**Frequently Asked Questions-Council on Financial Assistance Reform (COFAR)**

**Vendor vs. Contractor and Generally Accepted Accounting Principles (GAAP)**

*Does the elimination of the term “vendor” in favor of “contractor require non-federal entities (such as states) to change their long standing practice of awarding contracts to nonprofits which they treat substantively as “subawards” for purposes of this guidance? Would continuing this practice be contrary to GAAP?*

No, this policy does not require such a change, nor would it be in conflict with GAAP. States may call an agreement with a nonprofit however they like, so long as the agreement is audited according to the appropriate policies under the Uniform Guidance based on the determination made in accordance with section 200.330. See also 200.93 which states “A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.”

**Vendor vs. Contractor Clarification**

*What clarification can OMB and COFAR provide regarding changes to the term contractor and the elimination of the term vendor?*

* In existing guidance the COFAR has found that some confusion results from the fact that OMB Circular A-133 makes a distinction between subrecipients and “vendors” while other circulars describe either subawards or “subcontracts”.
* For purposes of the Uniform Guidance, when a non-Federal entity provides funds from a Federal award to a non-Federal entity, the non-Federal entity receiving these funds may be either a subrecipient or a contractor. The term contractor is used for purposes of consistency and clarity to replace areas in the previous guidance that referred to vendors, though substantively in the previous guidance, these two terms have always had the same meaning.
* Section 200.330 Subrecipient and Contractor Determinations, as well as section 200.22 Contract and 200.92 Subaward provide guidance on making subrecipient and contractor determinations. This language was largely taken from existing guidance in OMB Circular A-133 on subrecipient and vendor determinations.
* As described in the Uniform Guidance in the sections noted above, it is the substance of the award that determines how it should be treated, even though the pass-through entity receiving the award may call it by a different name.
* So, if a pass-through entity makes an award and calls it a “contract”, but which meets the criteria under section 200.330 to be a subaward to a subrecipient, the non-Federal entity must comply with the provisions of the Uniform Guidance relevant to subawards, regardless of the name used by the pass-through entity to refer to the award agreement.
* Likewise, any Federal awards that meet the criteria under section 200.330 for the non-Federal entity to be considered a contractor, whether the non-Federal entity providing the funds calls it a “vendor agreement” or a “subcontract”, the non-Federal entity must comply with the provisions of the Uniform Guidance relevant to a contractor.