**Preaward Subawards**

**PreAward Stage**

By making a proper determination in the proposal stage, the appropriate relationship can be established from the start. Sponsor approval is required prior to entering into a subcontract. If it is a vendor relationship, no sponsor approval is required unless specified in the award terms and conditions.

**What is a Subagreement?**

According to the OMB Circular A-110, a Subaward is defined as “an award of financial assistance in the form of money, or property in lieu of money, made under an award by a recipient to an eligible subrecipient or by a subrecipient to a lower tier subrecipient.” A Subrecipient means the legal entity to which a subaward is made and which is accountable to the recipient for the use of the funds provided.

**Subrecipients vs. Vendors**

It is not always clear when the pass-through entity should award federal funds to a subrecipient or a procurement contract to a vendor. A subrecipient is a state or local government, college, university or nonprofit organization that expends federal awards received from a pass-through entity to carry out a federal program.

Under a subaward, a subrecipient generally has a specific scope of work to conduct in conjunction with the proposed research. The PI with the subaward is accountable for their course of study as well as for following federal guidelines.

In contrast, a vendor is a dealer, distributor, merchant or other seller providing goods or services that are necessary for conducting a federal program. These goods or services may be for an organization’s own use or for the use of beneficiaries of the federal program.

Under a procurement contract, a vendor provides goods or services that are auxiliary to the proposed research.

**What constitutes a Consultant?**

Consultant Agreements are issued to either a company or to an individual who is clearly a bona fide consultant (expert advisor) who pursues this line of business for him/herself. The consultant is paid for his/her time at the fixed daily (or hourly) rate of compensation specified in an agreement. Consulting effort is usually limited to the term and the pay line is usually determined by a rate per day, which includes travel, expenses, and any other overhead. Consultants set their own hours, use their own equipment and materials, choose their work methods, and are responsible for paying taxes on their earnings as consultants. They will receive Tax Form 1099 from Georgia Tech, furthermore a consultant is considered “work for hire” and therefore all intellectual property and copyrightable information is assigned to GTRC.

The primary difference is that a subcontract is almost invariably with another institution or with a company, and a consulting agreement is almost invariably with an individual (non Ga-Tech employee).

**Subagreements under Federal Contracts (Not Grants)**

In order to establish a subrecipient relationship under federal contracts, the Federal Acquisition Regulation (FAR 35.009) states that “it is important that the contractor not subcontract technical or scientific work without the contracting officer’s advance knowledge.” The FAR goes on to state that “during the negotiation of a cost-reimbursement R & D contract, the contracting officer shall obtain complete information concerning the contractor’s plans for subcontracting any portion of the experimental, research, or development effort.” If a subrecipient relationship is not approved as part of a proposal submitted to the agency, written sponsor approval would be required before any unbudgeted subrecipient subcontract could be established.