



## Understanding the Difference Between Subawards and Contracts



MIECHV program awardees provide home visiting services to families with the help of **subrecipients** and **contractors**.

- **Subrecipients** help awardees meet the objectives of the award by carrying out a portion of the work. Their services directly benefit the public. Subrecipients are paid through **subaward agreements**.
- **Contractors** provide goods and services for awardees' own use (e.g., information technology services, auditing, and janitorial services). Contractors are paid through **procurement contracts**.

The distinction between subaward agreements and procurement contracts sets the stage for the different sets of rules and requirements awardees must pass along to the recipients of awardee funds. For example, awardees must get prior approval from HRSA to switch subrecipients, but prior approval is generally not required for procurement contracts. Time invested in the correct subrecipient versus contractor determination will result in clear expectations throughout the life of the project or program.

This tip sheet provides suggested guidance for developing a contract determination process that is clear and consistent. In cases where the distinction between subcontractor and subrecipient is unclear, awardees should always contact their project officer (PO) and grants management specialist. Awardees should also share this information with their subrecipients, when appropriate.

**[Visit the MIECHV Program website to learn more!](#)**

## Tips

- ✓ **Determine the nature of the relationship.** Does it offer financial assistance to another nonfederal entity for disbursement of MIECHV funds? (This would indicate a subrecipient relationship.) Does it support the procurement of goods and services? (This would be indicative of a contractor relationship.) The Uniform Administrative Requirements, Cost Principles, and Audit requirements for HHS Awards, section [45 CFR §75.351: Subrecipient and contractor determinations](#), outlines the requirements for proper classification of a relationship as either a subaward agreement or a procurement contract. Figure 1 offers a quick reference sheet.

**Figure 1: Defining Characteristics of Subrecipients and Contractors<sup>1</sup>**

In your agreement, is the organization you are giving HRSA program funds to:

Subrecipient Characteristics	Yes	No
Able to determine who is eligible to receive the federal assistance?		
Having its performance measured as part of whether objectives of the HRSA award program were met?		
Responsible for programmatic decision-making?		
Responsible for adherence to HRSA award requirements?		
Using the funds to carry out a program for a public purpose specified in the authorizing statute? (Versus providing goods or services directly to your organization or employees.)		
Contractor Characteristics	Yes	No
Providing the goods or services within its normal business operations?		
Providing similar goods or services to many different purchasers besides you or this program?		
Normally operating in a competitive business environment?		
Providing support goods or services that are necessary to your operation of the HRSA award program?		
Not subject to comply with requirements of the HRSA award? (Will all program and regulatory responsibilities remain with you?)		

If you noted “yes” to some or all of the subaward characteristics noted above, you are most likely engaged in a subrecipient relationship for the purposes of federal award requirements.

<sup>1</sup> Subrecipient Monitoring Manual for Maternal, Infant, and Early Childhood Home Visiting (MIECHV) Award Recipients. Retrieved from <https://mchb.hrsa.gov/sites/default/files/mchb/programs-impact/srm-manual-august-2018.pdf>

- ✓ **Develop a detailed determination process.** This should specify who will be responsible for defining the vendor relationship, developing and reviewing the corresponding scope of work, and setting up a subaward or contract that includes all relevant terms and conditions. Make sure that all signed and executed subrecipient agreements explicitly reference the vendor as a subrecipient—not a contractor—per federal requirements.
- ✓ **Embrace ambiguity.** Even though the correct classification of a subrecipient or contractor is critical to proper monitoring and management of the relationships, recognize that in many cases—especially in the area of service provision—this determination can be complicated. You may need to make reasonable, case-by-case determinations as to whether the role is that of a subrecipient or a contractor. HRSA may or may not supply additional guidance, but whichever determination you make, be prepared to provide adequate documentation to support your classification.
- ✓ **Remember that substance matters more than form.** The substance of the relationship is more important than the form of the agreement. If you define an agreement as a contract, but the substance behind the agreement meets the definition of a subaward, then the nonfederal entity receiving the funds is a subrecipient and is subject to subrecipient monitoring, and they should be prepared to comply with all awardee requirements as well as prior approval requirements. For example, let's say an awardee enters into a contractual agreement for information technology (IT) services to support their MIECHV data collection efforts. Because these services assist the awardee in meeting its HRSA requirements (and as such, are integral to awardee compliance), this would be considered a subrecipient relationship. However, this awardee may have a contract with the same IT service provider that has nothing to do with HRSA requirements (for example, to maintain the awardee's computer network). In that context, the IT service provider would not be considered a subrecipient.

## Resources

### [Code of Federal Regulations, Title 45: Public Welfare, Part 75—Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards](#)

This document contains the regulations for grant management for the Department of Health and Human Services. Subrecipient monitoring and management, including subrecipient and contractor determinations, are found in [45 CFR §75.351–75.353](#).

### [HRSA Financial Management Page](#)

This HRSA website assists MIECHV awardees with the financial requirements of their federal awards.

### [HHS Grants Policy Statement](#)

This online document describes the general terms and conditions of HHS grant awards.

### **HRSA 2018 Regional Grants Workshop: Subrecipient Monitoring and Management Session (Handout)**

This resource provides checklists for assessing the relationship between subrecipients and contractors.

### **Subrecipient Monitoring Manual for Maternal, Infant, and Early Childhood Home Visiting (MIECHV)**

#### **Award Recipients**

This resource clarifies the difference between subrecipients and contractors and describes the process for monitoring subrecipients.