

Before a sponsor’s funds can flow from the University of Rhode Island (URI) to another entity, it is necessary to select the proper type of funding instrument to make this happen. The first step in this process is to determine what type of transaction the sponsor is using to provide funding to URI. Two types of transactions are typically received by the Office of Sponsored Projects (OSP) are awards and contracts.

“Award” means financial assistance (grants, cooperative agreements) that provides support or stimulation to accomplish a public purpose.

“Contract” means a contractual agreement to procure goods and/or services for the direct benefit or use of the Sponsor.

Under an “Award”, URI may issue a “subaward” to any entity that is needed as a collaborator on the project. Similarly, when URI receives a “Contract” and wants to provide project funds to a collaborating entity the appropriate transaction is a “subcontract.” Sponsor approval is assumed if a subawardee is named in the URI proposal. However, subcontracts may require additional prior written approval of the sponsor.

Each collaborating entity (subrecipient) should be named in the proposal. The proposal should incorporate documentation from each subrecipient, including a complete itemized budget (on the R&R budget pages), budget justification, statement of work to be performed, subrecipient monitoring form, and a description of the subrecipient’s qualifications to perform that work signed by each subrecipient’s authorized official.

The costs of each subaward/subcontract should appear in URI’s proposal budget as a separate line item that includes both the subrecipient’s direct and indirect costs. URI’s negotiated indirect cost (F&A) rate should then be applied only on the first \$25,000 of the total amount of the subaward/subcontract. When a lesser F&A rate is used (due to sponsor limits on F&A), the lesser F&A rate is applied to “all” subaward/subcontractor costs. The table below illustrates these relationships.

Type of Sponsorship	Transaction	Negotiated F&A Rate	Lesser F&A Rate
Award	Subaward	Charged on first \$25,000	Charged on all subaward costs
Contract	Subcontract	Charged on first \$25,000	Charged on all subcontract costs

### Subrecipient Collaborator vs. Vendor (Contractor)

When an entity does not contribute a significant portion to the project as described in the Statement of Work and is instead is providing goods and/or services that are ancillary to the operation of the sponsored program, a subaward or subcontract should **not** be used. Instead, the entity should be treated as a “vendor”. Suppliers should be contracted for their goods and/or services according to the procedures specified by [University Purchasing Office](#).

To determine if an entity is a subrecipient collaborator or a vendor, refer to [Checklist to Determine Subrecipient or Contractor Involvement](#).

It is important to correctly categorize collaborators and vendors at the proposal stage because, as noted above, indirect cost charges are applied to "all" supplier costs but only to the first \$25,000 of a subaward or subcontract when URI's negotiated rate is applied. If an entity is incorrectly budgeted as a subawardee in the proposal and it becomes necessary to treat the entity as a vendor at the award stage, the PI may lack sufficient project funds to cover the indirect costs that will be charged. This can negatively impact project outcomes.

Furthermore, OSP must flow down all of the compliance requirements from the prime award or contract received by URI, e.g., effort reporting on federal awards, to each subawardee or subcontractor. Vendors are not subject to all of these compliance requirements and will be ill-prepared to comply with some requirements if they are incorrectly classified as a subrecipient.

### **"Named" vs. "TBD" Collaborators**

When the name and/or role of an entity is still "TBD" (to be determined) at the proposal stage, it is safest to budget for this entity as though the entity will be a vendor. Include the total cost of the supplier's goods in the budget under "supplies" or "equipment." Vendor services should be budgeted under "contractual services" or "other." The total cost of items budgeted as supplies, contractual services, or other will be subject to F&A charges. Items classified as equipment are not subject to F&A, unless a lesser indirect cost rate is used instead of the URI's negotiated F&A rate.

Note: If the unnamed entity is budgeted as a subrecipient at the proposal stage, and at the award stage a vendor relationship is determined to be more appropriate, it may be necessary for the PI to modify the proposal budget to include appropriate F&A charges.

### **Consultants**

Consultant fees may generally be paid only to individuals not employed by URI who can provide special knowledge or advice necessary for the project. For each individual, specify the name, daily rate of pay, and number of days each consultant will be paid. Documentation supporting the reasonableness of the pay rate should be provided. Any costs of travel and per diem should be specified.