

MANAGING COVID-19 NONSALARY SPONSORED EXPENDITURES

The recommendations below outline best practices for monitoring and tracking nonsalary COVID-19-related expenditures and ensuring they are 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and Budget \(OMB\) issued memorandum M-20-26 on June 18, 2020, and some of the previously allowable flexibilities were rescinded, have expired or are no longer applicable.](#)

Tracking COVID-19 Sponsored Expenditures

Recommendation: Implement a tracking mechanism within your institutional financial system to flag COVID-19-related transactions (i.e., on the voucher or journal). If existing functionality cannot be utilized to create a COVID-19 transactional flag, consider the creation of “child” accounts, associated projects or a new general ledger (GL) expense account(s) to track sponsored projects’ COVID-19-related costs. Tracking capabilities provide controls to segregate costs and make it easier to identify, report on and allocate COVID-19 expenditures as guidance evolves. Monitoring COVID-19 charges will allow the institution to gauge potential financial impact if charges are deemed unallowable by the sponsor or if additional sponsored funds are made available for COVID-19-related expenses. In addition to implementing a tracking mechanism, the following actions should be considered:

- Issue associated procedure(s) and communications to provide clear guidance on the use of the COVID-19 tracking mechanism.
- Require justification and documentation of how the expenditure is a COVID-19-related cost (e.g., repurchase of mice colonies if lost due to COVID-19, rebooking of a hotel reservation due to cancellation, etc.).
- Establish a practice for monthly review of COVID-19 costs by departmental and central administrators.
 - Develop standard reports that include COVID-19-related expenditures accessible to all levels of the organization.
 - Process any necessary cost transfers in a timely manner.
- Closely review and reconcile these expenses at the time of award closeout.

Monthly review of active projects and timely closeout reconciliation should be a standard institutional practice. Additional scrutiny of COVID-19 charges by federal sponsors presents a compelling case to create more robust reports and ensure active monitoring and closeout procedures are in place for all sponsored program charges.

Example Scenario: A principal investigator (PI) planned to attend a conference held in April 2020 to support research as allowable on the PI’s National Institutes of Health (NIH) award. Costs were incurred and charged to the award in February 2020, but the conference was later canceled on March 15, 2020. The \$300 hotel fee was nonrefundable, and the PI was issued an airline credit of \$500 to be used for a future flight (original cost of \$500 was not refunded). If the institution has a separate GL account for COVID-19-related travel, it should process cost transfers to reclassify the \$800 hotel and flight charges from the regular travel expense account to the COVID-19 travel account.

- If future travel occurred for the same project, the PI should utilize the airline credit of \$500, and only an increased difference in cost should be charged to the award's normal travel expense account. The new hotel booking will be a new, additional cost to the award charged to the normal travel expense account.
- If no future travel occurred for this project and the sponsor will not reimburse for COVID-19-related cancellation fees, the \$800 cost should be moved from the project to an institutional funding source unless otherwise specified as allowable by the sponsoring agency.
- Tracking travel credits is the responsibility of the credit owners. Central administration should perform a targeted review of travel-related charges during the COVID-19 period to verify credits were used. If credits were not used for award travel, the charges must be removed from the award.
- All travel expenses should require documentation of original booking, new booking and documented COVID-19-related justification for the change.

Charging Nonrefundable Fees

What guidance should be given to administrators to ensure nonrefundable travel or hotel fees are charged in accordance with institutional policy? What if my institution does not have a policy?

Recommendation: Institutions should identify any existing guidance set forth in previously existing travel policies and/or the sponsoring agency requirements. If your institution's policy does not address cancellation or change fees, then apply sponsor agency guidelines and consider the recommendation below.

If your institution does not have a current travel policy, at minimum, create a memo to address COVID-19-related travel charges and cancellations. The memo should include:

- The requirement to provide supporting documentation, which should include:
 - Proof of the date when the booking occurred.
 - A brief description of how the travel supports the scope of research.
 - Documentation of any resulting airline, hotel and/or travel credits.
- Instructions for how to charge fees to the sponsored project or institutional account.
- A required date of purchase or booking cutoff date after which **new** nonrefundable travel charges not allowable by the sponsor will not be covered by the institutional funds.
- A hard-set cutoff booking date for charges that would be considered as allowable to the grant or institution. Any travel that is booked after the set date and not allowable by the sponsor will not be covered by the institutional funds.

Example Scenario: In February 2020, a PI charged a \$500 nonrefundable flight to their NIH award as originally budgeted and allowable. The PI canceled the flight and did not travel due to travel restrictions as a result of COVID-19. The institution does not have a current travel policy that addresses nonrefundable fees. The nonrefundable ticket is allowable per [NOT-OD-20-086](#) and may still be charged to the NIH award. In this example, the PI's supporting documentation should include an explanation of how the travel was related to the programmatic aims of the award, proof that in February 2020 the PI booked the flight planned for April 2020, and the institution or state regulations released restricting nonessential travel. The charge and use of the credit will be further reviewed through the institution's monthly reconciliation of COVID-19 charges and/or at project closeout.

Example Scenario: Federal regulations began to restrict travel in certain parts of the country on March 15, 2020, due to COVID-19. In efforts to prevent potentially unallowable fees from being incurred, the institution develops a COVID-19-related travel policy. The policy enacts a requirement that all travel booked prior to March 15, 2020, with supporting documentation in order to receive coverage of costs by the institution, is allowable. Any travel that is booked after the cutoff date and not reimbursed by the sponsor will not be covered by the institutional funds.

Donated PPE Supplies

What should my institution do for personal protective equipment (PPE) supplies that were originally purchased for project aims utilizing sponsored research funds but were later donated to COVID-19 efforts?

Recommendation: Per CFR 200.434, donations are generally unallowable costs. However, due to the public health emergency, some agencies may provide flexibilities in spending and consider these "other costs" that may potentially be allowable. Specifically, NIH COVID-19 [FAQ No. 5](#) indicates recipients may donate PPE and other lab supplies in support of COVID-19 efforts. Recipients may re-budget grant funds to repurchase supplies at a later date or submit an administrative supplement request to the funding institute or center. Note that institutions should not assume additional funds will be provided to repurchase donated PPE supplies. Confirm with individual sponsoring agencies that have not released blanket guidance, as these agencies will review situations on a case-by-case basis.

Institutions should create a standardized form to track all PPE donations that captures required information for audit and closeout reconciliation. This required information should include:

- The original purchase information, including date of purchase.
- The quantity donated, in order to assess dollar value.
- The recipient of the donation, including assurance that PPE supplies were donated for COVID-19 purposes and not applied to personal or other use

Example Scenario: A PI's lab purchased 1,000 N95 masks in October 2019, incurring a cost of \$2,000 to an NIH award. The masks were included in the approved budget. In March 2020, the institution ordered lab closures due to COVID-19, and the PI donated 300 remaining unused masks for the COVID-19 demand for PPE for institution medical staff. The PI documented the date of the original purchase, the value of the donation based on the original purchase price, the quantity donated and the written certification from the PI confirming the donation. Based on NIH guidance, the PI and departmental administrator worked to re-budget within the existing awarded funds to cover the cost of replacement masks for future use on this award.