

Section 7.5.1: Suspension or Termination by the State of Arizona

This section describes the policy and procedures for an agency of the state of Arizona to suspend or terminate a subgrant or cooperative agreement award. All decisions regarding suspension and termination are made on a case-by-case basis, involving the awarding agency, the Office of Grants and Federal Resources (GFR) and General Accounting Office (GAO).

PURPOSE AND POLICY

A state of Arizona agency may suspend all or part of the subgrantee's award whenever, after reasonable notice and opportunity for a review, the state agency finds that a recipient of assistance has failed to comply substantially with any of the following:

- The provisions or statutory requirements denoted in the award agreement;
- Regulations or guidelines promulgated by the state agency and its component organizations;
- A plan or application submitted by the award recipient; or
- The provisions of any other applicable federal act, regulation, or guideline.

Suspension of a grant or cooperative agreement award means the temporary interruption of federal financial assistance to the award recipient, under the grant or cooperative agreement being suspended, pending corrective action by the recipient or pending a decision to terminate the award. When the grantor agency, or a component office, suspends an award, the subgrantee may not incur costs in the continued performance of the award after the effective date of the Notice of Proposed Suspension, unless such costs are: (a) specifically authorized in writing; or (b) necessary and not reasonably avoidable and result from (i) obligations incurred by the grantee, (ii) before the effective date of the suspension, but not in anticipation of the suspension, and (iii) if such costs would be allowable if the award were not suspended per Uniform Guidance [§200.338](#) and [§200.339](#) where the grant is funded in part or in whole with federal funds.

Termination of a grant or cooperative agreement award means the cancellation of financial assistance, in whole or in part, at any time prior to the scheduled completion date of the project. As in a suspension, the recipient may not incur costs in the continued performance of the award after the effective date of the Notice of Proposed Termination, unless such costs are (a) specifically authorized in writing; or (b) necessary and not reasonably avoidable and result from (i) obligations incurred by the grantee, (ii) before the effective date of the termination, but not in anticipation of the termination, (iii) if such obligations are non-cancelable, and (iv) if such costs would be allowable if the award expired normally at the end of the funding period in which the termination takes effect per Uniform Guidance [§200.338](#) and [§200.339](#) where the grant is funded in part or in whole with federal funds. The pass-through entity must comply with any requirements for hearings, appeals or other administrative proceedings to which the non-Federal entity is entitled under any statute or regulation applicable to the action involved.

PROCEDURE

1. **Request a review of suspension or termination**

If a recipient is alleged to have failed to comply substantially with the terms and conditions of an award, the grantor requests a review from the Office of Grants and Federal Resources (GFR) to determine whether all or part of the award may be suspended or terminated. GFR will consult with in-house counsel or the Attorney General's Office as might be appropriate. In instances where the State Comptroller obtains information from the General Accounting Office (GAO) concerning a recipient's alleged failure to comply substantially, then he/she coordinates with the grantor agency to request legal review. A request for legal review concerning a proposed suspension or termination is communicated by the State Comptroller, or his/her designee, in writing or via email to the General Accounting Office. A request should identify the recipient, award number, and amount to be suspended or terminated, and the basis for the recommendation of suspension or termination, which should include the following:

- An outline of the issue;
- Results of steps taken by grant program manager to obtain the award recipient's compliance; and
- Supporting documentation.

2. **Approval from GFR for termination of grant**

The GFR coordinates with appropriate management (and others as might be necessary) to provide advice to the grantor agency to determine if the recipient has failed to comply substantially with the terms and conditions of the award, thereby warranting suspension or termination of an award.

3. **Pursue informal resolution of issue with subgrantee**

At any point during the process of deciding to terminate or suspend funding throughout the formal appeals and review procedure, the grant program manager or any other entity designated by GFR may work with the subgrantee to informally resolve the issues leading to the proposed termination or suspension of funding.

4. **Begin procedures to suspend or terminate award**

If, after the review process, the grantor agency determines that a recipient of a subgrant or cooperative agreement award has failed to comply substantially with the terms and conditions of the award in consultation with the state agencies referenced above, then the grant program manager institutes procedures to suspend or terminate the award under Uniform Guidance [§200.341](#) (Opportunities to object, hearings and appeal) where the subgrant included federal funding in part or in whole.

5. **GFR or authorized agency head makes decision to suspend or terminate funding**

After the determination has been made that a recipient of a subgrant or cooperative agreement has failed to comply substantially with the terms and conditions of the award, the GFR or authorized agency head makes the decision to suspend or terminate funding. As noted earlier, GFR will consult with in-house counsel or the Attorney General's Office as necessary.

6. Prepare and send Notice of Proposed Suspension or Termination to recipient

Once the decision has been made to suspend or terminate the subgrant or cooperative agreement, the grant program manager must draft and send the notice specifying the basis for the proposed suspension or termination. If the subgrant includes federal funding, the grant program manager must follow the guidelines in Uniform Guidance [§200.340](#) (Notification of termination requirement). The notice should be sent in hardcopy to the subgrantee “return receipt requested” or using some other type of mechanism (e.g., a commercial next day delivery service) to indicate the date the notice was received by the subgrantee. Unless otherwise agreed, the General Accounting Office may then withhold payment to the subgrantee after the effective date of the Notice of Proposed Suspension or Termination, pending the outcome of the process. All documentation forwarded to other agencies, including the Notice of Proposed Suspension or Termination, is placed into the official award file, preferably the eCivis Subrecipient Manager (SRM).

7. Restore suspended or terminated funding if issue is resolved

If the GFR or authorized agency head determines that the recipient has come back into substantial compliance with the terms and conditions of the award and funds have been suspended, payment of suspended funds shall resume. The agency financial manager will be notified to restore fund availability to the subgrantee in such situations. Any agreements resolving the suspension or termination action should address whether costs incurred during the period of suspension are allowable and a copy of the agreement is placed in the official grant file, preferably the eCivis SRM. The GFR ensures that the subgrantee receives a copy of any agreement resolving the suspension or termination action.

8. Subgrantee seeks an appeal, if desired.

If the subgrantee wants to file an appeal, they must send a response within 30 days of recipient of the Notice of Proposed Suspension or Termination of Funding to the GFR. If a request for appeal is not received within 30 days after notice has been sent, the opportunity for review is waived. Note that the GFR or authorized agency head may decide to suspend funding at any time during the appeals and review process if not already suspended.

9. GFR or authorized agency head considers recipient’s request for appeal

The GFR or authorized agency head considers the recipient’s basis for the appeal. If the GFR or authorized agency head determines that the basis for the appeal would not, if substantiated, establish a basis for grant award or continuation, they may proceed to take final agency action on the appeal. If it is determined that a review of the appeal is warranted, the GFR coordinates the appeal and review with the grantor agency and State Comptroller.

10. Result of Proposed Suspension or Termination

The GFR or authorized agency head, as appropriate, will issue the final agency decision in all appeals and reviews. If the grantor agency prevails in an appeal, the proposed suspension or termination will become final. When the termination is final, the grant program manager should proceed to closeout of the award. If the subgrantee prevails, the authorized agency head, as appropriate, shall restore funding suspended or terminated under the proposed

suspension or termination. If the grantor agency moves forward with termination of a grant including federal funds, the grant program manager is to notify the federal funding agency of the termination immediately in writing.