

Attachment A: Definitions and Usual Characteristics of Sub-grants vs. Subcontracts

DEFINITIONS	Sub-grants	Subcontracts
*General Purpose	An agreement that provides for the transfer of money or property to accomplish a public purpose of support or stimulation through the grant, as authorized under statute.	Legal contract in which the purpose is to provide supplies and/or services.
* Focus	Carries out one or more major programmatic functions in support of the goals of the grant.	Does not support the goals of the grant directly; instead the subcontractor provides supplies and/or services that are ancillary or supportive to the operation of the grant.
* Recipient Responsibility	Has responsibility for programmatic decision making, adherence to applicable Federal program compliance requirements, and is able to determine which participants are eligible to receive Federal financial assistance.	Provides supplies and/or services for use by the prime grantee that are supportive to the operation of the grant. Subcontractor is subject to procurement regulations, but not programmatic compliance requirements and does not have decision-making authority pertaining to the grant.
USUAL CHARACTERISTICS	Sub-grants	Subcontracts
Terms and Performance Standards	Less rigorous to their terms and conditions than contracts. Performance is measured against whether the objectives of the Federal grant are met.	More rigorous to their terms and conditions. Performance is measured against the delivery of goods and services. The terms will define the deliverables and indicate when they are due.
Monitoring	Less regulated. If the task is not accomplished, there may be fewer legal and financial ramifications.	More heavily regulated and more likely to carry substantial legal or financial risk.
Scope of work	Scope of work, deliverables, and delivery schedule are more flexible and easier to amend when changes are necessary.	Scope of work may be less flexible and more difficult to amend. Firm delivery schedule with deliverables subject to rigorous inspection.
Payment Schedule	Fund usually drawn down by recipient or paid in lump sum. Payments are based on budgeted amounts rather than the unit cost of services.	Payment is usually made by invoice only after goods are delivered and services rendered. Advances are made under specific, limited circumstances. Payment is related to goods delivered or services rendered.

*The distinction between sub-grants vs. subcontracts should be made primarily based on these three definitions. Even if an agreement has some or many of the “usual characteristics” of a sub-grant, project managers and auditors should closely examine its purpose, focus, and recipient responsibilities (using the definitions provided above) before determining whether it meets the definition of a sub-grant or subcontract.