



## What are the Differences Between a Grant and a Contract?

Many times small businesses don't fully understand the difference between a Federal Grant and a Federal Contract. The difference lies along legal definitions, especially related to performance and what is considered default. In a contract there is an item (product and/or service) and the contractor is legally bound to deliver. Failure to deliver can result in the contractor to be found in default. In a grant, on the other hand, there is no legal consequence if the objective is not met. According to the NIH, A grant is an assistance mechanism, and a contract is a mechanism for acquiring services, supplies or research for the direct benefit and use of the government. The Federal Government uses both types of award vehicles. The following table gives a good summary of the differences in Federal Contracts and Grants:

Contracts	Grants
A legally binding agreement to deliver goods &/or services in exchange for consideration (usually money)	Provide funding assistance to hopefully achieve some result but no legally binding requirement to achieve the result
Final payment based on deliverables	Full payment awarded usually in lump sums or a "drawdown" system
Very specific in defining scope of work and outcomes	Flexible in defining scope of work, budget and changes, and outcomes
Highly focused topics	Less specific topics
More fiscal requirements – frequent reporting	More flexibility in use of funds and reporting
Procurement Mechanism for some agencies	Assistance mechanism
Governed by Federal Acquisition Regulations (FAR)	Governed by the terms of the Grant agreement (Code of Federal Regulations, OMB Regulations, etc.)

This is just the start. The requirements for the awardee's accounting system vary as well. As you noticed in the above table, there are more stringent reporting requirements associated with a contract. With this comes the expectation from the Government on how these reports are generated. While all the agencies tend to like the same type of job cost accounting system, some agencies are stricter about having the awardee follow complex guidelines in their accounting practices. Again, those tend to line up along the difference between contracting and granting agencies with contracting agencies expecting more from their awardees and going to greater lengths usually to verify this. The SBIR/STTR program aligns along departmental preferences fairly well. It is worth looking at a summary of the Agencies participating in the SBIR/STTR program to see how they handle the SBIR/STTR awards to get a good feel for how they also handle other awards. The following chart is based on FY2012 data.



	DoD	HHS (NIH)	DoE	NASA	NSF	USDA	ED	DHS, DoT, EPA, NOAA/NIST
SBIR	X	X	X	X	X	X	X	X
STTR	X	X	X	X	X			
Contract (CO) or Grant (GR)	CO	GR (some CO)	GR	CO	GR	GR	GR (some CO)	CO
SBIR/STTR Budget	\$1.1B	\$717M	\$188M	\$162M	\$151M	\$19M	\$13M	\$13M / \$9M / \$5M / \$5M

As you can see, the agency with the biggest budget (DoD), deals almost exclusively using contracts. As a result, the compliance regulations surrounding an award from the DoD will be the most complex and detailed. The Defense Contractor Audit Agency (DCAA) is tasked with auditing contractors to verify this compliance. Some of the other agencies do request that the DCAA audit their contractors as well since the DCAA is so experienced.

Some agencies, like HHS (of which NIH is a part) have an organization that does some auditing and financial analysis. This department is called the Division of Financial Advisory Services (DFAS). The DFAS organization provides support for not only some audits but also helps with cost policy relating to grants and contracts, resolves audit findings, performs cost analyses, and reviews and negotiates indirect cost rates with commercial companies.

Other agencies, like DoE, may require the awardee to certify their accounting system on their own and pay for it out of their own funds. This is an allowable expense but many contractors do not realize this requirement when bidding on the request for funding.

ReliAscent, LLC is your one-stop source to help prepare your accounting system for DCAA compliance. **Call today at 303-999-3802 to schedule one of our qualified team members to assist you.**

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