
ALABAMA
RURAL HEALTH TRANSFORMATION
Successfully Navigating
the World of Federal Funds:
Procurement Standards and Expectations for ARHTP Subrecipients

Agenda for Today

1. Before You Begin
2. Procurement Standards and Alabama Law
3. Procurement Methods and Thresholds
4. Competition, Vendors, and Price
5. Contracting and Federal Provisions
6. Documentation and Procurement Files
7. Equipment, Program Income, and Audit
8. Common Missteps, Monitoring, and Closeout

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BEFORE YOU BEGIN

Procurement Under Federal Grants

This guide is informational only and is not legal advice. It summarizes selected procurement requirements and is not a substitute for reviewing the applicable statutes, regulations, award and subaward terms, and agency policies. Subrecipients should consult the controlling authority and legal counsel for specific procurement questions.



Procurement Under Federal Grants

Procurement is the process of obtaining goods and services from a third party (vendor).

It covers the full cycle: planning, soliciting, evaluating, awarding, contracting, monitoring, and closing out the purchase. The standards apply to every purchase charged to ARHTP funds, at any dollar amount.



Common examples

- Construction and renovation services
- Engineering and architectural services
- Equipment and supply purchases
- Professional, consulting, training, and technology services

Before You Begin a Procurement

- Confirm the purchase is in your approved scope of work and budget.
- Confirm the cost is necessary, reasonable, allocable, allowable, and adequately documented.

- Confirm the goods or services will be received or performed within the period of performance (Program Year 1: August 1, 2026 through July 31, 2027).
- Review your Subaward Agreement, special conditions, and any prior approval requirements.
- Determine whether the arrangement is a contract or a sub-tier subaward.
- Identify every federal, Alabama, local, and organizational requirement that applies to your entity.
- Do not solicit, select a vendor, sign an agreement, or begin work until the controlling requirements are resolved and any required ADECA approval is in hand.

Confirm the Arrangement Type

Before beginning a procurement, determine whether the arrangement is:

- A **procurement contract** for goods or services provided as part of the vendor's normal business; or
- A **sub-tier subaward** to an entity that would carry out part of the ARHTP program itself (2 CFR 200.331).

Classification is based on the substance of the relationship, not the title of the agreement. Document the determination before you execute anything.

ARHTP position: Sub-tier subawards are not permitted without ADECA's prior written approval under Sections 4.b and 4.c of your Subaward Agreement. Bring any proposed sub-tier arrangement to ADECA before an agreement is drafted or signed.

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ARHTP Cost Rules That Shape Your Procurement



0% indirect cost rate

ARHTP subawards carry a 0% indirect cost rate. Overhead cannot be recovered through a vendor markup or a contract line item.



No administrative costs

No cost is reimbursable as an administrative expense without ADECA's prior written approval (Section 6.c). Contracted grant administration or overhead is unallowable unless approved.



Direct work is allowable

Contracted services that directly perform activities in your approved scope of work remain allowable when properly procured.



Budget is not vendor approval

Naming a vendor or method in your Proposed Budget does not approve that vendor or method (Subaward Agreement Section 5.a).

The ARHTP Procurement Review Process

Subaward Agreement Section 4.b

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1

Plan

Confirm scope, budget, method, and the rules that apply to your entity.

2

Prepare

Complete the Procurement Review Checklist tabs that match your method, plus the Alabama and Local Requirements tab.

3

Justify

For any noncompetitive purchase, complete the Sole Source Justification Form.

4

Submit

Submit your package at least 10 business days before you plan to sign. Your Grant Manager will provide instructions.

5

Approval

Do not execute a contract, issue a purchase order, or obligate funds until ADECA responds in writing.

Section 4.b: Subrecipients may not assign or subcontract the scope of work, nor subaward or contract with any third party for the expenditure of award funds without ADECA's prior written approval.

Attachment A: ADECA requires a minimum 10 business day review period before any such agreement with a contractor or sub-tier subrecipient is signed. Final signed agreements are due to ADECA within 10 days of signing.

Contact Us Before You Begin

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We are here to help!

