

## CONTRACTS AND GRANTS

### Similarities and Differences

It is true that federal contracts and federal grants have many common attributes. Because of this, it is often difficult to make a distinction between the two. This may lead to misunderstanding about the requirements that each one necessitates.

Both are:

- Authorized by law
- Regulated by program or procurement regulations
- Competitively awarded
- Awarded subject to available appropriations
- Based on a solicitation and response of some kind
- Awarded to responsible parties determined best able to meet government need based on a bid, a negotiation or a proposal that address a particular set of criteria
- Likely to have standard as well as special terms and conditions, with possible sanctions for non compliance

Although very similar, there are differences that make each unique.

Grants:

- Awarded almost exclusively to states, local governments, colleges and universities and non-profit organizations
- Designed to accomplish a public purpose, advance a national objective, address a public problem or stimulate a particular activity desired by the awarding agency
- More flexible as to the scope of work required and easier to amend when changes are necessary
- Most require monthly, quarterly and/or annual fiscal and program reporting
- Renewable in some cases
- Under the terms of the Federal Grant and Cooperative Agreement Act of 1977 (31 USC 6301-6308), a grant is defined as “*the transfer of money or property to accomplish a public purpose of support or stimulation as authorized by Federal Statute.*”

Contracts:

- More rigorous as to their terms and conditions, heavily regulated and more likely to carry legal and financial risk.
- Designed to acquire goods and services -with a considerable significance placed on delivery or performance.
- Awarded largely to commercial enterprises, although nonprofits and state or local governments may respond to a bid or negotiated solicitation.
- May be set aside for minorities or special classes of competitors.

- May be set aside for small businesses, thereby precluding nonprofits and state or local governments from competing.
- Typically involve little or no reporting requirements.
- A contract is essentially a procurement instrument, used by the federal government when it wishes to acquire supplies or services for its direct benefit and use as a purchaser. The laws for the acquisition are implemented through a massive set of rules comprising the Federal Acquisition Regulation (FAR), codified in Title 48 of the Code of Federal Regulations.

Also, it is important to keep in mind that the differences are not about the dollar value, who the “buying” entity is, or about the type of work being done.

Yet understanding and acknowledging the differences still does not explain why a distinction must be made by the college. Consider the following, in differentiating between the two for purposes of the college.

*The Federal Single Audit Act establishes uniform requirements for audits of federal assistance and promotes the efficient and effective use of audit resources. In addition, the federal Office of Management and Budget (OMB) has published OMB Circular A-133 further delineating requirements for single audits of federal assistance. Under the provisions of the Act and Circular A-133, Washington has exercised the option to obtain a statewide Single Audit to satisfy the single audit requirements for federal assistance received and administered by agencies and institutions of the State. Federal financial assistance is defined as all assistance received, directly or indirectly, from a federal agency in the form of grants, contracts, cooperative agreements, donated surplus property, donated inventories, loans, loan guarantees, property, interest subsidies, insurance, direct appropriations or other assistance. It shall not include reimbursements for vendor services provided federal agencies or reimbursements for services rendered to individuals as described in OMB A-133, sections .205(h) and .205(i).*

- Taking into account the above requirement, all federal assistance that has been assigned and thus identified by a number from the Catalog of Federal Domestic Assistance (CFDA), must be included in the college’s annual A-133 audit on the Schedules of Federal and State Financial Assistance, which requires thorough fiscal and program monitoring and tracking or otherwise stated, treatment like that of a federal grant.
- Since the reporting requirements are more stringent for federal assistance considered to be grant funding, the activities, both programmatic and fiscal, must be closely monitored and tracked to ensure that all reported expenditures are allowable, reasonable, allocable and consistent.
- The annual A-133 audit requires that our financial accounting system, in our case Banner, constitutes the college’s official financial record; therefore all reports for grant funding, subject to A-133 audits, must be in agreement with Banner and checked for accuracy.