Subrecipient vs. Vendor

Objectives & Key Roles

- **Objectives**
  - Difference between a subrecipient and a vendor
  - Comparison table

- **Key Roles**
  - Grant Accounting Office (GAO)
  - Division of Sponsored Programs (DSP)
  - Principal Investigator (PI)
  - Department Administrator

Why the distinction matters

- The classification drives how the transaction is budgeted, awarded, monitored, and audited.
- Misclassification can create compliance risk because subrecipients are subject to federal award requirements, while vendors generally are not.
- The determination should be based on the substance of the relationship, not the label on the agreement.

What is a subrecipient?

- A subrecipient carries out a portion of the federal program or research scope.
- They typically have programmatic responsibility, discretionary judgment, and may contribute to scholarly or scientific work.
- They are accountable for compliance with applicable federal program requirements tied to the award.

What is a vendor?

- A vendor provides goods or services within normal business operations.
- Vendors usually serve many customers, operate in a competitive environment, and provide routine or ancillary services.
- Vendors are paid for deliverables or services for the benefit of the pass-through entity, not to carry out a programmatic portion of the award.

Side-by-side comparison

Factor	Subrecipient	Vendor
Purpose	Carries out part of the award	Provides goods/services for project use
Role	Programmatic/scientific partner	Service provider
Decision-making	Has discretionary judgment	Follows specifications
Compliance	Subject to federal award terms and monitoring	Generally not subject to subrecipient monitoring
Competition	Not required	Usually operates in a competitive market

Questions to Consider

- Will the entity help design or carry out a portion of the research?
- Will performance be measured against project objectives rather than a service deliverable alone?
- Does the entity have responsibility for programmatic decisions or compliance obligations?
- Or is the entity simply providing a routine product or service in its normal business operations?

Decision Matrix

Decision point	Subrecipient indicator	Vendor indicator
Nature of work	Carries out part of the project or award	Provides routine goods or services
Programmatic role	Acts as a collaborator or scientific/program partner	Acts as a service provider
Judgment	Uses independent judgment or expertise	Follows purchaser specifications
Compliance	Subject to award terms and monitoring	Generally not subject to subrecipient monitoring
Market behavior	Not defined by competitive marketplace service	Normally operates in a competitive market
Bottom line	**Mostly these indicators = treat as subaward**	**Mostly these indicators = treat as procurement/vendor**

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Takeaways

- Focus on the actual work being performed, not the title of the agreement.
- Document the determination early, ideally during proposal development.
- If the answer is “programmatic partner,” treat it as a subaward; if the answer is “routine goods/services,” treat it as a procurement/vendor relationship.

References and additional information

- **DSP Website**
  - [dsp.research.uiowa.edu]
    - What is the difference between a Subaward, a Consulting/Professional Services Agreement, and a Contractor/Fee for Service Purchase Order?
- **GAO website**
  - gao.fo.uiowa.edu
    - Subawardee and Other Vendors
- **Contact us**
  - dsp.research.uiowa.edu/about-dsp/staff-directory-contacts
  - gao.fo.uiowa.edu/contact-us

gao.fo.uiowa.edu