

# Contracts vs. Subgrants<sup>1</sup>

	Contract	Subgrant
<b>What is it?</b>	Generally, a competitive procurement for goods or services as specified in 2 CFR § 200.330(b) of the Uniform Guidance.	Generally, an award of financial assistance to a recipient to support the accomplishment of a public purpose as specified in 2 CFR § 200.330(a) of the Uniform Guidance.
<b>When is it appropriate?</b>	Generally, contracts are appropriate when the grantee needs a specific set of goods or services to accomplish the goals and objectives of the grant.	Generally, subgrants are appropriate when the grantee requires ongoing support to accomplish the goals and objectives of the grant.
<b>What should I keep in mind?</b>	Generally, contracts that are not identified in the approved grant application are procured following the procedures outlined in the Uniform Guidance. <sup>2</sup>	Subgrants must be explicitly authorized by the authorizing statute or by the Department in the NIA for the program. In the FY 20 TSL program competition, grantees may award subgrants to directly carry out project activities described in its application to the following types of entities: LEAs, SEAs, nonprofit organizations, or for-profit organizations. The grantee may award subgrants to entities it has identified in an approved application.
<b>What is the legal relationship?</b>	In a contract, the contractor must adhere to all the terms of the contract for goods and/or services.	In a subgrant, or “subaward” <sup>3</sup> , all the regulations and requirements that apply to grantees are passed on to subgrantees, making the grantee a “pass-through entity.” <sup>4</sup> The grantee is responsible for monitoring the subgrantee for compliance with those regulations and requirements.
<b>What indirect costs are available?</b>	Generally, indirect costs to contractors are not available. This is because the contractor should include those costs normally considered as indirect (overhead) in their total bid to the grantee.	Indirect costs are available to the subgrantee consistent with the subgrantee’s current indirect cost rate agreement. Additionally, any indirect cost rates must follow the limitations set forth in the overall program. For instance, if the program has a restricted indirect cost rate, then the subgrantee may only take indirect costs at their restricted rate. Grantees, under the Uniform Guidance, may take indirect costs up to the first \$25,000 of each subaward in order to help administer the subaward. <sup>5</sup>
<b>What regulations apply in awarding?</b>	Contracts must be entered into by grantees by following the procurement standards described in the Uniform Guidance in 2 CFR §§ 200.317 – 200.326. The grantee is responsible to the Department for	Generally, as noted above, all regulations and requirements that apply to grantees are passed on to subgrantees. The grantee is responsible to the Department for unallowable or unsupported expenditure of grant funds by subgrantees. <sup>6</sup>

<sup>1</sup> This chart is only an aid, and it does not include all applicable requirements related to contracts and subgrants. Please also refer to the applicable rules and regulations, including those set out in the Fiscal Year (FY) 2020 Teacher and School Leader Fund (TSL) program [Notice Inviting Applications](#) (NIA), the [Education Department General Administrative Regulations](#), and 2 CFR part 200 [Uniform Administrative Requirements, Cost Principles, And Audit Requirements For Federal Awards](#) (Uniform Guidance). If a question arises, please reach out to your Department of Education contact.

<sup>2</sup> See 34 CFR § 75.135 for “Competition Exceptions” when either entering into a contract with implementation sites or partners identified in the approved application or when entering into a contract for data collection, data analysis, evaluation services, or essential services identified in the approved application.

<sup>3</sup> See 2 CFR § 200.92 and 200.93.

<sup>4</sup> See 2 CFR § 200.74.

<sup>5</sup> See 2 CFR § 200.68.

<sup>6</sup> See 2 CFR § 200.331.

	Contract	Subgrant
	unallowable or unsupported expenditure of grant funds to contractors.	
<b>What information must an award document include?</b>	Contracts and solicitations must include the information specified in 2 CFR §§ 200.326 and 200.319(c), among other requirements.	Subgrant award documents must include the information specified in 2 CFR § 200.331(a), among other requirements.
<b>What documentation must I maintain?</b> <sup>7</sup>	Generally, <i>grantees</i> must maintain documentation around the competitive bidding process and invoices for services or goods delivered and such other documents as are necessary to facilitate an effective audit. This is in addition to documentation showing that their contractor's costs are allowable, reasonable, necessary, and allocable under the grant. <sup>8</sup>	Generally, <i>subgrantees</i> must maintain documentation showing that their costs are allowable, reasonable, necessary, and allocable under the grant and the terms of their subgrant. <sup>8</sup> Grantees must monitor subgrantees for compliance with the Uniform Guidance and other applicable regulations and must maintain documentation of their compliance reviews. Subgrantees may be audited under the Single Audit Act. <sup>6</sup>
<b>Do I need to obtain prior approval from the Department?</b>	Depends. Contracts that include, for example, participant support costs require prior written approval by the Department, while, generally, contracts for goods do not. <sup>9</sup>	Depends. Subgrants that include, for example, participant support costs require prior written approval by the Department. <sup>9</sup>

<sup>7</sup> See 2 CFR § 200.333 for additional information on records retention requirements.

<sup>8</sup> This includes complying with the Cost Principles of the Uniform Guidance, 2 CFR part 200 subpart E.

<sup>9</sup> See 2 CFR § 200.407 for a list of items that require prior approval from the Department.