- Contact your ARHTP Grant Manager before issuing a solicitation, selecting a vendor, signing an agreement, purchasing equipment, or making any financial commitment.
- Ask for guidance when a purchase involves prior approval, a special condition, construction or renovation, equipment, a possible sole source, a cooperative or state contract, or an unclear requirement.
- Resolving questions before the procurement begins prevents unsupported or unallowable costs, and it is much easier than fixing a finding after the fact.

PROCUREMENT STANDARDS AND ALABAMA LAW

Procurement Regulations, State Laws, and Policies

1. Your ARHTP Subaward Agreement and CMS award terms
2. 2 CFR 200.317 through 200.327
3. Alabama law: Code of Alabama Titles 41 and 39
4. Your written procurement and conflict of interest policies



All four apply to every ARHTP-funded procurement.

General Procurement Standards *2 CFR 200.318*



Written procedures

- Maintain written procurement procedures that conform to 2 CFR 200.317 through 200.327.
- Follow them. Auditors test your file against your own policy.



Standards of conduct

- Maintain written conflict of interest standards covering employees, officers, and agents involved in selection, award, or administration.
- No gifts or favors from vendors beyond your policy's nominal limits.



Oversight and records

- Oversee contractors to confirm performance under the contract terms.
- Keep records that show the procurement history: method, contract type, selection or rejection, and price basis.

Alabama Requirements by Entity Type

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Entity type	Alabama authority	Competitive bid threshold
Four-year public universities	Code of Ala. Title 41, Ch. 4, Art. 124	$75,000 or more, unless institutional policy sets a lower amount (Check your policy)
Counties, municipalities, and local authorities	Sec. 41-16-50 et seq.	$30,000 or more
City and county boards of education	Sec. 16-13B-1 et seq.	$40,000 or more
Public works (any public awarding authority)	Title 39, including Sec. 39-2-2	More than $100,000
Public hospitals and health care authorities	Depends on how the entity was created; confirm with counsel	Varies
Private nonprofit and for-profit entities	Generally not reached by Alabama bid law; your written procedures and the Subaward Agreement govern	Federal thresholds apply

Federal standards apply to every entity. Alabama thresholds are indexed and amended over time, so verify the current figure and your governing policy before each procurement.

Federal and Alabama Rules Apply Together

Your Subaward Agreement requires compliance with federal procurement standards and with Alabama procurement, competitive bid, and public works law, including Code of Alabama Sections 41-16-1 et seq., 41-4-110 et seq., and 39-1-1 et seq.

1. **All of them apply.** You do not choose one standard. Every requirement that reaches your entity applies on its own terms.

2. **A prohibition controls.** Where one source permits something another prohibits, the prohibition controls.

3. **Silence is not an exemption.** A requirement in one source still applies even if another source says nothing about it.

Example: Alabama bid law exempts many professional services from competitive bidding. Federal standards do not. An ARHTF-funded consulting contract must still be competed under 2 CFR 200.320.

Full and Open Competition

2 CFR 200.319

The standard

Conduct every procurement in a manner tha
provides full and open competition.

Publicly solicit opportunities and allow ever
responsible, interested source to compete.

Contractors that develop or draft the
specifications, requirements, statement of v
or solicitation must be excluded from compe
for that procurement.

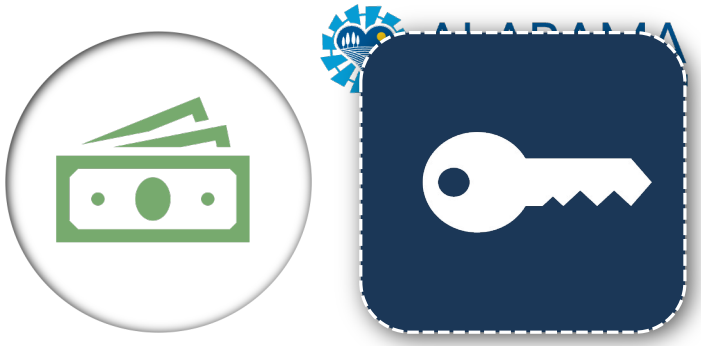
Practices that restrict competition

- Unreasonable qualification or experience requirements
- Unnecessary experience or excessive bonding requirements
- Noncompetitive pricing between affiliated firms
- Noncompetitive contracts with consultants on retainer
- Organizational conflicts of interest
- Brand-name-only specifications without allowing an equal product
- Any arbitrary action in the procurement process

PROCUREMENT METHODS AND THRESHOLDS

Federal Procurement Thresholds

- Identify every federal, Alabama, local, and organizational requirement that applies.
- Meet each one; a lower state or local threshold still applies.
- Value the full purchase, including options, renewals, and expected extensions.
- Do not divide related purchases to avoid a threshold.
- A micro-purchase threshold above $15,000 (up to $50,000) requires a documented annual self-certification under 2 CFR 200.320(a)(1)(iv).



