

Section 3.5: Vendor/Contractor

PURPOSE AND POLICY

It is the responsibility of the grants program manager and his/her agency support services to review the financial relationships between itself and any outside entity. The relationships must accurately reflect true programmatic relationships and not ones designed to circumvent restrictions or requirements. All procurement, either of vendor or contractor services or grant program, must adhere to all applicable federal, state and local procurement policies.

Subrecipient/contractor determinations

A subrecipient is an entity that receives a subaward from another entity to carry out part of a program, but does not include an individual that is a beneficiary of such program. The originating source of these subawards may be federal, state, or another source. A subrecipient also may be a recipient of other direct awards. A contractor is awarded a contract to provide goods and/or services and creates a procurement relationship

The Association of Government Accountants (AGA) created a [checklist](#) based upon Uniform Guidance requirements that will help entities determine if the recipient of funds is a subrecipient or a contractor. Similarly, the State of Arizona Accounting Manual (SAAM) has a [policy](#) based upon Uniform Guidance. The information below originates with Uniform Guidance, but the Office of Grants and Federal Resources (GFR) has modified the language to apply to all grant programs regardless of originating funding source.

Subrecipients

Characteristics that support the classification of an agency as a subrecipient include when the entity:

1. Determines who is eligible to receive what assistance;
2. Has its performance measured in relation to whether objectives of a program were met;
3. Has responsibility for programmatic decision making;
4. Is responsible for adherence to applicable program requirements specified in the originating award (such as the federal government's Uniform Guidance); and
5. In accordance with its agreement, uses the funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the entity.

Contractors

Characteristics indicative of a procurement relationship between the agency and a contractor are when the contractor:

1. Provides the goods and services within normal business operations;
2. Provides similar goods or services to many different purchasers;
3. Normally operates in a competitive environment;

4. Provides goods or services that are ancillary to the operation of the program; and
5. Is not subject to compliance requirements of the program as a result of the agreement, though similar requirements may apply for other reasons.

Grants and Procurement in Arizona

The State Procurement Office (SPO), a division within the Arizona Department of Administration (ADOA), serves as the State's central procurement authority and is responsible for the authorization, oversight and management of the contracting and purchasing activities of the State. Grant program managers work with SPO to procure goods and services according to and in alignment with state procurement rules.

For grant programs, there are a separate set of rules, Arizona Revised Statutes (A.R.S) Title 41 (State Government), Chapter 24 (Solicitation and Awarding of Grants) that govern grant solicitation and award activities in Arizona:

- [41-2701](#) Definitions
- [41-2702](#) Solicitation and award of grant applications
- [41-2703](#) Waiver of solicitation and award procedures
- [41-2704](#) Remedies
- [41-2705](#) Violation; classification; liability; enforcement authority
- [41-2706](#) Applicability of chapter