Subaward/Subcontract vs. Contract for Professional Services (CPS)
University of Minnesota – Office of Sponsored Projects Administration

How and why it is important to make the determination/distinction:

• Subaward F&A and fringe benefits calculations will impact the University’s total award
• Subaward/contracts may be subject to OMB A133 auditing and monitoring if prime-funding source is from a Federal Agency.
• Subaward/contract flow down the terms and conditions of the prime award, while a CPS vendor is not subject to the proceeding regulations or terms and conditions.

Characteristics of Subaward/subcontract:

• Performance measured against whether the objectives of the sponsored program are met (carrying out a portion of the programmatic effort of the project).
• The subrecipient is responsible for programmatic decision making relative for their portion of the work.
• The subrecipient must adhere to sponsored compliance requirements (IRB, IACUC, rebudgeting restrictions, publication, IP rights).
• The subrecipient uses the sponsored funds to carry out a program of the organization as compared to providing goods or services.

Characteristics for use of CPS for vendors:

• Provides goods/services within normal business operations.
• Provides similar goods/services to many different purchasers.
• Operates in a competitive environment.
• Provides goods or services that are ancillary to operation of sponsored program.
• Is not subject to compliance requirements of the prime sponsor.
• Provides services as an individual or sole proprietor.
• Pay particular attention to testing, processing, computer programming, editing, etc. function that are outsourced. A CPS probably should be used.

There may be unusual circumstances or exceptions to the above listed characteristics. In making the determination of whether a subaward/contract or a CPS should be utilized, the substance of the relationship is more important than the form of the agreement. It is not expected that all of these characteristics will be present and good judgment should be used in determining whether a subaward/contract or CPS should be used. When reviewing these characteristics if you are still unsure please contact the Grant Administrator in SPA that handles your project for additional guidance.