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Federal grant compliance practices for rare earth element mining entities

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Introduction

The escalating global demand for critical minerals is redefining strategic priorities within the U.S. industrial landscape. This demand, coupled with the general upward trend in federal spending,¹ has resulted in unprecedented waves of federal funding and grants targeting the expansion, innovation, and compliance standards of mineral extraction and supply chains. Yet, with such opportunity comes the increasing complexity of regulatory oversight and the need for effective grant compliance management.

This whitepaper outlines leading practices for leveraging federal funding impact in the critical minerals sector, confirming that regulatory requirements are met, and positioning mining organizations for sustainable growth. Federal funding is expanding to include grants, loans, and equity. To help minerals sector organizations, this paper includes practical checklists, process diagrams, and example compliance controls to utilize federal funding and be audit-ready.

Critical mineral funding landscape

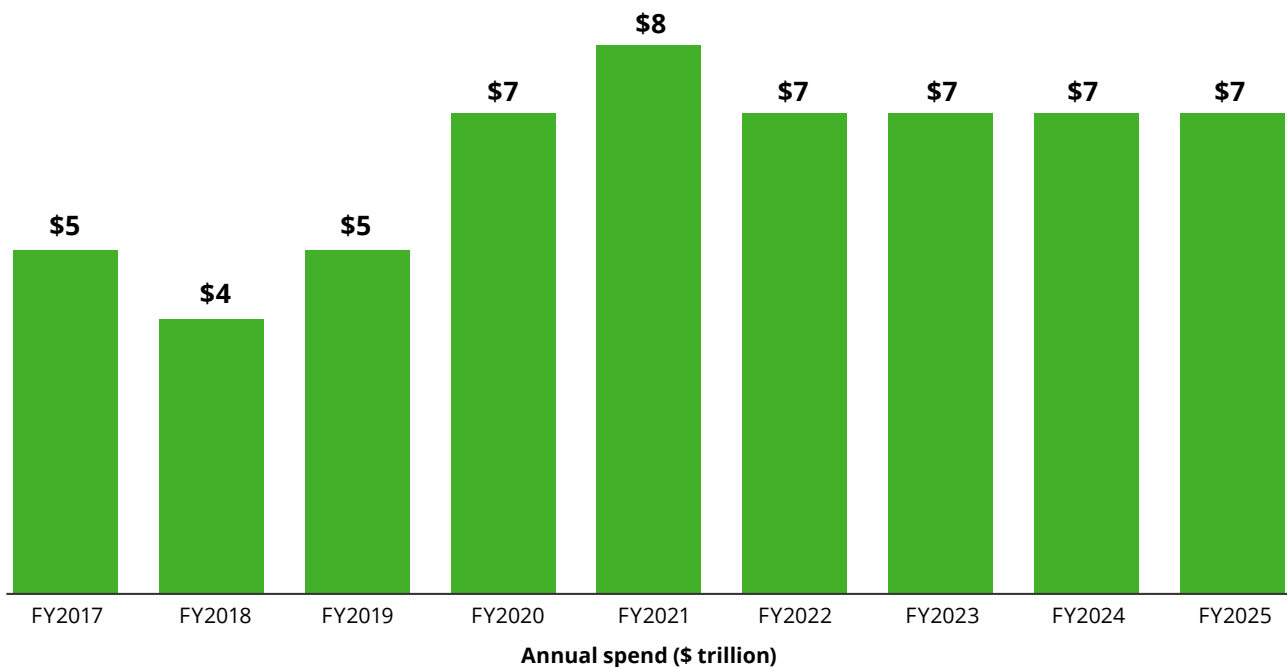
Commercial mining organizations may have significant new opportunities to access federal funding as the U.S. government prioritizes domestic production of critical minerals for manufacturing, technology, and defense.

Executive orders and legislation are streamlining permitting, expanding eligible minerals, and allocating potentially more than \$5 billion² in funding and incentives for extraction, processing, recycling, to impact supply chain development. The U.S. International Development Finance Corporation has also collaborated with Orion's Critical Mineral Consortium to invest in strategic critical minerals projects, aiming to secure essential supply chains for U.S. economic growth and national security.³ Companies focused on critical minerals, battery materials, or advanced recycling should consider these initiatives to secure funding and accelerate project growth.

