, but is not limited to, income from: fees for services performed, the use or rental of real or personal property acquired with grant funds, the sale of commodities or items fabricated under a grant agreement, and payments of principal and interest on loans made with grant funds. Generally, it does not include interest on grant funds (covered under Cash Management), rebates, credits, discounts, refunds, etc. (covered under Allowable Costs/Cost Principles), or interest earned on any of them (covered under Cash Management). Program income does not include the proceeds from the sale of equipment or real property.

***Real Property Acquisition/Relocation Assistance***

This compliance requirement refers to the applicability of Federal requirements that govern the determination of payments for replacement housing assistance, rental assistance, and down payment assistance for individuals displaced by Federally funded or State funded projects. The regulations also cover the payment of moving-related expenses and reestablishment expenses incurred by displaced businesses and farm operations. This only applies as required by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) for payments to persons displaced from their homes, businesses, or farms by Federally assisted programs.

***Reporting***

This compliance requirement refers to financial, performance of other unique reporting required of the non-Federal entity. All reports required must have valid OMB control numbers. Reporting almost always applies.

***Subrecipient Monitoring***

This refers to the requirement that a pass-through entity perform various monitoring activities, such as reviewing reports submitted by the subrecipient, performing site visits to the subrecipient to review financial and programmatic records and observe operations, arranging for agreed-upon procedures engagements for certain aspects of subrecipient activities, such as eligibility determinations, reviewing the subrecipient's single audit or program-specific audit results and evaluating audit findings and the subrecipient's corrective action plan. This applies when awards are passed through to a subrecipient. If the entity is not a pass-through entity, this requirement does not apply.

***Special Tests and Provisions***

This requirement refers to specific requirements that are unique to each Federal or State program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program, and do not fall within one of the above requirements.