**Section 261.720 Audit and Records**

a) The grant recipient, its contractors and subcontractors as applicable, shall maintain books, records, documents, reports, papers, agreements, sub-agreements, and other evidentiary material and accounting procedures and practices (hereinafter collectively referred to as "records") as required by the grant agreement and any applicable law or regulation, and consistent with generally accepted accounting standards.

b) For purposes of this Section, "records" shall include, but not be limited to, the following:

1) Documentation of the receipt and disposition by the grant recipient of all grant funds received for the project, including both grant financial assistance and any matching share or cost share; and

2) Documentation of the costs charged to the grant project, including all direct and indirect costs of whatever nature incurred for the performance of the project scope of work for which the grant has been provided.

c) The grant recipient's facilities, or any facilities engaged in the performance of the grant project, and the grant recipient's records, including any contractor or subcontractor's records as applicable, shall be subject to inspection and audit by any entity with grant oversight authority, and any representative of such entity, at the times specified in Section 261.710 (Access) of this Subpart.

d) The grant recipient, its contractors and subcontractors as applicable, shall preserve and make its records available to any entity with grant oversight authority, and any representative of such entity, for the following record retention periods:

1) Five years from the date of final payment under the grant or submission of final expenditure under the grant, whichever is later; or

2) Any longer period required by law or by subsections (e) or (f) of this Section.

e) If the grant is completely or partially terminated, the records relating to the terminated work shall be preserved and made available for the applicable record retention period as specified by subsection (d) after any resulting final termination settlement.

f) If any dispute, litigation, claim, negotiation, audit, or other action involving the records has been started before expiration of the applicable record retention period specified in subsection (d), the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the applicable record retention period, whichever is later.

g) Failure of the grant recipient or its contractors or subcontractors, as applicable, to make records available as required by this Section after 3 business days written notice from the Agency may be cause for termination of the grant, pursuant to Section 261.630 (Grant Termination by the Agency) of this Part, and refund to the State of any unexpended grant funds. In addition, any grant recipient, contractor, or subcontractor, as applicable, found in non-compliance with this Section shall repay any grant funds in accordance with Section 261.640 of this Part.

h) The rights of access under this Section are not limited to the applicable record retention period, but shall last as long as the records are retained.

i) The grant recipient, its contractors and subcontractors as applicable, shall comply with any investigations and interviews relating to the grant project and records relating thereto.