



Council On Governmental Relations

Costing and Financial Compliance FAQs

August 12, 2020 VERSION (Release 4)

NOTE: These two Costing FAQs (#27 and #28) are a Supplement to [FAQ Addendum #2 – Costing and Financial FAQs \(Version 3.0\) – May 28, 2020](#).

- *FAQs 1 thru 10 were released on April 9.*
- *FAQs 11 thru 20 were released on May 1.*
- *FAQs 21 thru 26 were released on May 28.*

Costing FAQ #27: What is the status of OMB Guidance and Memorandums (August 12, 2020)?

To date, the OMB Memorandums shown below have been released. The M-20-17, now rescinded, was the primary OMB Memo, implemented by most Federal agencies, and used by COGR membership to support institutional policies during the COVID-19 pandemic.

Upon the release M-20-26 on June 18, 2020, the flexibilities under M-20-17 and M-20-20 expired on June 16th and the flexibilities under M-20-11 will expire on July 26. **A COGR analysis of M-20-26 is included in the following section of this Meeting Report.**

- M-20-11 (RESCINDED ON JULY 26TH): [Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus \(COVID-19\) \(3/9/20\)](#)
 - Initial flexibilities provided only to grant recipients performing essential research and services necessary to carry out COVID emergency response.
- M-20-17 (RESCINDED ON JUNE 16TH): [Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus \(COVID-19\) due to Loss of Operations \(3/19/20\)](#)
 - Overarching flexibilities provided to federal agencies for use with grantees whose operations were affected by COVID-19.
- M-20-18: [Managing Federal Contract Performance Issues Associated with the Novel Coronavirus \(COVID-19\) \(3/20/20\)](#)
 - Authorizes agencies to provide some flexibilities for contractors.

- M-20-20 (RESCINDED ON JUNE 16TH): [Repurposing Existing Federal Financial Assistance Programs and Awards to Support the Emergency Response to the Novel Coronavirus \(COVID-19\)](#) (4/9/20)
 - Authorizes agencies to allow donation of PPE and other supplies and re-assignment of personnel paid for with grant funding to emergency response efforts.
- M-20-21: [Implementation Guidance for Supplemental Funding Provided in Response to the Coronavirus Disease 2019 \(COVID-19\)](#) (4/10/20)
 - Emphasizes three core principles for agency operations during the COVID-19 crisis: Mission achievement, Expediency, and Transparency and accountability.
 - Note, While M-20-21 does not add specific reporting requirements to grantees, issues of documentation, reporting, and audit will need to be closely considered.
- M-20-26: [Extension of Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus \(COVID-19\) due to Loss of Operations](#) (6/18/20)
 - Rescinds M-20-17 and M-20-20, expires September 30 2020.
 - Allows the continued charging of salary consistent with institutional policy across all funding sources but indicates recipients should retain documentation of their efforts to exhaust other funding sources and reduce overall operational costs.
 - Allows delay of completion and submission of the Single Audit in certain circumstances.

Specific questions raised in M-20-26 and a COGR analysis of M-20-26 is included below.

Costing FAQ #28: What is COGR's analysis of [OMB Memorandum M-20-26 \(August 12, 2020\)](#)?

NOTE: This analysis was conducted on July 1, 2020. As additional information is obtained, this analysis could be updated. If/when additional information is obtained, we will update the COGR Membership.

On June 18th, OMB released OMB Memorandum M-20-26, [Extension of Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus \(COVID-19\) due to Loss of Operations](#) (see summary in previous section).

M-20-26 provides Heads of Executive Departments and Agencies to extend the salary charging flexibilities that were included in OMB Memorandum M-20-17. [NIH](#) and [NSF](#) have issued memoranda implementing M-20-26, but these documents repeat the language used in M-20-26, without providing further clarification as to the meaning of its language. Our understanding is that other agencies will follow a similar response—as such, the COGR analysis below is based on the language in M-20-26 and the assumption agencies will not provide additional clarification.