Entity	Micro-Purchase	Simplified Acquisition	Formal Procurement
All ARHTP subrecipients (federal standard)	$15,000 or less	$15,000.01 to $350,000	More than $350,000

Micro-Purchases

2 CFR 200.320(a)(1)

- Applies to purchases of $15,000 or less.
- Competitive quotations are not required, but you must determine and document that the price is reasonable.



- Distribute purchases among qualified suppliers when practicable.
- Do not split purchases to stay under the threshold.
- Retain the invoice, purchase order, reasonableness support, and applicable contract terms.

Entity	Micro-Purchase
All ARHTP subrecipients	$15,000 or less

Simplified Acquisitions (Small Purchases)

2 CFR 200.320(a)(2)

- Applies to purchases above $15,000 through $350,000.
- Obtain price or rate quotations from an adequate number of qualified sources.
- **Best practice:** at least three written quotes; document why if you received fewer.
- Describe the requirement the same way to every vendor, and retain all quotes.



- Document the vendor selected and the reason.
- Complete the affirmative steps for small and disadvantaged businesses.
- Do not split a larger purchase to stay below $350,000.

Sealed Bids

2 CFR 200.320(b)(1)

- Used for construction and well-defined goods, where award can turn on price.
- Requires complete, adequate, and realistic specifications, and two or more responsible bidders.
- Publicly advertise with enough time for bidders to respond.
- Open bids publicly at the time and place stated in the invitation.
- Award a firm fixed-price contract to the lowest responsive and responsible bidder.
- Document any rejection of the low bid or of all bids.
- Construction over the Simplified Acquisition Threshold (SAT): Comply with guarantee and bond requirements in 2 CFR 200.326



Entity	Formal procurement
All ARHTP subrecipients	More than $350,000

Competitive Proposals

2 CFR 200.320(b)(2)

- Used when sealed bids are not appropriate, typically for professional or technical services.
- Publicize the Request for Proposals and solicit an adequate number of qualified offerors.
- State all evaluation factors and their relative importance in the RFP.
- Use a written method for evaluating proposals and selecting the awardee.
- Price must be a factor, except qualifications-based selection for architectural and engineering services.
- Award to the responsible offeror whose proposal is most advantageous.
- Retain proposals, score sheets, and the selection rationale.



Entity	Formal procurement
All ARHTP subrecipients	More than $350,000

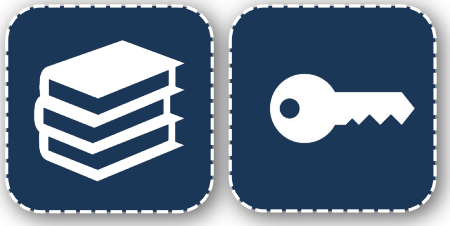
Noncompetitive Procurements

2 CFR 200.320(c)

Permitted only when one of these circumstances applies:

ARHTP: Submit the Sole Source and Noncompetitive Procurement Request and Justification Form with your procurement review package. ADECA's written approval is required before you obligate funds.

The recipient or subrecipient must perform a cost or price analysis for every procurement transaction, including contract modifications, in excess of the simplified acquisition threshold. **The method and degree of analysis conducted depend on the facts surrounding the particular procurement transaction**.(2 CFR 200.324).