Building a regulatory framework

In recent years, the Inflation Reduction Act (IRA)⁴ the Infrastructure Investment and Jobs Act (IIJA)⁵, and the One Big Beautiful Bill Act (OBBBA)⁶ allocated significant investments in infrastructure and energy improvements across the U.S., opening up grant opportunities for both public- and private-sector projects and partnerships. Programs range from strengthening water infrastructure and community building to rare earth minerals supply chain and nuclear energy production, offering commercial entities significant funding opportunities. The IRA provides \$369 billion in funding for clean energy and energy efficiency initiatives, including \$270 billion in tax credits.⁷ The IIJA includes \$550 billion in new federal infrastructure investments over five years,⁸ including more than \$62 billion in funding for the U.S. Department of Energy to invest in power and grid infrastructure, energy efficiency, and advanced transportation.⁹ The OBBBA, enacted in July 2025, authorizes \$3 billion in funding to improve the United States stockpile of critical minerals, invest in critical minerals supply chains, and provide capital assistance for critical minerals and related industries and projects. The IRA, OBBBA, and IIJA in combination with the Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act¹⁰ and other Department of Energy initiatives have also brought a new wave of federal funding to organizations related to mining and manufacturing. Federal legislation has created a toolbox of direct funding via grants, loans, and equity. The current administration has made domestic supply chain a central pillar of its policy goals, while the United States Congress has incentivized mining and manufacturing, which increases funding available for critical rare earth minerals.¹¹ This funding is being used by both private- and public-sector companies. Both sectors have embraced the need to bolster the domestic supply chain to strengthen domestic independence and reduce foreign dependence.

Federal spending on grants and fixed charges annual spend



To take advantage of these new programs, and those in the future, it's critical for commercial entities to bolster federal compliance skills such as loan re-payment and end-to-end grants management, from application through implementation and closeout. The following section contains insights into leading practices for assessing and managing federal grant funding that commercial entities can consider as they move into this uncharted territory.

Leading practices for working with federal funding

There are a few actions that can be taken up front if commercial entities choose to apply for federal funding. Understanding the applicable rules ahead of receiving funding can help entities understand the administrative efforts required on the back end. Below, we discuss the following steps in further detail:

- Understand funding structure and requirements
- Build a regulatory foundation
- Take note of procurement requirements, if applicable
- Manage equipment, asset, and documentation
- Staff and/or train your team
- Check the administration requirements, if applicable
- Create a federal financial management policy

Understand funding structure and requirements

The federal government has a portfolio toolbox of funding sources to apply toward rare earth metals, mining, and manufacturing. This direct funding includes grants, loans, and equity.

Federal grants are not carte blanche funds for an organization to spend at will. To maintain public trust and stewardship of tax dollars, federal regulations govern the awarding, spending, monitoring, and closeout of grant funds. Key requirements to be understood include eligible expenditures, administrative caps, cost sharing, reimbursement or advance funding, period of performance dates, subrecipient expectations, required key performance indicators (KPIs), and regulatory requirements. Similar requirements and regulations apply to federal loans.

Private equity is becoming a more commonly leveraged tool used by the federal government to increase public investment and stimulate business. With private equity funding agreements, the federal government may own a stake in the company's stock or have the right to a determined amount of revenue based on production. Recent examples of federal funding equity in the mining and manufacturing industry include the U.S. Department of Defense becoming a major shareholder in MP Materials, a rare earth magnet producer.¹² Details of the equity agreement include stock purchases with a commitment to funding facility construction and production purchase agreements.

When receiving federal funding, it's important for all organizations to know what type of funding they are receiving as that will determine what conditions and regulations apply.

Build a regulatory foundation

A strong compliance program begins with establishing a strong regulatory structure that is both broad and adaptive. Organizations should develop and regularly update a detailed regulatory

compliance manual that encompasses applicable federal standards. For example, federal grants must follow those detailed in [2 CFR 200](#) and [2 CFR 910](#). Guidance should specify clear decision rights, defining which personnel are authorized to make financial-related decisions, and outline precise escalation paths for addressing exceptions or issues. Additionally, it is essential to embed a code of conduct and ethics within relevant policies, including a well-communicated whistleblower process that empowers employees to report concerns without fear of retaliation. By creating this foundational documentation, organizations set clear expectations and reduce ambiguity, forming the bedrock of effective funding management.

Take note of procurement requirements, if applicable

Effective grant compliance hinges on an organization's ability to navigate complex procurement requirements. Commercial entities receiving federal grants should consider not only designing competitive procurement processes that align with federal guidelines but also thoroughly documenting their processes for transparency. Recordkeeping is critical: organizations should consider documentation retention for procurement activities, from bid solicitations and evaluation rationales to justifications for sole-source awards and price reasonableness assessments. Consistent application and documentation of these procedures, such as tracking initiatives related to small and disadvantaged business inclusion, can greatly reduce compliance risks and foster trust with federal awarding agencies. This includes confirming that minimum thresholds outlined in grant legislation are meticulously reported.

