

Resuming 'Normal' Research Operations During the COVID-19 Recovery

As institutions return to campus, research operations reenter the laboratories, and remote work continues when possible, Huron continues to collect frequently asked questions regarding research project ramp-up and federal requirements, such as those outlined in the various Office of Management and Budget (OMB) memos issued throughout the pandemic. Huron offers the following guidance as its point of view for research organizations continuing to stabilize operations following the pandemic interruption.

Expiration and Extension of Select OMB Administrative Flexibilities

How does the expiration of OMB Memo M-20-11 and M-20-17 flexibilities impact my sponsored projects management processes?

Recommendation: In general, institutional policies and business processes should return to pre-COVID-19 practices, supplemented by ongoing efforts to review and monitor COVID-19-related risk areas. Especially as sponsored project offices return to standard business practices, there is an increased risk for confusion on whether the administrative flexibilities apply. Institutions should proactively communicate clear guidance, expectations, and resources available to the research community and subrecipients as most of the COVID-19-related administrative flexibilities allowed by OMB have expired:

- **Proposal submission:** Application deadline flexibilities for federal sponsoring agencies have expired. Proposal deadlines for new and continuation/competitive renewals stand as published. If an exception or extension is required due to COVID-19-related reasons, follow normal protocol for communication with the sponsor for approval.
- **SAM registration:** The flexibility for System for Award Management (SAM) registration has expired. All SAM registrations at the time of application must be current.
- **Noncompetitive continuations:** Per updates from OMB Memo M-20-26, the option for an abbreviated request has expired and any noncompetitive continuations due after June 16, 2020, require the institution to submit the standard (pre-COVID-19) noncompetitive continuation request. Institutions should resume normal business process for submission of noncompetitive continuation requests and communicate with the research community to ensure sufficient time to prepare a proposal continuation request.
- **Sponsor-required reporting:** Deadline flexibilities for financial and technical sponsor-required deliverables have expired. Institutions should plan and prepare to submit all required reports by standard deadlines and, if an extension request is necessary due to COVID-19, make the request through standard sponsor channels.
- **No-cost extensions:** OMB Memo M-20-26 provides updated guidance related to no-cost extensions ("NCE"). If award end dates were not extended per the COVID-19 flexibility during the March through June 16 time frame, a formal request for an NCE is now required as outlined in standard sponsor guidance. Institutions should revert to pre-COVID-19 standard business processes to request and apply no-cost extensions. Note that potential cost sharing may be required if remaining funding will not cover the additional length of the project period.
- **Prior approval:** All prior approval requirements described in the award and sponsor terms, including extensions to the standard 90-day pre-award cost time frame, were back in effect as of June 16, 2020. Institutions should determine the cutoff date to apply this requirement and if issues identified in June 2020 still require a formal request for approval. One date to consider is the date the need for prior approval was identified or communicated (e.g., an initial request email from the department or principal investigator).
- **Subrecipient management:** Consistent communication with subrecipients is critical throughout the life of the award, including during a pandemic. For awards involving subawards, the principal investigator (PI) should ensure understanding of the subrecipient's technical progress and determine how any delays in research should be addressed (e.g., through a no-cost extension, progress and technical report content, etc.).
- **Direct charging:** If your institution implemented tracking mechanisms for COVID-19-related charges utilizing a specific accounting flag or different account code, determine a date and communication approach to retire the use of these system codes. Going forward, direct charging (with salary being a noted exception) should follow the pre-COVID-19 institutional policies and business processes, but expenditure monitoring should continue to focus on potential COVID-19-related charges and the timing of the charges: pre-COVID-19, during COVID-19 and post-COVID-19. Monitoring efforts can be focused on those specific account codes or expenditure types that were most impacted by the pandemic shutdown.
 - **Example scenario:** During a quarterly expense review, an accountant realized that a cancellation fee of \$200 was charged to a grant on April 1, 2020. She pulled the supporting document and found that the charge was related to a hotel

reservation for January 2020. Since January was not considered within the COVID-19 period in which sponsors granted flexibilities, the \$200 cancellation fees are not allowable and should be moved off the grant.

- **Applying COVID-19-related credits:** As sponsored project spending returns to pre-COVID-19 levels, it is likely that credits received as a result of COVID-19 cancellations or delays will be applied toward new expenditures. Institutions must be vigilant to ensure the credit is applied to the same sponsored account that incurred the original charge.
 - **Example scenario:** A PI booked a flight to a conference for \$500, using an airline credit of \$450 received when the flight was cancelled due to the pandemic. The new charge for the flight will be \$50, the difference of the new ticket price of \$500 and the prior credit of \$450.
 - If the \$450 flight expense was previously charged to the same award, no action is needed. Maintain proper documentation and charge the additional \$50 to the award.
 - If the \$450 flight expense was previously charged to a different award or funding source, process a cost transfer crediting the original award of \$450. The new award should bear the full \$500 charge.