Documenting a Noncompetitive Procurement

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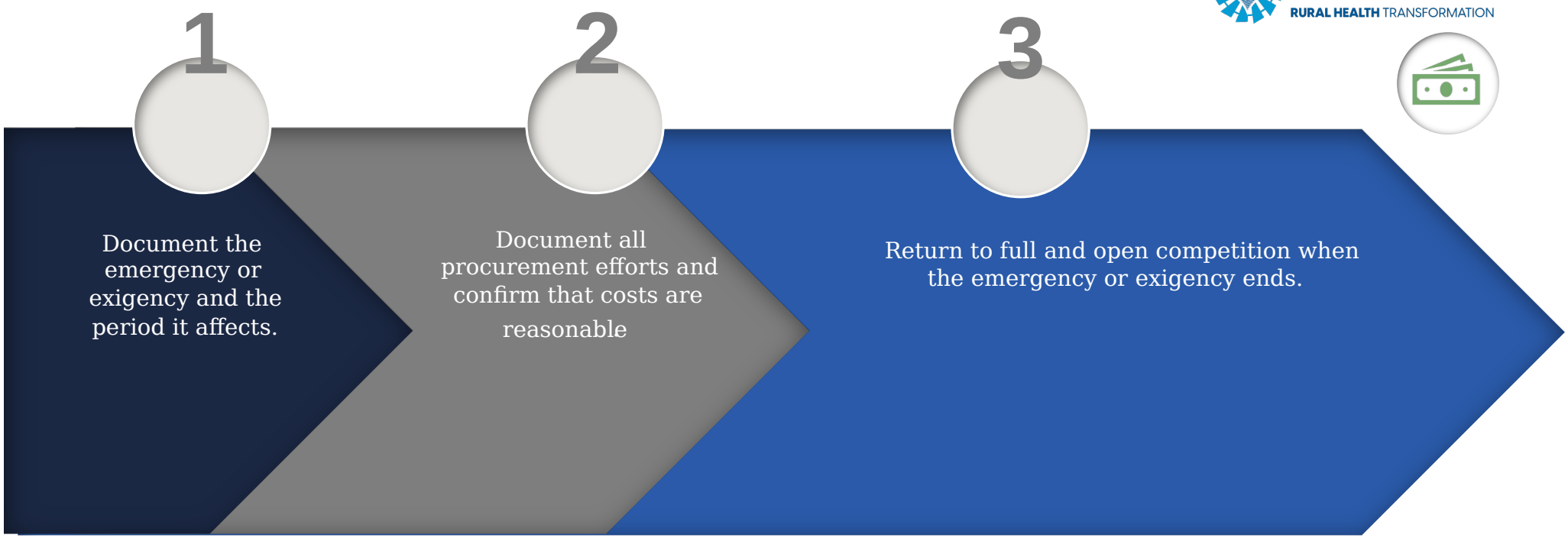
Your justification must:

1. Identify which 2 CFR 200.320(c) circumstance applies.
2. Describe the goods or services and the expected dollar amount.
3. Explain why a noncompetitive procurement is necessary.
4. Describe the impact a competitive procurement would have on the scope of work.
5. Document the specific steps taken, such as market research, to confirm this method is appropriate.

Not sufficient on their own

- Prior use or satisfactory past performance
- Familiarity, convenience, or an existing relationship
- Incumbent status
- The vendor was named in your application budget
- Lack of time due to insufficient planning
- Price or quality alone

Emergency & Exigency



Emergency: a threat to life, health, or safety. **Exigency:** not an emergency, but a need for immediate action that cannot wait for competition.

A long-standing relationship or existing contract with a vendor is not, by itself, an emergency or exigency.


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TITION, VENDORS, AND PRICE

Firms to consider

- Small businesses
- Minority businesses
- Women's business enterprises
- Veteran-owned businesses
- Labor surplus area firms

The Six Affirmative Steps

2 CFR 200.321(b)(1) through (6)

- Include qualified firms on solicitation lists.
- Solicit them whenever they are potential sources.
- Divide requirements into smaller tasks or quantities when economically feasible.
- Set delivery schedules that encourage participation when feasible.
- Use the Small Business Administration and Minority Business Development Agency.
- Require prime contractors to take these steps when subcontracting.

Cost Analysis and Price Analysis

2 CFR 200.324

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Cost Analysis

Evaluates each cost element, such as labor, materials, overhead, and profit.

Encouraged when there is no price competition, including noncompetitive awards, and for many contract modifications.

Price Analysis

Evaluates the total price without analyzing each cost element.

Compare bids, quotes, catalog or market prices, prior purchases, or your independent estimate.

Required for every procurement over $350,000, including modifications. Prepare an independent cost estimate before you receive bids or proposals.