From a practical standpoint, what follows are a few things to consider when it comes to procurement:

- **The thresholds created for needing approvals, quotes, and competitive bidding.** Below the micro-purchase threshold, no procurement documentation is required. Per 2 CFR 200, this amount is \$15,000 but can be increased to \$50,000 by organizations. Above the simplified acquisition threshold, which is defined as \$350,000 by 2 CFR 200, organizations should consider providing evidence of competitive bidding and a cost or price analysis prior to procurement. Competitive bidding includes advertising in order to promote open and free competition. For the in-between values, a sufficient number of quotes is required. Usually, three, but it may be more depending on the quality of the quotes received and the level of effort expended. The threshold is calculated using the overall contract value, not the value of each individual purchase or invoice. Save the documentation associated with each step of this process including written method for conducting technical evaluations of the proposals received and making selections.
- **Per federal regulations in 2 CFR 200.321**, when possible, organizations should consider small businesses, women's business enterprises, veteran-owned businesses, and labor surplus area firms. There are six recommended steps for consideration listed in the regulations.
- **Review contract templates for required contract clauses.** Appendix II to 2 CFR 200 lists the required contract clauses that must be utilized and under what circumstances and contract thresholds each one should be included. This may include

the Davis-Bacon Act, which requires that contractors and subcontractors pay their laborers and mechanics employed on the contract no less than the locally prevailing wages and fringe benefits on a weekly basis.¹³ This may also include the Buy America requirements for infrastructure projects.¹⁴

- **Noncompetitive procurement must be able to be supported as a reasonable cost.** Because the purpose of the procurement requirements is to create open and free competition, there are limited circumstances when sole source procurement is permitted per 2 CFR 200.320(c). This justification should be documented and added to the procurement file in the event the project is audited.

Manage equipment, asset, and documentation

Meticulous management of equipment and documentation is a core pillar of effective financial stewardship. Major capital asset purchases must adhere to federal tagging, inventory, and appreciation protocols, allowing assets to be tracked throughout their lifecycle and disposed of in compliance with federal rules. In addition, organizations should implement document retention protocols aligned with the requirements specific to their funding programs, which may demand secure storage for three years after a grant's closeout. These disciplined practices will not only facilitate compliance with audit requirements but can also mitigate risk for organizations in the event of regulatory inquiries.

Staff and/or train your team

Maintaining federal financial compliance is impossible without a strong team and ongoing training. Organizations should identify or appoint a dedicated federal finance coordinator, often within a Project Management Office (PMO), who is vested with the authority and accountability needed to oversee compliance activities. In parallel, annual training on current federal funding requirements should be mandated for staff who participate in finance administration or compliance functions. This ongoing emphasis on

specialized training helps personnel remain current with evolving statutes and supports a culture of compliance and accountability across the organization.

Check the administration requirements, if applicable

Below are a few high-level requirements organizations may need to meet when utilizing federal funding:

- **Audit requirements:** Per 2 CFR 200.501, a non-federal entity that expends \$1,000,000 or more during the non-federal entity's fiscal year in federal awards must have a single or program-specific audit conducted. The single audit is reserved for governmental entities, while the program-specific audit is reserved for corporate entities.
- **Pass-through entity requirements:** If organizations pass federal funding to another entity as a subrecipient, there are additional requirements that may need to be met including creating official sub-award documents; evaluating the subrecipient's risk; monitoring; providing technical assistance; and reviewing audits.
- **Reporting requirements:** Each federal award and awarding agency has its own reporting requirements, which may include financial, programmatic, impact, and/or data. These will be listed in the award agreement. The final reporting requirement is to submit the final expenditure report to execute project closeout. Mark reporting dates on the calendar and work backward to determine when you need to contact stakeholders to compile information because missing these reporting deadlines may increase overall risk as a recipient of funding, creating additional administrative burden over time.
- **Document retention:** Documents must be retained for at least three years after the submission of the final expenditure report per 2 CFR 200.334. It is a leading practice to keep this information organized, accessible, and secure.



Create a federal financial management policy

Establishing a formal federal financial management policy is essential for organizations involved in critical minerals projects tracking initiatives related to small and disadvantaged business inclusion. Policies should establish clear responsibilities and accountability and be communicated conscientiously. A management policy may include roles and responsibilities; details about pre-award, award, and post-award processes; documentation requirements; overall finance administration, monitoring, reporting, and audits; and closeout and document retention requirements.

