

## § 603.665

with the participant's accounting system and practices.

(c) The auditing standards that the IPA will use. The contracting officer must provide that the IPA will perform the audits in accordance with the Generally Accepted Government Auditing Standards.

(d) The available remedies for non-compliance. The agreement must provide that the participant may not charge costs to the award for any audit that the contracting officer determines was not performed in accordance with the Generally Accepted Government Auditing Standards or other terms of the agreement. It also must provide that the Government has the right to require the participant to have the IPA take corrective action and, if corrective action is not taken, that the agreements officer has recourse to any of the remedies for noncompliance identified in 10 CFR 600.352(a).

(e) Where the IPA is to send audit reports. The agreement must provide that the IPA is to submit audit reports to the contracting officer. It also must require that the IPA report instances of fraud directly to the Office of Inspector General (OIG), DOE.

(f) The retention period for the IPA's working papers. The contracting officer must specify that the IPA is to retain working papers for a period of at least three years after the final payment, unless the working papers relate to an audit whose findings are not fully resolved within that period or to an unresolved claim or dispute (in which case, the IPA must keep the working papers until the matter is resolved and final action taken).

(g) Who will have access to the IPA's working papers. The agreement must provide for Government access to working papers.

## § 603.665 Periodic audits of nonprofit participants.

An expenditure-based TIA is an assistance instrument subject to the Single Audit Act (31 U.S.C. 7501-7507), so nonprofit participants are subject to the requirements under that Act and OMB Circular A-133. Specifically, the requirements are those in:

(a) 10 CFR 600.226 for State and local governments; and

## 10 CFR Ch. II (1-1-10 Edition)

(b) 10 CFR 600.126 for other nonprofit organizations.

## § 603.670 Flow down audit requirements to subrecipients.

(a) In accordance with § 603.610, an expenditure-based TIA must require participants to flow down the same audit requirements to a subrecipient that would apply if the subrecipient were a participant.

(b) For example, a for-profit participant that is audited by the DCAA:

(1) Would flow down to a university subrecipient the Single Audit Act requirements that apply to a university participant;

(2) Could enter into a subaward allowing a for-profit participant, under the circumstances described in § 603.650(a), to use an IPA to do its audits.

(c) This policy applies to subawards for substantive performance of portions of the RD&D project supported by the TIA, and not to participants' purchases of goods or services needed to carry out the RD&D.

## § 603.675 Reporting use of IPA for subawards.

An expenditure-based TIA should require participants to report to the contracting officer when they enter into any subaward allowing a for-profit subawardee to use an IPA, as described in § 603.670(b)(2).

## PROPERTY

## § 603.680 Purchase of real property and equipment by for-profit firms.

(a) With the two exceptions described in paragraph (b) of this section, the contracting officer must require a for-profit firm to purchase real property or equipment with its own funds that are separate from the RD&D project. The contracting officer should allow the firm to charge to an expenditure-based TIA only depreciation or use charges for real property or equipment (and the cost estimate for a fixed-support TIA only would include those costs). Note that the firm must charge depreciation consistently with its usual accounting practice. Many firms treat depreciation as an indirect cost. Any firm that usually charges depreciation indirectly