Vendor and Integrity Checks

2 CFR 200.318(c) and (h); 2 CFR Part 180

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- Obtain conflict of interest disclosures from everyone involved in selection; document recusals.
- Award only to responsible contractors: integrity, compliance with public policy, past performance, and financial and technical capacity.
- Check SAM.gov exclusions before award. Debarred or suspended vendors must be rejected.
- For health care vendors, also check the HHS OIG List of Excluded Individuals/Entities.
- ARHTP subrecipients and their subcontractors: confirm E-Verify (Sec. 31-13-9) and Ethics Law (Ch. 36-25) requirements.
- Confirm the vendor was not selected before competition and approval were complete.
- Document the reasons for selection and rejection.

CONTRACTING AND FEDERAL PROVISIONS

Contract Types

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Fixed price

The price stays the same regardl s of the contractor's actual cost. Preferred when the scope is we defined.



Cost reimbursement

Reimburses the contractor's reasonable, allocable, and allowable actual costs, plus ar agreed fee. Requires closer cos oversight.



Time and materials

Fixed hourly rates plus actual co of materials. Use only when no other type is suitable, with a ceil price (2 CFR 200.318(j)).



Prohibited ost plus a percentage of cost and percentage of construction cost contracts (2 CFR 200.324(c)). Adding a ceiling does not cure them.

Cooperative Contracts and Prequalified Lists

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State and cooperative contracts

- Allowed with caution; they do not relieve you of federal procurement requirements.
- Keep the original solicitation, evaluation, and award records showing the contract was competed consistent with 2 CFR 200.319 and 200.320.
- Alabama may exempt these purchases from state bidding. That exemption does not extend to federal rules.
- Add the required federal provisions to your order or contract.
- Easiest to support for micrpurchases and simplified acquisitions.

- Lists must be current and include enough qualified sources for open competition.
- Firms must be able to qualify during the solicitation period.
- Public solicitation is still required.
- Buy only what the project needs; avoid duplicative or unnecessary purchases (2 CFR 200.318(d)).
- Intergovernmental agreements for common goods and services are encouraged when documented.

Bonding Requirements

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200.3 FR

If the project involves public property, the project must also comply with the bidding and bonding requirements of Alabama's Public Works Law, Title 39.

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Contract Changes and Modifications

Stay within scope

Changes must fall within the scope of the original contract and the original competition.

Cardinal changes

A major departure from the original purpose, or an extensive revision of work, cost, or time, is a new procurement.

Two-part test

Is it within the scope of the contract?

Is it within the scope of the original competition?

- Modifications over $350,000 need a cost or price analysis (2 CFR 200.324).
- If a change affects your approved budget or scope, request ADECA approval before executing it.

DOCUMENTATION AND PROCUREMENT FILES

Documentation Standards

- Maintain written procurement procedures and written standards of conduct.
- Document the procurement method and the basis for using it.
- Retain evidence supporting competition, vendor selection, and price reasonableness.
- Retain records for the period your Subaward Agreement requires.
- Maintain equipment and property records.
- Document changes to procurement procedures and to the contract.
- Do not rely on verbal confirmation.

Best Practices for Documentation Standards

Consistent naming conventions

Current written procurement and standards of conduct, including training all employees on the Standard Operating Procedures (SOPs)

Secure, electronic storage

Version control to track changes

Periodic internal review to confirm that procurement, contract, payment, property, and closeout records are complete

Procurement Documentation

Required procurement documentation

- Approved scope and budget support
- ADECA prior written approvals
- Special-condition clearance and prior approvals
- Total value and method determination
- Internal procurement procedures
- Specifications or scope of work
- Solicitation and proof of publication
- Affirmative steps documentation
- All bids, proposals, and quotations
- Score sheets and selection rationale
- Conflict and vendor eligibility checks
- Price or cost analysis
- Executed contract with required provisions
- Amendments and change orders

Micro-Purchase Documentation ($15,000 or less)

- Competitive quotations are not required.
- Document how you determined price reasonableness: research, experience, purchase history, or market information.

- Retain the invoice or purchase order and applicable provisions.
- Confirm the purchase was not split to avoid a higher requirement.