How does the extension of the two flexibilities (Single Audit and salary charging) within OMB Memo M-20-26 impact my sponsored projects management?

Recommendation: Due to the remaining uncertainty of the research reentry, OMB Memo M-20-26 extended “Allowability of salaries and other project activities” (item 6 in M-20-17) through September 30, 2020, and “Extension of Single Audit submission” (item 13 in M-20-17) through December 31, 2020. Some federal sponsoring agencies — such as the National Institutes of Health (NIH) — continue to offer these flexibilities to award recipients. Each institution should consider if they need to apply these flexibilities, as there are additional requirements implemented by OMB M-20-26.

- **Salary charges:** Many institutions have successfully returned to full-time research operations and report little to no idle time charged to sponsored projects by the time OMB Memo M-20-26 was issued. There are cases, however, where institutions may elect to continue operating under this flexibility and must now consider the new requirement for grant recipients to document that “all other available funding” has been exhausted prior to spending down federal awards on which activity is suspended or limited due to COVID-19 (see details below). In cases where institutions have continued to charge idle salary after OMB M-20-26, reference Huron’s previously published “[Charging Sponsored Award Salary During the COVID-19 Pandemic](#)” point of view, which outlines best practices for monitoring COVID-19-related salary expenditures. Institutions should continue to communicate with PIs and the research community regarding policies and procedures, including any new institutional tracking requirements, for pandemic-related idle time and effort charges to sponsored awards. Further, as this flexibility expired in September, institutions should plan for the process to discontinue after that date, including identifying any remaining instances of idle salary and alternative plans as of October.
 - OMB Memo M-20-26 also clarified that any idle time charged to grants (throughout the pandemic shutdown) cannot include payroll costs paid with the Paycheck Protection Program (PPP) loans or any other Federal CARES Act programs as it would result in “double dipping.”
- **Single Audit submission:** Even with operations slowly returning to campus, it may still prove a challenge to coordinate with auditors to complete the annual Single Audit process. If the institution is ready to submit the Single Audit reporting package, the institution should proceed to submit. While OMB M-20-11 allowed for a 12-month extension beyond the original audit submission date, OMB M-20-26 revises the extension to clarify that recipients that have normal due dates from March 30 through June 20, 2020, may submit their report up to six months after the normal due date. Institutions with normal due dates from July 31 through September 30, 2020, may submit up to three months beyond the normal due date. Any audits due for submission by October 1, 2020, or later should be submitted on time. There is no requirement for institutions to formally request such an extension; however, if the institution will submit a delayed filing, detailed documentation of the reason for the delay should be retained, including details such as an impacted year-end financial close or interruptions to staffing or operations.

How are institutions documenting “efforts to exhaust other funding sources and reduce overall operational costs”?

Recommendation: OMB M-20-60 includes specific language that reinforces the message that every effort should be made to ensure federal grant funding is used to further the specific public program goals. Along these lines, the federal government expects institutions to reduce the negative impact of COVID-19 on sponsored project budgets, specifically by only charging idle time when all other funding to sustain its workforce has been exhausted and by taking steps to control operational costs overall. As this

documentation itself can be a challenge, Huron recommends institutions first attempt to identify other funding sources, such as departmental or institutional funds, bridge funding, or investigator discretionary funding, to support salaries of personnel who are idle due to the pandemic but still receiving their full salary.

If an institution chooses to use federal funds for ongoing idle salary support, as part of this decision, the institution should determine an approach to documenting alternative efforts. Some of the more straightforward approaches to documentation have been to direct PIs to document the efforts within the grant progress report. This approach requires minimal administrative burden but also involves some level of risk in that it is difficult to control for PIs following this directive. Alternatively, the effort reporting statement could be revised to acknowledge the efforts to exhaust other funding sources; however, this does not incorporate a high level of detail or specificity.

Recognizing that institutions across the country have all self-initiated cost-savings measures, it is likely those are well documented. Nonetheless, it is important to retain and preserve this documentation should this specific federal requirement be tested in audit.

Fiscal Year 2020 Single Audit

How will grant charges during the COVID-19 shutdown, including those applying the OMB administrative flexibilities, be audited?

The annual Compliance Supplement released by OMB provides guidance for auditing federal assistance and grant programs as well as grant recipient institutions. Many institutions were looking to the 2020 Compliance Supplement to shed light on how sponsored project administration during the COVID-19 time frame will be audited to test for compliance and internal controls, especially with regards to the flexibilities allowed in OMB memos M-20-11, M-20-17 and M-20-26. The 2020 Compliance Supplement provides *some* level of guidance on how COVID-19 will impact the Single Audit but does not provide specific details on how activities will be tested. An addendum will be issued in the fall of 2020 with some additional guidance on COVID-19 compliance requirements and testing.

