Before entering into a relationship with another entity funded by a sponsored award in which a collaborator will provide goods or services or substantive, programmatic work to the University of South Alabama (USA) as the prime recipient of funding, a determination must be made as to the nature of the legal relationship of the University and the collaborator. This decision will determine the type of legal agreement required to document the relationship and is a significant decision because it determines the allocation of responsibilities and influences the appropriate application of indirect cost rates.

In the case of a subagreement, it is mandatory that the prime recipient ensure subrecipients are conducting their portions of research projects compliant with all applicable terms and conditions of award and that project costs incurred by subrecipients are reasonable and allowable. Agreements with contractors for the purchase of services, however, typically do not bind vendors to the full set of sponsor terms and conditions, and are subject to competitive bidding procurement practices, to assure that funds paid to vendors do not exceed fair market value.

**Impact of Uniform Guidance**

The terms “vendor” and “contractor” are commonly used in the same respect. With the imposition of the Uniform Guidance on December 26, 2014, the term “vendor” was replaced with “contractor.” The terms largely have the same meaning and may be used interchangeably in other guidance.

**Section 200.330 Subrecipient and Contractor Determinations**, as well as **section 200.22 Contractor** and **200.92 Subaward** of the Uniform Guidance provide guidance on making subrecipient and contractor determinations.

**Subrecipient**

A subrecipient relationship is appropriate when:

- Substantive, programmatic work or an important or significant portion of the research program or project is being undertaken by the other entity.
- The research program or project is within the research objectives of the entity.
- The entity participates in a creative way in designing and/or conducting the research.
- The entity retains some element of programmatic control and discretion over how the work is carried out.
- The entity commits to a good faith effort to complete the design or conduct of the research.
- The entity makes independent decisions regarding how to implement the requested activities.
- A principal investigator has been identified at the entity and functions as a “Co-Investigator”.
- There is the expectation that the entity will retain ownership rights in potentially patentable or copyrightable technology or products that it produces in the course of fulfilling its scope of work.
- Publications may be created or co-authored at the entity.
- The entity may provide project cost sharing or matching funds for which it is not reimbursed by USA.
- The entity regards itself, and/or is regarded by USA, as “engaged in research” involving human subjects under the Common Rule and therefore requires approval for its interactions with human subjects.
**Subrecipient (continued)**

Subagreements should have a detailed scope of work and a budget that specifies salary, fringe, supplies, and other direct costs, as well as appropriate indirect costs consistent with the subrecipient’s indirect cost rate. Terms and conditions from a prime award are typically imposed on the subrecipient to the same degree that they are imposed on USA as the prime recipient.

**Contractor**

A contractor (vendor) relationship (including that of an individual acting as a consultant) is appropriate when:

- The entity is providing specified services in support of the research program.
- The entity has not significantly participated in the design of the research itself, but is implementing the research plan of the USA investigator.
- The entity is not directly responsible to the sponsor for the research or for determining research results.
- The entity markets its services to a range of customers, including those in non-academic fields.
- Little or no independent decision-making is involved in the design and conduct of the research work being completed.
- The agreement only specifies the type of goods/services provided and the associated costs.
- The entity commits to deliverable goods or services, which if not satisfactorily completed will result in non-payment or requirement to re-create deliverables.
- The entity does not expect to have its employees or executives credited as co-authors on papers that emerge from the research.
- The expectation is that the work will not result in patentable or copyrightable technology or products that would be owned by the entity.

In the case of an individual vendor of consulting services, the person has no employment relationship with USA, either academic or administrative in nature.

It is the responsibility of the principal investigator to determine whether the price is competitive and reasonable for agreements with both subrecipients and contractors. In either case; however, the agreed-upon cost is not relevant in determining whether the relationship is that of subrecipient or contractor. It is required by federal grant terms and conditions and by good business practices that competitive bids are sought for goods and services from multiple vendors, whenever possible and when the cost exceeds $5,000. Sole source contractor (vendor) relationships may be prohibited by the conditions of the prime award, and if allowed, are typically subject to specific conditions and must have the approval of the USA Purchasing Department.