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Simplified Acquisition Documentation ($15,000.01 to $350,000)

- Request for quotations
- Quotes from an adequate number of qualified sources, and all quotes received
- Affirmative steps documentation
- Evaluation and vendor selection rationale
- Price reasonableness support
- Executed contract or purchase order with applicable provisions

Alabama, local, or organizational rules may require public notice or a specific number of quotes. Verify the controlling requirement.

Formal Procurement Documentation (More than $350,000)

- Independent cost estimate prepared before bids or proposals were received

- Publicly advertised invitation for bids or request for proposals
- Complete specifications or scope of work, with evaluation factors stated in advance
- Affirmative steps documentation
- All bids or proposals received, with the bid tabulation or score sheets
- Selection and rejection rationale
- Bid guarantee, performance, and payment bonds, when applicable
- Cost or price analysis
- Executed contract with applicable provisions

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Payment Support Documentation

Reimbursement documentation must show that the charge agrees with the contract or purchase order and that the goods, services, or milestones were accepted.

- Vendor invoice
- Contract or purchase order, with any amendment or change order
- Required supporting detail
- Evidence of receipt or acceptance
- Proof of payment, when required
- Confirmation that rates, quantities, and amounts agree with the agreement

EQUIPMENT, PROGRAM INCOME, AND AUDIT

Equipment: Definition and Approval

2 CFR 200.1 and 200.313

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An item is **equipment** only if it is ***tangible personal property*** that meets **both** parts of the test.

Useful life	+	**Per-unit cost**
More than one year		Equal to or more than the lesser of your capitalizat threshold or $10,000

- Apply the test **per unit**, not to the total order. Tangible personal property items that fail either part of the test are supplies.
- Obtain ADECA's prior written approval before purchasing equipment.
- Equipment is still procured under 2 CFR 200.317 through 200.327, and is subject to title, use, management, and disposition requirements.

Equipment: Title, Use, and Management

2 CFR 200.313

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Title

- Vests in your organization, conditionally
- Must not be encumbered without approval

Use

- Use for the authorized ARHTP purpose for as long as needed
- When no longer needed, use in other federally supported activities, with priority to ARHTP-funded activities

Management

- Property records: description, serial number, funding source, title holder, acquisition date and cost, federal share, location, use, condition, and disposition
- Physical inventory reconciled at least every two years
- Controls against loss, damage, or theft; maintenance; insurance equal to other owned equipment

Equipment: Disposition

2 CFR 200.313(e)

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Disposition applies when the equipment is no longer needed for ARHTP or other federally supported activities. Contact ADECA before you dispose of any equipment.

Fair market value $10,000 or less

Retain, sell, or dispose of the item with no further obligation to the federal government.

Fair market value over $10,000

- **Retain:** compensate the federal share of current market value.
- **Sell:** compensate the federal share of the proceeds, less $1,000 or 10% of proceeds (whichever is less) f selling and handling.

The federal share is the percentage of the original cost paid with ARHTP funds. Replacement equipment may use the old item as a trade-in or apply its sale proceeds to the new cost.

Program Income

2 CFR 200.307

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Program income is gross income you earn that is directly generated by an ARHTP-supported activity, or earned as a result of the award, during the period of performance.

Examples include fees for services performed with ARH funded resources and rental income from property or equipment acquired with ARHTP funds.

What to do

- Identify any activity that could generate income before it starts.
- Track and report program income as your Subaward Agreement and ADECA direct.
- Contact your Grant Manager before charging fees for an ARHTP-funded service.

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Financial Management and Internal Controls

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Financial management

2 CFR200.302

Records, accounting, and source documentation that identify ARHTP funds and support every expenditure.

Internal controls

2 CFR200.303

Controls that give reasonable assurance the award is managed in compliance with federal law and award terms.

Audit Requirements

Subaward Agreement Section 8.c

Follow the audit requirements in 2 CFR Part 200, Subpart F, as applicable. Nonprofit subrecipients that expend

	$1,000,000 or more during their fiscal year in federal awards must have a single or programconducted for that year. Submit the reporting package and data collection form to the Federal Audit -specific audit Clearinghouse (2 CFR 200.512).
State audit	If you receive more than $500,000, collectively, in State General Fund appropriations from ADECA in your fiscal year, you must have an audit under Generally Accepted Government Auditing Standards (the Yellow Book).
For-profit entities	For-profit subrecipients are not subject to Subpart F, but should consult 2 CFR 300.218 for limitations on profit and program income. Under 2 CFR 200.501(h), ADECA ensures their compliance through methods that may include pre-award audits, monitoring, and post-award audits.
Where to send	Send copies of all required audits to ADECA (audit@adeca.alabama.gov, Attention: Chief Auditor) and the Alabama Department of Examiners of Public Accounts (central.records@examiners.alabama.gov, Attention: Audit Report Repository).

