



## **Costing and Financial Compliance FAQs**

### **April 9, 2020 VERSION**

***NOTE: These Costing FAQs are current as of April 9, 2020. Like all of the COGR FAQs, these will be updated, as needed, on a regular basis.***

#### **Costing FAQ 1: What does the OMB guidance provide?**

The OMB guidance sets the stage for temporary administrative relief to recipients and applicants of federal financial assistance (grants and cooperative agreements), during the Novel Coronavirus (COVID-19). The guidance is included in OMB Memorandums [M-20-11](#) (March 9, 2020) and [M-20-17](#) (March 19, 2020). The M-20-17 is an extension of M-20-11 and covers 13 topical areas applicable to grants administration.

The guidance is addressed to Agency Heads and asks the agencies to provide agency guidance addressing the temporary administrative relief specified in the 13 topical areas, which then is extended to grantees. These flexibilities are in accordance with [2 CFR 200.102](#) of the Uniform Guidance (“exceptions ... permitted only in unusual circumstances”) and OMB will reassess the exceptions 90 days from March 19, 2020 (i.e., June 17th). The guidance is applicable to federal financial assistance, but it is not applicable to contracts. OMB guidance on contracts is included in [M-20-18](#), though does not contain the same flexibilities as it does for grants and cooperative agreements. At this point, COGR recommends each contract to be approached on a case-by-case basis with the applicable contracting officer.

Note that OMB guidance authorizes and encourages federal agencies to avail themselves of the various flexibilities outlined in the Memoranda, but does not compel the agencies to do so. COGR will share timely updates on applicability after the 90 days (i.e., June 17th).

#### **Costing FAQ 2: How does Agency guidance relate to the OMB guidance?**

Agencies should provide specific agency guidance, consistent with the OMB guidance. COGR has an inventory of all the available [Agency guidance](#). For agencies that have not posted guidance, COGR is trying to obtain this information. If guidance for a particular agency is not available, we encourage you to contact a program officer at the agency in question and request if you can follow the OMB guidance for that particular program/agency (otherwise, existing terms and conditions would apply). Also contact COGR and we can assist.

***Costing FAQ 3: What is the specific OMB guidance for charging costs to grants during the COVID-19 crisis?***

OMB guidance items 6 and 7 contains the specific guidance related to charging grants (yellow highlight, COGR emphasis):

**6. Allowability of salaries and other project activities.** (2 CFR § 200.403, 2 CFR § 200.404, 2 CFR § 200.405) 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. Awarding agencies may allow other costs to be charged to Federal awards necessary to resume activities supported by the award, consistent with applicable Federal cost principles and the benefit to the project. Awarding agencies may also evaluate the grantee's ability to resume the project activity in the future and the appropriateness of future funding, as done under normal circumstances based on subsequent progress reports and other communications with the grantee. Awarding agencies must require recipients to maintain appropriate records and cost documentation as required by 2 CFR § 200.302 - Financial management and 2 CFR § 200.333 - Retention requirement of records to substantiate the charging of any salaries and other project activities costs related to interruption of operations or services.

**7. Allowability of Costs not Normally Chargeable to Awards.** (2 CFR § 200.403, 2 CFR § 200.404, 2 CFR § 200.405) Awarding agencies may allow recipients who incur costs related to the cancellation of events, travel, or other activities necessary and reasonable for the performance of the award, or the pausing and restarting of grant funded activities due to the public health emergency, to charge these costs to their award without regard to 2 CFR § 200.403, Factors affecting allowability of costs, 2 CFR § 200.404, Reasonable costs, and 2 CFR § 200.405, Allocable costs. Awarding agencies may allow recipients to charge full cost of cancellation when the event, travel, or other activities are conducted under the auspices of the grant. Awarding agencies must advise recipients that they should not assume additional funds will be available should the charging of cancellation or other fees result in a shortage of funds to eventually carry out the event or travel. Awarding agencies must require recipients to maintain appropriate records and cost documentation as required by 2 CFR § 200.302 - Financial management and 2 CFR § 200.333 - Retention requirement of records, to substantiate the charging of any cancellation or other fees related to interruption of operations or services. As appropriate, awarding agencies may list additional guidance on specific types of costs on their websites and/or provide a point of contact for an agency program official.

Many agencies have implemented the guidance above. As specified in **Costing FAQ 2**, COGR has an inventory of all available [Agency guidance](#).

***Costing FAQ 4: What are COGR's recommendation for charging compensation to grants during the Novel Coronavirus over the next several months?***

By now, most institutions have established and/or modified their compensation/leave policies covering the immediate time period (i.e., through the end of April or May, through

the end of the Spring semester, or similar). Below are helpful links describing institutional policies for charging compensation to grants.

[Case Western Reserve University – Personnel Compensation and Benefits During National Disasters or Other Emergencies](#)

[Washington University in St. Louis – Notice Regarding Alternate Operations, Performance of Work and Special Paid Time Off](#)

[University of Illinois at Urbana-Champaign – COVID-19 Pandemic Pay and Benefit Continuity Policy](#)

As the foregoing policies demonstrate, institutions have taken various approaches to format and approach of their policies. In terms of format, some institutions have issued formal policies, while others have issued guidance documents or notifications. Further, some of the policies speak generally to the issue of compensation, while others approach the issue in terms of special leave categories. OMB was not prescriptive regarding to policy content except to state that any action taken with regard to charging salaries and benefits to current Federal awards must be “consistent with the [institution’s] policy of paying salaries (under unexpected or extraordinary circumstances) from all funding sources, Federal and non-Federal.”