- M-20-26 is directed to Heads of Executive Departments and Agencies, and subsequently, will be directed by the agencies to their grantees that receive federal financial assistance. This includes programs well beyond research (e.g., Head Start, Community Health organizations, etc.). Therefore, when coming across language that suggests pursuing cost savings such as “*rent renegotiations*,” this may be intended for other types of organizations.
- OMB may be reflecting the Administration’s desire to have the country ramp up as soon as possible. Still, OMB recognizes there are challenges to ramp up (e.g., “*However, due to the uncertainty of the re-opening phase and the speed of the ramp-up effort, this memorandum provides an extension of [salary charging flexibilities] ...*”). While there are more strict requirements for using the salary charging flexibilities (see below) as compared to M-20-17, OMB has allowed salary charging flexibilities to be used through September 30.
- The previous M-20-17 requirement that recipients have a “*policy of paying salaries (under unexpected or extraordinary circumstances) from all funding sources, Federal and non-Federal*” still is effective. Consequently, [COGR Costing FAQs #22 and #23 \(May 28 update\)](#) are still applicable under M-20-26, which address issues around consistency across funding sources, furlough programs, and related topics. We recommend consulting COGR Costing FAQs #22 and #23.
- The two new and most strict new requirements are captured in Appendix A, item 1. Allowability of Salaries and Other Project Activities, per M-20-26—“*Recipients should retain documentation of their efforts to exhaust other funding sources and reduce overall operational costs.*”
- First, to use the salary charging flexibilities, institutions must document their efforts to “*reduce overall operational costs.*” Institutions currently are implementing cost-cutting measures that include hiring and salary freezes, retirement incentives, furloughs and lay-offs, amongst other cost cutting-measures. While federal agencies are not asking for this documentation, institutions should have cost-cutting measures documented and available. As COGR has encouraged in its FAQs, ***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 COVID-19 pandemic.***
- Second, to use the salary charging flexibilities, institutions must document their efforts to “*exhaust other funding sources.*” COGR has published a new document, which is available on the COVID-19 [FAQ and Resources Page \(see 7-1-20\)](#) titled: **FUNDING SOURCES FOR RESEARCH UNIVERSITIES**. This document is an Addendum to the June

2014 COGR paper, [Finances of Research Universities](#). The Addendum specifies the challenge being faced by research institutions is this: as funding sources have been exhausted or significantly diminished, institutional survival requires implementation of difficult cost-cutting measures in conjunction with maximizing the significantly diminished funding sources. This is an existential crisis, which requires leadership at universities and research institutions to prioritize the allocation of scarce funds and resources across multiple institutional functions. The COGR Addendum can be used by COGR members as a resource for those institutions that choose to continue using the salary charging flexibilities, and may help to document the dire status of institutional funding sources.

- Furthermore, as “*exhaust other funding sources*” is a subjective term, subject to broad interpretation across a diverse body of stakeholders, it will be imperative for institutions to again adhere to a disciplined approach to developing and maintaining documentation. While federal agencies are not asking for this documentation, it will be prudent to have clear definitions of institutional funding sources, restrictions on those funding sources, the extent to which those funding sources have been used (and exhausted) in support of other mission-critical institutional activities, and any and all additional documentation that will support that the institution's resources have been significantly depleted and exhausted. And as COGR has encouraged in its FAQs (and is worth mentioning for a second time), ***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 COVID-19 pandemic.***

As we are now months into the COVID-19 pandemic, institutions should begin to have a better sense of which projects are able to ramp up and those where challenges remain. For those where challenges remain and may require the salary charging “lifeline,” we encourage your institution to: 1) review COGR Costing FAQs #22 and #23 (consistency across funding sources, furloughs, etc.), 2) take special care and have a good plan around documentation as it relates to both “*reduce overall operational costs*” and to “*exhaust other funding sources,*” and 3) premise the use of the salary charging flexibilities based on sound risk-assessment practices and principles.