

CHARGING SPONSORED AWARD SALARY DURING THE COVID-19 PANDEMIC

The recommendations below outline best practices for monitoring and tracking COVID-19-related salary expenditures and ensuring salary charges remain supported by established institutional policies and agency guidance.

IMPORTANT UPDATE

- [Office of Management and Budget \(OMB\) issued memorandum M-20-26 on June 18, 2020, and some of the previously allowable flexibilities were rescinded, have expired or are no longer applicable.](#)

Charging Salary and Certifying Effort

Can my institution continue to charge salary to federal grants during the COVID-19 period?

Recommendation: Federal agencies have issued guidance confirming that institutions can continue to charge salary to federal grants in no-work or low-work scenarios provided they have appropriate policies in place (see [“Policy” section](#) below). In addition to institutional guidelines, case-by-case determinations should be made regarding the applicability of these flexibilities to specific awards in consultation with the principal investigator (PI) and central and local research administrators.

One intent of spending flexibilities issued by federal agencies is to lessen the economic impact of COVID-19 on individuals and help keep institutions afloat financially via continued cash flow. Uncertainty exists, however, on the future financial response of federal authorities regarding institutions that have leveraged these flexibilities to continue charging salary during the COVID-19 period. To date, federal agencies have not confirmed intent to make supplemental funding available for awards that continue to charge salary during COVID-19 but do not keep pace with programmatic progress. If an institution chooses to charge salary to federal awards during periods of no work or low work, Huron recommends that the institution first consider its downstream ability to provide cost sharing for impacted awards to ensure the scope of work can be accomplished or be prepared to request prior approval for changes in scope (see [“Progress Reports” section](#)).

Huron recommends institutions evaluate potential risks, including award budget, institutional cash flow, compliance and programmatic risks, when defining an approach for charging federal awards in low-work or no-work scenarios. Huron recommends an approach that allows institutions to:

- Maintain salary allocated to active awards (e.g., existing awards, noncompeting renewals) with some caution to ensure researchers will reasonably meet programmatic goals. Recognize that there is no guarantee of additional funding if delays significantly impact research progress.
- Avoid charging salary to new awards (e.g., the first year of a competitive segment) unless significant progress can be demonstrated during the COVID-19 period.

Note that each awarding agency is free to adopt the Office of Management and Budget (OMB) guidance as they see fit. Refer to Huron’s [“Quick Guide: Agency Response to OMB Guidance”](#) for current agency guidance.

How should my institution be tracking or documenting instances of low-work or no-work conditions during COVID-19?

Institutions must document that an individual’s salary charged to a federal award accurately and reasonably reflects the amount of effort they expended on that award (see [OMB Memorandum M-20-17](#) as [implemented by federal agencies](#)). These requirements are subject to audit and will apply regardless of reduction in work effort experienced during the COVID-19 period.

Approaches to substantiating salaries charged if reduced or no work is performed during the COVID-19 period will vary depending on an institution's needs and system capabilities. Below are methods that Huron recommends for consideration.

Effort Report Statements

Recommendation: Include a special certification statement to effort reports if an institution's ability to perform research was adversely impacted by COVID-19. This will flag specific effort periods and awards impacted by COVID-19 and provide support during a potential audit. Below is an example of special statement language:

- This period included a disruption in normal business due to the COVID-19 public health emergency. Consistent with federal and institution guidance, the reasonability of the work performed may include periods of low to no activity during this time.

System-Based Tracking

Recommendation: Consider a systematic mechanism to track COVID-19 salary expenses separately from other personnel charges. Depending on the institution's financial or human resources system(s), options for this approach may include establishing a reportable demographic field or implementing new COVID-19 salary earnings codes, general ledger (GL)-level suspense accounts and/or project accounts associated to the main award. For example, some institutions have implemented separate accounts to capture:

- Unexpended effort under no-work or low-work scenarios (i.e., effort which likely cannot be attributed to the award and/or other internal funding sources).
- Clinical effort and/or revenue associated with faculty time diverted from research to clinical work related to COVID-19.

Progress Reports

Recommendation: Document progress made and relevant impacts to progress during the COVID-19 period as part of the PI-prepared sponsor progress reports. If significant barriers to completing the scope of work during the award's time frame arise due to COVID-19, investigators should include details regarding the effects of COVID-19 on the research project, including operational and programmatic impacts of COVID-19 specific to the project activities, the anticipated or updated project completion timeline, and other relevant details related to personnel effort on the project.

Can individuals continue to charge salary if their focus shifts away from their award(s)?

Recommendation: Instances of reduced work effort could be viewed as comparable to when an individual takes vacation under normal circumstances. The individual's core responsibilities remain the same despite a decrease in work dedicated to the award. This individual would continue to certify their effort according to how their time would have been spent if they did not take any leave.

For example, if an individual is unable to work during COVID-19 or they have a reduced workload but their responsibilities remain the same, the institution can continue to charge the individual's salary to sponsored awards as if they were still fully staffed, provided that this practice is supported by institutional policy (see ["Policy" section](#)). Effort can therefore be certified following standard processes.

Huron does not recommend charging salary to sponsored awards in the following circumstances:

- When an individual's salary had not historically been charged to the sponsored award (e.g., an individual's salary should not be added to a federal award during the COVID-19 period if no work is being performed)
 - Federal guidance states that institutions may continue charging salary to "currently active" awards, and though Huron's recommendation takes a conservative approach to interpretation, it minimizes the risk of

supporting the reasonableness of salary charges in this scenario during audit.

