Consultant Costs
Consultant fees may generally be paid only to individuals not employed by the campus or other UC campuses or UC labs 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. All consultant costs are subject to the applicable indirect cost rate associated with the sponsored agreement.

Subagreements with Collaborators
Before a sponsor’s funds can flow from Berkeley 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 Berkeley. Two types of transactions are typically received by SPO: 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” of financial assistance Berkeley may issue a “subaward” to any entity that is needed as a collaborator on the project. However, when Berkeley receives a “Contract” and wants to provide project funds to a collaborating entity the appropriate transaction is a “subcontract.” Note: Sponsor approval is assumed if a subawardee is named in the Berkeley proposal. 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, budget justification, Statement of Work to be performed, and a description of the subrecipient’s qualifications to perform that work. The proposal also should include a letter of commitment, a cover sheet, certification, and a Subrecipient Commitment Form signed by each subrecipient’s authorized official.

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

<table>
<thead>
<tr>
<th>Type of Sponsorship</th>
<th>Transaction</th>
<th>Negotiated F&amp;A Rate</th>
<th>Lesser F&amp;A Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Award</td>
<td>Subaward</td>
<td>Charged on first $25,000</td>
<td>Charged on all subaward costs</td>
</tr>
<tr>
<td>Contract</td>
<td>Subcontract</td>
<td>Charged on first $25,000</td>
<td>Charged on all subcontract costs</td>
</tr>
</tbody>
</table>
Collaborator vs. Vendor (Supplier)

When an entity does not contribute a significant portion to the project as described in the Statement of Work and is instead 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”. At Berkeley vendors are referred to as “suppliers.” Suppliers should be contracted for their goods and/or services according to the procedures specified by Procurement Services.

To determine if an entity is a collaborator or a supplier use the following guide:

( ) Yes ( ) No The goods and/or services to be provided are comparable to the goods and/or services the entity provides to many different customers during the course of normal business operations.

( ) Yes ( ) No The goods and/or services to be provided will be supplementary to the operation of the sponsored program and the entity will not be responsible for programmatic decision making.

If the answer to either of these questions is “Yes,” the entity should be considered a supplier. Note: “Independent Contractors” are typically considered suppliers because their involvement in the project is short term and/or sporadic and the services they provide do not include programmatic decision making.

It is important to correctly categorize collaborators and suppliers 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 Berkeley’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 supplier 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, SPO must flow down all of the compliance requirements from the prime award or contract received by Berkeley, e.g., effort reporting on federal awards, to each subawardee or subcontractor. Suppliers 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.

Per UC Business and Finance Bulletin BUS-43, a “sole source justification” must accompany requests for contracts when competition is deemed unacceptable and the dollar amount will exceed $10,000. Additionally Procurement must conduct a competitive bidding process for those requests that exceed $50,000. However when an entity is a collaborating subawardee or subcontractor the foregoing is not required. Should a supplier be incorrectly classified as a subawardee or subcontractor and the sole source justification or competitive bidding process not be addressed, the use of the supplier could place Berkeley at risk for audit findings that could impact future funding from the sponsor.

“Named” vs. “TBD” Collaborators

When the name and/or role of another 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 supplier. Include the total cost of the supplier’s goods in the budget under “supplies” or “equipment.” Supplier 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 University’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 supplier 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.