The primary principle adhered to by institutions has been the consistent treatment across each class of employees. For example, the compensation for a technician must be treated consistently across federal and non-federal funds (*also see Costing FAQ 5, “Consistency principle”*). We caution that all institutional policies are fluid and we expect they could be updated as we get closer to the Summer (*see Costing FAQ 9*).

It is important to note that in its March 31, 2020 [Webinar Implementation of The GREAT Act Of 2019 & Administrative Relief for Recipients and Applicants Impacted by the Novel Coronavirus \(OMB Memorandum M-20-11, M-20-17\)](#), OMB specified that the policy did not need to be in place prior to the time of the current public health emergency, but could be developed as the policy unfolded. Further, OMB also stated in this webinar that the guidance applies to awards that were active at the time that the guidance was issued – not past or future awards. Finally, the OMB memorandum states (and the OMB webinar confirmed) that institutions must keep appropriate records and cost documentation as required by 2 CFR Sections 200.302 and 200.333 (*see Costing FAQ 6, Documentation*).

***Costing FAQ 5: What about compliance with the “cost principles”—specifically as compliance relates to 2 CFR 200 (the Uniform Guidance)? How does my institution reconcile “compliance” with “flexibilities”?***

First, make sure you have well-defined institutional policies applicable to the Novel Coronavirus (COVID-19) – *see Costing FAQ 4* above for examples.

Second, revisit [2 CFR 200](#); and specifically, [200.403](#), Factors affecting allowability of costs; [200.404](#), Reasonable costs; and [200.405](#), Allocable costs. While the OMB flexibilities provide just that, flexibility, acknowledgment that the institution continues to scrutinize and document costs (*see Costing FAQ 6, Documentation*) is important. In other words, a recognition that the institution continues to comply with these cost principles, in consideration of the OMB and Agency guidance, should be incorporated into your institutional policies, practices, and internal control structure.

And third, pay close attention to the “Consistency principle,” [200.403\(c\)](#), which requires federal and non-federal funds to be treated consistently. In other words, a “like” cost (e.g., the compensation for a technician) must be treated consistently across federal and non-federal funds. So if your institution continues to pay individuals charged to federal awards, “like” individuals also must continue to be paid from non-federal funds.

Under these early months of the Novel Coronavirus, and assuming your institution is continuing to pay all individuals, then compliance with the “Consistency principle” should not be in question. However, COGR will address this in more detail as we move into the Spring months and institutions consider Summer operations, and beyond (*see Costing FAQ 9*).

#### ***Costing FAQ 6: What about Documentation? For example, Payroll Certification, Effort Reporting, etc.?***

Some COGR members have suggested “business as usual,” with the additional emphasis on the concepts addressed in *Costing FAQ 5 above*. Some COGR members have established new earnings codes/accounting codes to distinguish COVID-19 related transactions.

As to payroll certification and effort reporting, a “business as usual” approach seems to be the common approach, at least for the immediate term (e.g., confirmations for the quarter ending March 31, 2020). In some cases, a modified confirmation statement could be considered, though to-date, this is just being explored (e.g., “I certify the compensation charged to this project for the quarter ending March 31 is consistent with university policy and reasonably reflects both work performed and emergency excused absences ...”). COGR expects to address this topic in more detail as we move into the Spring months and institutions consider summer operations, and beyond (*see Costing FAQ 9*).

OMB M-20-17 requires recipients to maintain appropriate records and cost documentation as required under [2 CFR 200.302](#), Financial management, and [200.333](#), Retention of records. While in most cases federal guidance has been clear, there may be situations where institutions need to make informed, best judgment decisions.

Therefore, the most important message as it relates to a documentation trail is to be intentional and focused on how you initiate and maintain the documentation. It will be

critical for your institution to easily be able to refer back to this, possibly several years from now, and show your justification and basis for institutional policies and practices that were implemented during the Novel Coronavirus (*see Audit and FAQ 7 below*). Further, determining to what extent FEMA disaster reimbursement will be applicable is an important consideration, and documentation of certain type of costs is critical (*see Costing FAQ 10, FEMA*).

Finally, in addition to following usual documentation practices regarding costs, institutions should take care to preserve documentation of any temporary institutional policies or guidance documents that were issued with regard to COVID exigencies when formal policy-making processes could not be followed due to time constraints, as well as documentation of any state or local orders placing restrictions on businesses as a result of COVID. Such documentation may be important in establishing justification for actions taken by institutions in response to the pandemic.

**Costing FAQ 7: What about the Single Audit?**

COGR has met with representatives from audits firms actively engaged in the single audits. We are pursuing several issues around single audit, in addition to what is included in OMB M-20-17 (item 13), and will report on this in a future version of the FAQs.

**Costing FAQ 8: What about the F&A rate proposals and negotiations, Fringe Benefit rate proposals, and other related issues concerning reporting, deadlines, etc.?**

COGR is pursuing a variety of these issues, in addition to items 10, 11, and 12 per OMB M-20-17, and will report on this in a future version of the FAQs.

**Costing FAQ 9: What about the Summer operations? For example, treatment of summer salary and how we continue to pay various classes of employees?**

This is a top priority for our community and COGR will report on this in a future version of the FAQs.

**Costing FAQ 10: Will any of our costs incurred during the Novel Coronavirus period be eligible for FEMA reimbursement?**

Possibly. COGR will report on this in a future version of the FAQs. In the meantime, it is important to maintain documentation on all of the unique and above-and-beyond costs incurred during the Novel Coronavirus period.