- This also applies to new awards (e.g., the first year of a competitive segment) unless significant progress can be demonstrated during the COVID-19 period.
- When an individual has reallocated effort to support the COVID-19 response (e.g., as a healthcare first responder)
 - While the National Institutes of Health (NIH) has issued guidance that allows institutions to continue charging faculty salary to awards for effort reallocated to clinical work, Huron generally does not recommend this approach unless your institution has an immediate cash flow need. Aligned with standard practice, salary allocations should be updated for individuals who have diverted part or all of their work effort to the COVID-19 response to represent current work responsibilities, and effort should be certified accordingly.
 - If your institution's cash flow dictates that salary can continue to be charged to NIH awards when a faculty member's time has been diverted to the COVID-19 response, your institution should be prepared to cost-share later in the award period to ensure the scope of work is accomplished (see ["Charging Salary" section](#) above).

Institutional Policy and Approvals

What institutional policies need to be in place to continue charging salary to awards during COVID-19?

Recommendation: Federal sponsors have consistently reiterated the need for institutional actions and approaches to manage the COVID-19 response, especially as it relates to sponsored project expenditures, to be consistently applied and in alignment with institutional policy. OMB Memorandum M-20-17 (6. Allowability of salaries and other project activities) states, "Awarding agencies may allow recipients to continue to charge salaries and benefits to currently active Federal awards consistent with the recipients' policy of paying salaries (under unexpected or extraordinary circumstances) from all funding sources, Federal and non-Federal." This means that if institutions continue to charge salary to federal awards during the COVID-19 pandemic — during periods of low work and no work — the approaches to charging sponsored awards must be consistent across all other funding sources (such as education and general funds, and unrestricted funds) and supported by institutional policy.

Huron recommends that institutions leverage what policies may already be in place that can provide a baseline standard to guide institutional approaches to the COVID-19 pandemic, such as emergency response or disaster policies. Huron does not recommend the creation of new policies where they do not currently exist or formal revisions to existing policies that address challenges unique to this specific time. With existing policies as a foundation, Huron recommends adding an addendum to address all updates, interpretations, and clarifications to sponsored project administration and research policies specific to COVID-19 impacts (see also Huron's "Communication" document for details on policies to address in the addendum, including salaries charged to sponsored projects and effort certification). As it relates to salary charging, certain human resources policies may serve as a good foundation, such as paid time off, vacation or benefits under extended leave.

At a minimum, a memo should be drafted and distributed to the research community that documents the institution's guidance for handling salary charges during COVID-19. Any such memo should clarify that charges will be handled consistently across federal and nonfederal funding sources.

What prior approvals are needed if an individual's effort decreases significantly due to COVID-19?

Sponsor agency flexibilities have not exempted institutions from prior approval requirements for significant effort reductions. Huron recommends institutions follow existing practices for notifying the sponsor of significant effort variances (e.g., greater than 25% variances from committed effort totals, absence of the PI for over three months) and maintain documentation of any prior approvals requested and obtained. Correspondence from the sponsor should be saved in award files consistent with standard practice.

Note that a reduction in effort is *not* equivalent to a low-work or no-work situation resulting from COVID-19. A reduction in effort occurs when actual work effort is redirected from the sponsored award to another project or activity, such as the COVID-19 healthcare response.

NIH has made an exception to the requirement for prior approval of a change in committed effort if faculty members are diverted from research to clinical work related to the COVID-19 response. While the requirement for prior approval for a change in committed effort is waived, Huron does not recommend institutions continue to charge salary to impacted awards (see [“Shifting Focus”](#) section).

Additional Circumstances

Can stipends be charged to federal awards for graduate students, postdoctoral students and fellows who are not able to perform work during the COVID-19 period?

Federal sponsors have consistently reiterated the need for institutional actions and approaches to manage the COVID-19 response, especially as it relates to sponsored project expenditures, to be consistently applied and in alignment with institutional policy. Institutions may continue to provide stipend payments to fellows and trainees on NIH and National Science Foundation (NSF) awards who may be unable to work as a result of or related to COVID-19, as long as they are provided in a manner consistent with policy. Recipients should notify the assigned grants management official and provide documentation demonstrating the effect of COVID-19, including how long the institution will be affected, as well as consistent application of policy.

Does the institution need to be “consistent” in issuing pay cuts or layoffs for award-funded staff versus other staff?

Recommendation: Huron recommends consulting legal counsel and/or human resources for any instances of institutional pay cuts (decreased pay rates), furloughs and/or layoffs to ensure decisions made are compliant with institutional human resources policies as well as contractual legal obligations. For example, an institution should ensure they are not violating any terms of a collective bargaining agreement with the institution or terms within an individual’s salary contract.

Pay cuts instituted for employees should be consistent across funding sources, both federal and nonfederal, in order to comply with equal pay for equal work requirements. Further, it is difficult to envision reasonable justification for keeping research personnel paid in full while nonresearch personnel experience reduced salary if both groups are similarly impacted by COVID-19 restrictions and work delays.

There is potentially greater flexibility regarding furloughs or layoffs. These decisions require consultation with your legal counsel and/or human resources department and are typically driven by the nature of the position, its financial impact and its criticality for sustaining the institution. Furloughs or layoffs may be necessary to sustain the institution, and there is no federal requirement that these decisions equally impact sponsored and nonsponsored employees. Ultimately the options available will depend on the unique institutional circumstances.

What additional considerations need to be made for researchers and other staff under a collective bargaining unit?

Recommendation: Huron recommends institutions prioritize consistent treatment of salary charges, including with collective bargaining units. For example (and depending on applicable agreements), if an institution continues to leverage federal funds to pay research salaries, the institution *must* continue to pay the rest of the bargaining unit out of other applicable and available funds. Similarly, any agreements or commitments related to nonsalary benefits (e.g., healthcare coverage, other fringe benefits) must be paid out consistent with institutional policies and the bargaining unit agreement.