

§ 37.670

their usual requirements under that Act and OMB Circular A-133.⁵ Specifically, the requirements are those in:

(a) 32 CFR 33.26 for State and local governments; and

(b) 32 CFR 32.26 for other nonprofit organizations. Note that those requirements also are appropriate for Government-owned, contractor-operated (GOCO) facilities and Federally Funded Research and Development Centers (FFRDCs) that are excluded from the definition of “recipient” in 32 CFR part 32, because nonprofit GOCOs and FFRDCs are subject to the Single Audit Act.

§ 37.670 Must I require participants to flow down audit requirements to subrecipients?

(a) Yes, in accordance with § 37.610, your 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 § 37.650(a), to use an IPA to do its audits.

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

§ 37.675 Must I report when I enter into a TIA allowing a for-profit firm to use an IPA?

Yes, you must include that information with the data you provide for your DoD Component’s annual submission to the Defense Technical Information Center (DTIC), as provided in § 37.1030(c).

⁵ See footnote 2 to § 37.635(a).

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§ 37.680 Must I require a participant to report when it enters into a subaward allowing a for-profit firm to use an IPA?

Yes, your expenditure-based TIA must require participants to report to you when they enter into any subaward allowing a for-profit subawardee to use an IPA, as described in § 37.670(b)(2). You must provide that information about the new subaward under the TIA for your DoD Component’s annual submission to the DTIC, even though the TIA may have been reported in a prior year and does not itself have to be reported again.

PROPERTY

§ 37.685 May I allow for-profit firms to purchase real property and equipment with project funds?

(a) With the two exceptions described in paragraph (b) of this section, you must require a for-profit firm to purchase real property or equipment with its own funds that are separate from the research project. You should allow the firm to charge to an expenditure-based TIA only depreciation or use charges for real property or equipment (and your 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 for a particular type of property must not charge depreciation for that property as a direct cost to the TIA.

(b) In two situations, you may grant an exception and allow a for-profit firm to use project funds, which includes both the Federal Government and recipient shares, to purchase real property or equipment (*i.e.*, to charge to the project the full acquisition cost of the property). The two circumstances, which should be infrequent for equipment and extremely rare for real property, are those in which you either:

(1) Judge that the real property or equipment will be dedicated to the project and have a current fair market value that is less than \$5,000 by the time the project ends; or