

Subrecipient vs. Contractor (Vendor) Guidance

Background

The regulations regarding the use of Federal award funds allow for recipients to pass-through funds to other entities. Depending on the nature of the goods or services provided by the entity receiving the pass-through funds, the regulations classify the entity as a Subrecipient or a Contractor (also sometimes called a vendor, and in other cases a consultant). The determination of whether an entity is classified as a Subrecipient or Contractor is based on criteria in [2 CFR §200.331](#) and the definitions in [2 CFR §200.1](#).

Importance of Proper and Early Determination

Making the proper determination early in the proposal process is important for the following reasons:

- There are indirect cost implications for CSU's budget;
- How the entity's participation in the project is described in the proposal is different;
- There are budgeting implications for the external entity receiving the passed-through funds (For instance, a commercial entity that is a subrecipient on a federal assistance award cannot include any profit in their cost);
- The type of documentation needed from the external entity is different;
- The type of due diligence CSU must do before making an award is different;
- Compliance with federal Conflict of Interest, financial management, audit and record retention, and Human Subjects, Vertebrate Animal, and Biohazards (rDNA, infectious agents) regulations is different;
- The type of agreement issued to the external entity is different;
- Issuance of a Contractor (vendor) agreement must follow CSU and Federal Procurement requirements for open competition.

CSU PI and Institutional Responsibility

As the recipient of federal funds, CSU is required to use its judgment, consistent with [2 CFR §200.331](#), to determine if an entity is a Subrecipient or a Contractor. The nature of the collaboration is the most important factor in the determination and is based primarily on the type of work proposed. The type of entity is also a consideration.

Principal Investigators are responsible for providing sufficient information about the role and nature of the entity they are considering including as a Subrecipient, Contractor (vendor or consultant) from the outset of the budget development process so that the appropriate determination can be made, and the appropriate documentation can be collected from the external entity for inclusion in CSU's proposal. If there is any uncertainty of the most appropriate classification of an entity advice should be sought from the PI's Office of Sponsored Programs (OSP) [Team](#) early in the budget development process.

Principal Investigators and department/unit Pre-Award Research Administrators should consider the information in the *Definitions* below when determining how to classify an entity in a proposal. They should also facilitate the collection of *the Elements Required for a Proposal for Subrecipients, Contractors (Vendors), and Consultants*. Additionally, completion of the **Subrecipient vs. Contractors Determination Checklist** can help make the determination. That document incorporates the below definitions.

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Definitions

Subrecipient

Classification as a Subrecipient is generally appropriate when the following characteristics are present (not all may be present in every case):

- The entity is a partner in the project and will perform a substantive portion of the programmatic work (e.g. They are directly engaged in carrying out all or part of one or more of the project's objectives).
- The entity's involvement in the project is signified by a separate scope of work, a separate line-item budget, and an entity commitment form signed by a person authorized to submit proposals on behalf of the entity.
- The entity's personnel may be included as a PI/PD, Co-PI, Co-I or Key Person on CSU's prime project.
- The entity's personnel participate in an intellectually creative and substantive way in the design of the project (i.e. they have a significant role in writing the overall proposal).
- The entity commits to a good faith effort to conduct a substantive portion of the research or programmatic scope of work.
- The entity's performance is measured against whether or not their portion of the overall project objectives are met.
- The entity's work could result in the development of new patentable, licensable, and/or copyrightable technology or other intellectual property.
- The entity's personnel are expected to author or co-author publications on the project/program's results.
- The entity's work includes vertebrate animal, human subjects, or stem cell, work and therefore is responsible to adhere to applicable federal and program compliance requirements.
- The entity is providing cost share or matching funds.
- The entity will use the proposed flow-through and/or cost shared funds to carry out its portion of the overall research or programmatic scope of work for a public purpose, as opposed to providing goods and/or services for CSU's use in carrying out the objects of the overall research or program.
- The project cannot be completed without this specific entity due to their expertise and integral involvement in the design and conduct of the project.

The [Office of Sponsored Programs](#) issues subrecipient agreements, which flow the terms of the prime award to the subrecipient.

Contractor (Vendor)

Classification as a Contractor is generally appropriate when the characteristics below are present:

- The entity provides the goods or services within normal business, and it operates in a competitive environment providing similar goods or services to a variety of customers (i.e. It is a commercial entity that competes with others who provide a similar services).

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- The entity is providing specified goods or services in support of CSU's research or programmatic scope of work.
- The entity has not participated in an intellectually creative and substantive way in the design of the project, but it is being engaged to provide specific goods or services that will be used by CSU to carry out CSU's proposed scope of work.
- The entity is not directly responsible for the research or for determining and reporting on the research results.
- The entity commits to delivering goods or services, and if they are not satisfactorily completed may result in nonpayment or the requirement to redo the work.
- The entity's work will not result in new patentable or copyrightable technology, though they may be selling already developed technology for CSU's use in carrying out the project.

An additional type of contractor is a Consultant. The following are characteristics of a Consultant.

- Subject matter expert (or group of experts) who provides professional or technical advice (consultation), but who is not responsible for the design or conduct of CSU's scope of work.
- In the case of an individual vendor of consulting services, the person has no employment relationship with CSU, either academic or administrative in nature.
- The project could be completed with a different entity doing this work.

Contractor (Vendor) agreements to external entities and individuals as consultants are issued through [CSU Procurement Services](#). There are certain dollar thresholds for procurements that have different requirements. Under Federal and CSU procurement requirements, the higher the dollar amount the Contractor receives from CSU during the course of a fiscal year determines if a contract must be put out for competitive bid and the length of time the bid must be open. **Listing a specific contractor or consultant in a proposal does not guarantee they will be selected.**

Elements Required for a Proposal for Subrecipients, Contractors (Vendors), and Consultants

Subrecipients

- Fully completed and signed Proposal Subrecipient Commitment Form (if Subrecipient is not a participant in the FDP Clearinghouse). The form is available [here](#).
- FDP Subrecipient Letter of Intent (if Subrecipient entity is participant in FDP Clearinghouse). The form is available [here](#).
- Scope of Work specific to Subrecipient, clearly outlining the work the entity will complete.
- Line-Item Budget for Subrecipient.
- Budget Justification for Subrecipient.
- Current, Federally Approved Indirect Cost Rate Agreement (or link to it if available online).
- Representations and Certifications forms as required by the sponsor guidelines to which CSU is applying.
- Any additional documentation required by the sponsor guidelines to which CSU is applying.

Contractors (Vendors)

- A current quote from the company for the goods or services they will provide.

Consultants

- Signed Consultant Letter of Commitment. An example Template Letter is available [here](#).