Suspension and Debarment Guidance

Federal law requires that recipients of SLFRF funds, including municipalities, comply with suspension and debarment requirements under 2 CFR Part 180 and 2 CFR Part 3000. This means two things: first, a municipality itself must not be suspended or debarred; and second, it must verify that any contractors, vendors, and subrecipients it works with using federal funds are also not suspended, debarred, or otherwise excluded. Awarding funds to a suspended or debarred party can result in disallowed costs, repayment obligations, and jeopardize a municipality's eligibility for future federal funding. This guide explains what suspension and debarment are, when they apply, and what to do if you receive a notice.

What is Suspension & Debarment (S&D)?

Suspension and Debarment (S & D) protect the federal government from fraud, waste, and abuse by preventing contracts and financial assistance from being awarded to non-responsible parties. It is a safeguard, not a punishment, meaning the goal is to protect the integrity of federal programs by ensuring only responsible parties receive federal funds, not to penalize past wrongdoing for its own sake. Unlike criminal penalties, S&D focuses on present responsibility: can this entity currently be trusted to perform a federal contract or properly manage federal assistance? S&D applies across all federal agencies.

Key actions include:

- **Suspension:** Temporary exclusion, often pending investigation.
- **Debarment:** Longer-term exclusion, usually post-investigation.
- **Proposals for Debarment:** Formal notice of intent to debar, temporary exclusion beings immediately.
- **Show Cause Letters:** A notice giving the contractor an opportunity to explain why debarment should not proceed.
- **Requests for Information:** A tool to gather more information before deciding whether to initiate suspension or debarment.

These actions are tracked publicly via SAM.gov

What Happens If You Are Suspended or Debarred?

If suspended or debarred, you:

- Will be listed as ineligible on SAM.gov
- Cannot receive or extend federal contracts or subcontracts above $30,000
- Cannot represent others in federal contracts or assistance programs
- Must disclose this status when applying for new federal funding
- Can only continue business with federal agencies if there's a written exception

Who Can Be Affected?

- Any individual or organization bidding on or awarded federal contracts or subcontracts
- Anyone doing business with the federal government as an agent or representative
- People directly or indirectly involved in misconduct

Common Causes of S&D:

- Commission of fraud, embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, tax evasion, violating Federal criminal laws, receiving stolen property, and unfair trade practice
- Violation of antitrust statutes
- Willful, or a history of, failure to perform
- Violation of the Drug-Free Workplace Act
- Delinquent Federal taxes (more than $3,000)
- Intentional failure to disclose violation of criminal law

Suspension vs. Debarment

Suspension

- **What it is:** A temporary and immediate action used to protect the government while an investigation or legal proceeding is ongoing.
- **Why it happens:** Used when there is adequate evidence (such as an indictment or credible allegations) suggesting serious misconduct.
- **How long it takes:** Suspensions are limited by regulation to no more than 12 months, unless legal proceedings are initiated within that time.
- **What it means:** You are immediately ineligible to receive or participate in new federal awards, including contracts and grants, while the case is under review.

Debarment

- **What it is:** A longer-term exclusion from federal funding and contracting, meant to ensure only responsible parties do business with federal government.
- **Why it happens:** Based on a preponderance of the evidence, meaning it is more likely than not that the misconduct occurred, typically following a criminal conviction or other substantiated wrongdoing.
- **How long it lasts:** Debarments typically last three years, though the length can vary depending on the circumstances.
- **What it means:** an individual or organization is formally determined to be not eligible to receive federal awards and is excluded from federal contracts, grants,

and other assistance for the debarment period, unless an agency head grants a written exception.[1]

The Process

- Case is referred to Suspension & Debarment Official (SDO)
- Contractor is listed on SAM.gov if suspended/proposed for debarment
- Contractor may respond to demonstrate present responsibility
- SDO may issue a final decision or request a meeting or more information
- Administrative Compliance Agreements may be used as an alternative

Received a Letter? Here's What to Do:

- Respond with evidence of present responsibility
- Request a meeting with the SDO if needed
- Show actions taken to address past issues (e.g., hiring compliance staff, internal audits)

Alternatives to Suspension/Debarment

- No action if the SDO finds you currently responsible
- Request for Information (RFI) or Show Cause Letter to gather more details
- Administrative Compliance Agreement (usually 3 years) to stay eligible while addressing concerns

How to Check for Suspension & Debarment

Before entering into any contract or awarding funds to a subrecipient using federal dollars, municipalities must verify that the party is not suspended, debarred, or otherwise excluded from federal programs. All active exclusions are publicly listed on SAM.gov. To search for exclusions:

- Go to sam.gov and select **Search** from the top navigation bar.
- Under **Search Type**, select **Exclusions**.
- Enter the name, DUNS/UEI number, or other identifying information for the contractor, vendor, or subrecipient you wish to verify.

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[1] U.S. Office of Management and Budget, Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement), 2 C.F.R. Part 180, §§ 180.700, 180.800, 180.850, and 180.865.
U.S. General Services Administration, "Suspension & Debarment Training and Presentations," SAM.gov, accessed October 13, 2025, https://sam.gov/content/suspensions

- Review the results. If an active exclusion appears for that party, do not award or continue a contract or subaward using federal funds without first consulting your agency or legal counsel.

Municipalities should document each SAM.gov check (e.g., date of search, name searched, result) and retain this documentation in their SLFRF project files to demonstrate compliance during an audit.

How to Report A Case:

If you believe a contractor, vendor, or grant subrecipient has engaged in fraud, serious misconduct, or violated federal requirements, you may submit a referral to the federal Suspension & Debarment Official (SDO) at the U.S. General Services Administration (GSA). A referral is a formal notification to the appropriate federal authority that a party may warrant investigation for possible exclusion from federal programs—it is not a complaint or a legal action, but a request for the SDO to review the matter and determine whether suspension or debarment proceedings are appropriate.

To make a referral, email:

Email: suspension-and-debarment@gsa.gov

This guidance is based on current information from the U.S. Department of the Treasury and is subject to change. It does not constitute legal advice. The State of Maryland and Hagerty Consulting Inc. are not responsible for any compliance decisions made based on this document. As a recipient of federal funds, each unit of government is responsible for the administration and compliance of Fiscal Recovery Funds and other federal funding.