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Does Your Organization Require an A-133 Single Audit? The Vendor vs. Subrecipient Distinction

AUDIT, NOT-FOR-PROFIT

BY SCHNEIDER DOWNS PROFESSIONAL

Making this distinction properly is very important for organizations receiving federal awards. Subrecipients are subject to audit under A-133, while payments to a vendor for goods and services are not. The dollar amount of a transaction is not a determining factor. It is important to be aware that it is the nature of the relationship that determines whether or not an organization is a subrecipient or a vendor. To help your organization make this distinction, consider the following:

Characteristics of a Subrecipient

- They determine who is eligible to receive assistance
- Their performance is measured against meeting the objectives of the program
- They have programmatic decision-making responsibility
- They are responsible for applicable program compliance requirements
- They use the funds to carry out a program of the organization as opposed to providing the services for a program of the awarding entity

Characteristics of a Vendor

- They provide the service as part of their normal business operations
- They provide a similar service to many different purchasers
- They operate in a competitive environment
- Their program compliance requirements do not pertain to the service provided

It is important to understand that determining whether your organization is a vendor or a subrecipient takes judgment. The answer is not always black and white, and there is not a single factor that will dictate whether one or the other relationship exists. However, keep in mind that if your organization transfers federal funds to another organization that is deemed a "subrecipient," your organization is responsible for oversight of the recipient's use of the funds. If the recipient is deemed a "vendor," you have no formal oversight responsibilities.

Please contact one of our [not-for-profit accounting professionals](#) if you have questions about your vendor vs. subrecipient distinction or A-133 audit requirements.

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