Tribal Subrecipients

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- For the Rural Health Transformation Program, tribal subrecipients may replace both 2 CFR 200.321 (small and disadvantaged business consideration) and 2 CFR 200.322 (domestic preference) with a Native American preference.
- Tribal subrecipients must still include the required contract provisions under 2 CFR 200.327 and Appendix II.
- CMS has confirmed that self-determination cannot be used as a justification for a full exemption from federal procurement requirements.

COMMON MISSTEPS

Alabama Missteps to Avoid

Applying an Alabama preference

In-state, local, or preferred-vendor preferences on an ARHTF-funded buy.

Assuming a state exemption covers you

Professional services and other state bid-law exemptions do not exempt you from federal competition.

Using a cooperative without its file

No record that the cooperative or state contract was competed consistent with federal standards.

Relying on the application budget

Treating a vendor named in your budget as approved.

Splitting purchases

Dividing a requirement to stay under a federal or Alabama threshold.

Contracting out administration

Paying a consultant for grant management under a 0% indirect, no-administrative-cost award.

Time-and-Materials Contracts *2*

CFR 200.318(j)

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- Use only when no other contract type is suitable.
- Include a ceiling price the contractor exceeds at its own ris
- The ceiling must not be so high that it is meaningless.
- Provide a high degree of oversight, including review of hour on every invoice.

Cost Plus Percentage of Cost Contracts *2*

CFR 200.324(c)

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Cost plus a percentage of cost and percentage of constructi
contracting methods are prohibited.

Adding a ceiling or maximum amount does not make a prohi
method acceptable.

Watch for markups expressed as a percentage of subcontrac
costs.

Procurement Hard Stops

Do not execute a contract, issue a purchase order, or request reimbursement while any of these remains unresolved:

- Required ADECA prior approval is missing.
- A controlling special condition remains open.
- The procurement method or competition is unsupported.
- The vendor was selected before required competition or approval.
- A prohibited pricing method is used.
- A required contract provision is missing.
- Vendor eligibility or conflict documentation is incomplete.
- A material contract term is blank, inconsistent, or unresolved.

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MONITORING, CLOSEOUT, AND AUDIT READINESS

Contract Administration and Monitoring

- Assign a person responsible for administering each contract.
- Monitor deliverables, milestones, quality, and schedule.
- Compare invoices to contract rates, quantities, and accepted work.
- Review amendments, options, renewals, extensions, and change orders before approval.
- Document performance issues and corrective action.
- Recover unsupported or unallowable amounts when applicable.

Closeout and Audit Readiness

- Document final acceptance of goods, services, and deliverables.
- Confirm the final invoice agrees with the contract and approved changes.
- Retain procurement, contract, payment, monitoring, and correspondence records.
- Complete equipment and property records.
- Confirm deliverable and data transfer requirements are complete.
- Resolve outstanding claims, corrections, or unsupported costs.

- Keep the completed ARHTP Procurement Review Checklist in the file.

Helpful Resources

2 CFR Part 200 (eCFR)
https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200

SAM.gov exclusions search
https://sam.gov

FEMA Contract Provisions Guide (sample Appendix II clauses)
https://www.fema.gov/sites/default/files/documents/fema_contract-provisions-guide_fy24.pdf

FEMA Reasonable Cost Evaluation Job Aid
https://www.fema.gov/sites/default/files/2020-07/fema_pa_reasonable-cost-evaluation-job-aid.pdf

FEMA Procurement Under Grants training
https://www.fema.gov/grants/procurement/training

Code of Alabama 1975 (ALISON)
https://alison.legislature.state.al.us

ARHTP: your Subaward Agreement, Subrecipient Manual, Procurement Review Checklist, and Sole Source Justification Form

QUESTIONS?