**Section 875.202 Requirements Applicable to Subagreements**

a) The following conditions shall apply to all subagreements:

1) It is the policy of the Agency to encourage free and open competition appropriate to the type of project work to be performed.

2) Only fair and reasonable profits may be earned by contractors in subagreements under Agency grants. Factors to be considered in determining a fair and reasonable profit shall include material acquisition, labor costs, associated management costs, contract risks, capital investments, degree of independent development, and cost control and recordkeeping efforts. The determination of a fair and reasonable profit shall not be based upon the application of a predetermined percentage factor.

3) The grantee is responsible for the administration and successful accomplishment of the project for which the Agency grant is awarded. The grantee is responsible for the settlement and satisfaction of all contractual and administrative issues arising out of subagreements entered into under the grant. This includes, but is not limited to, issuance of invitations for bids or requests for proposals, selection of contractors, award of contracts, protest of award, claims, disputes and other procurement matters.

4) Neither the Agency nor the state shall be a party to any subagreement (including contracts or subcontracts), solicitation, or request for proposals.

b) No subagreement shall be awarded to any person or organization which does not:

1) Have adequate financial resources for performance, the necessary experience, organization, technical qualification, and facilities, or a firm commitment, arrangement, or ability to obtain such (including proposed subagreements);

2) Have staffing sufficient to comply with the proposed or required completion schedule for the project;

3) Have a satisfactory record of integrity, judgement, and performance, including in particular any prior performance under grants and contracts with the federal and state government;

4) Have an adequate financial management system and audit procedure which complies with generally accepted accounting procedures and with American Institute of Certified Public Accountant's Professional Standards (1211 Avenue of the Americas, N.Y., N.Y. 10036-8775, June, 1992). (This incorporation contains no later amendments or editions.);

5) Maintain a standard of procurement in accordance with this Part;

6) Maintain a property management system which provides adequate procedures for the acquisition, maintenance, safeguarding and disposition of all property; and

7) Conform to the civil rights, equal employment opportunity, and labor law requirements of the state.

c) The Agency retains the right to review and approve in accordance with this Part any subagreements to be entered into by the grantee in furtherance of the administration of the grant prior to execution of that subagreement. The Agency shall approve a subagreement only if the grantee demonstrates that the subagreement is in conformance with subsection (a) of this Section.