

# **Subrecipient or Vendor Classification Guidance**

## **Based on Circular No. A-133 and OMB Guidance**

### **As of September 2, 2009**

**Subrecipient** – a non-Federal entity that expends Federal awards received from another entity to carry out a Federal program, but does not include an individual who is a beneficiary of such a program. Subrecipients are awarded Recovery Act funding through a legal instrument from the prime recipient to support the performance of any portion of the substantive project or program for which the prime recipient received the Recovery Act funding. Additionally, the terms and conditions of the Federal award are carried forward to the subrecipient.

The characteristics of a subrecipient that make it distinct from a vendor are summarized below. A subrecipient:

1. Determines who is eligible to receive what Federal financial assistance;
2. Has its performance measured against whether the objects of the Federal program are met;
3. Has responsibility for programmatic decision making;
4. Has responsibility for adherence to applicable Federal program compliance requirements; and
5. Use the Federal funds to carry out a program of the organization as compared to providing goods or services for a program of these pass-through entity.

**Vendor** – a dealer, distributor, merchant or other seller providing goods or services that are required for the conduct of a Federal program. Prime recipients or subrecipients may purchase goods or services needed to carry out the project or program from vendors. Vendors are not awarded funds by the same means as subrecipients and are not subject to the terms and conditions of the Federal financial assistance award. Program compliance requirements normally do not pass through to vendors.

The characteristics of a vendor that make it distinct from a subrecipient are summarized below. A vendor:

1. Provides the goods and services within normal business operations;
2. Provides similar goods and services to many different purchasers;
3. Operates in a competitive environment;
4. Provides goods and services that are ancillary to the operation of the Federal program; and
5. Is not subject to compliance requirements of the Federal program.

In general, individuals receiving benefits payments or other types of Federal awards are excluded from reporting information under Section 1512 of the Recovery Act. For example, Medicaid payments are not included in Section 1512 reporting.

**Use of Judgment in Making Determination** – there may be unusual circumstances or exceptions to the listed characteristics. In making the determination of whether a subrecipient or vendor relationship exists, the substance of the relationship is more important than the form of the agreement. It is not expected that all the characteristics will be present and judgment should be used in determining where an entity is a subrecipient or vendor.

**Determination** – the awarding agency shall make the final determination of whether its contracting entity is a subrecipient or vendor.