OFFICE OF RESEARCH AND SPONSORED PROGRAMS
GUIDANCE DOCUMENT

Subrecipient vs. Contractor Classification

Related Policy: Subrecipient Monitoring Policy

UMB must make case-by-case determinations in classifying each agreement as either a subaward agreement or a procurement contract. When the relationship remains unclear, this guidance document may provide assistance in making an accurate determination. Misclassification may result in delays of subaward processing and/or significant errors in F&A budget calculations.

- Subrecipient - A subaward is issued for the purpose of carrying out a portion of an award and creates an assistance relationship with the subrecipient. UMB collects F&A on the first $25,000 of a subaward.
- Contractor - A contract is awarded for the purpose of obtaining goods and/or services for UMB's own use and creates a procurement relationship with the contractor. UMB collects F&A on the entire amount of the contract.

During the proposal phase or as prospective subrecipients are identified, it is recommended that the **Grants and Contracts Administrator** use the *Subrecipient Determination Checklist* below. Use of this tool is not required, but can help clarify the difference between subrecipients and contractors when establishing a relationship with outside entities for the purposes of developing a grant proposal.

Subrecipient: Characteristics which support the classification of the entity as a subrecipient include when the entity:

☐ Determines who is eligible to receive what Federal assistance

☐ Has its performance measured in relation to whether objectives of the award were achieved (are the specific aims, goals, and/or milestones dependent on the entity's participation?)

☐ Has responsibility for programmatic decision making; participates in interpretation of results and publication authorship

☐ In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity

Entities that include these characteristics are responsible for adherence to applicable Federal program requirements (i.e. Terms and Conditions) specified in the Federal award.

Contractors: Procurement Contracts awarded for the purpose of obtaining goods and services for the entity's own use are not considered subawards for purposes of this guidance. Such a contract creates a procurement relationship between the parties. Characteristics indicative of a procurement relationship are when the entity receiving the Federal funds:

☐ The goods or services are within the outside entity's normal business operations, e.g. manufacturing, data or sample analysis, core services, etc.

☐ Similar goods or services are provided to many different purchasers

☐ Operations are in a competitive environment

☐ The goods or services are ancillary to the operation of the Federal program

Entities that include these characteristics are not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.

In determining whether a subrecipient or contractor relationship exists, the substance of the relationship is more important than the form of the agreement. All of the characteristics listed above may not be present in all cases; therefore UMB must use judgment in classifying each agreement as a subaward or a procurement contract.

Explanation of use of judgment determination (use only when the determination cannot clearly be made using the above criteria)

Final Determination ☐ **Subrecipient** ☐ **Contractor**