The 2020 Compliance Supplement did provide some guidance, acknowledging that COVID-19 and CARES Act funding will be uniquely considered as part of the Single Audit:

- **SEFA reporting:** Institutions must separately identify COVID-19 expenditures (as determined by federal sponsors) on the Schedule of Expenditures of Federal Awards (SEFA). These expenditures should be reported on a separate line, even if the funding is from a single mixed-use award.
- **Pass-through entities:** Pass-through entities are responsible for notifying subrecipients of any COVID-19 funds so that subrecipients can separately track and report the use of these funds to the pass-through entity and sponsor.

In absence of clear audit guidance from the federal government, grantee institutions can apply their best judgement as to how auditors may approach the fiscal year 2020 Single Audit. Huron recommends institutions continue following their documented policies and procedures and COVID-19-related policy addendums, and be prepared to present and support all such documentation. As is the case in any year, institutions should proactively assess and update internal controls to ensure sponsored award management eliminates waste, fraud and abuse.

To assist with audit preparations, Huron has developed an [internal controls self-assessment guide](#) for institutions to evaluate internal controls against the guidelines and requirements outlined in Part 6 of the Compliance Supplement.

Ongoing Research Project Impacts

Many of our research projects lost time and money during the pandemic slowdown. Can I expect additional funding to complete the scope of work?

While funds may have been depleted during the pandemic slowdown (e.g., due to charging idle salaries, incurring costs for personal protective equipment (PPE), or lost research progress), federal sponsoring agencies have made no commitments to "make grants whole" financially in order to complete the research as originally intended. In fact, the guidance in OMB Memo M-20-26 to exhaust all other available funding prior to charging idle salary suggests that the federal government wants to ensure remaining grants dollars can be stretched as far as possible. Considering the state of the economy and ongoing federal financial

aid programs (e.g., the CARES Act), institutions should plan to accomplish the research projects' goals and aims with available funding. Some institutions, however, are still tracking the financial impact to research projects, and if the opportunity should arise, this data will enable them to support requests for supplemental funding.

How does this impact our obligations to our sponsors to achieve project goals and objectives?

Even as federal sponsors recognize the COVID-19 hardships and allow for the application of administrative flexibilities, including the ability to charge idle time and effort to federal awards, grantee institutions and PIs have not been released from the obligation to meet the technical and programmatic goals and objectives of sponsored awards.

Considering the nature of grant awards as an assistance mechanism in developing research for the public good, the multiyear life cycle of a federally sponsored award, and widespread options for no-cost extensions, it is likely most grant goals and objectives can generally be achieved even with a two- to six-month slowdown.

Federally sponsored contracts, as a means of procuring a service for the benefit of the government, do present a different scenario. As federal contracts are subject to the Federal Acquisition Regulations (FAR) and not the Uniform Guidance (UG), the same flexibilities don't apply as they did for grants. Institutions performing work on fixed-price federal awards are likely seeing a negative impact to their margin. However, contracts with a cost-based or cost-reimbursable component would not impact the project budget if the sponsor and contract did not allow for similar administrative flexibilities.

If the risk of not achieving project goals with the available funding is identified through proactive communication from the PI, an institution should take early action to notify and communicate with the program officer and explore acceptable solutions.

Ongoing Risk Management

How should we prepare for a potential repeat of the spring 2020 pandemic shutdown?

The national community recognizes the potential to see a surge in cases and a national response similar to that in March 2020. However, any repeat will benefit from lessons learned and increased preparedness.

- Review policy addendums and interim procedures, such as those implemented to address OMB flexibilities and communications. If/when necessary, make refinements to close any compliance gaps or operational challenges experienced during the spring shutdown.
- Keep your COVID-19 website and communication channels live and at the ready. If a shutdown occurs, communication mechanisms will already be in place to quickly disseminate critical information. (Even with no repeat shutdown, existing outlets remain the most efficient and effective method to communicate ongoing operational impacts of COVID-19 and any new guidance.) In times of continued uncertainty, transparent and proactive communication can help to alleviate residual concerns and apprehension.
- If a shutdown repeats, leverage existing response mechanisms (such as your task force) to respond quickly to emergent challenges. Even if a shutdown does not repeat, these structures can be leveraged to evaluate and address the overall COVID-19 impact to research or the institution, enhance controls via lessons learned, and develop business continuity strategy and planning efforts.
- Document, document, document! When COVID-19 first emerged, most expected this to be a short-term disruption (financial flexibilities were extended initially for only 90 days). We now understand the impact is longer term and requires an institutional response to changes in regulations and guidance and a new remote work environment. Documentation enables communication, transparency and efficiency — many institutions that previously relied on paper-based processes have now transitioned to DocuSign.

Huron is dedicated to keeping you informed and helping your institution remain compliant with ever-changing sponsor guidelines. Follow the [Huron COVID-19 sponsor guidance updates for the most up-to-date guidance, due dates and requirements for research impacted by COVID-19.](#) ([Huron's Agency Response to OMB Guidance](#))