Effective financial management policies should also enable timely audit responses, allowing organizations to retrieve documentation and demonstrate compliance during reviews or investigations. To remain aligned with the rapidly evolving regulatory landscape, the policy should require regular assessment and updates in accordance with new federal guidance, industry leading practices, and advancements in compliance tools relevant to the rare earth and critical minerals space.

How Deloitte can help

Before organizations elect to utilize federal funding, there are many important details to note. Knowing these details up front can help organizations establish systems to effectively manage funding upon award. Creating these systems and retaining the associated documentation with potential grant funding can help mitigate the risk of future auditors finding an issue resulting in the granting agency taking away funding after closeout and build confidence before submitting the final expenditure report.

However, organizations do not need to do this alone. Many awards have a component of administrative costs associated with them that can be used for internal or contractor costs associated with the labor and resources required for administering and managing the funding. Contractors will need to be procured through a process that aligns with the award requirements if federal funding is utilized. Deloitte can help organizations in the following six ways:

- 1. Identify grants, loans, or equity opportunities for which an organization may be eligible:** With numerous funding sources available, it is difficult to navigate where to look and what is applicable to your organization. Deloitte can help identify funding sources that align to project goals. It may even be possible to interweave multiple funding sources together to increase total dollars available. Once identified, Deloitte can also guide organizations through the fund application process—helping craft clear, persuasive proposals that highlight project strengths and meet federal requirements, ultimately improving the odds of a productive funding application.
- 2. Perform a grant readiness assessment:** A readiness assessment can help organizations identify gaps in current policies and procedures that do not align with the rules and regulations in place associated with the relevant grant programs.
- 3. Develop tools and procedures:** The development of tools and/or procedures can help organizations create a strong foundation as they administer and spend their federal funding. This can be as simple as creating spreadsheet templates with automation and tying into already existing systems or as personalized as

building out a custom technology solution. Deloitte can help write these tools and/or procedures to align with grant, loan, and equity requirements, as well as train team members to understand new obligations.

- 4. Execute grant eligibility, compliance, and monitoring:** Employees already have full-time jobs. In the instance the finance and procurement teams do not have the resources to be able to take on additional responsibilities, Deloitte is able to help set up and execute grant subrecipient application review, reimbursement requests, and monitoring processes internally or for subrecipients. This can include eligibility and compliance reviews, as well as subrecipient monitoring requirements, if applicable. Deloitte has developed and utilizes tools to accelerate grant administration, eligibility, and compliance leveraging cloud platforms, machine learning, and artificial intelligence.
- 5. Set up a project management office and facilitate financial administration:** If the personnel are already in place, Deloitte can help organizations navigate the process and identify high-level risks, when or before they appear, through creating baseline schedules, managing to-do lists, monitoring important dates and activities, coordinating with stakeholders, and creating dashboards highlighting KPIs.
- 6. Provide ad hoc technical assistance:** Having a team nearby that has worked at the grantor, recipient, and subrecipient levels and has vast experience in the mining industry can help provide perspective as grant funding is administered. In addition to this subject-matter knowledge, Deloitte can assist with training development, training facilitation, office hours, and one-off questions to help build a well-managed program.

Before grant or loan closeout, administrators and managers should feel confident each expense submitted as part of the project was eligible and compliant and has the required supporting documentation to build the story of the expense. During potential audits, it is possible there is turnover that could make questions about the projects harder to answer without this documentation readily available.

Organizations looking to expand their federal funding impact should prioritize early investment in internal controls and policy documentation, both are critical elements in building a strong compliance environment. Automating reporting and monitoring compliance workflows whenever possible not only increase efficiency but also enable consistent adherence to regulatory requirements. Ongoing training and certification for the finance management team are fundamental to keeping pace with evolving federal compliance standards and preventing procedural gaps.

By benchmarking their federal financial management processes against industry leading practices, organizations can continuously improve their compliance posture, directly reducing the risk of audit findings and penalties. As federal incentives for rare mineral development expand, organizations with well-established compliance programs will be positioned to utilize these funds efficiently.

Endnotes

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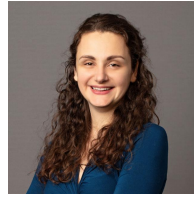


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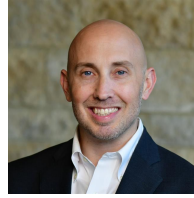


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